CRIMINALS WITHOUT BORDERS

RESILIENCE AND INTERDEPENDENCY IN OPIUM AND COCA COMMODITY CHAINS

Eric Dante Gutierrez

Cover image:
An 1870s painting of a man smoking an opium pipe that used to hang in Ah Sing's well-known opium den in London. Photo courtesy of Wellcome Trust Digital Library Collection (under a Creative Commons License)

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Criminals Without Borders
Resilience and Interdependency in Opium and Coca Commodity Chains

Criminelen zonder grenzen
Veerkracht en onderlinge afhankelijkheid in productenketens van opium en coca

Thesis

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To Petra, Johanna, Nicolien and Emma.
It's been an ultra-marathon, but it's finally here.

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Acronyms

ACCU – Autodefensas Campesinas de Córdoba y Urabá or (Peasant Self-Defence Forces of Cordoba and Uraba)

ACDEGAM – Association of Farmers and Cattlemen of Magdalena Medio

AGE – anti-government elements

AML – anti-money laundering

ARQ – Annual Research Questionnaire of the UNODC surveys

ASEAN – Association of Southeast Asian Nations

AUC – Autodefensas Unidas de Colombia (United Self-Defence Forces of Colombia)

AWDR - Alternative World Drug Report

BVI – British Virgin Islands

CCM – Configurational Comparative Methods

CIA – Central Intelligence Agency

CND – UN Commission on Narcotic Drugs

CNMH – Centro Nacional de Memoria Historica

COP –Colombian peso

CPB – Communist Party of Burma

CPOs – Causal Process Observation

DEA – US Drug Enforcement Administration

DFID – UK Department for International Development

DOJ – US Department of Justice

DUF – US Drug Use Forecasting Survey

EIC – British East India Company

EO – Executive Order

FARC – Fuerzas Armadas Revolucionarias de Colombia
FATF – Financial Action Task Force (IMF)
FELCN – Fuerza Especial De Lucha Contra El Narcotrafico
GTO – Geographical Targeting Order
HAVA – Helmand-Arghandab Valley Authority
IACHR – Inter-American Commission on Human Rights
ICIJ – International Consortium of Investigative Journalists
IDB – Inter-American Development Bank)
IDI – Illicit Drugs Index
IDPC – International Drug Policy Consortium)
INCB – International Narcotics Control Board
INCSR – International Narcotics Control Strategy Report
INL – US Bureau of international Narcotics and Law Enforcement Affairs
INM – US Bureau of International Narcotics Matters
ISI – Pakistani Inter-Services Intelligence
KKY – Ka Kwe Ye ('defence' in the Shan language)
KMT – Kuomintang (the Chinese nationalist army)
LLC – limited liability company
LSE – London School of Economics
MAS – Movimiento al Socialism
MCRI – Multilateral Chemical Reporting Initiative
MNDAA - Myanmar National Democratic Alliance Army
NDA-K – New Democratic Army–Kachin
NHSDAS – US National Household Survey on Drug Abuse
NIDA – US National Institute for Drug Abuse
NLD – National League for Democracy
NPS – new psychoactive substances
NRC – US National Research Council
OFAC – Office of Foreign Asset Control, US Treasury
ONCB – Office of the Narcotics Control Board (Thailand)
ONDCP – US Office of National Drug Control Policy
SAR – Suspicious Activity Reporting
SCD – Systematic Country Diagnostics

SDG – Sustainable Development Goals
SDN – Specially Designated National List
SDNT – Specially Designated Narcotics Traffickers' List.
SLORC – State Law and Order Restoration Council
SOAS – School of Oriental and African Studies
SSA – Shan State Army
SSA-East – Shan State Army–East
TNI – Trans National Institute
UNGASS – UN General Assembly Special Session
UNODC – UN Office on Drugs and Crime
USAID – US Agency for International Development
UWSA – United Wa State Army
WBG – World Bank Group
WDR – World Drugs Report

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There are a few people to blame for this dissertation, the *capos* and *damas* who put me on this path of gangsters and illicit drugs.

Just joking.

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Still, the real difficulty was that I was in full-time employment. I did think many times, for the sake of my mental health and family responsibilities, of throwing in the towel. Fortunately, I had bosses at work, Paul Valentin, Alison Kelly, and Karol Balfe, who not only thought the part-time, remote, and thus 'illicit' academic work I was doing was useful; they also quietly allowed the space I needed. I also illicitly attended (audited) a course on research methods, organised by Carlos Oya at SOAS, University of London. What also helped me was being roped in by the UK *mafia* on drugs policy reform – Danny Kushlick, Steve Rolles, Damon Barrett, Julie Hannah, Martin Drewry, Natasha Horsfield, and the Bond Group on Drugs and Development. A short stint with the UNCAC Coalition helped greatly in introducing me to UN officialdom and processes. Soon, I was on conference circuits in Vienna, New York, and elsewhere, watching and learning from the great debates, sometimes having a meal with the key protagonists.

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Thank you. Grazie. Danke. Dank je wel. Salamat. And just to declare, all mistakes in this tome are mine.

Eric Gutierrez, Paderborn, October 2020

Abstract

Despite everything that has been thrown at the problem over the decades, opium and coca production and distribution reached the highest levels ever recorded in 2018. What explains such extraordinary resilience to prohibition?

This study conducts a comprehensive investigation. First, it historicises the emergence of opium and coca enterprise as a product of commodification and social construction. Next, it examines the two global mechanisms – the US and the UN systems – for tracking and monitoring the ubiquitous markets typically hidden in plain sight, and critically assesses official information and knowledge published since 1986.

Having assembled bases for understanding, this study then narrows down by focusing on the key actors and posing the questions:

> *How do criminal entrepreneurs shape, and are in turn shaped by, the resilience of the illicit production of the crops opium and coca, and what are the implications of their enterprise on the governance over the livelihoods of poor rural households they affect?*

To answer those questions, this study makes a comparative assessment of four country cases: Afghanistan, Myanmar, Colombia and Bolivia. The assessment analyses three 'configurations' — the combination of factors or variables that represents the diverse outcomes or consequences – that may provide the answers. These are: (a) **resilience** and survival in the borderlands where the illicit crops are grown; (b) the **careers** or life stories of selected criminal entrepreneurs; and (c) **prices** and price changes of the illicit crops.

This study concludes that interdependency, first elaborated by Blok (1974) and defined as political, economic, or social forms of symbiosis, *quid pro quos*, collusion, or connivance — not fragility, coercion and criminal enterprise, or prices — best explains the resilience of opium and coca to prohibition. Analysing interdependency not only provides an alternative framing, it also opens up the options for tackling the policy dilemmas posed by illicit crop economies over the governance of rural livelihoods.

Samenvatting

Ondanks de decennialange strijd om het probleem aan te pakken, heeft de productie en distributie van opium en coca in 2018 een historisch hoog niveau bereikt. Wat verklaart die buitengewone weerstand tegen een verbod op deze industrie?

Dit proefschrift beschrijft een diepgaand onderzoek naar dit probleem. Allereerst wordt de opkomst van de commerciële opium- en coca-teelt in historisch perspectief geplaatst als een product van commodificatie en sociale constructie. Daarna volgt een onderzoek naar het Amerikaanse en het VN-systeem. Dit zijn de twee mondiale mechanismen om de alomtegenwoordige markten die vol in het zicht zijn verborgen op te sporen en te observeren. De officiële informatie en kennis die sinds 1986 is gepubliceerd wordt daarbij kritisch tegen het licht gehouden.

Nadat de theoretische basis is gelegd wordt de focus van het onderzoek verlegd naar de hoofdrolspelers. De onderzoeksvragen zijn:

> *Hoe geven criminele ondernemers vorm aan, en worden zij op hun beurt gevormd door, de veerkracht van de illegale productie van de gewassen opium en coca? En wat zijn de implicaties van hun activiteiten voor het voorzien in het levensonderhoud van arme plattelandshuishoudens waarop zij invloed hebben?*

Om deze vragen te beantwoorden is een vergelijkend onderzoek gedaan in vier landen: Afghanistan, Myanmar, Colombia en Bolivia. Er zijn drie 'configuraties' onderzocht die een antwoord op de vragen kunnen bieden. Een configuratie is de combinatie van factoren of variabelen die de verschillende uitkomsten of gevolgen weergeeft. Het betreft a) **veerkracht** en overleving in de grensgebieden waar de illegale gewassen worden geteeld; b) de **carrières** of levensverhalen van geselecteerde criminele ondernemers; en c) **prijzen** en prijsveranderingen van de illegale gewassen.

De conclusie van dit onderzoek is dat onderlinge afhankelijkheid – en niet kwetsbaarheid, dwang en criminele ondernemingen, of prijzen – de beste verklaring vormt voor weerstand tegen het verbod op opium en coca. Het begrip onderlinge afhankelijkheid is voor het eerst beschreven door Blok (1974) en wordt gedefinieerd als politieke, economische of sociale vormen van symbiose, *voor wat hoort wat*, samenspannen of oogluikend toestaan. Het onderzoeken van onderlinge afhankelijkheid biedt niet alleen een ander perspectief, maar ook mogelijkheden om de beleidsdilemma's aan te pakken die ontstaan door de gevolgen van illegale gewasseneconomieën voor de mogelijkheden om in het levensonderhoud te voorzien op het platteland.

Preface

Tackling the Puzzles of Resilience to Prohibition

To set the stage for this study, it is necessary to first briefly examine the scope and depth of illicit opium and coca's resilience to prohibition, and the underlying messy politics, from both a 'macro' and 'micro' perspective.

In the late 1980s to the mid-1990s, the two biggest economies in the world today, the United States and China, separately staged what were perhaps the most aggressive wars on drugs in history. Drug 'cartels' were destroyed, hundreds arrested, drug kingpins killed or captured, and tens of thousands of hectares of illicit cropland eradicated. Yet despite the full force of the state and the coercive capacities deployed, neither offensive succeeded in doing any measurable long-term damage: the enterprise in illicit crops not only continued, but even expanded thereafter. What might explain this failure?[1]

The US offensive began when the Drugs Enforcement Administration (DEA) published, on 23 August 1989, a list of 12 Colombian drug lords, including Pablo Escobar, wanted for extradition in connection with charges filed in US courts. As the list made it to the news, a full-blown war ignited. The Medellin cartel responded by targeting the Colombian government, sending dozens of *sicarios* (assassins) to kill judges, prosecutors, uncooperative policemen and politicians. By early October 1989, Colombian police had linked 142 deadly bomb attacks to the Medellin mobsters. Up to 88 car bombs were reported to have exploded at banks, hotels and malls in major Colombian cities. As the war intensified, an Avianca commercial airliner, on which two government informants were thought to be passengers, was blown up in November, killing all 107 on board (*New York Times,* 23 August 1989; 30 August 1989; 4 October 1989; 20 December 1994).

[1] More extensive discussions of the overall failure of prohibition are discussed in Buxton (2006); IDPC (2018); Rolles et al. (2016); TNI (2006, 2008).

As the US stepped up the pressure, governments of the region fell into line by extraditing more drug lords to face US prosecution. Among the 'big fish' handed over was Colonel Luis Arce Gomez, Bolivia's former Minister of the Interior (*Los Angeles Times,* 12 December 1989). The DEA charged him as principally responsible for organising cocaine production in Bolivia, by protecting traffickers who paid him and arresting those who refused. Testimonies revealed how he sold cocaine seized from uncooperative traffickers — including that kept as evidence in government vaults — to traffickers who did cooperate (*New York Times,* 23 March 1991; Taylor, 29 April 1983). He was infamous for warning his foes to 'walk around with their wills under their arms'[2].

But it was at the end of 1989 that US resolve was demonstrated most clearly. A few days before Christmas, over 27,000 American troops invaded Panama. Though there were other, perhaps more decisive, geo-political reasons for the invasion (i.e. to protect US interests in the Panama Canal which was being threatened by political instability), the US targeted Panama's military ruler Manuel Noriega, and used his capture to justify its patently illegal invasion (Berman, 1990). Noriega was seized and unceremoniously taken to Miami, where he was charged and eventually convicted of drugs and money-laundering offences. He was jailed for 40 years. The US also moved against a number of Panamanian banks, including the First Inter-Americas Bank, thought to be owned by Colombian drug lords who used it to launder drug profits (Micolta, 2012: 65–66).

In 1990, the US International Narcotics Control Strategy Report (INCSR) reported that Colombia had 'by far the best ever year for its anti-drug effort': 452 cocaine labs destroyed; the feared drug lord Gonzalo Rodriguez Gacha killed; 37 tonnes of cocaine seized; 50 aircraft confiscated; 3,607 traffickers arrested; and over 2 million gallons of precursor chemicals destroyed. But it came at a cost of 420 Colombian National Police killed, on top of a string of assassinations, including the murder of leading presidential candidate Luis Galan (INCSR 1990: 125; INCSR 1991: 27).

By 1995, all 12 Colombians on the US list were either dead, in prison or in hiding. The powerful Medellin and Cali cartels were destroyed (*Los Angeles Times,* 12 August 1990; *New York Times,* 15 June 1990; 21 June 1991; 27 June 1995; 6 August 1995). Yet the curious outcome is that the vast cross-border structures of the illicit drugs trade did not dissolve and crumble. Instead, they just

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[2] The US ambassador to Bolivia feared for his life after Arce reportedly ordered his assassination in retaliation for Arce's extradition (*Los Angeles Times,* 29 September 1990).

restructured and perhaps even modernised. In its 1996 assessment, the INCSR admitted that despite the elimination of Colombia's two powerful drug cartels, the destruction of over 16,000 hectares of coca that year via US-assisted spraying, and the seizure by Colombian police of 16 tonnes of cocaine worth over $300 million, 'Colombian coca cultivation increased by 32 percent, the largest relative increase to date in any coca-growing country' (INCSR, 1997). Illicit coca's resilience to prohibition was on full display.

Meanwhile, on the other side of the world, China was carrying out its own anti-drugs campaign. The milestone often cited is 12 April 1986, when authorities in Yunnan, the south-western Chinese province that shares a border with Myanmar[3], Laos and Vietnam, made their first major drugs bust on the Ruili–Muse border crossing since China became a People's Republic in 1949. Two people, one a Thai national, were arrested and 22 kg of heroin (worth about $2.97 million today) seized. The traffickers were eventually convicted and executed (Chin and Zhang, 2015: 59).

By the 1990s, a 'people's war' against drugs was well under way. Its scope and depth are seen in an event documented by Zhou Yongming, on 26 June 1992, when a baying crowd of more than 40,000 people packed the municipal stadium of Kunming, Yunnan's capital, to witness the public trial of 21 drug traffickers, who were sentenced to death and immediately executed. In addition, 4,000 kg of heroin and opium — a sizeable fortune — were set on fire in 60 huge electrical pots. Simultaneously, in Humen in Guangzhou, about 1,380 km southeast of Kunming, 160 kg of heroin, opium and marijuana were publicly burnt while 31 Guangdong offenders were sentenced to death, similarly through a trial inside a stadium witnessed by thousands. Eighteen were immediately executed (Zhou, 1999: 131, 1).[4]

As anti-drugs operations intensified, key border towns in Yunnan used as trafficking bases were locked down. Pingyuan, for example, was put under an 80-day siege from July to September 1992, involving over 100 military vehicles

[3] By convention, the country will be referred to as 'Myanmar' and its capital as 'Yangon'. However, the US government continues to consistently use 'Burma' and 'Rangoon', and these will be used where US government documents are cited. Hence, I have used both sets of names interchangeably.

[4] Both date and location (Humen) are symbolic, as they mark the anniversary of the end of the First Opium War (1839–1842). China views the 'drug problem' not only as a kind of social deviance, according to Zhou, but also as an explosive political issue: drugs were an imposition of imperialist powers, hence Chinese anti-drugs crusades were framed in nationalist discourse and the construction of a Chinese anti-imperialist identity (Zhou, 1999: 1–3).

and 2,000 policemen. Increased arrests and convictions drove Yunnan's execution rates to soar, with 401 drug traffickers executed in 1991, increasing to 464 in 1992 (ibid.: 161–167, 133–134)[5].

China also targeted major Myanmar drug traffickers. In the early 1990s, Myanmar's military was consolidating control of the restive Shan and Kachin states, where separatist ethnic armies roamed but could neither win nor be defeated. As local ceasefire agreements were signed, the opium economy in the border regions started to expand, creating consequences in adjacent Yunnan. Among the major Myanmar drug traffickers captured by China were Yang Maoxian and Lee Guoting, both Kokang natives. The Yang family is believed to have controlled many of the opium refineries that emerged in Kokang after the 1989 ceasefires. Yang Maoxian was the younger brother of Yang Maoliang, a leading figure and ranking commander of the Myanmar National Democratic Alliance Army (MNDAA), one of the Communist Party of Burma splinter groups. Both Yang and Lee were executed (Chin and Zhang, 2015: 3; Meehan, 2015).

If the US had the Andean countries (Colombia, Peru and Bolivia) as the source of its cocaine supply problems, China had the Golden Triangle countries (Myanmar, Thailand and Laos) as the source of its heroin supply problems. The US response was to wage a war on drugs in collaboration with client governments, while also providing aid to fund alternative development and crop substitution programmes. China responded with its own set of interventions that, like those of the US, sought international cooperation, including providing aid for crop substitution (Kramer and Woods, 2012; Woods, 2011).

Both countries knew that their expanding economies and huge markets were attracting substantial illicit drugs traffic. Both responded with forceful law enforcement to eliminate kingpins, close down smuggling routes, and eradicate production. Yet both failed. By the US's own admission, Colombia's production even increased. And on the China–Myanmar border, no long-term disruption of the illicit trade was seen. Chinese authorities themselves offered an explanation: each time they disrupt a major drugs-trafficking operation, arrest conspirators, or execute drug lords, traffickers simply resort to the 'ants-moving-house' method, i.e. moving drugs in small quantities but in huge numbers, like ants, to spread the risks of apprehension (Chin and Zhang, 2015: loc.74).

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[5] China is regarded as having one of the highest execution rates in the world, see Cornell Law School (2014).

The key inference that may be drawn from the US and China's failures to eliminate the illicit enterprise is that there are underlying, well-embedded labour and production networks that could not be brought down by state action alone. The elimination of major drug lords — such as Escobar, Arce, Noriega, Yang and Lee — does not destroy the commodity chain, and may only reconfigure or rearrange the underlying business structures of the illicit trade. Furthermore, such disruptions enable market entry by smaller-scale entrepreneurs, who then start a new cycle of revival and growth in the criminal enterprise.

The 'ants' of the China–Myanmar drug trade and the smaller-scale drug traffickers of Colombia, therefore, are the labour force that bear the risks and, at the same time, make the illicit crop enterprise resilient to prohibition. They are the actors who, through informalisation via dispersal, decentralisation and specialisation — or the *adaptive division of labour* — constitute the criminal enterprise's most effective response to law enforcement efforts. They are the *criminals without borders.*

Altogether, these 'ants' have built the illicit drugs trade to become what appears to be the world's largest criminal enterprise. In a comprehensive review of global illicit financial flows published in 2011, the UN Office on Drugs and Crime (UNODC) estimated the total proceeds of *all* crime to be between 2.3% and 5.5% of global GDP. The midpoint in this range is 3.6% which, when applied to the global GDP of 2019, is equivalent to $3.092 trillion — a figure that is much higher than the $1.823 trillion combined output of 48 economies of sub-Saharan and northern Africa. The 'largest income for transnational organised crime', states the UNODC, 'comes from illicit drugs, which account for some 0.6% to 0.9% of global GDP' (2011a: 7).[6] This translates into a turnover of about $515–713 billion for 2019 — equivalent to nearly five times the global aid budget for that year.[7] In 1997, the UN estimated the illegal drugs business to account for 8% of all international trade, comparable to the annual global turnover in textiles (*New York Times*, 26 June 1997), 'a remarkable inversion in human fundamentals' (McCoy, 1999: 302).

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[6] The UNODC has not followed up on this 2011 publication. Subsequent publications have also been careful in putting out concrete figures, presumably to emphasise that these are estimates.

[7] The World Bank's GDP Ranking Table for 2019 gives a global GDP of $86 trillion (rounded off); see https://datacatalog.worldbank.org/dataset/gdp-ranking, accessed 12 May 2020. The global aid budget in 2018 was reported by the OECD at $152.8.2 billion; see https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/official-development-assistance.htm, accessed 12 May 2020.

It goes without saying that any economic activity of this magnitude is likely to leave almost no aspect of development untouched. Its size and breadth make it an important development and governance issue. Amongst other things, it will shape the creation of jobs; determine access to land and markets; sway trends in banking; drive cross-border financial flows; affect public services; influence political decision-making; and change processes on who gets to wield power. Indeed, it will inevitably shape 'who owns what, who does what, who gets what, and what do they do with it' (Bernstein, 2010: 22) in the overall economy.

Just how well-embedded the labour and production networks of the illicit drugs trade are in local society, and why they are so resilient to state control, can be seen in the story of Khalida, a 10-year old Afghan girl who in 2008 was handed over by her father to a 45-year old drug trafficker as payment for his opium debts.

'It is my fate', Khalida told journalist Sami Yousafzai, as they awaited the arrival of the trafficker to collect her. Her father, Sayed Shah, who had spent much of his life raising opium on stony hillsides of Laghman Province in eastern Afghanistan, had borrowed $2,000 from the drug trafficker, promising to repay the loan with 24 kg of opium at harvest time. Unfortunately, a government drugs eradication team appeared at the family's 2.5-hectare plot of land and destroyed all the opium poppies. Fearing repercussions from the angry trafficker, Shah fled with his family to Jalalabad, the capital of Nangarhar Province, but the trafficker soon tracked them down. Scared and desperate, Shah brought his case to a tribal council, begging for leniency. Unfortunately for the father of ten, the elders ruled that he 'would have to reimburse the trafficker by giving Khalida to him in marriage'. Khalida ended up becoming an 'opium bride' (Yousafzai*,* 2008).

But there is more to Khalida's case than just plain debt collection. As more accounts of opium brides emerged by 2012,[8] it became apparent that the girls are taken not simply as debt settlement. Most drug smugglers choose to go through the Islamic *nikah* marriage ceremony as well, a culturally recognised symbol that legitimises the man's status as husband or 'owner' of the girl. The ritual is not just a form of insurance against being legally charged for extortion or kidnapping a minor. Marriages are also a strategy that changes the status of the enterprising

[8] See for example Monischa Hoonsuwan's (2012) report in *The Atlantic* and Fariba Nawa's (2012) in *Foreign Affairs*. In 2011, Nawa had published the book *Opium Nation: Child Brides, Drug Lords, and One Woman's Journey Through Afghanistan.* See also the Pulitzer Center's series "Too Young To Wed: The Secret World of Child Brides", https://pulitzercenter.org/projects/child-brides-child-marriage-too-young-to-wed, accessed 19 December 2019.

creditor from outsider to insider in the girl's village, thereby entitling him to some form of protection.[9] As a 'local son', the trafficker may also use the wife's house as a base for drugs trafficking, especially since in Afghanistan, 'drugs tend to be stockpiled in the villages rather than in the district bazaar' (Goodhand, 2009: 17).

At first glance, then, Khalida's story or the phenomenon of opium brides might seem a useful starting point for an investigation into the resilience and apparent invisibility, at least to outsiders, of illicit enterprise. In this story, the opium bride emerges as an instrument to be used by an enterprising trafficker for integrating his illicit business into a local social system, that at the same time may turn the girl's village into an effective infrastructure within the global chain of an illicit commodity trade. However, a preliminary search of academic literature examining this phenomenon revealed very little; most of what is available comes from 'grey literature', and until 2012 even that was lacking.

In their contribution to the 2011 publication, *Children of the Drug War: Perspectives on the Impact of Drug Policies on Young People,* Kabul-based researchers Atal Ahmadzai and Christopher Kuonqui described an 'obscured reality' in which 'the international and local literatures remain nearly blank on the subject' of child bartering. Pointing out that their fieldwork suggests a wider prevalence of opium brides than the scant coverage suggests, they cited some explanations for the lacuna. These included social and cultural sensitivities on child-bartering practices that may cause embarrassment to those speaking up; the strong de facto hold on society by drug lords who obstruct the flow of opium-related information; and the particular prevalence of opium brides in unsecured districts that are typically not accessible to journalists and researchers. Thus, although the phenomenon of opium brides is 'a real crisis for the young sisters and daughters of opium farmers' families, its full magnitude, social costs, and consequences on the lives of the bartered girls remain largely unknown (2011: 43–56).

What is clear, though, is that the 'ants' in the illicit trade, in this case an enterprising Afghan drug trafficker, have irregular and unorthodox means at their disposal that enable the survival and resilience of their enterprise. What is shocking in Khalida's case is not just the cruelty of the arrangement, but also the way the elders of Laghman advised that she be used as 'payment' to settle

[9] The use of marriage to receive protection from local villages is also seen elsewhere. One prominent case is that of Malaysian Zulkifli bin Hir, a.k.a. Marwan, a wanted terrorist who married into families in Mindanao, southern Philippines, thus avoiding capture for years (Ressa, 2015). Another is Mokhtar Belmokhtar, an Algerian Arab and known bandit in the Sahara, who married into a Berabiche Arab clan in Timbuktu, and into a nomadic Touareg clan further north in Mali (Anderson, 2015: 9).

the debt. Seen from an outsider's perspective, this 'self-perpetuating system' grows and 'becomes more ruthless and sophisticated than ever', as it acquires more tools and assets and employs 'a growing array of opportunists who trap, rape and rob from the point of departure to the end of the road' (Cave and Robles, 2014).[10]

What emerges therefore from the US and Chinese failures in enforcing prohibition, and from the complexity of cases like Khalida's, is that there are *macro* and *micro* questions that comprise the puzzle of the illicit drug trade's resilience to prohibition:

- Why is it that despite an unprecedented UN consensus calling for illicit crop eradication since 1961, despite state-enforced eradication attempts repeated through history, and despite contemporary wars on drugs waged by no less than the two largest economies, the US and China, 'the production of opium and manufacture of cocaine are now *at the highest levels ever recorded*' (WDR, 2018a: 1; emphasis added)?
- What is the role of rural indebtedness not only in the creation of opium brides, but in the expansion and embeddedness of illicit drugs capitalism? More importantly, could the emergence of household indebtedness in illicit drug crop enterprise be analysed in the ways framed by Gerber — i.e. as a factor of social differentiation; as fostering market discipline; as creating pressures that undermine traditional community bonds; and as a powerful mechanism of social selection? (Gerber, 2014: 729).

Putting the macro and micro research questions together, the puzzle that emerges is: *why have the illicit cultivation, processing and trade of opium and coca become so resistant to prohibition and state control?*

This study was conducted for two reasons. First, despite its sheer scale and complexity, what is generally known about illicit crops' resilience to prohibition remains largely fragmented or piecemeal. This is borne out by the simple fact that despite all efforts towards its eradication, the illicit commerce continues to grow. Could it be, therefore, that the prevailing knowledge about these illicit crops and the participants in their commodity chains is riddled with simplifying

[10] This quote from *New York Times* journalists Damien Cave and Frances Robles was used in a special feature article on *coyotes* or human smugglers in the multi-billion-dollar illegal migration enterprises from Central America to the United States.

fictions that obscure or distort, rather than unpack or explain, the sum of the parts that make up this complex phenomenon?

Second, it may be inferred from the UNODC estimates that criminal trades are also a creator, not simply an extractor of wealth as often regarded. Could it be, therefore, that for many poor communities, or the 'ants' of the illicit trade, who are marginalised and excluded from regular economies, illicit crop production has become an alternative livelihood and means of survival? If so, why is illicit crop production often studied mostly in terms of the crimes committed, and less in terms of the processes that allow it to reproduce itself, continue with impunity, generate the capital it requires, mobilise the labour supply it needs, or achieve certain forms of legitimacy? Given its resilience to prohibition, does the illicit or 'shadow' economy normalise to incorporate development as well, and should it therefore be analysed as such?

Another puzzle is why many poor households, often assumed to be prey, appear to be engaging in business with criminals thought to be their predators. Are these households in fact complicit criminal partners? A common explanation is that they may have been coerced or have no choice. But it could also be pointed out that choices — whether rational or otherwise — are never made outside of a particular context, i.e. there is no single universal context in which the 'rational choice' of complicity is made. The onus, therefore, is on researchers to describe and explain the trade-offs and paradoxes that emerge in these contexts.

This study is an investigation into these questions. It seeks to explain why prohibition has failed; what makes illicit crop economies resilient to law enforcement; how its actors arrange and rearrange themselves in these contexts; and what trade-offs and paradoxes need to be unpacked and explained. This study attempts to provide a contribution towards addressing the challenges to development and the governance of rural livelihoods posed by the illicit economies of opium and coca.

Initial probes into cases like Khalida's reveal the depth of the research challenges. An illicit enterprise, by its very nature, is deliberately hidden, often misrepresented, and not uncommonly denied. In addition, available information may be filtered by those with the power to control its flows and with an interest in shaping the version that comes out. And apart from the obvious risks of reaching unsecured districts to conduct research, there is an important question of ethics. Is it ethically acceptable to conduct research that may open poor individuals, families and communities involved in illicit enterprise to possible prosecution by the authorities, or worse, backlash from powerful men of violence who may be offended should their enterprise receive unwanted attention? The names of Khalida and her father were retrieved from an open source — but by what right could researchers repeat it? There is also a question of whether the researcher has a responsibility to do something more than just publish, for example, by bringing official attention to individual cases, like Khalida's, so that some form of justice may be served.[11] There is, therefore, substantial difficulty not only in finding pieces of the jigsaw, but also in representing research subjects who may hold the key to the puzzle in a way that enables their own agency.

Another key challenge is how an insider's perspective could be known by outside researchers. Victim–villain relationships are not always simple or one-way. Ahmadzai and Kuonqui have called for ways of penetrating 'the melancholic social character expressed daily by ordinary people' so that it may properly be captured, not continually ignored (2011: 51). Questions may also be raised as to how practices that may be illegal according to formal written law could be accepted and even legitimised by traditional institutions, like tribal councils and marriages, in ways that Thelen and Steinmo have elaborated, i.e. that social outcomes are ultimately shaped and mediated, constrained and refracted, though never solely, by institutions designed and chosen by people (1992: 1–3).

Given the challenges presented by these questions, various approaches and research plans were conceived, weighed and eliminated. Fieldwork was ruled out early on, not only because of the dangers, language difficulties and funding issues, but also because I was in full-time employment, unable to take a sabbatical, living in the UK, raising a family with three children in school, and already in mid-career. Why, indeed, go through all the effort to unlock a puzzle so complex? Yet what sustained my interest and commitment to pursue this study was my exposure to the various issues and policy dilemmas through my employment as a policy and research adviser in an international NGO. This not only brought regular interaction with colleagues and partner organisations doing field-based humanitarian and programmatic work in various conflict-affected countries with sizeable illicit economies, but also afforded opportunities to participate in and

[11] As Fujii explains, this is not simply about procedural ethics, but about how researchers should consider and treat study participants as an ongoing responsibility, not a discrete task to check off a 'to do' list (2012: 717).

organise relevant conferences, such as the conference on the land–drugs nexus in New York in October 2014, a pre-conference presentation of papers in Glasgow in June 2017, and the Illicit Economies Colloquium in London in April 2018. Thus, from 2014 to 2019, I carried out this research wearing two hats — that of an INGO staff member based in London, on one hand; and that of a part-time, non-resident PhD researcher of Erasmus University International Institute of Social Studies, The Hague, on the other.

Eventually, a comparative case study approach (to be detailed later) was considered and developed after auditing a series of lectures on research methods at SOAS, University of London.[12] The core of this approach is a comparison of life stories of selected criminal entrepreneurs in Afghanistan, Myanmar, Colombia and Bolivia. This decision was inspired partly by the unnamed drug trafficker in Khalida's story above, and partly by work that I had carried out on criminal entrepreneurs:[13] rather than examine 'victims', why not focus on the 'villains'? A closer examination of that unnamed trafficker appeared to offer clear potential for unpacking the puzzle.

The use of actors as the central unit of analysis also derives from a number of scholarly outputs. For example, in analysing a completely different set of actors, Baud and Rutten point out that the work of individuals is often lost in the literature on contentious politics, especially since many studies fail to take a closer look at the men and women whose 'histories of interpersonal contacts and interactions may be crucial in shaping contentious ideas and their reception' (2004: 2). In the acclaimed 1994 collection *An Anarchy of Families: State and Family in the Philippines,* McCoy, Sidel, and other authors show that men of violence and elite families have an influence on wider society and its politics that is often ignored by the treatment of politics and change through formal institutional structures. Hence, by developing actor-focused cases, these authors were able to explain not only the apparent reasons for the weakness of the post-colonial Philippine state, but also the sources of resilience of the elite families who shaped and were shaped by their interactions with that state (McCoy, 1994: 1–11). Since criminal entrepreneurs and state institutions are engaged in reciprocal relationships that constantly define and redefine them both, an examination of their histories of interaction and politico-economic roles, and the influence these

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[12] This was made possible by the generosity of the seminar's organiser, Dr Carlos Oya.

[13] See for example Gutierrez (2003) and Gutierrez (2013) in Lara and Schoofs (eds).

have had on wider society and its politics, potentially offers new insights into the questions being raised by this study.

Actor-focused study is also linked to Historical Institutionalism, the approach to studying politics and social change elaborated by Thelen and Steinmo, cited earlier. Because political evolution is influenced by the intentions of its subjects, using criminal entrepreneurs as a unit of analysis can illuminate the 'branching processes', particularly the points of departure from established patterns that lead to outcomes such as remarkable resilience to policies of prohibition and state control (1992: 1–27).

The objective of this research, however, is not to simply solve the puzzle. More importantly, this study is an attempt to make a contribution towards addressing the challenges to development and the governance of rural livelihoods posed by the illicit enterprise in opium and coca. As such, and in keeping with its original focus on the criminal entrepreneur as the unit of analysis, the central research question[14] is:

> ***How do criminal entrepreneurs shape, and are in turn shaped by, the resilience of the illicit production of the crops opium and coca, and what are the implications of their enterprise on the governance over the livelihoods of poor rural households they affect?***

Hence, the title of this study: 'Criminals Without Borders: Resilience and Interdependency in Opium and Coca Commodity Chains'. A brief explanation of the argument and outline of the study follows.

The argument

While drug traffickers may indeed be 'ruthless and cruel capitalists who trap, rape, and rob', as Cave and Robles assert, it can be assumed that they could not do so for long unless their activities are normalised, their relationships are expanded, and their enterprise becomes embedded in local society, with or without coercion. As such, although illicit enterprise is almost always framed as

[14] This is slightly changed from the question in the original 2015 research proposal, which read: *How do criminal entrepreneurs exploit the economic and political institutions that enable or constrain the commerce in opium, coca, and their derivative products, and what are the implications of their enterprise on the livelihoods of poor rural households in opium poppy and coca-growing areas?*

a 'problem', in reality, the relationships, and their impact and outcomes, are far more complex than often assumed. Drug cartels, for example, can build impressive levels of legitimacy among their audience even without being romanticised, like Jamaica's Shower Posse gang, whose leader is known simultaneously as a philanthropist and a drug lord (Cederstrom and Fleming, 2016). Pablo Escobar himself, despite his ruthlessness, also became known for his 'other side' in forming organisations that provided housing for the homeless, and private social security for residents of marginal barrios of Medellin (Thompson, 1996; *Los Angeles Times,* 21 February 1988).

Reflecting back on Khalida's case, it is evident that creditor-drug traffickers who take opium brides are not total outsiders even at the outset — they possess some form of legitimacy, otherwise tribal councils would not even listen to them. It would not be surprising if Khalida's family's woes were blamed more on the government and its opium eradication campaign, rather than on the criminal trafficker. Under desperate conditions of broken economies and competing institutions, of which the state is only one (Ballve, 2019), criminals who provide an important local lifeline as a source of agricultural credit, a provider of transport, or who pay for the repair of local water systems, become better regarded. There are plenty of examples: smugglers in the Sahara (Scheele, 2012); criminal networks set up like strategic business structures that emerge as licit in the eyes of those involved in their transactions (Abraham and van Schendel, 2006); and the 'global outlaws' who move trillions of dollars of illegal products, from diamonds, arms and pharmaceuticals to food and oil, outside legal channels (Nordstrom, 2007: xvi). Assumptions that opium-based credit is particularly exploitative or is 'a bargain with the devil' have been challenged, because the question that should be asked, argues Adam Pain, is 'what does the cultivation of opium poppy say about the need for and the role of rural credit in Afghanistan?' (Pain, 2008).

This shows that illicit enterprise is not a simple, straightforward issue as conventionally regarded; sometimes it may be seen as 'alternative development', or a solution to the problems with which poor and desperate people grapple. Despite their violence and coercion, drug traffickers hunted as criminal smugglers by the state can also be seen as saviours who prevent moribund rural economies from collapsing. They could be predators to some, while being protectors or patrons to others. What also becomes evident is that there are peculiar forms of governance arrangements that emerge where illicit economies thrive, that may best be examined using power analysis on different levels, spaces, and forms, as described by Gaventa (2006).

This study is different from most drug policy research in at least two ways. First, as described above, a central focus is on the key actors, the criminal entrepreneurs, who arrange and rearrange themselves in conflict and accommodation with other actors and, in the process, produce — whether by design or unintentionally — particular forms of socio-economic order where opium and coca are grown. Building on McCoy's idea of a 'covert netherworld' — a shadowy realm beneath the surface of political life that forms a recurring social milieu at regional, national and international levels, and in which power, profit and political change are contested, negotiated and created (McCoy, 2016: 848; 2019: 9–10) — this study aims to show that the criminal entrepreneurs who inhabit such realms are not only specialists in coercion but are also actors who regulate and manipulate (often coercively) access to land and resources, mobilise labour and shape its divisions, and promote certain forms of capital accumulation. Additionally, this study expands on the argument developed by Goodhand and Mansfield, that such criminal entrepreneurs are sources of *both* order *and* disorder, i.e. the particular types and patterns of rent appropriation they engage in may contribute to more inclusive or exclusive political settlements that impact upon processes of state-building and peace-building (2010: 1–5). The contention is that a better understanding of the roles of these criminal entrepreneurs as pioneers of capital, intermediaries in commodity chains, and arbitrageurs between state and borderlands may provide new ways of unpacking and explaining the puzzle.

Goodhand's discussion of shadow, combat and coping economies also informs this study's differentiation of actors that inhabit these spaces. As law and order weakens, criminal actors begin to control a wide spectrum of *shadow* economic activities — smuggling arms and fuel; providing safe passage for consumer goods; kidnapping to raise cash; and so on. But there are belligerent actors too who engage in various forms of fund-raising for their armed struggle by imposing taxes on the passage of goods, directly engaging in profitable illicit activity for *combat* economic activities. Finally, there are the ordinary people caught in the conflict, who try to manage when everything is in flux and there is no security. They participate in economic activities, whether licit or illicit, in order to *cope* with the adverse conjuncture (Goodhand, 2004). This framework further provides a useful analytical tool that shows how criminals, belligerents and ordinary people caught in conflict may have agendas that, while completely different from each other, often overlap and may even merge temporarily.

The second reason this study is different is that it situates the examination of opium and coca more as commodities within processes of agrarian change, rather than solely as criminal or conflict goods shaping the outcomes of violence and politics where they are grown and traded. In other words, while opium and coca are just plant crops, the social, economic and political relationships, as well as the consequences that emerge from their production, trafficking and consumption, inevitably play a role in shaping capital accumulation and state formation, i.e. the political economy of 'who owns what (property relations), who does what (social division of labour), who gets what (distribution of income) and what do they do with it (social relations of consumption)' (Bernstein, 2010: 22–23).

This study's principal contention is that conventional explanations of illicit crop enterprise — i.e. those framed along the concepts of law and order, or definitions of who or what is licit or illicit, legal or illegal; and those framed along assumptions of market forces, spontaneous order, or prices and profit — are insufficient to explain survival, resilience and change in rural agrarian economies where opium and coca are grown. As such, an alternative framing, rooted in political economy analysis and in the social forms of symbiosis, *quid pro quos*, *modus vivendi*, collusion, or connivance — or what has been referred to as interdependency — is needed.

Interdependency, which may explain how criminal entrepreneurs survive and become resilient, was a notion first elaborated by Anton Blok in *The Mafia of a Sicilian Village, 1860–1960: A Study of Violent Peasant Entrepreneurs* (1974). Blok's basic contention is anthropological, that 'it must not be assumed that *mafiosi* have their own independent structure' (ibid.: 15). In other words, these actors — whether called bandits, mafiosi, traffickers, or criminal entrepreneurs — are essentially embedded in society, the economy, and state institutions, and are therefore necessarily engaged or locked in interdependent relationships, whether as friend or foe, with other socio-economic and socio-political actors. They must therefore be analysed in the context of those interdependent relationships, and not considered as if they were autonomous or external to the rest of society.

In an earlier article, Blok observed that, given the specific conditions of outlawry, bandits have to rely very heavily on other people. This is because 'they require protection in order to operate as bandits and to survive at all. If they lack protection, they remain lone wolves to be quickly dispatched'. The protection can come not only from a narrow circle of kinsmen and affiliated friends, but also from powerful politicians including those who hold office. 'Our task therefore', Blok emphasises, 'is to discover people on whom the bandit relies' (1972: 497–498).

Michael Watts recently called for a revival of interest in Blok's work, because *The Mafia of a Sicilian Village* offers a view at odds with much of the economics-dominated work of the 1990s and 2000s. While these later literatures 'see mafia exclusively as a perverse market response to modernization and commercialization in a context in which the state fails to protect property', Blok takes a substantively different view, as Watts points out, by construing the mafia as brokers in violence that keep restive peasants in submission, but in ways that are starkly 'different from its feudal predecessors who acted mainly as armed retainers for maintaining law and order of vested interests in the countryside'. The 'mediating functions' of feudal armed retainers 'were minimal and strictly local phrased', while those of the mafiosi 'attain major strength and significance in connection with the impact of the State and the advent of the market'. Blok shows that it is the collusion, cohabitation and contiguity with the state and forms of public authority which are central to the mafia's reproduction (Watts, 2016: 76).

Blok argued that criminal entrepreneurs are not just plain gangsters or racketeers for the simple reason that they make decisions that affect the public. From his fieldwork in western Sicily, Blok observed how mafiosi became the force for change that shaped the effective distribution of land, patterns of land use, and the consequent division of labour resulting from shifts into livestock raising. Without the mafiosi, capital would not have had agents with the power to principally reorganise peasant society into more commercial forms of agriculture. Because they had the power to mediate or settle conflicts, they enforced a particular form of property ownership. Hence, the realm of the criminal entrepreneur is the public, where he or she establishes interdependencies with other socio-economic and socio-political actors. It is this symbiosis or interdependency that distinguishes the criminal entrepreneur from the ordinary outlaw or bandit (Blok, 1974: 6, and 245–252; Tables II–XIV).

Indeed, interdependency implies that while criminal entrepreneurs rely on others to survive, others also rely on them. To emphasise, the reliance is mutual, not one way. As sociologist Norbert Elias explained, '*underlying all intended interactions of human beings is their unintended interdependence*' (Elias, 1994 [1939]: 284–285; 300). At any given point of economic development, Elias elaborates, people are bound to and dependent on each other in quite specific ways, producing particular forms of social integration and tensions. In a barter economy where goods transfer from producer to final consumer without intermediaries, interdependence is straightforward. But as transfers gradually become more differentiated and subjected to the intervention of both social actors and the range of methods that states use to regulate commerce (e.g. business licences, tax forms, or property registers) and to socially construct what is legal or illegal, more and more people become intermediaries and functionaries in commodity chains that grow in scope and complexity. The interdependence becomes increasingly complex.

Organisation of the study

To develop and sustain the argument, answer the central research question, and resolve the identified puzzle, this study is organised as follows.

Chapter 1 introduces the study and lays down the tools for conducting the research: (a) the theoretical and conceptual models drawn from the relevant literature that provide the analytical frames for sorting through the debates, theories and policy positions; and (b) the details of the comparative methodology adopted, its analytical operations and logical sequence.

Chapter 2 historicises the remarkable resilience to prohibition of the illicit drugs enterprise today by tracing the genealogy of the global enterprise in opium and coca through processes of commodification and the emergence of commodity chains that gave these plants a 'social life' as tools for colonisation, incubators of capitalism, and a means for capital accumulation. Inspired by Gramsci's work on how the *senso commune* (common sense) is reproduced and embedded by the *blocco storico* (historic bloc), this chapter introduces the idea that resilience to prohibition emerges out of processes of commodification, and that unbundling the institutions and social relationships of commodification may allow the 'common sense' around illicit drugs enterprise to be reset to break new ground in its understanding.

Chapter 3 sketches the consumer, intermediary and producer markets of illicit opium and coca. This chapter attempts to accomplish two goals. First, it critically assesses limits of the two global mechanisms to track and monitor illicit markets in opium and coca, simply by analysing whether the official estimates produced by the US government and the United Nations are internally consistent and valid. Second, it elaborates on the wealth of information that has been collected on illicit opium and coca markets but which, I would argue, has been devalued, often ignored, and frequently misinterpreted by proponents of prohibition.

The subsequent three chapters provide the key findings that compare four illicit-crop-producing countries (Afghanistan, Myanmar, Colombia and Bolivia) across three configurations that represent the diverse outcomes and consequences of the puzzle: resilience, careers and prices. These constitute the main body of this study. **Chapter 4** discusses resilience by elaborating on the limits of development and drug policy orthodoxy and examining four sub-national cases that reveal and detail the paradox of illicit economies. By looking into the local contexts of the world's leading opium and coca producers, this chapter deconstructs the most common assumptions on illicit enterprise and shows that illicit crops may also be sources of stability, even drivers of economic growth, and sources of livelihoods that enable marginalised communities and territories abandoned by the state to be reinserted into national and global markets. It also focuses on agency, examining how, within so-called 'fragile' and conflict-affected areas, displaced and dispossessed households are building resilience, adopting innovative and unorthodox strategies for coping and survival in changing and insecure environments.

Chapter 5 is the core contribution of this study: a comparative examination of the life stories and careers of selected criminal entrepreneurs in the four countries that enables inferences to be drawn into how drug lords also act as rural elites promoting, whether intentionally or otherwise, specific forms of local economic and political order. This chapter contends that a better understanding of the roles of these criminal entrepreneurs as pioneers for capital, intermediaries in commodity chains, and arbitrageurs between state and borderlands may provide ways of unpacking key challenges to peace-building and post-war economic development in borderlands where illicit enterprise thrives, and thus offer a clearer picture of their impact on governance over the livelihoods of poor rural households drawn into illicit opium and coca production for coping and survival.

Chapter 6 investigates the 'mystery of prices' by deconstructing price theory and elaborating on the limitations of its uses as applied to illicit opium and coca. In particular, this chapter shows that decisions taken by illicit crop producers are rarely based on the so-called signals of prices, which remain unpredictable, but rather on the predictability and risk-reducing attributes, ironically, of illicit crop production. This chapter tracks changes in the prices of opium and coca derived from official sources from 1986 to 2018.

Finally, **Chapter 7** provides the conclusions and the synthesis of this study's findings that answer the central research question. An overview of how the study is organised is presented in the Overview Table below.

Overview table: summary of the study

Chapter 1: Introduction, theoretical constructs and methodology

Chapter 2: Historicising illicit drugs enterprise

Chapter 3: Tracking and monitoring illicit drugs markets: consumers, intermediaries and producers in global commodity chains

	Chapter 4: Resilience Survival and resilience: the paradox of illicit economies	**Chapter 5: Careers** Pioneers, intermediaries and arbitrageurs: criminal entrepreneurs as politico-economic actors	**Chapter 6: Prices** Illicit markets and the 'mystery' of prices
Afghanistan	Fragility and resilience in Helmand Province's illicit croplands	Lal Jan Ishaqzai and Bashir Noorzai — negotiating protection	Impact of price changes before and after the 2001 Taliban opium ban
Myanmar	Illicit crops as sources of stability and instability in Shan State	Lo Hsing Han and Tan Xiaolin on the China–Myanmar border	How prices of opium and heroin were affected by the 1989 ceasefire agreements
Colombia	Marginalisation, exclusion and reintegration via illicit crops in Putumayo	Castaño brothers — franchising criminal enterprise.	Prices before and after the 1996 'cocalero uprisings' in Putumayo
Bolivia	Social vs. market control of illicit crops — lessons from the Chapare	Roberto Suarez Gomez and the upper-class drug lords	Prices before and after the capture of state power by cocaleros in 2005

Chapter 7: Conclusion: Implications on development and governance of the resilience and interdependency in opium and coca commodity chains

1 Theoretical Constructs and Methodology for Analysing Resilience and Interdependency in Illicit Crop Enterprise

1.1 Locating illicit crop enterprise in agrarian change processes

This study makes the case that because illicit drug crops are commodities produced mainly in marginalised borderlands (WDR 2019a: 62–74), it is necessary to locate and analyse the criminal entrepreneurs involved within their rural contexts — how they shape and are in turn shaped by conflict and contestation over the control of territory, the regulation and manipulation of access to land and resources, the reordering of the agrarian labour supply, and the outcomes of state formation.

Such an emphasis is often lost, however. On the one hand, key publications that shape policy — such as the Systematic Country Diagnostics produced by the World Bank, or the World Drug Reports published by the UNODC — often ignore the politico-economic roles of criminal actors, especially in agrarian settings (Gutierrez, 2020), or the typically 'invisible incubators' that have become the economic foundation for the illicit crop trade (McCoy, 2019). The lack of a more deliberate and specific agrarian focus sustains assumptions that 'war is development in reverse' and that economic growth is the best solution for tackling and preventing both conflict and criminality (Collier et al., 2003); or that since the central actor in conflicts is the state, investing in state capacity and presence in borderland areas leads to conflict prevention (United Nations and World Bank, 2018). As other scholars have pointed out, 'economic growth and development' can themselves be violent, produce poverty, and be a source of criminality and conflict (Thomson, 2011: 322), while spaces often depicted as 'ungovernable' or 'stateless' are actually 'wracked by extra-legal regimes of rule in which the state is simply one actor among others' (Ballve, 2019: 211).

On the other hand, broader scholarly literature rarely looks at the subject through an agrarian lens. Key works on organised crime, for example, are typically focused on violence and illegality, with little or no emphasis on agrarian spaces. Diego Gambetta's classic work on the mafia analyses 'an institution that exploits and thrives on the absence of trust by providing protection, largely in the form of enforcing contracts, settling disputes, and deterring competition' (2011: 2; also, Gambetta, 1993)[15]. Vadim Volkov's 'violent entrepreneur' who remade Russian capitalism is largely urban based, with Volkov explaining crime as 'a result of the failure of different social institutions to ensure the proper social integration of individuals and groups' (2002: 17). Federico Varese's work elaborates on the migration of criminal enterprise in a globalising world (2012), while Benjamin Lessing's well-argued study unpacks how drug cartel violence is used to constrain the state's behaviour and influence policy outcomes (2015: 1486).

Within the sub-disciplines of development studies and critical agrarian studies, there is a paucity of literature on illicit crop enterprise and its main actors.[16] This is not to say that there is a complete absence of such focus: a number of agrarian and area studies scholars have examined these issues from varying perspectives. Alternative development or crop substitution policies, for example, have been examined by Cohen (2009); Davalos et al. (2016); Dion and Russler (2008); Ibanez and Carlsson (2010); and Rincon-Ruiz et al. (2016). The roles of violence, militias and other armed actors in borderlands and narco-frontiers have received excellent scrutiny from scholars including Ballve (2012, 2019); De Danieli (2014); Meehan (2011); and Woods (2011).

Placing criminal actors within contexts of rural transformation, therefore, would usefully complement the policy and broader literature, and may also provide ways of unpacking key challenges to peace-building and post-war

[15] In his review, McDonogh points out that the main weakness of Gambetta's opus is that it focused exclusively on the industry of protection and does not engage further with the political and social context, or with 'the already existing circumstances given and transmitted from the past' (1996: 97).

[16] Web of Science searches of 'opium' and 'coca' in leading development journals (*World Development*, *Journal of Development Studies*, and *Oxford Development Studies*) and in the *Journal of Peasant Studies* and *Journal of Agrarian Change* returned only a few articles.

economic development in conflict-affected borderlands where illicit economies thrive.

Indeed, a growing number of studies have demonstrated the need to place illicit actors in their rural contexts. A key contribution from McSweeney et al. on drug-trafficking-related agrarian change asks, 'why do narcos invest in rural land?'; it focuses attention on the structural context ('Why now?' and 'Why there?'), the logics underlying traffickers' interest in the rural sector, and the mechanics by which they acquire and legitimise landed property. The authors conclude that drug traffickers 'hasten the transformation of landscapes of smallholder production into the "rentier-agribusiness" nexus of land speculation, cattle, and export monocrops' (2017: 5–6, 16). In an earlier publication, one of the authors, Richani, used the label *narcobourgeoisie* to differentiate drug traffickers from other bourgeois factions, and listed four distinguishing factors: (a) the mode by which they extract surplus value from coca growers and the labour involved in coca's processing; (b) their role in the commercialisation and marketing of the illicit crop; (c) their peculiar position between legality and illegality; and (d) the centrality of violence in organising their business, from the extraction of profits and the enforcement of contracts to state co-optation (2013).

Another key contribution comes from Teo Ballve, who develops the analytical concept of 'narco-frontiers' to help 'disentangle the confusing political economy of agrarian spaces affected by the violence of the drug wars'. Narco-frontiers, he argues, are spatial 'Others' wracked by extra-legal regimes of rule, in which the state is simply one actor among others. The drug trade, Ballve concludes, is inducing violent agrarian change all over the world (Ballve, 2019: 211).

Locating research on illicit crop enterprise in critical agrarian studies has many benefits. It will be a useful contribution to the approaches and lacunae enumerated by Bernstein and Byres in their inaugural essay in the *Journal of Agrarian Change* (2001); and to the perspectives, frameworks and methodologies listed by Borras in the 2009 relaunch of the *Journal of Peasant Studies* (2009). Fairbairn et al. (2014: 653) listed four classic themes that represented 'the variegated trajectories of agrarian change across space and time' — illicit crop enterprise may be a useful addition to 'new directions in agrarian political economy'. In the same way that McMichael presented food regime analysis, illicit crop enterprise analysis may also 'explain the strategic role of agriculture … in the construction of the world capitalist economy' (2009: 139). Scoones talks of key moments of historical debates about rural livelihoods that have identified the ambiguities, tensions and challenges of such approaches (2009: 171). Introducing a political analysis of illicit trade in opium and coca may provide an important contribution to the livelihoods perspectives.

This study attempts to develop an inter-disciplinary synthesis with a core focus on the criminal actors of illicit crop enterprise. Indeed, the paradoxes around the role of criminals and their ubiquity in agrarian conflicts suggest that their emergence and participation in the commodity chains of a globalised world 'without borders' need to be rethought. Khalida's story, narrated in the Preface, illustrates key issues. In the analysis of opium brides, larger issues of lack of access to land, water and credit tend to be ignored because men like Khalida's father resorted to growing opium — which captures attention for its illegality, and not for its role as a coping mechanism for survival. The part played by the tribal council in suggesting that Khalida be given up as debt repayment will likely be viewed through the lens of moral failure of community leadership, with no thought for the peculiar relationships of power that emerge in such situations. Thus, there is little examination into the resilience strategies that evolve to tackle poverty, debt, conflict and the lack of protection. As such, this complex case shows the need to go beyond the typical one-dimensional victim–villain narrative and explore institutions and issues of local agency that explain an outcome such as opium brides.[17] What also emerges is the need to avoid simplistic depictions of a situation that create stereotypes which, though not untrue, are incomplete, and makes one story become the only story (Adichie, 2016).

In order to carry out this inter-disciplinary synthesis, key terms need to be clearly defined.

1.1.1 Definition of key terms

Four key concepts that are central to this study's investigation are: (a) criminal entrepreneurs; (b) capital accumulation; (c) state formation and state-building; and d) criminal violence. Defining these key terms lays the ground for the discussion of further theoretical constructs in the next section of this chapter.

1.1.1a Criminal entrepreneurs

The key actors who are the focus of this study's core examination are called 'criminal entrepreneurs' for two reasons: they are engaged in activities that are illegal, hence, they are 'criminals'; and the illegal activities they carry out form a

[17] The victim-villain narrative emerges in most journalistic reporting on conflict and criminality in Afghanistan. However, it must also be emphasised that journalism plays an essential role in bringing hidden events from the shadows out into the open. Hence, it may challenge official interpretations, but also sustain dominant social constructions.

complex project or undertaking, i.e. they are an enterprise. Simple criminal acts like robbery or extortion can be perpetrated by a lone, individual robber or bully, with the act completed within minutes. In contrast, setting up a drugs business is a much more complex undertaking: it requires capital, some of which may be lent as credit to a farmer who grows the crop; it may entail providing protection so the farmer's assets are not forcibly taken by others; it needs transport to collect the semi-processed harvest and to take it elsewhere for further processing or for onward sale; and its success needs connections to other powerful people or to a social network that supplies information, logistics and even forms of insurance, among others. It will also require a capacity for violence that may or may not be used. Hence, it is an enterprise whether at the production, wholesale, or retail distribution stage, and the criminal who engages in it is necessarily an entrepreneur.[18]

Various authors have used the term 'entrepreneur' in one way or another. Blok called the mafia he studied in Sicily 'violent peasant *entrepreneurs*', who are not just plain gangsters or racketeers because 'they make decisions that affect the public' (1974: 6). Gallant applied the term 'military *entrepreneur*' to bandits, applying an older and more ambiguous reference to the use of weapons by a category of men who take up arms and wield violence or the threat of violence as their stock in trade (1999: 26–27). Criminal entrepreneurs also share many things in common with 'local strongmen', defined by Sidel as the 'power brokers with monopolistic personal control over coercive and economic resources in their territorial jurisdictions or bailiwicks' (1999: 141). As such, criminal entrepreneurs may be thought of as a class of politico-economic actors who engage in what Naím calls 'trade that breaks the rules — the laws, regulations, licenses, taxes, embargos, and all other procedures that nations employ to organise commerce, protect their citizens, raise revenues, and enforce moral codes' (2007: 2).

There have also been definitions that dismiss criminals *a priori* as political or economic actors. One textbook in criminology, for example, reduces criminals to a simplified narrative of 'actors with no political goals', further adding that 'an

[18] A similar use of the term 'criminal entrepreneur' is applied to kidnappers in Gutierrez (2013). A kidnapping is an enterprise, and is different from, for example, raiding and pillaging which have no regard for the physical safety of the victims. A kidnapping can stretch on for months and years, with the victim kept unharmed, at least until the ransom is paid or not paid. There are also kidnappings with political aims, which represent an even more complex enterprise (Gutierrez, 2013: 125).

organised crime group is not motivated by social doctrine, political beliefs, or ideological concerns'. The criminals' goals, the author argues, are money and power, and their 'procurement is not limited by legal or moral concerns' (Abadinsky, 2010: 3). But by its very nature, the procurement of money and power — especially when it is not bound by legal or moral limits — could not be apolitical. To step outside social boundaries and to undermine legal and moral limits could not be other than a deliberate political choice, even when explicitly declared otherwise. Criminals are therefore necessarily political and economic actors, not just disingenuous lawbreakers without a political goal as Abadinsky asserts. When they ignore, challenge, or violate rules, laws and moral limits, they are effectively making a political choice, producing intended and unintended outcomes that impact on state and society. They are economic actors too because they animate commodity chains — the cross-border networks of 'labour and production processes whose end result is a finished commodity' (Hopkins and Wallerstein, 1986: 158–159). The best way to capture their roles in the political economy is to describe them as multi-dimensional criminal entrepreneurs with multiple stories.

Collectively, criminal entrepreneurs are engaged in what has become a strategic form of commerce that not only shapes particular forms of capital accumulation, but also structures the nature of state formation.

1.1.1b Capital accumulation and criminal enterprise

To understand more about criminal enterprise, it is necessary to go back to the basic propositions on how capital accumulates, this time applied to illicit markets, and on how such accumulation could be disruptive.

Capital accumulation is a term that originates from Marx's concept of '*primitive accumulation'*, understood as 'the historical process of divorcing the producer from the means of production'. It is 'primitive' because it is embryonic, i.e. the beginning or point of departure for the capitalist mode of production (Marx, 1976 [1867]: 873–875). Marx's original insight is that primitive accumulation is based on force and is anything but idyllic — i.e. accumulation does not happen 'spontaneously' and requires force to compel its observance.

Beyond the 'primitive' stage are other stages or different ways in which capital accumulates. During the bandit periods of the 1700s that Gallant has studied, for example, capital principally accumulated in the form of landed estates, i.e. the *latifundia*, hacienda and plantations. As these estates grew to become an economic force, it eliminated small, subsistence-oriented peasant forms of agriculture, and replaced them with more commercialised agrarian regimes that 'divorced the producer from the means of production'.

It was the intrusion of these estates and capitalist agriculture into the peasant economy that increased poverty and unrest which, Gallant observes, produced a mass of disgruntled and displaced young men who provided the fertile breeding ground for violence — 'poor and rootless men set loose in the countryside'. It was from this manpower pool that men of violence from whatever side — whether bandits who were 'outlaws', or estate guards or soldiers who were 'inlaws' — were drawn. They were bandits when they stole and preyed on the estate; estate guards when they agreed to work for a landowner or estate manager; or soldiers recruited for the enforcement arm of the central state (1999: 25–52).

In other words, it can be argued that the reproduction of men of violence *en masse* is a social consequence of the disruptions created by capital accumulation and agrarian change.

Karl Polanyi reinforces this contention. His starting point, like Adam Smith's, is the division of labour — i.e. that the social process wherein individuals seek what they can do best and profit from is the chief cause of the wealth of nations. But to make such a division of labour possible, a mechanism of exchange — the market — is necessary. The problem is that while markets are indeed prolific creators of wealth, they also rip societies apart (Polanyi, 2001 [1944]: 171). This is because the market's 'freedom of contract' which establishes the relations between the employer and the employed, Polanyi said, requires the liquidation of institutions that keep peasant society together. That is, peasant society's 'non-contractual organisations of kinship, neighbourhood, profession and creed' need to be destroyed because they claim the allegiance of the individual, and therefore restrain the individual's 'freedom' to enter into those contracts (ibid.). In short, because the expansion of the wealth-creating market also means the destruction of the traditional bonds that keep peasant society together, a market in transition becomes the mechanism that first uproots, then displaces, and finally disperses the vast manpower pool of the peasant economy. While this process of uprooting, displacement and dispersal creates the labour supply needed by the market economy, these same mechanisms also (re)produce bandits and criminals.

Polanyi provides a useful reminder of the value of those bonds that are broken up by capitalist accumulation and development. In 'primitive' societies,[19] he argues, the individual would not starve unless the whole community is in a

[19] Note that Polanyi does not use the term 'primitive' in any derogatory sense; rather, it means pre-capitalist. 'The differences existing between civilised and "uncivilised" peoples have been vastly exaggerated, especially in the economic sphere'. For more on this point, see Polanyi (2001 [1944]: 47).

like predicament. Bonds and institutions prevent individual starvation, and 'destitution is impossible because whosoever needs assistance receives it unquestioningly' (ibid.: 171). There is less inequality, because peasant society's 'non-contractual obligations' provide the social safety nets that protect the individual. Thus, the supreme irony is that 'primitive' society 'is more humane than a market economy, but also at the same time, less economic' (ibid.: 172).

When the market destroys the traditional bonds that keep peasant society together, the choice for those uprooted and dispersed will typically be between starvation or employment. Reducing the individual's choice in this stark way, according to Polanyi, is essentially how the market creates the labour supply needed by a commercialising economy. But then it may be asked: *could there be a third choice?* What about those few who don't want to starve, and at the same time do not want to enter into contractual obligations of employment either, or those who do not wish to be just another supplier of labour in a mass market? This study contends that there is a third choice to Polanyi's conundrum: the individuals who engage in banditry or illicit enterprise create a way out of the choice between starvation or selling labour. The alternative is to use violence, initially as a tool for survival, but eventually as the stock in trade for illicit enterprise.

Thus, a refinement to Polanyi's points could be made: the 'bonds and institutions that prevent individual starvation' do not always totally disappear. There could conceivably be certain bonds and institutions of 'kinship, neighbourhood, profession or creed' that remain, and these could be exploited by the survivor and the criminal. By making good use of these bonds and other forms of dependency offered by circles of kinsmen, affiliated friends and other social actors, the criminal is able to gain protection. This appears to offer an explanation as to how bandits and criminals — who may later engage in illicit enterprise — could be socially reproduced and recruited. As Blok explained, the specific conditions of being an outlaw require a bandit or any such group 'to rely very strongly on other people'. Those who survive, or eventually transform into established criminal entrepreneurs, are those who have made good use of the protection and other forms of dependency with circles of kinsmen, affiliated friends and other social actors.

A contemporary example illustrating this point is provided by the case of Khalida in the Preface. Goodhand (2009) explores the strategies adopted by drug dealers to secure a stake in the border region of Sheghnan, where the smuggling of opium into Tajikistan is rampant. Dealers, Goodhand found, may sell drugs to families who have an addict and/or are already impoverished, leading to progressive indebtedness. This usually leads to the distress sale of assets to pay off the debts, but drug dealers may also 'take advantage of this situation to marry the daughter of the family and use the wife's house as a base for drugs trafficking'. Thus, the trafficker is both an agent of capital penetrating and disrupting local society, but is also an actor who uses the traditional institution of marriage as a strategy for 'gaining a privileged position in the trafficking supply chain, thereby integrating the opium business into local social systems' (Goodhand, 2009: 17). The phenomenon of 'opium brides' is much more complex than it first appears.

Various forms of enterprise, of which many may be illicit, would naturally emerge as displaced and disgruntled young men seek to take what they can from both a changing peasant economy and an expanding and commercialising market economy, in order to survive. An enterprise could be said to have emerged when demand for, as well as the ability to supply, certain products and services become recurrent or regular. Thus, when the demand for the services of men of violence becomes recurrent, and can be met, an enterprise in violence emerges. This is how illicit economies appear to emerge and enable further market penetration of peasant societies.

1.1.1c State-building and state formation

In his Foreword to Blok's *The Mafia of a Sicilian Village,* Charles Tilly noted the parallels between government and mafia: both rely on control of concentrated and effective means of coercion; beneficiaries in both directly or indirectly tax the producers of wealth; and certain operators in both systems are allowed to scoop some of the proceeds of the flow of wealth toward the top (Blok, 1974: xix–xx). This led Tilly to argue that banditry, piracy, mafia, policing and state-building all belong to the same continuum. Organised violence and coercive exploitation, therefore, are at the core of state-building (Tilly, 1985: 170–171). The key difference is that mafia, unlike government, has no accountability, no visibility, and offers no means of representation for those under its control.

Oliver P. Richmond introduced a useful analogy: state-building aims to produce a benevolent neoliberal state (or the 'Jekyll' according to its backers); but there will always be indigenous forces of state formation (or the monstrous 'Hyde') that should be blocked by state-building. Expanding on Tilly, Richmond points out that state formation processes are widely argued to form a predatory state, while state-building projects are about establishing legitimate monopoly on the means of violence, bureaucratic and financial management, rule of law, the provision of public services, and the moderation of tensions through a representative political system (2014: 1–2). Goodhand adds that state-building or state-making can be understood as 'a conscious, planned and often externally-driven attempt to establish an apparatus of control', while state formation is a historical process that is immanent or inherent, and largely the 'unconscious outcome of conflicts, negotiations, compromises and trade-offs' (Goodhand, 2009: 7). The question that both address is the nature of the state that has emerged in territories and borderlands where international state-building, often driven by development aid and peace-building, meets local populations and the institutions produced by unplanned historical processes.

Many questions have been raised as to why modern state-building, especially that supported by the international community, for example in countries like Afghanistan, Kosovo or Timor Leste, has not led to the establishment of effective states in the last 25 years as intended. Richmond asks what kind of hybrid states are actually forming (2014: 1) and suggests a move away from a reliance on internal violent or externalised institutions' agency, reform and conditionality, and towards the concept of *peace formation* (2013: 378). Eriksen likewise criticises state-building based on the institutionalist model from a Weberian framework and argues that the creation of effective states requires the creation of state-centred societies, where both material and symbolic resources are concentrated in the state, something which is 'very difficult to achieve for external actors' (2017: 771).

Strazzari and Kamphuis (2012) add an important contribution that is particularly relevant for this study: they show that informal and criminal economies transform over time and have an impact on state formation. Because protracted armed hostilities and the mutation of conflict under conditions of economic globalisation engender a realignment of 'political interests and a readjustment of economic strategies', we need to examine not only how shadow economies keep people fed and armed in times of violence, but also how this clandestine sector of transactions creates hybrid economic governance and shapes state-building (2012: 58). Strazzari and Kamphuis find that 'economies beyond-the-law' are not transitory, they are bound to stay, 'in spite of (or because of) unprecedented efforts at checking them and aligning them with the statebuilding effort'. The definition of what is legal, they continue, 'ultimately rests on the state's power to criminalise' (2012: 59-60). De Danieli's case study on Tajikistan's transition from civil war illustrates this point. After the 1997 peace agreement, state-building was incomplete, and the central government did not have the resources to impose and maintain order throughout the entire territory, where in certain pockets threats of secession still remained. Hence, compromises emerged with criminal groups that exercised effective control of certain parts of the country – they were 'allowed' to keep their lucrative criminal enterprises for as long as they acted as de facto subcontractors of local security. Later, further deals emerged, such as promising votes, or intervening in localised conflicts of unruly groups (De Danieli, 2015). Thus, as Strazzari and Kamphuis assert, wars do not end 'by leaving a tabula rasa for many types of top-down institutional transfers and engineering' (2012: 60).

Considering findings from case studies on Mozambique, Kosovo, Nepal and Afghanistan, one of the most important suggestions made by Strazzari and Kamphuis is to avoid what many contributions to state-building and peace-building do, namely, to take the peace settlement as the analytical starting point. Instead, they emphasise the need not to gloss over the economic situation that accompanies the path to war, the way that informal and criminal economic activities become embedded, and how vested interests are consolidated during protracted armed conflict (2012: 60–61).

This study is informed by the work of these scholars: it looks at the inter-relationships between criminal economies and state-building on one hand, and at how criminal economies shape and structure state formation and capital accumulation on the other.

1.1.1d Criminal violence

Clarifications are necessary for the ways in which violence is defined and treated in this study. Given its rural focus, the starting point is Blok's argument that the violent operations of mafiosi and the general level of socially permitted physical violence in western Sicily during its transition from smallholder to more commercialised agriculture can only be understood in relation to the distinct stage of development reached by Italian society at large. That stage of development, Blok suggests, is marked by rising social and political tensions between peasants, shepherds, estate owners, absentee landlords, the central state, and various other actors. As society changed, it was the mafiosi, a particular variety of middlemen, 'who succeeded in maintaining a grip on the intrinsic tensions between these spheres' (1974: xxviii). The mafioisi managed the tensions by means of physical force, which implies some degree of acceptance of the unlicensed use of private violence by the state to maintain some form of central control over its southern periphery (1974: 6).

A further insight may be drawn from North, Wallis and Weingast, who argue that when states are in such stages of transition, it will be difficult for them to produce many of the common public goods and services associated with markets and economic growth. Hence, the state will use systematic rent-creation, otherwise known as corruption, not to simply line the pockets of the dominant coalition, but as the essential means of controlling violence (2009: 139–140) or keeping the middlemen in line.

These depictions of violence, its utility, and how it can be controlled can be contrasted with some more recent elaborations on criminal violence. Deborah J. Yashar, for example, examines why violence has emerged as a pandemic phenomenon in third wave Latin American democracies, where just 8% of the global population is found but which accounted for the highest percentage (36%) of the 437,000 homicides in the world in 2014 (2018: loc. 399). Yashar focuses on homicides, which can be counted (rather than the wider and more ambiguous mafia violence), to critically examine the wider literature on violence and to arrive at why, when, and where actors will kill. She provides three explanations. First, that the development of a transnational illicit economy and illicit criminal organisations set the stage for the high levels of violence. Second, that illicit trade and transit are likely to take hold where illicit actors find weak and/or complicit state institutions. And third, that the highest levels of violence are emerging particularly where illicit organisations encounter organisational competition from rival organisations, the state, or both (ibid., loc. 751).

These conceptions of the state's relationship to criminal violence — i.e. Blok's 'tool of control to manage social tensions', and Yashar's state complicity and 'homicidal ecologies' — are reference points for this study's examination of criminal entrepreneurs.

1.1.2 A research approach to analyse state formation and hybrid economies

Given the topic and nature of the research challenges, as well as the ambition to show how criminal enterprise impacts on capital accumulation and state formation, this study proposes an inferential strategy based on comparisons of 'configurations' applied to a number of cases. A 'configuration' is defined here in two ways. First, a configuration is 'a specific combination of factors or variables that produces a given outcome of interest' (Rihoux and Ragin, 2009: loc. 219-223). For example, the resilience of illicit crop cultivation in borderlands and remote rural areas is a specific combination of factors that makes the production of opium and coca in a subsistence agrarian economy possible. By comparing the contexts, actors and state–community inter-relationships in the four countries where resilient illicit crop cultivation has emerged, inferences may be drawn that could offer new ways of understanding the outcome, which is illicit enterprise.

Second, configurations may be thought of in terms suggested by Blok, as 'changing patterns of interdependencies in which individuals and groups are involved, both as allies and as opponents' (1974: 9). To illustrate, an alliance between drug lords and local security-police forces is a configuration showing patterns of interdependencies. A drug lord just making a profit would simply be hunted down. But a drug lord making a profit while serving a useful political purpose (e.g. delivering cash, securing votes, or providing coercive services) could be treated as an ally. Such alliances are contingent on many issues that change over time. The point is that by comparing changing patterns of interdependencies between actors over time and across the four countries, a better understanding may emerge of the messy politics of how criminal actors arrange and rearrange themselves in conflict and accommodation with other actors.

This 'changing pattern of interdependencies' is reflected in McCoy's elaboration of how separate realms — overt and covert, licit and illicit, legal and illegal — converge in a particular and potent way that transforms the 'social margins of crime and illicit commerce into potent sources of political change' within wider realms (2019: 11). Another key example is Ballve's discussion of the complex alliance between drug traffickers and agrarian elites in Colombia's northwest Uraba region, wherein state formation 'is produced through the convergence of narco-paramilitary strategies, counterinsurgency and government reforms aimed at restructuring through decentralisation' (Ballve, 2012: 603).

This study's working assumption is that by comparing configurations — the specific combination of factors as well as changing patterns of interdependencies — across a number of cases in the main opium poppy and coca-producing regions, a realistic and sensible way to describe, analyse and make inferences on the patterns, relationships and outcomes in the illicit commerce of opium and coca could be established. When this PhD research started, a longer set of configurations was considered. However, as the research progressed, and upon further examination and reflection, items in the long list were combined, removed or adjusted. Finally, the decision was made to focus on three configurations, namely:

- ***Configuration 1*:** survival and resilience in illicit crop communities
- ***Configuration 2*:** criminal careers of selected drug traffickers
- ***Configuration 3:*** prices of illicit crops and its products.

The configuration **survival and resilience** is about patterns of adaptation by local communities in which they exercise agency to minimise and spread risks, gain access to assets and protection, and create social and political order amidst conditions of instability, violence and change. These patterns, as will be shown in detail in Chapter 4, are a refutation of drug policy assumptions — the set of dominant narratives that frame not only the UN's but also other agencies' understanding of illicit crop economies. These assumptions include regarding opium and coca as sources of instability and a social evil that breeds fragility and violence; or assuming that fragile states are most vulnerable to illicit crop production and its consequent harms. Yet by looking into the details of local contexts in Afghanistan, Myanmar, Colombia and Bolivia these illicit crops are found to *also* be sources of stability, even drivers of economic growth. They enable marginalised areas abandoned by the state to be reinserted back into national and global markets. Within the so-called fragile states are resilient communities adopting innovative and unorthodox strategies for coping and survival in constantly changing and insecure environments. By analysing survival and resilience in specific areas in the four countries, this study will demonstrate the limitations of the dominant narratives and assumptions. By then comparing changing patterns of interdependencies, the study maps out an alternative approach for examining resilience and development in illicit-crop-producing territories.

The configuration **criminal careers** comprises a combination of factors that explain why criminal entrepreneurs are not simply gangsters, racketeers, or malevolent criminals, but are also economic and political actors in the social contexts in which they operate (Blok, 1974). This configuration will review how criminal entrepreneurs are also *pioneers* who spread circuits of capital into the most deprived and dangerous territories (McSweeney et al., 2017); *intermediaries* who create employment and livelihoods as they link to wider economies and become gatekeepers and powerbrokers who decides on who wins or loses in the contestations and competition in local economies (Blok, 1974); and *arbitrageurs* who manage politics and order at the margins of state and market (Ahram and King, 2012). Chapter 5 will present a comparative analysis of how selected criminal entrepreneurs in Myanmar, Afghanistan, Colombia and Bolivia have been pioneers, intermediaries and arbitrageurs in their careers. It will also examine the interdependencies and relationships of accommodation and conflict that emerge between them and other social actors. To be examined are life stories of:

- **Lo Hsing Han**, a militia leader who became a drug lord on the China–Myanmar border and went on to become one of Myanmar's most important licit business tycoon.
- **Lal Jan Ishaqzai** and **Bashir Noorzai**, two Afghans who, like Lo, were big enough to be included in the US Designated Kingpins List, and

whose assets and companies are monitored by the US Treasury and the UNODC.

- The Bolivian cattle baron and pilot **Roberto Suarez Gomez**, who became Bolivia's 'King of Cocaine' in the 1980s and set up 'La Corporacion,' a cartel of Bolivian traffickers.
- The Colombian paramilitary leaders **Fidel, Carlos and Vicente Castaño Gil**, the brothers who set up the paramilitary group Los Tangueros and subsequently the national network of paramilitary groups in Colombia in 1997. The brothers were among those who replaced the 'big men' (Pablo Escobar, et al.) who were captured or killed in the US–Colombia war on drugs in the early 1990s.

The third configuration, **prices**, is included to respond to the frequent but inappropriate application of microeconomic theory (on demand and supply) for explaining dynamics in the illicit commerce of opium and coca. Chapter 6 will be devoted to this configuration. It will not only show comparisons across the four countries, but more importantly, will also demonstrate that, apart from prices, there are other mechanisms for coordination in local economies (like state interventions, social networks and criminal enterprise) that structure continuity and change (Gutierrez Sanin, 2019; Laserna, 1995; Pain and Sutton, 2007).

Some similarities can be drawn between the three configurations in this study and the composite indexes discussed by Alison Ritter (2009). Ritter asserts that an index is 'a single common metric that represents the diverse outcomes or consequences' of a complex social problem. A key example she cites is 'ecological footprint' — a single metric that attempts to encapsulate multiple indicators. Developing indexes, she argues, is a way to systematically enable the comparison of policy options and outcomes across countries or themes (2009: 475). Similarly, the configurations 'resilience', 'careers' and 'prices' are metrics, the combination of different conditions that produce an outcome of interest. However, because these configurations are qualitative indicators, they are technically not quantitative measures in the way that indexes are. Still, the underlying utility is the same: these configurations, like indexes, are methods for analysis and comparisons.

To summarise, this PhD study offers new conceptual models that may bring into sharper focus the hitherto understudied linkages between illicit economic activities on the one hand, and developments in capital accumulation and state formation on the other. By going beyond the 'single story', it will attempt to improve the understanding of criminal entrepreneurs, particularly in terms of how they shape governance outcomes in agrarian economies on property relations, social divisions of labour, distribution of income, and social relations of consumption, as illicit economies expand and contract.

The next two sections of this chapter provide an elaboration of the conceptual and methodological tools that are used to shape the study's analysis.

1.2 Deconstruction, theoretical constructs, and review of literature

This section critically engages, using the lens of political economy, a number of theoretical constructs that have been developed and deployed in understanding illicit crop enterprise and its actors. It starts with the *World Drug Report 2018* (WDR 2018), published in five booklets, which grounds its analysis and interpretation of the 'world drug problem' on the notion of *markets*. In his Preface to the five booklets, UNODC Executive Director Yury Fedotov issues a stark warning:

> We are facing a potential supply-driven expansion of drug markets, with production of opium and manufacture of cocaine at the highest levels ever recorded. Markets for cocaine and methamphetamine are extending beyond their usual regions and, while drug trafficking online using the darknet continues to represent only a fraction of drug trafficking as a whole, it continues to grow rapidly, despite successes in shutting down popular trading platforms. (WDR 2018a: 1)

Fedotov's references to 'markets' is a reflection of how understanding and policy-making on illicit drugs is shaped by the idea of the existence of 'illicit markets' and 'drugs markets'. However, there is no explicit definition put forward by the UN of these 'markets'; they are simply assumed to exist with no critical elaboration on how such spaces emerge, how transactions are conducted and organised in such spaces, who the other actors are (apart from the usual suspects), and how their roles evolve. Hence, it is necessary to probe into the assumptions of this dominant theoretical construct of 'illicit drug markets'.

WDR 2018 cites a study by the US Office of National Drug Control Policy (ONDCP) that estimated the size of the US drugs market in 2010 at around $109 billion per year (WDR 2018b: 37). The European Union (EU) had also commissioned an earlier study on how the global market for illicit drugs had developed from 1998 to 2007, which has been widely used since publication. After observing cocaine and heroin prices in 18 countries, authors Peter Reuter and Franz Trautmann (2009) put forward the following propositions:

- The costs of production of the commodities in this market are trivial (roughly 1–2%), compared to profits earned from their smuggling and distribution.
- The vast majority of the costs are accounted for by the distribution of the commodities domestically in the consumer countries.
- Most of the profits from domestic distribution go to the lower retail levels, even though the great individual fortunes are made at the higher (i.e. wholesale) levels of the trade[20].

Table 1.2: Reuter and Trautmann's table on the prices of cocaine and heroin through the distribution system, ca. 2000 (per pure kg equivalent)

Stage	Cocaine	Heroin
Farm-gate	$650 (leaf in Colombia)	$550 (opium in Afghanistan)
Export	$1,000 (Colombia)	$2,000-4,000 (Afghanistan)
Import	$15-20,000 (Miami)	$35,000
Wholesale (kg)	$33,000 (Chicago)	$50,000 (London)
Wholesale (oz.)	$52,000 (Chicago)	$65,000
Retail (100 mg pure)	$120,000 (Chicago)	$135,000 (London)

Source: Reuter and Trautmann (2009: 23). As shown, prices multiply up to 200 times from farm to market

Other experts, such as Ernesto U. Savona and Michele Riccardi (2015), similarly estimate the size of the illicit drug market, but note that 'illegal markets are by definition characterised by a lack of data and high dark numbers', and that various estimation methodologies in use 'have not yet obtained general consensus'. Thus, the risk is that any quantification of illicit markets will produce only 'guess-estimations or mythical numbers'. Nevertheless, they publish measurements of the scale of revenues from illicit markets, through a synthesis of existing estimates, and the production of new estimates from some selected markets. They estimate the annual revenues in the EU from the illicit market for heroin to be €7.99 billion euros, and for cocaine, €6.76 billion euros (ibid.: 36). They estimate the total annual revenues for the entire illicit drug market

[20] Further discussions on these points and the distribution of drugs are available in Inkster and Comolli (2012), pp. 17-19.

(including cannabis, amphetamines and other drugs) at around €28 billion euros for the whole EU.

These quantifications and measurements are authoritative. Carefully calculated, they are perhaps the best measurements available, no matter how provisional and conditional, into the shape, reach and depth of illicit drug markets. Like the UNODC reports, they are essential for policy development and planning by governments, law enforcement and development agencies. However, if the goal is to ascertain how such spaces for illicit transactions are organised, how its actors are created, recruited and deployed, and how change happens in such illicit markets — these measurements are *not* sufficient. It would be unfortunate indeed if these quantifications were treated as endpoints, rather than as starting points for more comprehensive investigations into the phenomenon of illicit drug markets.

The measurements alone will say little about how the areas or spaces in which illicit transactions are conducted, actually emerge, expand, shrink, transform, collapse, or re-emerge. While measurements will provide clues as to how illicit markets are organised, they will not by themselves provide the details of how property relations are contested and consequently change within these illicit markets; nor will they identify the causes or factors that influence the patterns of income distribution that emerge between the actors in this chain. Also, and most importantly, the measurements will be largely blind to the full range of actors involved and how their roles evolve within illicit markets. When analysing demand and supply, these quantitative reports invariably discuss the actors making the illicit transactions, but not necessarily the intermediaries, protectors, or other unlikely players who lie in the shadows yet play key roles in enabling these illicit markets to function — especially if these go-betweens are the power-wielders in the governments to which these agencies report.[21]

It is also important to highlight that measurements may be unwittingly contributing to the reductionist and very simplistic way by which success in drug policy and law enforcement is monitored and assessed. For many years since 1999, when Illicit Crop Monitoring Surveys and World Drug Reports began to be regularly published, the success of drug prohibition has been measured largely in terms of hectares of illicit cropland eradicated; kilograms of opium, coca and other drugs seized; and number of arrests, prosecutions, or killings of suspected

[21] Because much of the information is sensitive, there are difficulties in publishing. For example, two case studies commissioned by this researcher for a Christian Aid report could have provoked a government shutdown of humanitarian programmes or jeopardised fragile peace negotiations with rebel alliances.

criminals. While this hectares–kilograms–arrests method of reporting is undeniably a measure of success, it shows only a very limited part of a wider social phenomenon that is taking place. For example, many successful eradication campaigns tend to produce what has been called the 'balloon effect' — i.e. squeezing one part of a balloon only produces swelling in another part — or the displacement of production and transit to other areas. As the Alternative World Drug Report (AWDR, 2nd edition) notes, what is framed as a 'success' could have serious implications for national and international security, and only push drug trafficking organisations to target other regions (Rolles et al., 2016: 48). Thus, the problem is only displaced, perhaps even expanded, and certainly not resolved by the measurement-based 'solutions' in use.

Furthermore, the capture, jailing and killing of the big men of the illicit commerce in drugs do not necessarily lead to the elimination of the market. An example mentioned in the Preface of this study shows how the elimination of kingpins and drug cartels by 1995 only forced Colombia's illicit drug trade to restructure. As the AWDR argues, while the war on drugs 'can potentially eliminate violent criminals like Pablo Escobar or Joaquín "El Chapo" Guzmán, *it also enables their rise to power* and, in the longer term, can do little or nothing to eliminate the wider criminal market they are a part of' (ibid.: 88, italics added).

A further problem created by the hectares–kilograms–arrests method of reporting is that it removes subtle but important distinctions between the key actors that need to be highlighted. Bolivia, for example, was initially only a coca-producing nation (where the coca plant is grown), and *not* a cocaine-trafficking one (which processes and smuggles cocaine). 'Bolivia's problems', noted LaMond Tullis back in 1995, 'are therefore not traffickers or refiners *but* (peasant) growers and the economic and social conditions that attract them to the drug trade'. Tullis led a UNRISD (UN Research Institute for Social Development) research programme from 1993 to 1995 that produced a six-volume report that coined the widely used phrase *unintended consequences.* In his conclusion, Tullis said, 'a realisation must develop that supply suppression will not solve consumption problems. The economics are against it, risk-taking operatives are too plentiful, and the corrupting influence of drug money is too pervasive' (1995: 205).

This dissertation is an attempt to expand coverage beyond the radical simplifications of quantification and measurement. It will look into the context in a more thorough and systematic way, using the three configurations of resilience, criminal careers and prices. The intention is not to diminish the value of quantification and measurement, but to build the narratives and analysis that could complement the knowledge produced via quantification and measurement.

It would be useful at this point to introduce a distinction between *illicit* and *illegal*.[22] The Oxford Dictionary defines 'illicit' as 'forbidden by law, rules, or custom'.[23] 'Illegal' is defined as 'contrary to or forbidden by law, especially criminal law'.[24] In other words, this is a smaller subset of 'illicit' — anything illegal is that which is forbidden, but *only* by law. Though something illegal may be banned by law, it could be accepted or tolerated by norm and custom. Drug trafficking is the best example: it is illegal and banned by law; yet as the story of Khalida above shows, it is accepted or tolerated by the households who grow opium and by traditional tribal councils.

Conversely, it is also possible that something legal and accepted by law could be rejected by norm or custom. Slavery and apartheid, for example, were legal institutions that became repudiated by norm or custom. Another example is the banking group HSBC. A US Senate investigation in 2012 exposed how HSBC financial services effectively laundered billions of dollars for a Mexican drug cartel.[25] Despite the evidence obtained in the Senate investigation, HSBC argued it did not break any laws, pointing out that its clients were Mexican currency exchange firms, not drug lords. US prosecutors backed away from criminally charging HSBC; instead, an out-of-court settlement was agreed wherein the bank paid an unprecedented fine of $1.9 billion and issued a public apology. HSBC received protection too from the British government, which told relevant US authorities that a revocation of HSBC's banking licence would not only lead to thousands of job losses, but more importantly, threaten another 'global financial disaster' right after the 2008 global financial meltdown.[26] This case shows how the illicit commerce in drugs has become firmly embedded in the world's licit banking and financial systems, blurring the lines between legal and illegal. In other words, while something illegal will always be illicit, not all that is illicit is illegal. Both terms are social constructs.

Yashar offers an interesting perspective on these concepts. She points out that being illicit is not an inherent property of goods or behaviour; it is a political

[22] The distinction was introduced to me by Alex Cobham, a former colleague at Christian Aid.

[23] See: http://www.oxforddictionaries.com/definition/english/illicit.

[24] See: https://www.lexico.com/definition/illegal

[25] See for example, page 41 of the US Senate Report (https://www.hsgac.senate.gov/imo/media/doc/PSI%20REPORT-HSBC%20CASE%20HISTORY%20(9.6)2.pdf), and various media reports like https://www.bbc.co.uk/news/business-18867054. Last accessed 31 March 2019

[26] See https://www.theguardian.com/business/2016/jul/11/hsbc-us-money-laundering-george-osborne-report, accessed 31 March 2019.

construct that is the by-product of the state's role in forging legal boundaries. Hence, *formal* institutions refer to what is regulated by the state and lawful; *informal* institutions refer to what is beyond state regulation but not necessarily illegal; and *illicit* institutions refer to what the state has defined as unlawful, regardless of whether the state plays an active role in regulating it. Yashar's treatment thus covers the illicit and illegal, but then introduces a useful contrast with the informal (2018: loc. 2299–2334).

Yashar also makes an important clarification that it is the construction of illicit categories that creates incentives for a subset of actors to engage in illicit activity. Ultimately, 'prohibition creates incentives for individual and collective actors to take advantage of, and make profit from, these prohibitions (2018: loc. 2299).

For the purposes of this research, this study will avoid using the term 'illegal', and use 'illicit' instead in describing the economic activities or actors it refers to, using the wider definition of illicit. It seems more applicable to use 'illicit', rather than 'informal', when describing the illegal opium-growing activities of Khalida's father and the drug trafficker, because while illegal, these activities are after all accepted or tolerated by local social norms and custom. Similarly, 'illicit' also best describes HSBC's practices, because while technically legal, they are ethically and socially wrong and lie outside the realm of the informal. And 'illicit', as this dissertation demonstrates, is a status applied by convention, and is therefore a social and/or political construction.

Because of these nuances in meaning, it is important to carefully elaborate on the various analytical frames which can be used to explain illicit economies and their actors. These analytical frames, which are discussed in the succeeding sub-sections, provide possible alternatives to the market supply-and-demand model dominant in the UN. This is one aspect of this study's attempt at introducing more useful ways of measuring progress in public policy objectives, particularly those relevant to the UN Sustainable Development Goals (SDGs).

1.2.1 The covert netherworld

Alfred W. McCoy, who penned the path-breaking *The Politics of Heroin* (2003), asserted that the lack of a model or theory for an in-depth understanding of the ever-changing details of illicit economies is a gap that may explain why both drugs and development policies have adopted dubious assumptions and have proven unable to tackle the balance of harms and gains that illicit economies bring.

In a recent article, McCoy (2019) puts forward a new conceptual model as a contribution to filling that gap. He suggests that there is an invisible incubator for forms of illicit trade (illicit drugs, arms trafficking, human smuggling, illegal migration, etc.) that he calls the 'covert netherworld' — a shadowy realm and clandestine domain beneath the surface of political life. He argues that illicit economies persist because they are the economic foundation of that shadowy realm that 'shapes, compromises, and corrupts conventional politics and political culture at the highest levels'. We need, argues McCoy, to examine the deeper meaning of the character of illicit commodities, the implications of their phenomenal proliferation and persistence, and the merging of seemingly separate realms — overt and covert, licit and illicit, legal and illegal — that will allow us 'a fuller, three-dimensional view of weak states, world powers, and the international politics that encompass both' (2019: 9-10).

McCoy takes particular notice of strategic roles, arguing that it is law that sets the parameters of the illicit market; that security services influence the volume and level of syndication within this market through collusion, corruption, incompetence or a combination of all three; that political leadership attacks but also abets such collusion; and that criminal entrepreneurs exploit both de facto legal immunities as well as market opportunities. He concludes — and illustrates through case studies of Afghanistan, Myanmar and the Philippines — that 'there were recurring instances of affinity and alliance between state and criminal actors that inhabit this clandestine political space' (2019: 10).

It would be a significant improvement if the UN's *World Drug Reports* were to consider this conceptual model. Rather than measure hectares, kilograms and arrests, policy formulation may be greatly improved by focusing on the compromises, collusion and corruption that McCoy has enumerated in his conceptual model.

1.2.2 Intended and unintended interdependency

A model which contrasts with interdependency, described earlier, is the rather narrow economic rationalist model, in which households' decisions (for example, on whether or not to engage in opium poppy cultivation) is reduced to being simply a function of price. This economic rationalism has been challenged by a range of authors. In a 2007 contribution, for example, David Mansfield posits a more complex picture, arguing that the motivations and factors governing decisions on opium poppy cultivation differ by location and socio-economic group, because of the 'multi-functional role opium plays in rural livelihood strategies and how a household's dependency on opium poppy cultivation varies according to its access to assets', including local public goods such as governance and security, the availability of informal credit, access to water and infrastructure, or the availability of household labour and seasonal workers, and so on (2006: 47).

The farm-gate price is therefore only one in a long list of factors that shape the decision on whether or not to grow opium. While fairly favourable prices bring opportunities, there are potential risks to mitigate. In certain villages, opium gum has in fact become a form of currency used to buy food and other needs or kept at home as a form of insurance that can be drawn on to pay for unanticipated household emergencies. The conditions elaborated by Mansfield and Fishstein clearly show that prices and markets could not explain everything (2015). Simplification and the isolation of a factor like prices can be useful, but not if such analysis obscures other and sometimes more decisive contextual factors.

From the discussion of Blok's interdependency (1974), McCoy's covert netherworld (2019), and the rejection of economic rationalism (Mansfield 2006, 2007; Mansfield and Fishstein, 2015), this study has taken steps to represent the interdependencies and its commodity chains in a simple model, shown in Figure 1.1 below. As the Figure shows, interdependency is not just between individual economic and political actors, but also between different sets of producers and even between distant local economies that form a commodity chain. Commodity chains facilitate specialisations because a set of households, or perhaps even whole villages, principally dependent on opium or coca as a cash crop, can take this course only if their food and other needs can be supplied from elsewhere. A critical factor necessary for production — the supply of hired hands or seasonal migrant workers who can be called upon during the labour-intensive harvesting weeks of the planting cycle — need to come from somewhere because a household's supply of labour, even if it includes women and children, may not be sufficient to do the harvesting (see Wolf's discussion of the 'true division of labour'; Wolf, 2010 [1982]: 310).

Similarly, downstream links show that illicit cultivation in the village is dependent on whether harvests can be securely processed in the village itself or in nearby locations, i.e. if there is sufficient specialisation that enables the local economy to have access to the precursor chemicals and barefoot chemists who can run the makeshift 'laboratories' to process opium gum into heroin, or coca into bazuco. The emergence of these clandestine 'processing centres', in turn, is dependent on the availability of drug traffickers to mobilise the capital needed to pay for the cost of precursor chemicals, wages, accommodation, transport and bribes. These investments will pay, only if 'safe' smuggling routes through transit areas/countries are available, which in turn requires certain logistics such as the construction of hidden landing strips or coastal drop-off points, or the availability of individual 'drug mules' travelling as tourists through airports. All of this presumes that a retail distribution network resilient to police action is in place in the consuming countries (see for example Topik, 2009). Thus, the conceptual model of interdependent commodity chains offers an alternative to the widespread use of the market and demand-supply model as an analytical tool to map the transition from plant crop to illicit class-A narcotic drugs between distant economies.

The idea of interdependency also directly refutes assumptions that criminal entrepreneurs are outsiders and outlaws who lack legitimacy, and who operate exclusively outside the state or formal economy (Grajales, 2015; Gutierrez, 2003, 2013). In this model, the criminal entrepreneurs are represented by human figures, who emerge in various roles across the chain as capitalists, protectors, intermediaries, owners of assets, distributors, or sub-contractors. There are plenty of examples of criminal entrepreneurs who get elected, genuinely, into political office (see for example SHAN, 2011); of intermediaries like lawyers, bankers, or accountants selling secrecy services (see ICIJ, 2020); or other professionals running firms that become 'parking lots' for drug money, e.g. real estate firms or construction companies capitalised by drug money and subsequently awarded multi-million dollar public works contracts (see for example Gutierrez, 2016). Corruption is a common explanation deployed to account for such phenomena (Cockcroft, 2012); but this dissertation argues that this explanation only tells half the story at best and remains insufficient for understanding why illicit enterprise becomes normalised. Intended and unintended interdependency, it is argued, could provide a more comprehensive explanation.

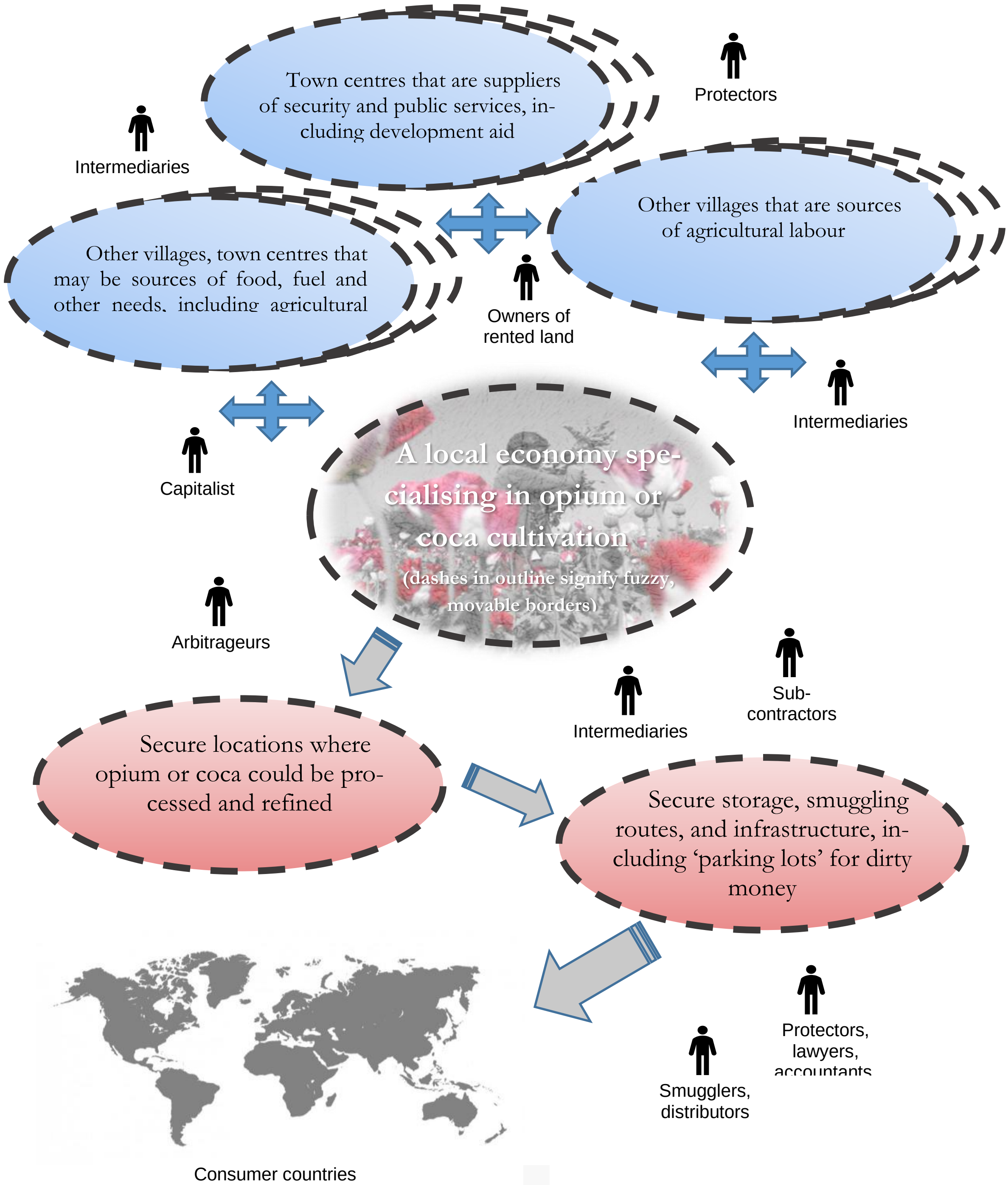

Figure 1.1: A simple model interdependency showing how a local economy specialising in opium or coca cultivation depends on upstream and downstream links with other local economies, facilitated by key actors to form chains.

1.2.3 The 'invisible hand' of prices or the visible hand of power?

At the core of the dominant market model is the assumption of free exchange, that transactions between self-interested actors will be shaped exclusively or predominantly by the forces of demand, supply and the price mechanism, 'as if guided by an invisible hand'.[27] The applicability of this assumption to illicit markets is largely unchallenged. I will argue that another way is needed and that such a way is offered by the notion of interdependency: that the building blocks of a market, whether licit or illicit, do not come from free exchange, but primarily from the social and economic relationships that emerge among interdependent actors, typically guided by the visible hand of power. Given the opportunity, this visible hand would seek to capture and expand monopoly control. But at the same time, interdependence appears to diffuse such control, or otherwise prescribe limits on its expansion. These are the central theoretical arguments of this study.

The role of the 'visible hand' of power — which can sometimes also be invisible — is often lost or de-emphasised in the UN *World Drug Reports* or in the US INCSRs. Fedotov's preface to the WDR 2018, for example, is completely depoliticised: it raises the alarm, and claims 'to promote balanced, comprehensive approaches' (WDR 2018a: 1), yet there is little said about the actors in the illicit market, or even the banks that enable illicit transactions. Wallerstein has argued that in commodity chains, the interest of producers is *not* to lower costs like all others, but to maximise profit and market power. Thus, for as long as the actors in Figure 1.1 are able to maintain relative monopolies, it does not matter whether or not they are efficient or economically 'competitive', as price theory would have them be — they can be the most uncompetitive, most inefficient, and least productive, and yet still capture the most profits, if they can maintain their relative monopolies, or control political levers, which is dependent on state action of various kinds (Wallerstein, 2009: 84).

Profit maximisation based on political power, not economic efficiency, is particularly evident in the illicit drugs trade. For drug traffickers, there is more value in paying bribes to the right officials than in, say, improving productivity

[27] The phrase 'invisible hand' is derived from Adam Smith's thesis that markets are self-correcting, self-regulating and self-sustaining in terms of what to produce, what to charge, and how to organise distribution. Prices of commodities, levels of rent, and the wages of labour in free markets, he argued, will tend to settle at levels that are most socially beneficial. Markets, Smith argued, are the *only* reliable mechanisms for achieving efficiencies in the production and distribution of goods in society. From Smith (1979 [1776]), Book 1: 456; and subsequently from Butler (2011).

in cultivation or lowering transport costs, as 'normal' agricultural producers do. A most useful strategy to prevail over rival drug traffickers is not to lower costs and prices to undercut the competition, but to buy information, to know when to lie low and avoid a forthcoming government crackdown that could destroy competitors and rival illicit growers, and then use the ensuing depletion of supply to raise prices and maximise profits. In other words, there is a new form of 'economics' involved that moves away from prices and the 'invisible hand' and converges instead on political entrepreneurship and the 'visible hand', as seen in the case studies elaborated by McCoy (2019).

However, there appear to be limits on the leverage and monopolies that political entrepreneurship can capture, as shown in the rise and decline of 'drug cartels'. A cartel is, technically, a collusion of economic actors to manipulate prices to maximise profit, often by controlling the volume of commodities made available on the market. But as some scholars and experts point out, many drug traffickers could hardly exercise control over the volume of production of drug crops, even with the systematic use of violence[28]. Reuter and Trautmann reported that growers in both the Andes and Afghanistan are small producers, and are fragmented and disperse, hence there is no suggestion that they have any collective power in bargaining (2009a: 11). Similarly, Riccardi and colleagues emphasise that, for Europe at least, 'illicit markets are very seldom under the monopoly of one single criminal organisation' (Savona and Riccardi, 2015: 34). Rather, they are characterised by a *plurality of actors,* ranging from large traditional criminal organisations to small-scale actors and individuals. The role, nature, composition and level of cooperation among these actors constantly change, they continue, thus making it almost impossible to determine how much each of these actors may earn (ibid.). Like the invisible hand, therefore, the visible hand has its limits.

It has also been pointed out by Collins (2009: 519) that the only time that actual cartels existed was in the 1890s to early 1900s, when cocaine was legal.[29] This was when German pharmaceutical companies dominated the market with their game-changing strategy of importing semi-processed cocaine sulphate (bazuco), rather than dry coca leaves.[30] The evidence today points to increased

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[28] See for example, Reuter (1983).

[29] Note that the scope of Collins' work did not include the British East India Company, which as this study argues, may have been the first drug 'cartel' in history. See further discussions in Chapter 2.

[30] See discussion of Gootenberg's account of the history of the commodification of cocaine in Chapter 2.

dispersion of the networks and commodity chains that make cocaine available to its consumers. In other words, even with political leverage, these commodity chains and networks could not be centrally controlled: they evolve through changing relationships of conflict, competition and accommodation.

Yet it is still not far-fetched to say that today's illicit commodity chains could drive a similar 'great leap forward' to that described by Wolf (see Chapter 2.5) — i.e. that revenues and income earned across the chain would escalate demand for materials (e.g. precursor chemicals), services (cross-border banking), and protection needed for moving the commodities across borders — that would lead to specialisations across regions. The specialisations are probably a reason why illicit opium and coca are grown and processed in only a handful of countries. These were already evident when US President Richard Nixon decried in 1971 that though his country had the largest number of heroin addicts in the world, 'America does not grow opium, nor does it manufacture heroin'.[31] But again, as Wolf reminds us, such specialisations are not the result of 'free commodity exchange': there are constraints governing the selection of these commodities, and political and military sanctions are necessary to enforce and sustain the asymmetrical benefits and displacements in these exchanges (Wolf, 2010 [1982]: 310–314). 'Choice' in this system of interrelationships — as seen in the case of the land-poor farmers of southern Afghanistan and the further cases elaborated in this study's later chapters — is rarely 'free'.

The coercive specialisations taking place therefore characterise the 'system of cruel and unregulated capitalism with a proven ability to adapt' (Cave and Robles, 2014). This implies massive social reorganisation because, indeed, a local economy would not spontaneously specialise, i.e. abandon food production in favour of specialised opium poppy or coca cultivation, unless there was extraordinary force or pressure applied on it to do so. The so-called 'spontaneous order' that emerges from markets is not created by an 'invisible hand', but rather by the limits of monopoly power acquired by emergent criminal entrepreneurs.

It is a paradox that through the 'visible hand', criminal entrepreneurs are able to buy legitimacy. In capital-starved, asset-deprived and collapsing local economies, it is these actors' investments into illicit enterprise that could provide the lifeline of income and employment that enable survival. This leads to another assumption in the dominant model that needs to be refuted: the notion that criminals, because they are 'criminals', do not enjoy legitimacy. Holders of the visible hand can purchase the required legitimacy they need to carry on.

[31] See Nixon's speech at http://www.presidency.ucsb.edu/ws/?pid=3048, accessed 12 June 2018.

It was Hobsbawm who originally situated the phenomenon of banditry within its socio-political context. In societies with class divisions and states, Hobsbawm points out, 'banditry simultaneously challenges the economic, social, and political order by challenging those who lay claim to power, law, and the control of resources' (Hobsbawm, 2000 [1969]: 7). Banditry as a specific phenomenon therefore cannot exist, he emphasises, outside socio-economic and political orders. Banditry as a mass phenomenon can appear 'when non-class societies resist the rise or imposition of class societies, or when traditional rural class societies resist the advance of other rural, or urban, or foreign class societies, states or regimes' (ibid.: 9).

Looking at a history of banditry over three centuries, historian Thomas Gallant explains key bases for the acceptance and legitimacy of criminals. Bandits and criminals, he argues, cannot be total outsiders for the simple reason that they are a by-product or social consequence of changing forms of capital accumulation, labour appropriation and modes of exchange in the formal economy. In other words, criminals are 'part and parcel of civil society': they are drawn from the same ranks of the rural economy being disrupted by agrarian change. In addition, Gallant also highlights that although bandits and pirates stole, and by definition expropriated goods and commodities illegally, they were not always operating illegally, i.e. men of violence switched careers from bandits at one point, to being estate guards or soldiers at another time, or even becoming politicians or state leaders over time, depending on their links to ruling elites. Simply put, the same men who are considered by some as illegitimate could be seen by others as legitimate. Besides, 'when opening their household larders to outsiders', Gallant suggests, 'it made little difference to peasants and rural labourers whether the open-palmed claimant was the taxman or an extortionist brigand. Both made questionable claims on resources' (1999: 27–28).

Gallant's historical overview also shows that banditry or piracy, while often thought of as rooted *only* in the backwaters of society or in social systems constituted by a traditional peasantry, actually created conditions that enabled the diffusion of capital into rural economies. In other words, bandits *could be* agents of capitalism. According to Gallant, bandits played a role in monetising the rural economy. Since they stole and pillaged portable commodities of value — gold or bullion, spices, jewels, opium and the like, as well as livestock — these stolen goods needed to be converted into cash or other forms of wealth in order to be enjoyed. This meant that the communities in which bandits were immersed had to be engaged in some form of exchange with wider, larger economies. Because bandits had more symbiotic rather than parasitic relationships with the local communities they relied upon, the profits they gained from exchange with broader economies became useful to those communities in which they were based. As Gallant concludes, 'the market mechanism of exchange linked the brigand to the agriculturalist and led to the increased monetisation of the rural economy' (1999: 37–38).

Bandit activities further led certain rural areas to be connected directly to outside markets over time. As exchange relations consolidated and became more regular, certain rural areas became established suppliers of various illicit products and ill-gotten gains — stolen gold, drugs, arms, etc. — to outside markets. Some even specialised in providing associated criminal services, such as the slave-raiders who captured humans for sale in what until the 1800s was the legal enterprise of slavery.[32] Gallant shows, for example, how bandit enclaves inland and pirate lairs on coasts around the world grew into regional market centres and entrepôts in their own right. Pirates operating from the Caribbean even 'became a major economic force supplying urban markets in North America'. Bandits or pirates were predator-merchants who performed important but curiously unacknowledged roles in the expansion of commerce and wider economies (Gallant, 1999: 38).

A set of 2015 case studies from the UK development NGO, Christian Aid, reveals similar patterns persisting in some of today's illicit economies.[33] For example, Christina Anderson describes how the deserts of northern Mali today have camel-riding or 4x4-driving outlaws who, like their pirate forebears, 'turned otherwise isolated settlements and mobile trading caravans in the desert into bazaars for smuggled goods — from sugar, fuel and staples to cigarettes, mobile phones or Viagra'. The bazaars are often bases too, says Anderson, 'for hiding and forwarding illicit merchandise, like weapons, ammunition and narcotic drugs — mainly cocaine and cannabis resin'. She states that modern criminal entrepreneurs 'are increasingly adept at converting stolen or smuggled goods into other forms of wealth that add real value to the local economy' (Anderson, 2015: 1).

Filippo De Danieli's study on Tajikistan provides clues into how particular economic contexts enable criminal entrepreneurs to develop and flourish, while refuting a common assumption that drug trafficking is *always* a hard security threat. Documenting how symbiotic relationships developed between the state

[32] Interesting stories about 'outlaw nations' and 'republics of rogues' that grew in pirate lairs in Madagascar, the south Atlantic and the Caribbean, are provided in Frank Sherry's *Raiders and Rebels: The Golden Age of Piracy* (1986).

[33] See the synthesis report and summary of four case studies on Tajikistan, Mali, Afghanistan and Colombia in Gutierrez (2015). A fifth case study on Myanmar remains unpublished.

and criminal organisations after Tajikistan's 1997 peace agreement, De Danieli argues that these relations go beyond collusion and sharing in illicit profits. As such, Tajikistan's drug mafias have actively contributed to preserving the established order, either by eliminating potential threats to the regime, or by settling disputes in the country's most remote and unruly regions (2015: 2-11).

De Danieli provides accounts of how criminals transitioned to become political actors after the civil war. He cites the case of Sangak Safarov, a bartender with a long criminal history who became leader of the country's biggest militia, the Popular Front of Tajikistan, which later became the ruling party; and of Gaffur 'the Grey' Mirzoev, another militia leader of a group called the 'Presidential Guard', and allegedly the key player in the narcotics business, who helped quash at least two coup attempts (De Danieli, 2015).[34] In other words, criminal entrepreneurs are not just one-dimensional 'Robin Hoods' who may have legitimacy to some and not to others.

Further contemporary cases are elaborated in *Out of the Shadows: Violent Conflict and the Real Economy of Mindanao,* published by the peace-building NGO International Alert (Lara and Schoofs, 2013). This volume showcases the shadow economies of Mindanao: the illegal gun trade (Quitoriano); drugs (Cagoco-Guiam); kidnapping (Gutierrez); informal land markets (Gulane); cross-border illicit trade (Villanueva); and the links between borrowing money and violence in Sulu (Kamlian).

To summarise, criminal entrepreneurs are not just criminals. They are political and economic actors too, playing key roles in state-building and preserving the established order. They are suppliers of both order and disorder (De Danieli, 2015; Goodhand, 2009), whose visible hands structure outcomes in the political economy.

1.2.4 *McMafia* and the normalisation of crime

In 2009, journalist Misha Glenny published the book that coined the term *McMafia.* Collin's review of the book, however, dismissed it as superficial, sketchy, short on documentation and analysis, and builds up gossip into sensationalist claims (2009: 518). Despite the validity of the bad review, what could not be denied is that the term *McMafia,* by itself, already serves as a useful contribution. There are important parallels between the growth of organised

[34] These roles, however, did not last long. Safarov was killed in a gunfight with a fellow commander in 1993. When Mirzoev's growing strength became a threat, he was eliminated by the president whose administration he helped secure; he was arrested in 2004, his assets were seized, and the Presidential Guard was disbanded (De Danieli, 2015).

crime on one hand, and the ubiquitous expansion of multinational companies like the food chain McDonalds to practically every corner of the world, on the other. Criminals, organised and disorganised, Glenny explains, 'were also good capitalists and entrepreneurs intent on obeying the laws of supply and demand. As such, they value economies of scale, just as multinational corporations did, and so sought out overseas partners and markets to develop industries that were every bit as cosmopolitan as Shell, Nike, or McDonalds'. The key pattern Glenny underscored is that McMafia, and *not* McDonalds, is the greatest 'success' story of globalisation (Glenny, 2009: p.5-7) – a phenomenon that has not been sufficiently acknowledged.

It is also worth noting that it would have been nearly impossible for researchers to do the same level of reporting that Glenny accomplished in documenting, in English, 13 cases of criminal enterprises around the world. Glenny not only had access to the infrastructure, services, and connections of a state-backed global media conglomerate. As a BBC journalist, he was also better positioned to take risks. Research councils and universities would hesitate to fund and approve similar work by researchers because of the obvious risks, costs, and difficulties of ensuring it complies with research ethics.[35]

To date, much has been written about globalisation of the licit type, but little on the illicit type. Yet the size alone of the illicit economy shows it is such an important economic force. What many policy and security analysts are now deliberating is not any more the size and reach but the extent to which the illicit is 'silently hijacking' significant portions of the global licit economy. Naím, for example, highlighted how illicit trade is inextricably linked to legitimate commerce, thus blurring boundaries between state and criminal organisations, and between legitimate and criminal business. He also points out a 'great mutation' of moving away 'from fixed hierarchies and towards decentralized networks; away from controlling leaders and toward multiple, loosely linked, dispersed agents and cells'. It is a mutation, he said, 'that governments in the 1990s barely recognized, and could not, in any case, hope to emulate' (2007: 7-8). Simply put, organised crime and illicit economies are not anymore completely 'underground' – they quite often normalise or become the standard.

[35] Journalism and academic research are fields that should be reinforcing, or at least complementing, and not cancelling each other out.

1.2.5 Smugglers or saviours?[36]

Blok's advice to first 'discover people on whom the bandit relies' is prescient (1972: 498). It situates the criminal entrepreneur in his socio-economic and political context. Criminals, after all, inhabit more or less the same territory, rely on the same food supply, are connected to the same markets, and are subject to the same mechanisms of control and coercion as most people. The criminal relies not only on ordinary people who could be their relatives or friends; they also rely on local patrons, politicians, and in many cases, the police, based on quid pro quos and deals they have struck. Criminals are said not to prey within their own immediate community, because otherwise they will be thrown out or abandoned. Criminals are social actors who learn to navigate their way through the complex maze of relationships and dependencies in society.

It must be emphasised, however, that others — ordinary villagers, agricultural traders, or local politicians — rely heavily on criminals *as well.* A poor peasant household, for example, that is constantly vulnerable because of the absence of state institutions, can get better and more effective protection from a powerful drug lord by colluding and cultivating opium poppy. There are plenty of stories of how poor households keep their harvests and meagre properties from petty theft because of their association with known entrepreneurs in violence.[37] But it is not only protection that is provided. In cash-starved and infrastructure-deprived local economies normally regarded as 'dangerous' — and as such avoided by normal firms because of the inherent risks — it could be the criminal who, despite the status of 'outlaw', is the most important source of cash, investment, or employment. Hence the question 'smuggler or saviour?'.

Other scholars have explored this question in detail, including Eric Hobsbawm (2000 [1969]: 5), who introduced the paradox of the *social bandit,* otherwise known as the 'ancient politics of Robin Hood'. Criminals are officially 'outlaws', yet as Hobsbawm explains, the Robin Hood who was an outlaw and criminal to state authorities was a saviour and hero to poor communities. Hobsbawm raises the question of whether banditry was a form of social protest. By imposing their will on victims through extortion, robbery and other forms of violence, Hobsbawm suggests, bandits 'simultaneously challenge the economic, social and political order by challenging those who hold or lay claim to power,

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[36] Adopted from the title of Judith Scheele's 2012 book, *Smugglers or Saints.*

[37] See for example the cases of kidnappers and fugitive criminals in the southern Philippines whose mere presence in villages where they sought sanctuary provided protection to those villages (Gutierrez, 2013: 131–136).

law and control of resources' (ibid.: 7). This makes banditry political as much criminal.

Hobsbawm's thesis, however, has been challenged by Blok, who points out that 'there is much more to brigandage than just the fact that it may voice popular protest'. Bandits, Blok continues, 'do not seem to be the appropriate agents to transform any organizational capacity among peasants into a politically effective force', and in many cases, have in fact been tools for suppressing social protest. Rather than be actual champions of the poor and the weak, 'bandits quite often terrorised those from whose very ranks they managed to rise. Rather than promoting the articulation of peasant interests, bandits tend to obstruct or to deviate concerted peasant action. Bandits have fulfilled pivotal roles in the demobilisation of peasants'. Furthermore, Blok continues, brigandage indirectly impedes large-scale peasant mobilisation because it provides channels to move up the social hierarchy to a select few, thus weakening class solidarity (Blok, 1972: 496).

The Blok–Hobsbawm exchange reminds us that there is no straightforward answer to the question of smuggler or saviour. The criminals of today could be hero or heel at the same time. Modern-day Robin Hoods can be an expression of social protest in the same way that they can be effective tools in the suppression of that social protest. This reverberates to this day in the debate around the impact of drug traffickers on poor peasant communities growing illicit crops. The dominant narrative states that criminal entrepreneurs are sources of violence and coercion and are therefore predators of the poor local communities they rely on. But this study argues that the same criminal entrepreneurs are a source of both order and disorder, of both stability and instability. The challenge is to avoid ignoring or negating any of the roles that they perform.

Hence, further elaborations are necessary on the role of criminals. For this, we return to Gallant, who wanted to examine 'the economic contexts that enable such entrepreneurs in violence to develop and flourish within different stages of economic development' (1999: 27–28). His more basic question is how criminal entrepreneurs and their assorted allies are reproduced and recruited in society in the first place. Gallant suggests a straightforward answer: capitalist penetration of rural areas uproots young men from an increasingly moribund peasant economy, thus making recurrent the supply and demand for the services of men of violence. This pattern is explained in more detail in the next section.

1.2.6 The suppliers of order and disorder

It was the sociologist Charles Tilly who added an essential component to the understanding of criminal enterprise: criminals long-considered to be sources of disorder could be suppliers of political order as well. Drawing on the analogy that state-making is like a protection racket, Tilly argued that states qualify as an example of organised crime (Tilly, 1985). Organised violence and coercive exploitation, he said, 'played a large part in the creation of European states', which means that 'banditry, piracy, gangland rivalry, policing, and war-making all belong to the same continuum' (ibid.: 170–171).

Tilly introduces key definitions. 'Someone who produces both the danger and, at a price, the shield against it is a racketeer'. On the other hand, 'someone who provides a needed shield but has little control over the danger's appearance qualifies as a legitimate protector — especially if his price is no higher than his competitors'. Tilly then states that, 'someone who supplies reliable, low-priced shielding both from local racketeers and from outside marauders makes the best offer of all' (1985: 171). Tilly's explanation of how criminals could be suppliers of political order dates back to 1974 when he wrote the Foreword for Blok's *The Mafia of a Sicilian Village,* wherein he said:

> The system of producing *mafia* is cruel and curious. It parallels government in some respects and intertwines with government in other respects. Like governments, its operators rely on control of concentrated and effective means of coercion to keep the bulk of the population in line. Like governments, the beneficiaries of the system, directly or indirectly, tax the producers of wealth — the agricultural workers. Like many governments, the system permits each of the operators to scoop some of the proceeds from the flow toward the top. It depends on government to stand far enough away not to interfere with the flow of proceeds, but close enough to assure that neither rivals nor the people at the bottom will block the flow. Unlike most governments, however, the system has no accountability, no visibility, no means of representation for those under its control. So the *mafia* system is more curious and more cruel than government itself. The murders, thefts, and mutilations its operators use to maintain their control — to 'make themselves respected' — are only the most lurid manifestations of its evil. (Blok, 1974: xix–xx)

Tilly and Blok emphasise that the central characteristic of mafia 'is the private use of unlicensed violence as a means of control in the public arena', and that the actions of the mafiosi depend on a particular set of economic and political arrangements. Tilly underscores that the task is 'to locate the connections between the prevalence of private violence and structure of economic and political life' (Blok, 1974: xv).

Tilly further reiterates that the circumstances that created mafia lie in the rural setting, where 'the phenomenon originated and prospered, rather than with the cities in which it eventually multiplied' (ibid.: xiii). He states that what Blok describes in Sicily 'resembles … former peasant populations at the edge of capitalism throughout the world', for instance in the hacienda estates of Latin America and Southeast Asia, where 'rent capitalists' 'consolidated control over the land, harnessing cheap labour for world markets, and converting semi-autonomous peasants into dependent proletarians' (ibid.: xvi)[38].

Joel Migdal argues that 'for peasants to produce what the market demanded they produce, there had to be an additional force insuring compliance with the market's demands.' That force, he said, was the state, backed by the coercion of armies and police, and the adoption of policies on land, taxation, and transportation that greatly enhanced the force of the market (Migdal, 1982: 73). But Gallant highlights a problem: the state apparatus did not always possess the means and military capability to compel peasants to do what it wanted. State institutions were also not always *in situ*, and in many countries were still mostly incomplete. Hence, the state could not always be that force to penetrate the peasant economy. It is in this regard, Gallant suggests, that criminals step in as potential suppliers of order. In order for the state to be able to deploy its array of techniques — tax rolls, land registries, standardised currencies, etc. — to undo the existing ways in which peasant societies were socially and economically organised, it had to co-opt, or at least arrive at some form of settlement with, criminal forces in society that it could not destroy (Gallant, 1999: 37–38).

The role of criminals as suppliers of order can be seen better from a historical perspective that lays out how banditry and criminal enterprise have been more widespread than assumed. The literature on peasant unrest, Gallant observes, shows that actual peasant rebellions were rare. Banditry, however, was not. Hence, banditry as a historical phenomenon may have had a far greater impact in shaping capital accumulation, labour appropriation and mechanisms of exchange in many peasant economies than has been understood to date, as demonstrated most eloquently by Blok's *Mafia of a Sicilian Village*. At the very least, Gallant argues, bandits provided the pretext for state intervention into the

[38] See also Schneider and Schneider (1976) who discuss cultural codes generated in the early adaptations of Sicilians to such changes.

peasant economy. But at most, bandits were active strategic partners of rulers as well as rebels in changing the peasant economy.

David Nugent adds important refinements. Nugent questions the view that state and society are distinct 'entities', each with its own clearly identifiable boundaries and interests. He also questions the assumption that state and society have interests that are in conflict with one another — that is, that the state can advance its interests only at the expense of society, and vice versa. This notion of a 'zero sum game', he explains, is so deeply ingrained in social science thinking that 'virtually all the literature on the consolidation and breakdown of states is characterised by these assumptions' (Nugent, 1999: 69).

Based on his study of political competition between elite *castas* of northern Peru in the early 1900s, Nugent argues that far from giving expression to alternative political possibilities, illegal political networks – which in many ways are similar to criminal networks – may not only follow the same organisation, but may also demonstrate the same intentions as the formal state apparatus. Illegal political networks therefore, according to Nugent, may require the formal state apparatus as a condition of their very existence. Thus, rather than help define the limits of 'stateness', or the external boundaries of some discrete entity called the state, 'illegal political networks may themselves be key mechanisms by means of which state organisation is brought into being and reproduced, and vice versa' (ibid.: 69–70).

Finally, it is also valuable to remember Goodhand's discussion of coping, shadow and combat economies, elaborated in the Preface and in Chapter 4.2.3. The concepts of households and villages, traditional institutions and social norms, and political structures and contestation need to be seen in the context of the combat, shadow, and coping economies that emerge in such complex situations (Goodhand, 2004).

1.2.7 Arbitrageurs and intermediaries in state-sponsored protection rackets

A final body of literature to cite in this review is that which qualifies criminal entrepreneurs as arbitrageurs and intermediaries in state-sponsored protection rackets. First is Ahram and King's definition of *warlord,* which provides the essential qualifier — that criminal entrepreneurs are also arbitrageurs. Referencing Fernand Braudel, they highlight that:

> …the success of warlords was, at its base, due to their unique position as frontiersmen. They were creatures of the borderlands, growing up in regions where states and empires were both needy and inexpert: where they had

> difficulty extending their own power and where they required assistance in preventing the catastrophe of foreign invasion. Warlords were uniquely gifted boundary-crossers, conducting both violent and non-violent transactions across political, economic, and cultural dividing lines. Despite the popular image of warlords as sword-swinging barbarians ruling despotically from usurped thrones, the most successful ones turned out to have something that everyone else wanted: the ability to serve as middlemen across uncertain boundaries while, in the process, reaping some of the profits for themselves. (Ahram and King, 2012: 170)

Ahram and King explain that racketeering is not always possible, because it is only in the rare condition of absolute state failure that there are no police, however corrupt, who can offer some protection to citizens engaged in everyday economic activities. State power therefore, even when remote, could impose limits on practising racketeers. Success in such situations, they point out, relies upon a distinctive form of brokerage — i.e. positioning to intermediate in return for political, financial, or other rewards, thereby gaining personal and political aggrandisement (ibid.: 174).

Ahram and King arrived at their definition of warlords-as-arbitrageurs by first rejecting the deductive, Weberian distinction between different types of legitimacy which assumes that states alone enjoy a monopoly over the use of force. They cite Michael Mann who said that, 'most historic states have not possessed a monopoly of organised military force and many have not even claimed it'. Hence, it is necessary to understand warlords as 'armed agents who wield some degree of civil power and claim some kind of local sovereignty over a defined region, while paying allegiance to one or more stronger powers'. The subservience and loyalty to a superior authority, state Ahram and King, is what sets the warlord apart (ibid.: 172).

The two authors summarise three explanations for the emergence of warlordism. First, warlords offer an anachronistic form of political authority occurring where modern state authority is weak; they therefore represent forms of social organisation that the state is meant to replace. Second, warlords offer an alternative social structure: they offer protection and other public goods 'that are superior to those putatively offered by the state'. And third, warlords are not so much violent franchisees, but are essentially violent entrepreneurs who seek to control some local resource (drugs, timber, diamonds) to enrich themselves and their subordinates (ibid.: 173).

More recently, a group of academics asked the question, 'why do narcos invest in rural land?' (McSweeney et al., 2017). Drawing on scholarly, journalistic and policy sources, they outline 'three key elements of the political economic context that create and enable land acquisition by drug traffickers': the war on drugs; late 20^{th} century neoliberalism; and pervasive inequalities in Latin America's agrarian sector. As they found in their review, rather than being anathema to private investment in the rural sector, narco-entrepreneurs 'create the very conditions for such investments — not everywhere, but importantly in the very landscapes most likely to have been closed off to capital investment prior to the drug traffickers' involvement' (ibid.: 16). McSweeney et al. conclude that, 'drug traffickers use the vast wealth they capture from an illicit commodity chain to act as neoliberal pioneers, spreading circuits of capital into new territories: communal, reserved, and public lands' (ibid.).

McSweeney et al. introduce the notion that drug traffickers are a 'narco-bourgeoisie', 'due to their use of cocaine profits to establish and extend private property relations into erstwhile communal and protected lands that were previously unavailable for capital accumulation'. The idea of a narco-bourgeoisie effectively captures the relationship between drug control policy and capitalism (ibid.: 3).

1.2.8 Conclusion: Recasting criminal enterprise

To summarise, this sub-section has provided a set of theoretical constructs that are useful for the examination, interpretation and analysis of the politico-economic roles of criminal entrepreneurs in shaping state formation and capital accumulation, which are undertaken in this study. This sub-section:

- introduced intended and unintended interdependence, and indicated how it explains the survival and resilience of criminal enterprise;
- made the argument that the building blocks of a market, whether licit or illicit, are not based on free exchange, but primarily on the social and economic relationships that emerge from interdependent actors, typically guided by the visible hand of power;
- traced the emergence of actors who can either be smugglers or saviours of the capitalist penetration of rural areas that uproots young men from an increasingly moribund peasant economy, thus creating recurrent supply and demand for the services of men of violence;
- argued that ultimately, the reproduction of criminals *en masse* is a social consequence of the disruptions created by capital accumulation and agrarian change;

- emphasised that the criminals that emerge — contrary to the common understanding that they can only be malevolent actors and sources of disorder — can also be providers of order;
- showed how criminal enterprise reproduces itself around the world using the old combination of force and cunning, like corruption and state capture;
- recast criminal enterprise as a force for change, whether good or bad, especially at the margins of state and market. Not only does criminal enterprise have remarkable resilience to state power, it also becomes normalised. The sub-section looked at the covert netherworld and how criminal enterprise has become the economic foundation for a shadowy realm; and finally,
- looked at the role of criminal entrepreneurs as arbitrageurs and as a 'narco-bourgeoisie'.

In sum, this sub-section has sought to recast the role of criminal entrepreneurs. Though they may be rightly regarded as malevolent politico-economic actors creating disorder, they can also be agents of order. They can be gatekeepers to the ebbs and flows of capital and political opportunities in the borderlands, sustained as they are by interdependent relationships in which they arrange and rearrange themselves in conflict and accommodation with other actors.

1.3 Historical and comparative research: Explanation of the methodology and analytical operations

This study uses the methods of historical and comparative research to try to resolve the puzzle and find answers to its central research question. Historical and comparative research means examining the past in order to understand the present; it uses historical as well as contemporary cases to explain the origins and development of illicit crop enterprise and its commodity chains. This approach seems to be the most appropriate for challenging the generalisations of prohibition (Llobera, 2000: 72–74).

Chapter 2 begins this research by presenting a genealogy of illicit crop enterprise and its social life. Chapter 3 uses two sets of primary sources — the official reports from the UN and US agencies that measure and describe illicit drugs enterprise today — to critically assess the conventional wisdom about illicit crops and their commodity chains. Chapters 4 to 6 present the comparative analysis of what were referred to earlier as configurations — focusing on resilience, careers and prices — to dive deeper into the origins and development of illicit crop enterprise.

1.3.1 Use of primary sources and indices

A key contribution of this study is its critical examination of two sets of primary sources: the official reports about illicit drugs enterprise published annually by the US government since 1986, and by the UN since 1999. These reports are bulky documents: the annual US International Narcotics Control Strategy Report (INCSR), for example, typically has over 400 pages; in recent years, each annual publication comes out in two volumes. The UNODC's *World Drug Report* (WDR) is more variable in size but is also a dense document packed with charts and statistical tables.

These INCSRs and the WDRs are administrative records — collections of mainly factual information recorded by the US government and the UN in order to track and monitor clandestine illicit drugs enterprise. These records are used for policy development and decision-making in both institutions. The INCSRs are used to guide decision-making on US official development aid (to be explained in more detail in Chapter 3); while the WDRs are the basis for drug policy development in the UN.

The use of records as a source of data for research analysis has been declining because, increasingly, specially designed research studies are carried out to replace records-based data (Hakim, 1998: 36). This study does not use the INCSRs and WDRs as sources of data for constructing datasets for analysis; rather, it provides an analytical reading of their contents to track trends and patterns in the knowledge about illicit crop enterprise. This reading is not just based on counts or frequency and developing coding categories; more importantly it is also an attempt to interpret the underlying text and meaning of official statements and claims, such as how relationships of conflict and accommodation between various actors are represented in the reports (Slater, 2000).

1.3.2 Why comparative methods?

The research procedure to be applied in Chapters 4 to 6 is anchored in step-wise, medium-N, comparative methods — a specific research approach which traces its genealogy from the works of David Levi-Faur (2003); Benoit Rihoux and Charles Ragin (2009); and Peter P. Mollinga and Daphne Gondhalekar (2012, 2014). This methodological approach has been selected mainly because it is through comparative research — especially when it goes beyond 'loose' or 'implicit' comparisons-by-contrast — that the complexity of the hidden phenomena of illicit crop economies may be further unpacked, thus allowing for the emergence of new insights and inferences through which the governance challenges over the livelihoods of illicit crop-dependent communities may be better understood.

In 1998 when the UN General Assembly endorsed an ambitious 10-year programme for a 'drugs-free world', drug control policy came to be monitored through a linear, largely context-free, stripped-down quantitative reporting. There is no question that this monitoring and tracking, as represented by the INCSRs and the WDRs, are necessary to measure and quantify a clandestine commerce. However, these reports tend to be instrumentalist, in the sense that theory dictates the evidence, and not the other way around. The emphasis on standardisation and compliance with the three international drug control treaties leads to over-generalisation and the single-narrative approach that arguably obscures more than it reveals about the 'drug problem'. A label developed by Larry M. Bartels could be applied to this approach — i.e. *quantitative imperialism*, or a system of inference based largely on quantification which is too narrow or radically incomplete (Bartels, 2010: 83–84). A comparative approach may transcend the limits of quantitative imperialism.

The trend in standardisation, top-down policy formulation and enforcement, and consequent over-generalisation has emerged despite efforts within the UN system itself for more specific and contextualised understandings of the 'drug problem'. For example, before the UN General Assembly made its 1998 decision to pursue a 'drugs-free world' within 10 years, a six-volume series produced by UNRISD (UN Research Institute for Social Development) provided context-focused, nuanced and in-depth treatment and analysis that could arguably have provided the needed 'balance' or counterpoint to the instrumentalist approach.[39] These publications, illuminating as they are, appear to have been overlooked in the policy-making, and may have been drowned out by essentially apocalyptic narratives of an impending 'drugs catastrophe'. Fears about a drugs catastrophe, reflected in many of the 2,058 entries in Tullis' (1991) annotated bibliography, may have predisposed policy-makers to do away with nuance and context, and rely almost exclusively on standardisation and top-down enforcement.

[39] The series includes Painter (1994); Renard (1996); Thoumi (1995); Tullis (1995). It is unfortunate that, unlike most UN reports, this six-volume series is *not* available online.

Yet the promise of top-down enforcement has clearly not been achieved. In 2008, when it became apparent that the ambitious 10-year programme for a drugs-free world had failed, the UNODC came up instead with a revisionist history that justifies continued instrumentalist analysis (TNI, 2006, 2008). This PhD study believes, like Mollinga and Gondhalekar, that 'comparative research may be an avenue for supporting attempts at contextualising policy approaches and policy instruments in a way that avoids either extreme' of linear, stripped-down, quantitative reporting on one hand, and context-focused, richly-detailed investigation on the other (2014: 183).

1.3.3 Explaining comparative methods

To begin with, comparative methods appear particularly suited to a study of the commerce in illicit crops, rural livelihoods, and their consequent links to violence and disorder, because these techniques provide a means for testing causality in processes and relationships that are clandestine and understudied. As this thesis intends to show, the problem is not the 'illicit crop' itself — whether opium or coca — but rather the relationships, quid pro quos, or political settlements around it, about which knowledge and information still remain largely piecemeal and uneven. When information with a bearing on the analysis is incomplete or piecemeal, observations, deductions and comparisons can be made from which inferences can be drawn. As explained by Hospers, 'in ordinary life we claim knowledge not only from observation but from *inference*. We see bear tracks in the mud, and we infer that a bear was there even though we didn't see one' (Hospers, 1990: 72). Systematic comparison, therefore, can be a useful strategy to address the limitations of knowledge on phenomena that are hidden, under-researched, fragmentary, or incomplete. Furthermore, comparative methods offer a safer way of dealing with the risks inherent in a study of illicit actors where tracking, collecting and systematising evidence could put researcher and information sources in danger, directly or inadvertently.

It could also be pointed out that 'comparison is a key operation in any empirical scientific effort' (Rihoux and Ragin, 2009: loc. 178). It not only lies at the heart of human reasoning, but 'any descriptive effort, any typology or classification *involves* comparison' (ibid.: italics added). In other words, 'we know that apples are not pears because we have compared the two' (ibid.: loc. 183). Hence, simple, rudimentary comparisons — especially when 'translated into a set of systematic comparative methods and techniques' — are building blocks that cumulatively can become powerful explanations for various phenomena (ibid.: loc. 193).

Simple comparison is about looking for similarities and differences between units or cases. Cases are defined as 'the political, social, institutional, or individual entities or phenomena about which information is collected and inferences are made'. In social science research, examples of *cases* are 'nation-states, social movements, political parties, trade union members, and episodes of policy implementation' (Brady and Collier, 2010: 315). A *set* could simply be a group of cases with a pre-defined, shared attribute. Choosing cases and sets, Rihoux and Ragin point out, should 'by itself be a process guided by the underlying research question and the preliminary hypotheses one may have in this respect' (2009: loc. 803). This means that not only should the inclusion of each case 'be justified on theoretical grounds' (ibid.; see also Ragin, 1994); it also means 'that the number of cases analysed cannot be fixed a priori'. In other words, 'new cases may be added, or others dropped, in the ongoing process of research' (Rihoux and Ragin, 2009: loc. 803).

Systematic comparisons appear to be particularly applicable for the examination of illicit drugs cultivation and trafficking not only because the phenomena involved in such a study are far too complex to reduce to discrete, simple, stand-alone observations, but also 'because real-life or laboratory-like experimentation for such cases is obviously neither empirically possible nor ethically acceptable' (ibid.: loc. 202). Thus, as Rihoux and Ragin point out, the comparative method 'can be considered a crude substitute for experimentation', while also controlling for contextual conditions (ibid.: loc. 205).

Ragin developed 'Qualitative Comparative Analysis' or QCA in 1987. The term 'QCA', however, may have become a misnomer, because over the years, the approach has evolved into something that is certainly more than just about qualitative methods and techniques. It was once described as an 'insurgent campaign' in sociological methodology that defies the doctrines of the two major 'parties' — *quantitative* and *qualitative* — and is 'dedicated to a principled alternative' that is 'not a compromise between quantitative and qualitative but rather transcends many of their respective limitations' (Vaisey, 2009: 308).

QCA is now called 'Configurational Comparative Methods' or CCM by Rihoux and Ragin (2009). This approach, they explain, is where the researcher engages in a dialogue between cases and relevant theories. It enables medium-range theorising in social research, defined as an approach aimed at integrating theory and empirical research (ibid.: loc. 461). Hence, CCM allows for the empirical testing of theories, as opposed to grand theorising, and is useful too, for combining structure- and actor-related aspects of phenomena being investigated (ibid.).

CCM, like other techniques, has formal tools and its own language. The term 'condition' is similar to the term 'variable' (whether independent or dependent) used in statistical analysis, while a 'configuration' is a defined as 'a specific combination of factors or conditions that produce a given outcome of interest' (ibid.: loc. 219). CCM views causality 'as context- and conjuncture-specific', and therefore 'rejects any permanent form of causality' (ibid.: loc. 505). Hence, CCM urges the researcher 'not to specify a single causal model that best fits the data, as one actually does with statistical techniques, but instead to determine the number and character of the different causal models that exist among comparable cases' (ibid.: loc. 506).[40] Thus, CCM moves away 'quite radically from simplistic, probabilistic causal reasoning'. In this sense, CCM allows for what it calls 'multiple conjunctural causation' across cases — i.e. 'that different constellations of factors may lead to the same result' (ibid.: loc.487).

CCM utilises the strengths of the case-oriented approach, for example in arriving at whether a condition (variable) is *necessary*, *sufficient*, or both, in producing or causing a particular outcome. A condition is necessary 'for an outcome if it is always present when the outcome occurs'. In other words, the outcome cannot occur in the absence of the condition. On the other hand, a condition is sufficient 'if the outcome always occurs when the condition is present'. This means that the outcome could also result from other conditions (ibid.: loc. 225).

A key piece of advice emphasised by Rihoux and Ragin is that a strategy of systematic comparisons could be most applicable when the relevant and interesting objects for examination are 'naturally' limited in number (ibid.: loc. 215). For example, nation-states or regions, or political crises, are too few for statistical generalisations to be developed with certainty from dataset observations.[41] But trends and tendencies, along with causal processes, could be established by making comparisons. It can be pointed out that, in terms of research methods, two of the most important studies in political science are

[40] This is the reason why, in this PhD study, different causal explanations will emerge when comparing the three configurations across the selected cases.

[41] A 'dataset observation' is defined as all the scores in a given row of a rectangular dataset, or all the numbers or the collection of scores for one given case on the dependent variable and all the independent variables. A data point in a two- or multi-dimensional scatterplot is a dataset observation (Glossary entry in Brady and Collier, 2010: 324).

comparative: Barrington Moore's classic *The Social Origins of Dictatorship and Democracy* (1966) and Theda Skocpol's *States and Social Revolutions* (1979).[42]

Levi-Faur's refinements on the comparative approach resonate particularly strongly with this PhD study, especially his strategy for dealing with key dilemmas. A first dilemma concerns the limitations or doubts about the scientific status of the case-oriented approach. A single case may indeed allow for intensive examination, but as many have pointed out, it cannot constitute the grounds for valid generalisation, or for disproving an established generalisation. Because science is a generalising activity, intimate knowledge of one's case — which is the greatest advantage of the case-oriented approach — becomes perceived as yielding only marginal benefit to scientific progress. Levi-Faur argues that this view is mistaken, because it assumes 'that social reality is driven only by a few "shakers and movers" that are responsible for most visible outcomes in the political and social world'. Such assumptions result in an ontology of 'simple' theories for a 'simple' world. Levi-Faur suggests that social reality should be perceived as a product of conjunctural causality, through which accuracy, richness of detail, and intimate knowledge of one's case 'might be elevated to the same importance as the search for generalisation' (Levi-Faur, 2006b: 5–6). In other words, a case study, even if it is 'just a case study', can be as much a game-changer as generalisation.

Hence, rather than giving up on either generalisation or particularisation, Levi-Faur proposes that it might be useful instead 'to balance these conflicting goals'. Generalisations, he argues, tend to fade when we look at a particular case, yet 'case analysis without an attempt at generalisation is a mere anecdote'. He suggests that the needed balance could be achieved by increasing the number of cases in the quest for generalisations (ibid.: 7).

This leads to another problem: what is the appropriate number of cases to achieve such a balance? If large-N studies are to be reserved for the statistical method, Levi-Faur asks, how then could one increase the number of cases *but stay firmly in the context of case-oriented research?* He suggests that the first task in the comparative approach is to increase the number of cases without compromising the strengths of case-oriented analysis. He calls this Medium-N comparative

[42] Barrington Moore's book has provided particular inspiration for this study, as it starts from a clear and straightforward central research question: 'Why did the process of industrialization in England culminate in the establishment of a relatively free society?'. It then develops the answer by drawing from the rich but fragmented literature on agrarian change, history and politics in the other countries or historical contexts with which the author makes comparisons: France, the US, China, Japan and India.

analysis (Levi-Faur, 2003, 2006a, 2006b). He recommends three techniques for increasing N:

- split the case to the 'before' and 'after' of an important event in time;
- introduce a new condition; e.g. as well as looking at levels of opium cultivation, look also at the absence of it;
- increase the units and measures; e.g. don't look only at Afghanistan, look at Myanmar and coca-producing countries as well.

Thus, from just a single case study, the cases have been increased to at least four, while still remaining firmly within the context of case-oriented research. Inherent in redefining the nature of the case is the stepwise addition of cases, which is different from the simple addition or selection of cases.

Another advantage of the comparative method is that it can combine qualitative reasoning, which uses comparison as a key operation, with quantitative analysis and experiments. This could be particularly useful for probing into phenomena with many unknowns, anomalies, and misconceptions that present challenges for causal inference, such as the commodity chains of illicit drugs and their actors. The value of combining methods can be drawn from David A. Freedman's (2010) examination of the research methods that led to some of the most important breakthroughs in medical history.

Freedman points out that it was the combination of methods, drawing on experimentation and comparisons, which led English physician Edward Jenner to the development in 1796 of the process now called 'vaccination' that ended deadly smallpox epidemics.[43] Similarly, the discovery of the cure to puerperal fever in 1844 came from a rejection of conventional explanations of the disease, which emerged from a simple comparison of why some get the disease but not others.[44] Another historical breakthrough came in 1854 with the discovery in

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[43] In 1796, when most diseases were thought to be caused by external influences, Jenner showed that inducing a mild case of the disease from cowpox sores would later confer immunity to smallpox. Hence, the process came to be called 'vaccination' after *vaccinia,* another term for cowpox (Freedman, 2010: 222–223).

[44] In 1844, decades before the discovery of microbes as the cause of infectious diseases, obstetrician Ignac Semmelweis found answers to the puzzle over puerperal fever — a disease that caused high maternal and infant mortality — by rejecting conventional explanations. His starting point was a simple comparison: that while some were susceptible to the disease, others in similar conditions were so strikingly spared (Freedman, 2010: 223–224).

London that the simple cure for cholera is clean water[45] — which again followed a process of research based on comparisons and a combination of methods.[46]

The point to be emphasised is that these breakthroughs in medical knowledge happened due to certain attributes of the research processes used. A mathematical statistician, Freedman lists these steps. First, qualitative thinking preceded quantitative investigation. Second, the researchers recognised anomalies in the conventional thinking (or had 'hunches') and acted on them, 'refuting (them) when they were wrong, developing new ones that were better, and testing new as well as old ones' (Freedman, 2010: 202). Where and when possible, they conducted experiments. And third, Freedman emphasises that the medical researchers did not rely solely on observational data. Instead and most importantly, they probed the underlying mechanisms or the *causal processes* or *sequence* that led to the outcomes they were attempting to understand (ibid.: 232, italics added).

Hence, Freedman concludes that causal process observations using a diverse mix of qualitative and quantitative techniques to exploit the available information, 'can be extremely helpful' in the search to both prove and disprove hypotheses and conclusions. The failure to search for, as well as to recognise, anomalies in conventional thinking, Freedman emphasizes, 'could lead to a kind

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[45] In 1854, physician John Snow discovered that cholera was an infectious disease that could be prevented by cleaning the water supply. His research started with a refutation of the predominant theory that attributed the epidemic to 'miasmas' or noxious odours. Snow conducted tedious tasks of data collection, including tracking how the disease spreads, observing that cholera never goes faster than people travel, and that it 'travels along the great tracks of human intercourse'. He used his investigations to make qualitative arguments against the miasma theory, and then did more research to find the real cause. Snow created a 'spot map' showing the location of cholera fatalities. As he sorted through his data, simple comparison made it apparent that water drawn from public water pumps run by the Southwark and Vauxhall Water Company was contaminated, unlike the water drawn from the pipes of the Lambeth Water Company. Hence, he famously ordered the much-used Broad Street water pump closed despite strong local opposition. He was immediately vindicated when the epidemic quickly abated (Freedman, 2010: 225–227).

[46] Further examples cited by Freedman are microbiologist Christiaan Eijkman's 1888 failed experiments and eventual accidental discovery of the real cause of beriberi, a disease widespread in Asia at the time and caused by a lack of thiamine (vitamin B); and Joseph Goldberger's 12-year research starting in 1914 to prove that pellagra was a deficiency, not an infectious disease. Goldberger asked a simple question of comparison — if pellagra was an infectious disease, why is it that in hospitals and asylums, the inmates frequently developed the disease, while the attendants almost never did? (Freedman, 2010: 227–230).

of sterility in research programmes'[47]. Thus, 'scientific progress often begins with inspired guesswork' but 'if guesses cannot be verified, progress may be illusory' (Freedman, 2010: 233).

A further value of comparative methods lies in its use of triangulation, described by Sidney Tarrow as 'particularly appropriate in cases where quantitative data is partial and qualitative investigation is obstructed by political conditions'. Triangulation, states Tarrow, is the best strategy for combining qualitative and quantitative research (2010: 108). Triangulation is defined by Brady and Collier (2010: 356) as the 'research procedure that employs empirical evidence derived from more than one method or from more than one type of data'; it 'can strengthen the validity of both descriptive and causal inference'. It can also be called 'nested inference', or a 'causal inference that draws on both data-set observations and CPOs (causal process observations), sometimes at different levels of analysis, to take advantage of the distinctive contribution offered by each type of observation' (ibid.: 340).

Comparisons can also be made across time, i.e. between the new and the old, or before and after a historical event. Tarrow (2010) provides useful reminders on making decisions for historical comparisons: a) by what rules can we choose the period of history most relevant to the problem? b) what kind of history are we to use: the history of kings and victors or of everyday people? c) how can the effect of a particular historical period be separated from that which precedes or follow it?

In other words, comparisons can be systematised to improve their inferential leverage on the causes of the outcomes and consequences of the conditions. In sum, the comparative method will be used in this PhD study for the following reasons:

- The known areas where illicit crops are cultivated for commerce are naturally limited in number. Moreover, the interesting objects for examination — e.g. volume of illicit crops grown and harvested; bribes paid and received; career criminals involved in the trade; ease or difficulty of entry into the illicit market; symbiotic relationships between criminals and agents of the state; violent threats made or received; protection and security provided by specialising criminal organisations; etc. — are also,

[47] Freedman referred to Ronald Rogowski in the same volume, who decries how standard scientific inquiry emphasizes the testing of hypothesis almost to the exclusion of: (a) the elaboration of precise models; and (b) the deduction of their (ideally, many) logical implications (Rogowski, 2010: 90).

more often than not, deliberately obscured, distorted or denied. Furthermore, close study of these phenomena is obstructed by political conditions. Systematic comparisons could be a way to establish trends and tendencies, to test whether conditions are sufficient and/or necessary, and to trace causal processes and sequences that lead to the outcomes reported in the UN and US surveys.

- There are theoretical and policy anomalies in the global narcotic drugs control regime that need to be challenged, refuted or otherwise explained. It is now nearly 60 years since the United Nations agreed, in 1961, the first of three conventions for global narcotic drug control. With billions of dollars spent, thousands of lives lost, and specialist counter-narcotic institutions created, the illicit drug trade has not reduced, but has grown into a multi-billion, dispersed and multi-national criminal enterprise.[48] Opium production and cocaine manufacturing, states UNODC's Executive Director in the WDR 2018, are 'at the highest levels ever recorded' (2018a: 1). If the solutions are not working, then either something must be wrong with the way the problems have been defined, or new cures need to be found. This PhD study reviews and challenges the way in which the problems have been defined.
- Though the UNODC has diligently collected and systematised information on the illicit drugs trade through its Illicit Crop Monitoring Surveys, and while these quantitative reports are useful in providing policy-makers and law enforcement authorities with simplified information on such metrics as hectares of illicit cropland eradicated, tonnes of drugs seized, arrests made, or prosecutions secured, these have proved inadequate in driving needed changes in policy. A fresh approach — using CCM and CPOs — may now be needed to challenge or complement the measurement and monitoring systems of the UNODC and to utilise the available data more effectively.

[48] These statements are drawn from the findings of the June 2011 report of the independent Global Commission on Drug Policy: https://www.globalcommissionondrugs.org/wp-content/uploads/2017/10/GCDP_WaronDrugs_EN.pdf, which recommended an end to prohibition and a considered response to the legalisation of narcotic drugs. Among its 25 commissioners are the former presidents of drugs-affected countries Colombia, Mexico, Brazil and Nigeria, and former UN Secretary-General Kofi Annan.

1.3.4 Using comparative methods to address problems of measurements of illicit economies

As already noted, since 1998 quantification and measurement have become the norm in the UN's reporting and analysis of the clandestine commerce in illicit drugs. This dependence on quantification is widespread elsewhere in the UN System. Agenda 2030, also known as the Sustainable Development Goals (SDGs), is structured around quantification and measurement, comprising 17 goals, 169 targets and 232 quantitative indicators.[49]

The use of measurable targets and indicators has been accompanied by the proliferation of indices for quantification. Again, the UN system was the trendsetter with the introduction of its Human Development Index (HDI) back in 1990, seen at that time as a progressive idea to shift the focus of development policy from reliance on the standard measurement of national accounts (e.g. gross domestic product, national income, etc.) into indicators of individual well-being such as life expectancy, access to public health, or education, and much later, even the measurement of inequality.

Over time, global indices and country rankings for just about everything were created. To name a few: corruption was measured via the Corruption Perceptions Index of Transparency International; the *Economist* came out with its Big Mac Index to compare purchasing power; the World Bank began to use its Country Policy and Institutional Assessments to evaluate the approval of loans to countries. In the field of conflict and peace studies various attempts emerged to measure 'fragility'. By 2008, the UNDP reported that in the field of development, there were already 178 indices in use for various purposes.[50]

Underlying the increasing reliance on measurement — and the consequent expansion of 'quantitative imperialism' — is the proposition that quantification is 'more scientific' and robust because, among other things, it is said to reduce scientific uncertainty (lack of complete knowledge), or at least to make an explicit calculation of it. 'Inferences without uncertainty estimates', states a principal reference book on research methodology in the social sciences, 'are not science as we define it' (King et al., 1994: 9).

But it is also necessary to keep in mind the various critiques of quantification and measurement. There are certain areas of inquiry, for example, that cannot be

[49] For more on the SDGs and their measurement and tracking through targets and indicators, see https://unstats.un.org/sdgs/, last accessed 5 July 2019.

[50] See http://www.undp.org/content/dam/undp/library/corporate/Development%20Studies/measuring_country_performance_2005.pdf, last accessed 21 July 202

easily split, broken up, or expressed in units. If they are expressed in units, the boundaries may be fuzzy. As explained by Rihoux and Ragin (2009: loc. 525), it is important *not* to assume that certain conditions or variables are readily discrete, delineated by boundaries or mutually exclusive from each other. For example, the territory often called 'province' may be unambiguously delineated by imaginary politically constructed lines on a map, yet its economy on the ground — transactions, trading, movement of actors, prices — will not necessarily be limited by either intra- or inter-state boundaries. Income, an often-used variable in statistics, does not always come only from a single source, and may sometimes be more meaningfully measured in non-monetary terms (such as more time, or more flexibility resulting from the waiver or extension of a debt).

Furthermore, Rihoux and Ragin continue, it is essential *not* to assume that the causality emanating from a single variable, like income, is permanent. In many cases, configurations compel the researcher to examine how the supposed causal effects of low income may vary or apply unevenly across time. It is also better *not* to assume that there is causal symmetry across variables, because causal contributions may not be uniform and regular. For example, in certain situations decreasing incomes may become a driver of poverty, but *only* when households have no secure access to land.

In other words, this study proceeds with an awareness that the usual quantification and measurement deployed in the sources and references it will be using may be riddled with fundamental problems because variables are not discrete; causality is not permanent; causality is not uniform or regular; and variables could not be added together.

Another of Rihoux and Ragin's observations that guides this PhD study is how many of the causal conditions that interest social scientists are not clearly categorical or could not be reduced to dichotomies. They give a useful example that while some countries are democracies and some are not, there are many in-between cases – the countries that 'are not fully in the set of democracies, nor are they fully excluded from this set' (Rihoux and Ragin, 2009: loc. 1936). In addition, these countries may also not be fully in the other set of non-democracies — but then similarly not be fully excluded from that set either. Using this point, Ragin introduced the idea of a 'fuzzy set' (e.g. democracies), where cases or units of analysis (e.g. countries) may not be fully included or excluded. In contrast to fuzzy sets are the categorical or crisp sets, where cases are simply and unambiguously either a member of the set or not (Ragin, 1987, 2000).

A further critique of indices and their quantification methodologies comes from a team of Colombian academics who found a common mistake of aggregation made even by reputable institutions like the World Bank and the Harvard Kennedy School of Governance — i.e. confusing data recoded into nominal and ordinal numbers as having numerical qualities. Hence, the scoring and ranking made in the indices of these institutions, which ascribe numerical qualities to nominal classifications or ordinal sequencing, 'is very similar to an act of magic'. The ranks and scores thus produced 'are an artefact of ad hoc decisions that have no substantive justification' (Gutierrez et al., 2011: 2, 10).

In fact, Gutierrez et al. argue that indices 'are not reality: they are a radical simplification of it for the purposes of abstraction and data manipulation' (ibid.: 9). It is important to note, however, that despite their damning criticism, these authors argue for the continued use of indices and label as 'dubious' many of the criticisms against indices. What is necessary, they say, is to be aware that indices and quantifications are extreme simplifications of reality — that is the job these tools are designed to do. They should not be expected to describe the context or tell the whole story. Variables were created to isolate and simplify, which has significant benefits. Because the numbers in indices are simple and context-free, they may be used for some aggregation and generalisation (ibid.).

In summary, the methodology that this PhD study will use is not a compromise between the qualitative and the quantitative, but rather a set of techniques and methods in a combination that will hopefully transcend the respective limitations of the qualitative and quantitative approaches. In the following sub-sections, some background is given into the research plan and analytical operations that will be conducted for Chapters 4, 5 and 6 of this PhD study.

1.3.5 Using comparisons to challenge anomalies: Unpacking survival and resilience in illicit crop economies

Chapter 4 will be comparing four cases of illicit crop production in order to challenge or refute the most common assumptions of drug and development policy. The cases are:

- Afghanistan and Helmand Province
- Colombia and Putumayo Department
- Myanmar and Shan State
- Bolivia and the Chapare.

It is often assumed that the illicit crops opium and coca are sources of instability, an 'evil' that breeds fragility and violence. Fragile states are supposed to be most vulnerable to their production and attendant harms. Yet by looking into the local contexts of the four cases, which represent the world's leading opium and coca producers, these illicit crops are found to *also be* sources of stability, even drivers of economic growth. They enable marginalised communities and territories abandoned by the state to be reinserted into national and global markets. Within so-called 'fragile' and conflict-affected areas are displaced and dispossessed households adopting innovative and unorthodox strategies for coping and survival in changing and insecure environments.

Chapter 4 thus maps out an approach which is useful for examining the resilience that has emerged amidst violence and uncertainty in illicit-crop-producing territories, and which can hopefully tackle the continuing disconnect between drug and development policies. It begins by identifying the key assumptions that have shaped drug and development policies, and then assesses these assumptions against actual cases on the ground. This analytical process is a form of empirical testing — a means to evaluate whether an assumption holds true in reality. This process may also be considered a crude substitute for experimentation — to check whether the assumption applies or changes when compared or controlled across the four cases.

The cases in Chapter 4 provide a basis for deterministic causation: judging whether an assumption is a necessary or sufficient condition (or both) in producing or causing the outcome of illicit crop economies. It will use causal process observations (CPOs), using pieces of data that provide information about the context, process, or mechanism as a frame for making causal inferences. As elaborated in Brady and Collier (2010: 318), CPOs do not involve directly observing causation, but rather making inferences of the underlying causal processes and causal sequences that lead to the outcome. As such, Chapter 4 is a search for proof or refutation concerning the most common assumptions around illicit crop economies. It also uses triangulation to test for internal and external validity of the assumptions in question.

1.3.6 Step-wise comparison based on reasoned sequence: The careers of criminal entrepreneurs

Chapter 5 is a comparative analysis of the careers of selected criminal entrepreneurs that draws inferences and new insights on illicit crop economies. This chapter will also supply much of the basis for answering this study's central research question. It provides a critical reconstruction and evaluation of the life stories and criminal careers of the following drug lords:

- **Lo Hsing Han**,[51] the Burmese opium drug lord, whose life story and criminal career are not only extensively documented (e.g. Lintner, 2000; McCoy; 2003; Renard, 1996); but could also be triangulated with more recent political economy research (e.g. Meehan, 2011, 2015; Woods, 2011, 2018), and cross-validated with information from the US Sanctions List.

- **Lal Jan Ishaqzai**, a major Afghan drug smuggler reported by US President Obama in June 2011 to the US Congress as a Foreign Narcotics Kingpin and included in the US Specially Designated National (SDN) list. No photo could be found. **Bashir Noorzai**[52] was an Afghan *mujahid* who fought the Soviets, and a Pashtun chieftain who originated from Maiwand District in Kandahar, birthplace of the Taliban. He was identified as a Foreign Narcotics Kingpin and included in the SDN list.

- **Roberto Suarez Gomez**,[53] Bolivia's 'king of cocaine' during the coca boom of the 1980s, a big cattle rancher and *latifundista* who owned the largest fleet of aircraft in the region.

- The **Castaño brothers**[54] — Fidel, Vicente and Carlos — were ranchers and former associates of Pablo Escobar in Colombia's Medellin drug cartel who became fearsome paramilitary leaders. Vicente and Carlos were on the SDN list, as was a foundation established by Carlos.

[51] The photo, credited to AP, is sourced from the *Daily Telegraph's* obituary of Lo, 12 September 2013 (https://www.telegraph.co.uk/news/obituaries/politics-obituaries/10305743/Lo-Hsing-Han.html). The name is also alternatively spelled as Luo Xhinghan.

[52] Photo sourced from the *New York Times*.

[53] Photo from the cover Suarez's biography (Levy, 2012).

[54] Photo from *Verdad Abierta*.

Chapter 5 contends that these drug lords were specialists in coercion, actors who regulated and manipulated access to land and resources, who mobilised labour and shaped its divisions, and who promoted certain forms of capital accumulation. They therefore promoted, whether deliberately or inadvertently, specific forms of local economic and political order, often marked by coercive land dispossession. A better understanding of their roles, therefore, may provide ways of unpacking the policy dilemmas over illicit crop economies as well as the key challenges to peace-building and post-war economic development in borderlands where illicit economies thrive.

The comparisons are inspired by Mollinga and Gondhalekar's (2014) contention that a comparative approach is suitable:

(a) when rich but fragmented case studies are already available;

(b) when 'big ideas' — concepts such as market, governance and sustainability — globalise the debates on the impact of the cases;

(c) when there is intense contestation on whether the problems are about scarcity, inefficiency, security, governance, or equity, and debates on what is the role of state and market in all these; (d) when attributes, effects, modalities and impacts being studied will not always be self-evident.

Mollinga and Gondhalekar point out that 'comparative inquiry expands the political imagination to bring into view new possibilities' (2014: 183). Thus, this approach is being embraced in order to harness rich localised knowledge that can be gleaned through life stories, to expand the 'political imagination' and develop conceptual models.

Chapter 5 will test the main proposition advanced by this study: that criminal entrepreneurs survive and thrive because they establish interdependencies as *pioneers* for capital, *intermediaries* in commodity chains, and *arbitrageurs* especially in the dangerous places at the margins of state and market. Like Chapter 4, Chapter 5 will use CPOs to gain leverages for making causal inferences. The assumption is that criminal careers, when assessed against and superimposed on social and political contexts, may provide useful inferences into how certain conditions or variables — such as violence, political protection, peasant and labour displacement — are either *necessary* or *sufficient* to produce a central outcome in borderland economies: illicit drug crops.

1.3.7 Limitations of the step-wise comparative approach

It is important to acknowledge limitations of the approach taken by this study. Strictly speaking, it is difficult to put complex phenomena into boxes of similarities and differences. Furthermore, conditions and outcomes can be interchangeable. Hence, there is a degree of arbitrariness when comparing a configuration in this way. Nevertheless, the value of this approach is that the comparative analytical process is 'stretched' or controlled to improve leverage in drawing inferences.

Hence, the steps to be taken in the analytical routines of this study do not follow a strict linear pattern. Moreover, liberties have been taken in the choice of cases because of limitations in time, availability of materials and access to sources.

A further limitation of the approach adopted is its use of *cases* from which inferences are drawn. There is already an underlying, embedded theory just by making a decision to use 'cases'. First, it pre-supposes that there are 'cases' and 'non-cases', and that the cases selected are '*similar* enough and *separate* enough to permit treating them as comparable instances of the same general phenomenon'. Furthermore, the 'term *case* and the various terms linked to the idea of case analysis are not at all well-defined' (Ragin and Becker, 1992: 1–8). There are, in other words, underlying precepts to be aware of: the cases used in this study are what Lund describes as 'edited chunks of empirical reality where certain features are marked out, emphasized, and privileged, while others recede into the background'. A case, therefore, is not natural: it is a 'mental or analytical construct aimed at organising knowledge in a manageable way' (Lund, 2014: 224). Establishing a case is also a form of coding (Saldaña, 2009: 3). The cases in this study are thus edited constructs that recode phenomena that often remain hidden.

A last note is that this PhD study does not present new empirical material from fieldwork. Rather, what is new is that it uses carefully selected material from the various countries in a comparative way to unpack the discourses on global drugs policy.

1.3.7 Prices: Their role and limits as a mechanism for coordination in illicit crop economies

Chapter 6 focuses on the third configuration: prices. The criminal entrepreneurs driving the commerce in illicit drugs are often referred to as a *drug cartel,* in technical terms a collusion of market actors to manipulate prices to maximise profit, often by controlling the volume of commodities made available on the market. This study argues that while prices and profits are indeed important factors shaping incentives, behaviours, and relationships of market actors, they are a woefully inadequate explanation for the survival, resilience and growth of the illicit commerce.

As indicated at the beginning of this chapter, a number of scholars and analysts have pointed out that even the most powerful of these 'cartels' could hardly exercise control over the volume of production of drug crops, even with the systematic use of violence. Furthermore, the farm-gate and consumption retail prices of cocaine and heroin do not always slump when there is excess supply; and neither do prices automatically spike when supply becomes limited either due to a poor cropping season or aggressive law enforcement. A more consistent explanation, this study argues, may be provided by identifying, measuring and then analysing the inherent interdependencies of the various actors across the commodity chain.

The earliest opium survey data in Afghanistan validates this contention. According to the UNODC Afghanistan Opium Survey 2000, only 123 out of 344 districts (certainly not the entire country) were cultivating opium poppy.[55] And most importantly, among the 123 opium-producing districts, the levels of cultivation varied sharply: there was more concentrated cultivation in some districts than in others. In fact, the survey stated that nearly three-fourths, or 73%, of total opium poppy production came from only 20 districts, located mostly in the provinces of Helmand and Kandahar (UNDCP, 2000: p. ii). This means that the other 103 opium-producing districts, with a 27% share of production between them, were only marginal producers. If price was the main driver of opium cultivation, it would be reasonable to assume that production across all 123 opium-producing districts would be similar. What can therefore be inferred is that there are plenty of reasons other than price that determine how supply is produced and delivered, who does it, and how rewards are distributed.

Chapter 6 will present a comparison of prices and context in the four countries *before* and *after* a major event has taken place: (a) the 1989 signing of ceasefire agreements in Myanmar; (b) the 1996 '*cocalero* uprising' in southern Colombia; (c) the 2000–2001 Taliban-imposed opium ban in Afghanistan; and (d) the 2006 ascension to power of cocalero president Evo Morales in Bolivia. In other words, Chapter 6 will analyse the relative stability of prices of illicit crops despite massive changes in the socio-economic and political contexts.

1.4 Conclusion

To summarise, four of the most important illicit-crop producing countries have been selected and will be analysed by drawing inferences across three

[55] Note that the Afghanistan Opium Poppy Survey 2000 claims to be a 'ground-based census that covers all known poppy cultivating villages of the entire country' (UNDCP, 2000: 2).

configurations (combinations of conditions): resilience, careers and prices. Comparisons guided by key theoretical constructs, and structured systematically in explicit steps — as this study will attempt — are intended to improve inferential leverage on the causes of the outcomes and the consequences of the conditions in the study of interdependency and resilience in the illicit commerce of opium and coca. From this analysis, answers to the central research question will emerge.

2 Illicit Drugs Capitalism: Historicising the Social Construction of a Contemporary Global Issue

2.1 Introduction: *Common sense* and the social construction of illicit drugs

In June 1998, representatives of coca-growers from South America tried to attend the United Nations General Assembly Special Session (UNGASS) on the 'world drug problem'[56] to call for a reconsideration of UN-mandated drug prohibition policies that were destroying their livelihoods and causing untold human rights violations. But they were denied entry to the USA, because they were regarded as criminals involved in the illegal cocaine trade.[57] The peasant cocaleros also had to endure a further stigma: they were often mocked for the way they spoke and routinely dismissed as 'less educated' and 'less civilised'.

Yet they remained undaunted. By then, the cocaleros had already resolved that the only way to get their voices heard was to demonstrate real political strength. In Bolivia, a political party they had established, the *Movimiento al Socialismo* (Movement towards Socialism) or MAS, had already won most local government seats in the coca-producing Cochabamba area (Grisaffi, 2017: 58). In December 2005, less than seven years after the humiliation of their exclusion from the UN conference, the cocaleros and their allies stunned the international community with a dramatic and major victory. One of those denied a visa, a cocalero and ethnic Aymara Indian named Evo Morales, was elected President of Bolivia, with the largest margin ever in the country's election history.[58] As

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[56] UN General Assembly Special Sessions (UNGASS) on the 'world drug problem' took place in 1998 and 2016; see https://www.un.org/en/ga/sessions/special.shtml, accessed December 2019.

[57] I was informed of these visa denials by staffers at WOLA (Washington Office on Latin America; see www.wola.org) who were to host the cocaleros had their visas been granted.

[58] Morales' party, MAS, was established after the 1994 Popular Participation Law but struggled through considerable infighting and internal divisions in its early years. Morales had been a MAS

Morales took office in January 2006, Bolivia invigorated the task of not only removing the stigmas cocaleros had long endured, but also of changing prevailing legal norms and global attitudes towards the coca plant.[59]

The cocaleros' remarkable transformation from marginalised and criminalised peasants to effective wielders of state power offers an interesting case study not only into the social construction of what gets to be interpreted as 'criminal' and 'illicit' livelihoods, but also into how the 'common sense' on illicit drugs may be critically examined, challenged, and perhaps even reversed. Some caveats are, however, necessary. It should be noted that though the rise of the cocalero social movement in Bolivia was part of a wider trend of resistance to social and political exclusion, and was spurred by disillusionment with new post-authoritarian democratic regimes, including mass mobilisations against the incumbent presidents in October 2003 and June 2005, Morales and MAS chose a more traditional path to politics by supporting national parties and politicians (Biekart, 2005: 89–92). This is why Morales and MAS, despite their left-wing tendencies, have sometimes been called 'oscillating forces' in Bolivian politics that belonged neither to the left-indigenous bloc constituted by worker and peasant organisations in La Paz, Cochabamba, and the mining towns, nor to the eastern-bourgeois bloc of agro-industrial, financial and petroleum capital in Santa Cruz, Tarija, Pando and Beni (Webber, 2010; 2016). Hence, when finally in power, the Morales government's record of 'ruling in the name of indigenous workers and peasants' was criticised on the grounds of its continuation of certain neoliberal policies that opened it to the charge of merely implementing a more stable version of the model of accumulation it inherited (Brabazon and Webber, 2014). It was also accused of facilitating an agro-capital–state alliance which allowed the top tiers of indigenous-peasant movements to be absorbed into the apparatuses of the state, thus effectively decapitating the movements (Webber, 2017: 330).

Yet despite these critiques, it is still possible to assess the Morales government's contribution to changing the 'common sense' understanding of illicit crops and coca, and to examine how MAS used the state platform that it acquired to elaborate its agenda of '*yes to coca, no to cocaine*' nationally, regionally and globally. Even with the limits of their record as pointed out by Webber and

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congressman; he first ran for the presidency in 2002 and came within a slim margin of winning (Grisaffi, 2017: 58–59).

[59] Morales' 'resounding victory' took added significance because he pledged to 'reverse a campaign financed by the United States to wipe out coca growing'. See *New York Times* (19 December 2005).

others, the cocaleros' ascent to power not only gave them the opportunity to represent the views of other poor, illicit crop growers around the world who depend on criminalised livelihoods for coping and survival. They were also able to pose a direct challenge to the anti-drugs policies of the world's major powers, the US, China and the EU — policies that often flatten a complex social phenomenon into a single story, which is the main focus of this study. Elements of that accepted 'common sense' include the belief that: (a) illicit crop growers, like the cocaleros, are complicit in illegal, criminal activity; (b) stronger law enforcement solves the proliferation of illicit drugs; and (c) halting drug traffic is best achieved by striking at the supply. Further elements of this 'common sense' include: (d) that illicit drug crops are evil or are sources of instability; (e) that fragility, violence and illegality breed each other; and (f) that fragile states are most vulnerable to illicit crop production and its consequent harms.

Senso comune, roughly translated into English as 'common sense', was a key theme problematised by Antonio Gramsci in his prison notebooks. He used different labels to refer to it, including a given social stratum's 'popular science'; a 'traditional popular conception of the world'; and 'spontaneous philosophy' (Gramsci, 1971: 430–433; 625–626). In other words, these are 'heterogenous beliefs people arrive at, not through critical reflection, but encounter as already existing, self-evident truths' (Crehan, 2016: ix). Kate Crehan adds an important clarification: the English term *common sense* has overwhelmingly positive connotations with its emphasis on 'sense'; but the original Italian actually stresses the held-in-common (*comune)* nature of the beliefs (Crehan, 2016: x). Gramsci presented a critique of the philosophy of philosophers and their contained specific conception of the world (1971: 626), and proceeded to map out this *senso commune,* or popular opinion, in which he saw the fundamental inequalities of class woven into aspects of everyday life and reproduced over time in complex, nuanced, and never crudely deterministic ways (Crehan, 2016: x–xi).

Thus, the 'common sense', popular science, traditional conceptions, or spontaneous philosophy over coca and illicit crops did not arise spontaneously from nowhere. It could be said to be built upon the understanding and shared values of those with the power to enforce it — an understanding which the Bolivian cocaleros effectively challenged. Drawing again from Gramsci, he stated that 'common sense' is best seen as a creation of the *blocco storico* (historic bloc), or the ensemble of historically determined social relationships that establishes dominance by normalising a version of what is supposedly good or bad, acceptable or unthinkable (Gramsci, 1971: 690, 768; see also Cox and Sinclair, 1996: 131–133). Also referred to as a coalition or a socio-historic process, this bloc has become legally, institutionally and ideologically embedded in the global complex that rises out of the two principal agencies, UNODC and the US government's ONDCP. The cocaleros' rise to power, therefore (even given the recent ousting of Morales) rewrote, or at least put into doubt, the 'common sense' enforced by the bloc.

Scholarship is also moving in the direction of challenging this common sense. The work of Gootenberg and Campos (2015), for example, brings the contemporary issue of drug trades into conversation with historiography to examine often-lurid popular accounts of so-called 'narco-states' and 'narco-terrorism' by asking whether it was 'the criminalization of once licit and recreational activities that led, ironically, 'to the intensification, expansion, and "cartel"-ization of the trade'. Because historians will tend to ask different questions than law enforcers or criminologists, focus may move to how social geographies of illicit production and distribution map onto belts of political and social marginalisation, or whether border smuggling waves are episodic or structurally tied to politics (ibid.: 11–14).

This chapter attempts not only to make a contribution to this 'new drug history', but also to put into historical perspective the forms of capital accumulation that appear to have been missed by the common sense-challenging Morales government. This chapter outlines an approach that traces the genealogy of the global enterprise in illicit opium and coca through processes of commodification and the subsequent emergence of commodity chains that gave these plants their 'social life' as tools for colonisation, incubators of capitalism, and means for capital accumulation. This approach suggests the following periodisation of a history of opium and coca: (a) pre-commodification; (b) the beginnings of regimes of accumulation; (c) instrumentalisation as tools for colonisation; (d) concentrated commodification; and (e) illicit commodification versus prohibition. The concluding section iterates the variability of the existing 'common sense' and the need for its fundamental reinterpretation as a step towards constructing new policy responses.

Summary: historical overview of coca and opium as 'incubators for capitalism'

Early uses – opium poppy is one of the oldest medicinal plants in recorded history, since 3000 BC; coca has been chewed since 1500 BC. Ancient traders found commercial value in the crops.

'Seeds of change': commodification of plants began. **Quinine** allowed Europeans to carry the White Man's Burden. **Sugar** and **cotton** constructed slave economies. **Tea** inspired globalisation. **Potato** politics created a nation. The **opium** poppy and **coca** bush complete the list.

Commodity chains emerged; regions became specialised in producing specific crops. A true division of labour consolidated over time that created massive social reorganisation and required coercive force. Commodified plants became tools for colonisation.

The Catholic Church clashed with Spanish mining firms on whether to allow coca in the Spanish colonies. In 1569, King Philip II of Spain overruled the bishops and allowed coca production, citing the need to protect the financial interests of the Crown.

From the late 1600s to the late 1800s, opium funded colonial expansion. Without opium, 'there probably would have been no British Empire' (Trocki, 1999: loc. 158). The British East India Company emerges as the world's first global 'drug cartel'.

Opium restructures China's economy and territory. Britain invades China in the First Opium War (1839–42) and takes possession of Hong Kong. China legalises opium after its next defeat in the Second Opium War (1858).

Technology expands the commodification of opium and coca. Morphine extracted in 1806; cocaine in 1859; and heroin in 1874. German, US, British, French and other western European pharmaceutical companies expand the legal trade of the substances.

Prohibition movement consolidates in the late 1890s and early 1900s. The US emerges as the foremost global champion of drug prohibition.

A global drug prohibition system is constructed from 1909, culminating in the three UN treaties in force today: the Single Convention on Narcotic Drugs of 1961; the Convention on Psychotropic Substances of 1971; and the Convention Against Illicit Traffic in Drugs of 1988. Meanwhile, much of the capitalism behind drugs production continues underground and in the shadows. Despite its prohibition, the drug trade continues to retain its capacity for generating power and profit.

Figure 2.1: Historicising the social construction of opium and coca

Sources: Booth (1996); Gagliano (1994); Gootenberg (2001); Hobhouse (2005); McCoy (2003); Petersen (1997); Trocki (1999)

2.2 Definitions: The circulation of opium and coca as commodities in social life

Marx's idea that commodities should not be seen only as simple objects that conceal the nature of their production but also understood as 'bundles' of institutions and social relationships (moral, legal, economic and political), is central to understanding how opium and coca circulate as commodities in social life, and how processes of commodification have shaped their history.

To illustrate, when a kilogram of illicit opium or coca paste is seized at a police checkpoint, it should not be seen merely as a banned product. Rather, it should also be seen and unpacked as the 'bundle' of institutions and social relationships that got it to that checkpoint: it was most likely cultivated by a land-poor subsistence peasant household excluded from growing licit crops by falling prices; it was grown on marginal land beyond the usual reach of markets and infrastructure; it relied on credit from drug traffickers that would not normally be available for licit crop production; and it was harvested and then processed into its current form by seasonally migrating workers dispossessed or displaced from elsewhere by agricultural commercialisation or conflict. This unpacking exposes the processes of commodification and the links in its chain that may shift the common sense on that kilogram of banned product.

What then is a commodity? Appadurai introduced the idea that it is *any thing intended for exchange*: this definition explores 'the conditions under which economic objects circulate in different *regimes of value* in space and time' (1986: 8). A commodity — which in contemporary use, as Appadurai recognised, has been narrowed down to products, objects, or special kinds of manufactured goods or services that are typical material representations of capitalism — may be seen in terms of distance (space between producer and consumer), value (reason why it is desired), exchange (what is given up and the manner of acquiring what is valued), and power (strategies that make the creation of value and facilitation of exchange a politically mediated process) (ibid.: 3–4). If that kilogram of opium or coca paste seized at the checkpoint had *not* been intended for exchange, but, say, for medical application or personal consumption, its status as an illicit product and use value for others completely changes. The dynamics of exchange are what makes a commodity licit or illicit and shapes its value to others.

Other factors in the production of that kilogram that have similarly been commodified also need to be unbundled. Polanyi pointed out that not everything that is for sale in the market has been produced; he gave the examples of land, which is not produced by man; labour, which is human activity that could not be detached from the rest of life, be stored or mobilised; and money, which is merely a token of purchasing power (2001 [1944]: 75). But the land, labour and money (credit) used in the production chain of that kilogram have all been commodified. Commodification, therefore — which may be described as the process by which parts of nature, the needs of subsistence, and products of labour are ascribed a value, turned into commodities for sale and then exchanged in the market, mediated by politics and social relationships — is the organising principle that needs to be examined.

Two further qualifications are necessary. O'Laughlin adds that though commodification may come from simple exchange brought by expanding markets, it may also be prescribed or enforced by power and policy, for example, when the commons, such as land or bodies of water, are legally alienated and transformed into private property (2007: 41). Labour, during the time of slavery, was similarly prescriptively commodified.

A 'commodity chain' was defined by Hopkins and Wallerstein as 'a network of labour and production processes whose end result is a finished commodity' (1986: 158–159). This definition suggests that labour networks and production processes are not confined by national or geographic borders, making notions of where a 'market' or a 'national economy' may lie more fuzzy, relative, or movable. Indeed, borders do not always reflect reality on the ground. The definition also draws attention to how the 'true division of labour' may cut across borders, or traverse distant points trading their surpluses. Thus, what needs to be examined is not just who does what, but how distant economies begin to support each other to produce that from which they make a surplus. This is particularly important in understanding the enabling factors behind the local emergence of illicit opium and coca. If the local economy, for example, becomes entirely dependent on opium poppy cultivation, then it will need to rely on another distant local economy to supply its food requirements; this distant local economy, in turn, may rely on another local economy for its supply of fertilizers and fuel; and so on. In many ways, this 'chain' may be framed as interdependent relationships marked by conflict and accommodation, rather than solely by market relationships that may or may not be shaped by prices and profit.

Wallerstein has indeed argued that what is called 'globalisation' today is misleading because it is in no way new. The rise of shipping, use of maps and wide acceptance of gold and silver as currency over 500 years ago facilitated the global trade in commodities (Wallerstein, 2000) — and this includes the trade in opium and coca leaf. And these in turn restructured and shaped what is produced where, who does what, who gets what, and what is consumed. Thus, rather than conceive of the commodities opium and coca as products of particular, self-contained markets, they should be seen as the end result of these labour and production processes across borders that structure a true division of labour.

Steven Topik adds an important clarification — that even though the word *chain* implies something deterministic, rigid, unidirectional, or functionalist, commodity chains 'have in fact been flexible, dynamic and varied'. He points out that a commodity has a 'social life', with 'numerous phases and competing meanings and values over time and even at the same time' (2009: 780). Furthermore, participants in a commodity chain, Topik emphasises, are also involved in broader production systems, commercial circuits and markets; they allocate their time across several economic activities, including off-farm labour; and they actively negotiate their respective interests amongst each other and with other socio-economic and socio-political actors (ibid.).

Having set down the organising principle of commodification as the filter, a periodisation of the history of opium and coca may be developed, as elaborated in the next sections.

2.3 (Period 1) Pre-commodification: Opium and coca as 'crops'

The first sign of opium and coca's commodification is their classification as 'crops'. Crops are not simple plants that grow in the wild; they are found mostly where they are cultivated by local households or communities. This suggests a symbiosis between a crop's growers, traders and consumers (Chouvy, 2009: 1). Medical and religious uses appear as the reasons why opium and coca were first cultivated as crops. The opium poppy became valued as a medicinal plant, 'one of the oldest in recorded history' (Booth, 1996: 15). Booth argues it was probably the first drug to be discovered, especially given that it predated alcohol, which required knowledge of fermentation. The first mention of opium, writes Schiff, was an inscription from about 3000 BC found at Nippur, a spiritual centre of the Sumerians located south of Baghdad. The Sumerians named opium 'Gil' or happiness, and the opium poppy as 'Gil Hul' or plant of happiness. Opium also became a well-known drug of ancient Egypt where its use was generally restricted to priests and warriors. The word 'opium' itself, Schiff tells us, is thought to be of Greek origin. Ancient Greeks regarded the sleep-inducing opium 'as a symbol of consolation and oblivion and crowned all their nocturnal gods with a wreath of poppy blossoms' — a manifestation of their belief that 'sleep was the greatest of all physicians and most powerful consoler of humanity'. The Romans continued the use of opium as medicine and poison: the combination of opium and hemlock was commonly used for the execution of condemned individuals (Schiff, 2002: 186).

Likewise, the coca leaf became institutionalised in social life and has been prominent in sierra rituals since ancient times, according to Gagliano. When a new home is built, coca leaves are placed on its foundations to ensure good fortune and protection from evil spirits for its occupants. Coca leaves are offered to calm nature when storms or earthquakes occur, and also used in rituals intended to end drought and pestilence. Shamans offered coca to Pachamama, the earth mother, imploring her protection of crops and provision of bountiful harvests (1994: 8–10). Evidence of coca leaf chewing has been found in tombs along the coast of Peru dating back to 1500 BC (Carter and Mamani, 1986: 24). Mummies from the sixth century AD were found buried with supplies of coca leaves and pottery portraying the characteristic cheek bulge of the coca chewer (Petersen, 1977: 17).

Figure 2.2: a clay figure of a coquero (coca leaf chewer), with the characteristic cheek bulge, from between 850 and 1500. A gift given to the Brooklyn Museum (No. 113874). Reproduced under a creative commons license

Many historians, however, note the lack of sources for reconstructing this early history of opium and coca. Booth (1996: 1) states that opium has a 'dubious history' because there is no positive proof of how the crop may have evolved or been generated from the wild poppy. Gagliano notes that apart from archaeological evidence, the earliest information on the role of coca in Andean cultures was derived from 16th century accounts of Peru's conquest and colonisation — sources that are problematic and more important for their depiction of attitudes towards the coca leaf rather than being records of coca production and usage (1994: 13).

Still, inferences can be made that opium and coca had medical and religious value, leading to their cultivation as crops and their emergence as proto-commodities produced for use with little or no intention for commercial or for-profit exchange, in the terms used by Appadurai. These crops were therefore valued and exchanged, bartered, or given as gifts, but not yet fully commodified. It is also safe to assume that cultivation did not occur to the extent that the land, labour and loans needed for the production of these crops became commodified. Capital had, as yet, very little role in the production process. But over time, because the crops carried value, they began to be commercialised, and capital and power came to play an increasing role in their reproduction.

2.4 (Period 2) The beginnings of regimes of accumulation

Despite its value, neither the Greeks nor the Romans, writes Booth, regarded opium as a commodity to trade. But the Arabs did, and therefore went about organising production and trade. Not only did Arab scholars and medical men publish texts about opium and its uses, they also travelled with merchants in the footsteps of armies that raided and traded as the Arab empire expanded. They brought and made opium known in Persia, India and China. Booth notes that once the efficacy of opium was established in a land conquered by either arms or trade, 'poppies were soon under local cultivation' (1996 21–22). The Arabs used opium to treat a variety of ills, from diarrhoea to male impotence. Early Chinese works tell of 'Arab traders exchanging poppy capsules for the merchandise of China'. Thus, by 'the beginning of the Christian era the knowledge in opium may be said to have become universal'. An 1892 article in the journal of the Anthropological Institute of Great Britain and Ireland argues that writings of the Roman author Pliny suggest that by around 75 AD, the art of extracting opium from the poppy plant constituted an important industry in Asia Minor.[60] But the opium poppy was not only a medicine source, the article continued. It was also used and eaten as food. In Garhwal, India, where several species of *papaver* were plentiful, the young plant was used as a raw vegetable, eaten as a salad, or cooked with buttermilk. In Jalandhar, poppy was also grown for making *post,* an infusion consumed as a beverage.

Cultivation for trade turned opium into a product intended for exchange. Though there is little material on the details of how production may have been organised and what the terms of trade were at this stage, what is clear is that: (a) land would have been set aside for cultivation; (b) slaves or farmers were either required or convinced to grow it; (c) traders carried opium as a merchandise by sea or land; and (d) capital and credit started to play an essential role for reproduction and exchange. Opium was an ideal merchandise not only because it is low-volume, high-value, and did not spoil easily, but also because it qualifies for marine insurance or 'bottomry'. According to Trennery (1926: 5–6), the contract of Bottomry or Respondentia originated in a practice similar to the Commenda of Islam*,* an arrangement in which the merchant advanced goods to the trader, who handed over, in return, a sealed inventory on the value of the goods on the understanding that security and interest will be paid on successful sale or exchange. However, in the event of the trader being robbed on the

[60] These two quotations are from this 1892 journal article (p.330) — no authorship mentioned.

journey or losing the goods through no negligence of his, he would be freed from the debt.

When Arab influence faded, Booth writes, the commercial for-profit trade in opium was taken up by Venice which became the centre of European trade (Booth, 1996: 22–23). Opium was imported from the Middle East, and the Venetian Republic became the centre for the production of the highest-quality theriac known as 'Venice treacle' (a medical ointment used as a universal antidote, which contained significant amounts of opium), whose export to the rest of Europe provided an important source of revenue (Wexler, 2014: 41). Venice and Genoa also became financial centres that were sources of credit and insurance. Colonial explorers including Columbus, Magellan and Vasco de Gama were all briefed to bring back opium in addition to other commodities. When the Portuguese displaced the Venetians as explorers and traders, they included opium in their cargoes after purchasing it on the Indian sub-continent where poppies were widely grown in the late 1500s under a state monopoly enforced by the Mogul emperors (Booth, 1996: 22–23; Blue, 2000: 32).

Coca use became associated with the Inca Empire, from the 12th to the 15th century, in what is now Bolivia, Peru, Ecuador, Colombia, northern Chile and northern Argentina. In this period, it is evident that coca has gained a social life. The herb, explains Petersen, was thought to be of divine origin, created by the Inca sun god Inti, and provided to mitigate the hunger and thirst of the Incas 'so that they may meet earthly demands'. Thus, plantations were established and the mass production of coca, Petersen continues, became a state monopoly towards the end of the 15th century under Topa Inca. The use of the coca leaf became identified as a privilege reserved for the ruling classes, but 'sometimes extended to soldiers during military campaigns, workers engaged in public works projects, and others judged especially deserving.' With the decline of the Inca empire after the 15th century, coca cultivation and use became less restrictive (Petersen, 1977: 18).

At this stage in the history of opium and coca, the intention for exchange has become clearly evident, and it can be inferred that regimes of accumulation have started. Long-distance trade and mass production require investments and insurance, and sources of such capital, needed to reproduce and expand, have to be embedded in networks of power. These networks of power not only guarantee the security of capital, but also engineer the creation of plantations by mobilising the land, labour and loans necessary. Thus, plantations and apparatuses of trading can be seen as manifestations of capital accumulation. Prescriptive commodification and regimes of accumulation have begun.

2.5 (Period 3) Tools for colonisation and economic restructuring

Because value is embodied in commodities that are exchanged, and politics creates the link between value and exchange, 'the conceit that commodities, like persons, have social lives' is justified (Appadurai, 1986: 3). In *Seeds of Change,* Hobhouse argues that plants, not just the exploits of men and women, make history by causing change, development and catastrophe. He lists quinine, sugar cane, cotton, tea, potato, opium and coca as plants whose social lives enabled colonialism, created slavery, and sparked wars, thus transforming mankind (Hobhouse, 2005).

Plants indeed have a social life, but natural occurrence is not sufficient to create that social life. These plants first have to be commodified. For some crops this meant mass production: in addition to land, capital and labour being set aside, whole areas and regions became specialised in one crop, and massive social reorganisation ensued. Hobhouse argues that when quinine became mass-produced, it supplied the medicine that allowed Europeans to overcome swamp fever or malaria, permitting them to carry the 'White Man's Burden' and leading to eventual domination of the tropics. Sugar cane changed the demographics of the Caribbean: the native Amerindians (Arawaks and Caribs) were supplanted by foreign white masters from Europe and black slaves from Africa. Slave-run sugar plantations were created to supply the huge demand for sugar in a Britain that became so specialised in manufacturing during the Industrial Revolution that it had to import food to feed itself.[61] Similarly, the slave economy of the southern United States was built upon cotton, and became the rallying cry of the confederate states in the American Civil War (1861–1865). Potato produced huge increases in Ireland's population and, when disease struck the potato, the famine that followed triggered the chain of events that culminated in Irish independence (Hobhouse, 2005).

Thus, the specialisations put in place to mass produce these plants triggered massive changes. First, they entailed displacement or 'de-specialisation' in food crops, livestock production, or a combination. Second, smallholders with access to land and some tools would have become landless workers or slaves. Third, new financial instruments, more sophisticated than the bottomry contract, would

[61] In the 1790s, the Quakers in Britain campaigned actively to boycott the use of sugar in order to hasten the abolition of the slave trade: see http://www.quakersintheworld.org/quakers-in-action/153, accessed 31 May 2019. The boycott was started after Parliament rejected the Abolition (of Slavery) Bill in 1791.

have been developed, which in turn created merchants in money, and more firms, partnerships and limited liability companies (LLCs). According to Wolf, these specialisations explain the reorganisation of the 'true division of labour', and gave capitalism its 'great leap forward, escalating demand for raw materials and foodstuffs and creating a vastly expanded market of worldwide scope' (Wolf, 2010 [1982]: 310).

In other words, a local economy would not spontaneously specialise, i.e. abandon food production in favour of opium poppy or coca cultivation, unless there was extraordinary force or pressure (economic, political) applied on it. The so-called 'spontaneous order' emerged not solely out of the 'invisible hand' of prices, but also, and perhaps more so, from the visible hand of power. What was enforced, following Wolf's sweeping historical account, was a coercive specialisation that entailed huge social costs, as seen in the transformation of coca and opium into tools for colonisation.

2.5.1 Coca prohibition vs. commercialisation under Spanish colonialism

In the 1500s, Spanish colonial administrators of Latin America were at odds over the coca plant: on one side was the Catholic Church seeking to abolish the practice of coca leaf chewing to promote Christianisation; while on the other were Spanish mining interests, firms and other groups of colonial merchants in the Andes who sought to protect it (Gagliano, 1994; Gootenberg, 2008).

In 1552, at the First Council of Bishops held in Lima, church leaders endorsed steps to discourage the indigenous population from making offerings to the 'sun, earth, and sea with coca, maize, water and any other thing'. The Archbishop of Lima, Geronimo de Loayza, according to historian Joseph Gagliano, rallied clergymen to hasten Christian conversions with the belief that, despite the complexities of converting an 'alien and often hostile people', the eradication of coca would facilitate the task. Thus, a prohibitionist movement emerged within the church, with missionaries as its leading activists. They affirmed that the coca bush was 'the single most important cause of the persistence of idolatry in the vice-royalty'. Among these missionaries were the *Primeros Augustinos* (Pioneer Augustinians), who exclaimed that 'God only knows how many idolatries and how much witchcraft would cease if there were no coca' (Gagliano, 1994: 48–49).

But there was an equally powerful pro-coca lobby made up of Spanish merchants and mining firms who found that handing out coca leaves as part-pay to mineworkers improved labour productivity because coca chewing enabled workers to deal with the physical burden of back-breaking work in the mines. The biggest of these mines was in Potosi, Bolivia, which in 1611 is believed to have had a population of 160,000 — the largest mining community in the world at that time — and which lay at an average altitude of 14,000 feet (4267 metres). Coca leaf chewing not only provided comfort in the extreme working conditions, including lack of oxygen and various forms of altitude sickness in the mines, it 'also allowed the mine owners to reduce food rations by between one-fifth and one-quarter'. This meant considerable savings, since food was 'always the major cost of slavery after interest on the capital value of the slaves' lives'. According to Hobhouse, conditions in the mines were constantly cold and wet; fuel was so scarce it had to be rationed and used only for cooking. Conscripted from as young as eight years old, mineworkers would wield hammers as heavy as 20 pounds or serve as porters carrying baskets of broken ore up ladders or cliff faces unprotected. It was therefore no surprise that 'the death rate in the mine would have made Potosi commercially impossible without coca leaves' (Hobhouse, 2005: 298; 334–335). Thus, the Spanish pro-coca lobby argued that not only was coca 'a gift from God', but also that the vice-royalty would not survive if it eliminated the coca trade.

At the Second Council of Lima in 1567–68, though the prohibitionist bishops intensified their demands that the shrub be destroyed, 'a more moderate, albeit reformist, position regarding the coca question' was adopted. The council heard testimonies that illustrated prohibitionist social construction, variations of which would be repeated through time. Most of these testimonies, writes Gagliano, were without supporting evidence — for example, that the coca fields threatened much of the sierra Indian population with extinction; that women working in the coca fields became barren; or that those who gave birth had children who were demented or suffered from some affliction. It was claimed that the Indians seldom lived to old age. But several prelates like the Bishop of Cusco, continues Gagliano, refused to support the blanket condemnation because in addition to sharing a favourable view of the leaf's virtues, they derived revenues from its commerce. These prelates also refused to accept that the Spanish planters and merchants who mass produced coca were insensitive to the plight of the coca workers. Many were thought to be receptive to reforms and engaged in philanthropy, building hospitals and other charitable institutions in the region. Hence in 1569, the council submitted a coca declaration to the Spanish Crown that requested a comprehensive policy 'that would discourage the use of the leaf in superstitious practices, limit its cultivation, and reduce camayo [coca worker] deaths by preventing forced labour for [its production] in the Andes' (Gagliano, 1994: 55–57).

Eventually, the Spanish King himself, Philip II, resolved the matter by approving coca, citing that its production was needed to protect the financial interests of the Crown. Although there were conditions imposed — i.e. that the Viceroy improve working conditions in the coca farms, prohibit forced labour, and limit production quantities (ibid.: 59) — it was clear that commercial and financial considerations had triumphed over religious objections. Coca was accepted as legitimate, and the bundle of institutions necessary for its mass production was fully commodified by Spain. Coca commerce was deemed essential for the survival of Spanish colonial empire-building and resource extraction activities.

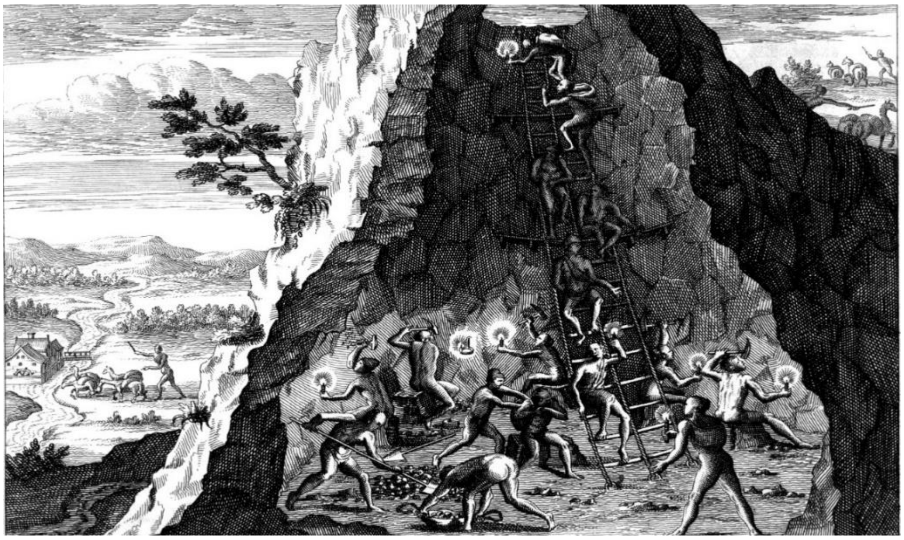

Figure 2.3: An engraving called Mining in Potosi, by Thedoor de Bry, in Historia Americae sive Novi Orbis, 1596. Source: International Institute of Social History in Amsterdam, https://socialhistory.org/en/today/04-10/potosi-silver-mines

2.5.2 Opium finances the expansion of the British Empire

Like the Spanish, the British Empire became similarly divided over the lucrative opium trade that had started to bring in the revenues it needed as it fought to retain northern American colonies in the mid-1700s. Again, there was a stark public policy dilemma. Debates were fought in the British Parliament and campaigns were launched to sway public opinion to eliminate the opium trade. But efforts to eliminate the opium trade failed because opium was 'no hole-in-the-corner petty smuggling trade', in the words of Greenberg. It was, he said, 'probably the largest commerce of the time in any single commodity' (1970: 104). Trocki further argued that it was opium that made British colonial expansion affordable. Without opium, he said, 'there probably would have been no British Empire' (1999: loc. 158).

In 1600, the British East India Company (EIC) obtained a royal licence to monopolise all commerce in the British colonies in Asia. As such, it became the commercial, political and military arm of Britain in enforcing effective sovereign control over British possessions in that part of the world. One of the first empire-builders in the successful expansion of the EIC was Major-General Robert Clive; he was followed during the next 150 years by Warren Hastings, Lord Cornwallis, Thomas Stamford Raffles, Alexander Matheson, David Sassoon, Frank Swettenham and Victor Purcell (Trocki, 1999: loc. 159).[62]

In 1773, as the colonial ruler of Bengal and Bihar in India — then the world's main opium-producing regions — the EIC resurrected the state monopoly over opium. Only the EIC could purchase opium grown in India, which the company then brought to Canton and other trading ports like Singapore and Jakarta, where it was bartered or sold. This monopoly, Trocki states, centralised opium traffic, and restructured much of the affiliated social and economic terrain by bringing two major changes: mass markets, and the generation of unprecedented cash flows. This concentrated the accumulation of wealth which, in turn, expanded the depth and scope of British banks, created aggressive profit-seeking by investment houses, and drove the creation of more trading firms. The opium trade, Trocki emphasises, formed the primary foundations of capitalism and the modern nation-state itself. 'It may be argued', he concludes, 'that the entire rise of the west from 1500 to 1900 depended on a series of drug trades' (Trocki, 1999: loc. 165).

China was the destination of the Indian-produced opium that the EIC traded. In 1729, the Chinese emperor had already banned opium, 'the first among many failed Chinese attempts at its suppression'. As explained by McCoy, opium prohibition failed because 'all early European colonial ventures in Asia promoted and profited from the commercialization of drugs'. British imperial economic expansion was the extraordinary force that 'transformed opium from a luxury good into a bulk commodity similar to other stimulants — coffee and tea' (2003: 4-5). In other words, because opium effectively became a tool for maintaining

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[62] Robert Clive was the General whose victory at the Battle of Plassey in 1757 secured India for the EIC. Trocki writes that Clive and his successors laid the foundations of the imperial economy through their involvement in opium. 'None of them started the trade, and only put their hands to situations which already existed', Trocki explains, 'yet each left behind an enhancement of the trade. All seem to have collaborated in some way or another in assuring that the opium business was either promoted or at least protected' (Trocki, 1999: loc. 159).

and expanding colonial ambitions, disquiet at home that the drug was a 'social poison' was ignored. Concerns over its dangers were trumped by the need to fund the expansion of the empire.

From the 1760s onwards, the Chinese imperial government once again sought to reduce opium consumption and regulate the trade. According to historian Gregory Blue, this caused concern among EIC directors in London, who worried that China may retaliate against EIC's involvement in opium by closing down the rapidly expanding Sino–British trade in legitimate goods. It was for this reason, according to Blue, that the EIC invented a scheme. From 1781, the company purchased all the opium produced in Bengal, Bihar and Orissa in India, and then sold it at auctions in Calcutta to private merchants called 'country traders' who were working under a company licence. Many of these country traders were 'privateers' who ran fully armed and crewed ships: without a company licence, they were technically pirates and smugglers. The company used subterfuge — it issued papers forbidding these ships to smuggle opium to China, while at the same time the company administration in Calcutta secretly contracted those traders to carry Indian opium to the Chinese coast, where it was unloaded covertly[63] (2000: 32–34).

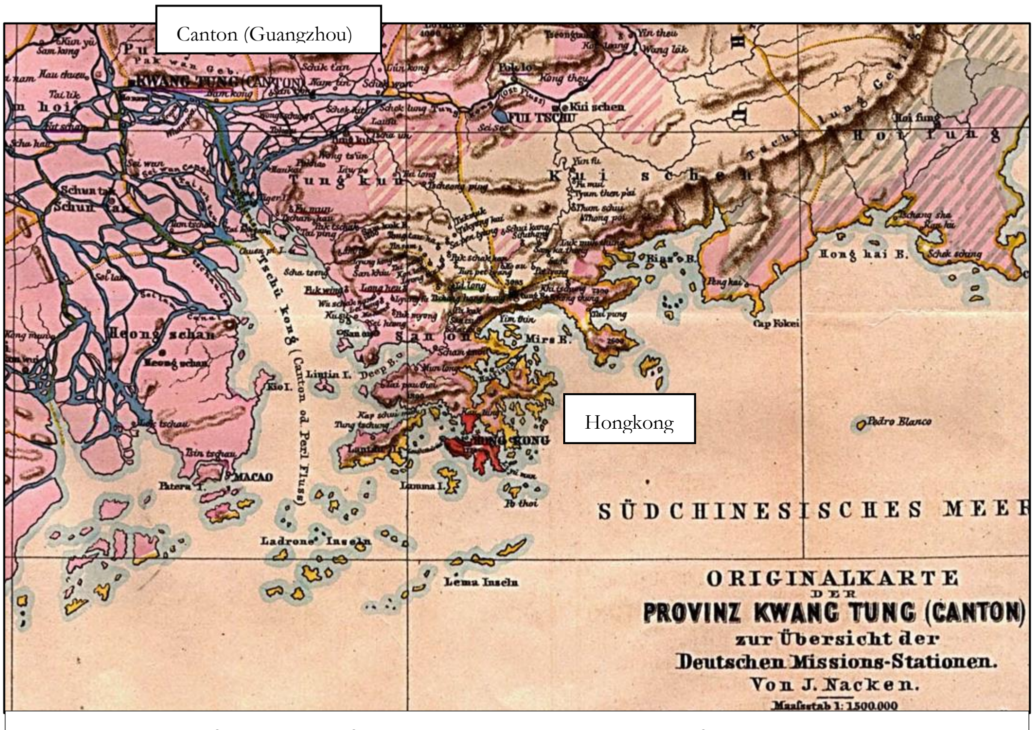
Thus, despite Chinese efforts, continues Blue, opium consumption in China increased. Even when the Chinese emperor Jia Qing banned opium completely in 1796, it did little to dent the trade, mainly because systemic corruption and bribery were allowing opium cargoes to pass through customs and border controls. In 1821, when a serious crackdown was enforced that also targeted corrupt Chinese officials, the British simply moved their base to Lintin Island, in international waters, 'where armed British ships received consignments of the drug from India and passed it on to Chinese fast boats, which carried it off for distribution on the coast' (Blue, 2000: 32–34).

[63] Thus, long before the term was coined, the EIC had effectively put into practice the legal principle of '*plausible deniability*'. According to the website www.uslegal.com, *plausible deniability* 'refers to circumstances where a denial of responsibility or knowledge of wrongdoing cannot be proved as true or untrue due to a lack of evidence proving the allegation. Officials can "plausibly deny" an allegation even though it may be true'. See http://definitions.uslegal.com/p/plausable-deniability/, accessed 15 October 2015.

Figure 2.4: Opium for mass consumption. Lithograph by WS Sherwill showing an industrial-scale balling room where opium gum is repacked into 10-kg balls at a factory at Patna, India, ca. 1850. Source: Wellcome Trust Digital Library, under a creative commons license. https://iiif.wellcomecollection.org/image/V0019155.jpg/full/full/0/default.jpg

Back in Britain, opium's huge profitability opened up further debates — not about its abolition, but rather about removing the EIC monopoly and opening up competition. In 1833, the British Parliament abolished the company's monopoly, thus allowing the entry of dozens of other British companies to compete in the opium trade. This resulted, according to Blue, in a 'dramatic spurt of growth' in opium trading from 1834 to 1838. More British trading houses became dealers in Indian opium. A number of these British companies, including those led by William Jardine, pushed 'successive British governments to use force to compel the Qing rulers to change the trading system in ways favourable to British interests' (Blue, 2000: 34).

In 1836, China began to adopt a more forceful approach, especially because the opium traffic was draining much of its stocks of silver, the currency used in trade (Greenberg, 1970; Blue, 2000; McCoy, 2003). After new regulations were drafted, Beijing dispatched Imperial Commissioner Lin Zexu to enforce them. Tensions came to a head in 1839 when Lin blockaded Canton and other Chinese ports. He also confiscated 1,210 tons of British-owned opium stocks (with an approximate worth of more than £230 million at today's prices) and detained the small British expatriate community in Canton. In response, the British Navy, then at the height of its prowess, invaded and successfully occupied not only southern China (see map) but also ports further north and inland along the Yangtze River, beginning with Shanghai, 1,400 km to the northeast of Canton (Beijing is another 1,200 km to the northwest from Shanghai). An empire then in decline, China lost the first Opium War, and was forced to sign the 1842 Treaty of Nanking which, among other clauses, indemnified the owners of the confiscated opium, opened five more 'treaty ports' (Shanghai, Guangzhou, Ningbo, Fuzhou and Xiamen) to Western trade, and handed possession of the strategic port of Hong Kong to Britain until 1997 (Blue, 2000: 34).



Map 1.1: *A portion of an 1878 map of southern China showing the criss-cross of rivers through Canton, making it a smuggler's paradise. Coloured red is Hong Kong, then only an outpost. In the middle of the bay towards Canton is Lintin Island, where in 1821 British ships unloaded their cargoes of Indian opium and passed them on to Chinese fast boats for smuggling to the coasts (Blue, 2000: 32–24). Source: The Perry-Castañeda Library Map Collection at the University of Texas at Austin (open access)*

Not surprisingly, tensions continued after the Treaty of Nanking, because opium still remained illegal in China, and the Chinese resented how British merchants undermined Chinese law. In 1856, when the British licence of a ship containing opium cargoes expired, the Chinese wasted no time in seizing it. This ignited the second Opium War. Again, China was defeated, now by a combined British and French force, which successfully deployed its forces as far as Beijing. This time, the imperial government in Beijing was forced, through the 1858 Treaty of Tienstin, to legalise the importation of opium into its territory (Blue, 2000: 36). The commercial power of opium, backed by the military force of imperialist powers, broke down the political resistance of China's rulers. The British Empire's eastward commercial expansion was complete.

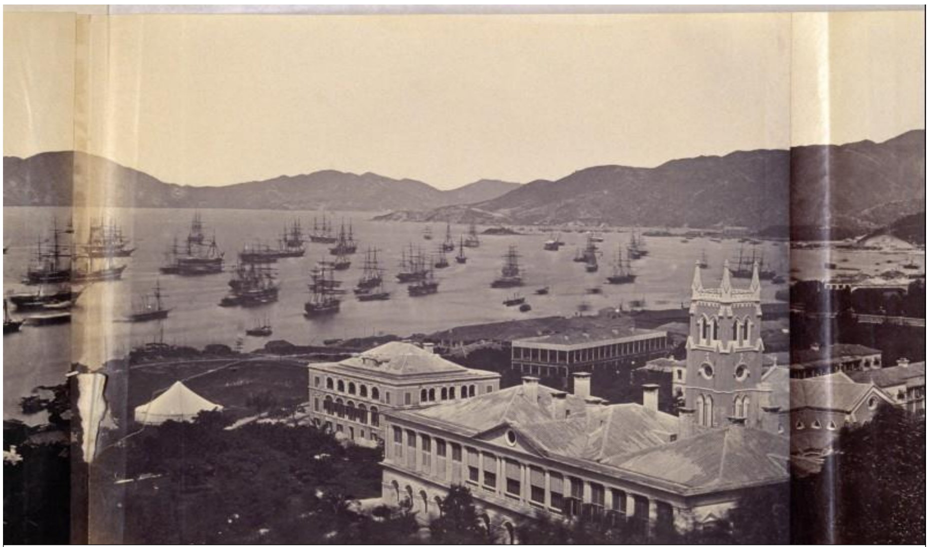


Figure 2.5: Part of the Anglo-French fleet that invaded China in the Second Opium War, seen here gathered at the Bay of Hong Kong. Photo from the Wellcome Trust Digital Library.

Politically humiliated and unable to enforce its policies on opium, Chinese officials and merchants changed tack. Because opium had become legal, some Qing officials started advocating for import-substitution — i.e. rather than import Indian opium, why not grow it locally instead? Even before the Opium Wars started, certain parts of China had already been growing opium poppy. Booth explains what happened next. Alarmed at losing the major market for its top agricultural export, the Indian Board of Revenue dispatched an envoy to China in 1868, who confirmed that not only was Chinese-grown opium becoming cheaper in price, it was also better in quality. When the price of Chinese opium dropped well below the price of imports, British traders were indignant, 'arrogantly believing that the Chinese did not have the right to compete with them' (Booth, 1996: 148).

The Chinese economy thus appeared to have been restructured, with unintended consequences emerging as a result. Although no systematic figures are available, Booth repeats the widely held belief that a significant area of land previously devoted to food production was lost to opium poppies. From this time onwards, food crises were reported in different parts of this huge country which had, for centuries, been self-sufficient in food. The problem, says Booth, 'was that more money could be earned from poppies than from wheat or rice; furthermore, the poppies were hardy and not prone to disease'. Booth reports that in 1870, the Chinese Censor, Yew Peh-chuan, had warned against poppy farming, declaring opium to be 'the greatest national danger to food production', and estimating that 10,000 *mow* (approx. 17,000 acres) were dedicated to poppy cultivation at any one time (Booth, 1996: 148). As such, the food crises were outcomes of the forces of capitalism led by opium displacing the peasant food economy and embedding itself in Chinese agriculture.

Meanwhile, British-held Hong Kong prospered from its opium wealth while the rest of China was in turmoil. The colony's population grew exponentially as it handled up to 40 % of China's global trade. Booth quotes a December 1888 report by *The Times of London* that opium was being produced in all parts of the empire, except the islands of Formosa and Hainan. About a third of the cultivated area in Yunnan province was devoted to opium. The report also estimated that up to seven-tenths of adults in Szechuan Province's population of 70 million were opium smokers (Booth, 1996: 148–149). Thus, as Trocki concludes:

> Drug trades destabilised existing societies not merely because they destroyed individual human beings but also, and perhaps more importantly, because they have the power to undercut the existing political economy of any state. They have created new forms of capital; and they have redistributed wealth in radically new ways. As such they have been the incubators of capitalism. (Trocki, 1999: loc. 182–204)

2.6 (Period 4) Concentrated commodification: Technology and capitalist expansion

Until the mid-1800s, the substances heroin and cocaine had not yet been 'discovered': the commerce in opium and coca was a trade in plant products. As such, it was technological breakthroughs in Europe — leading to the development of morphine, heroin and cocaine — that enabled the further commodification of the plant crops, along with the expansion of their markets in Europe and America. The new substances were mass-produced, further increasing the creation of new forms of capital along with its power to undercut the political economy significantly (Gootenberg, 2001: 3).

German researchers and companies were at the forefront. They invested in technological innovation and in building key links in the commodity chains that transformed heroin and cocaine into global commodities. In 1805 in Paderborn, Germany, the young pharmacy assistant Friedrich Sertürner conducted experiments that dissolved opium in acid, then neutralised it with ammonia, producing a substance he called *morphine*, after the Greek god of dreams, Morpheus (Schmitz, 1985: 61). In the 1850s, there was similarly a race to discover and isolate the active ingredients of the coca leaf, led by renowned German chemists like Friedrich Wohler (Gootenberg, 2001: 3). The breakthrough came in 1859 when chemistry student Albert Niemann, a graduate student of Wohler, isolated coca's main active ingredient and called it 'Kokain' (*cocaine*) (Petersen, 1977: 21). Sigmund Freud famously published articles on cocaine's medical uses, and the ophthalmologist Karl Koller's discovery in 1884 of cocaine's local anaesthetic properties revolutionised Western surgery. Their supplies came from the company E. Merck of Darmstadt, which produced it from modest imports of dried Bolivian and Peruvian coca leaf (Gootenberg, 2001: 4).

The French and the British were not far behind. In the 1860s, coca wines became popular in Europe. A leading manufacturer was Angelo Mariani of Paris, who in 1863 named his mix of Bordeaux wine and coca leaves 'Vin Mariani', which became so popular in Europe and the United States that it was even awarded a medal of appreciation by no less than Pope Leo XIII (Haas, 1995: 25). In London, Royal Kew Gardens began its own experiments on coca tonics and coca medicine. In 1874, pharmacist Charles Romley Alder Wright of St Mary's Hospital boiled morphine in acetic anhydride, and produced diacetylmorphine, 'which was named *heroin* because of its "heroic" qualities as an analgesic' (Schiff, 2002: 191). It was, however, the German firm Bayer in Wuppertal that developed a method for the synthesis of diacetylmorphine, and eventually registered the brand name 'heroin', paving the way for its further commodification and mass distribution.[64]

[64] Since heroin had already been discovered by Alder Wright, it could not be patented. Nevertheless, Bayer registered the word mark 'heroin'. See the entry https://www.sciencehistory.org/historical-profile/felix-hoffmann, accessed 1 December 2019.

In 1885, Gootenberg tells us, a decade-long coca boom began, centred on the port of Hamburg and the company Merck. After cocaine was adopted as an anaesthetic in surgery, the skyrocketing demand could hardly be met by existing supplies: 'prices and output jumped five and twenty-times respectively'. Merck, which made about a quarter of world output, then made what Gootenberg sees as a far-reaching decision that radically sped up the commodification of cocaine. The company encouraged its Peruvian coca leaf suppliers to produce 'crude cocaine' instead of exporting dried coca leaves. The semi-processed (80–90% pure) jungle cocaine-sulfate cake 'shipped far easier and efficiently than dried leaf and was processed into medicinal grade cocaine in Germany for Merck's global distribution network'. The success of the German business model prompted rival colonial coca projects — British, Dutch, American — to be abandoned in the 1890s (Gootenberg, 2001: 4). By then, German pharmaceutical companies, including Merck and Bayer, were commercially manufacturing not only cocaine but also morphine and heroin for mass consumption.

In the US, Parke-Davis became the largest manufacturer of cocaine. The company promoted the mass use of coca, marketed cocaine as a cure-all wonder drug, and sold a line of cocaine cordials, cocaine cigarettes, ointments and sprays. In 1886, a 'dry' or non-alcoholic version of Vin Mariani was launched in Atlanta by the pharmacist John Pemberton. It contained a small dose of cocaine, and in a matter of years had risen to become the US national 'softdrink' *Coca-Cola* (Booth, 1996: 192; Gootenberg, 2001: 6).

Towards the end of the 19th century, coca and cocaine, and opium poppy and opiates, were extensively produced and widely used *legal* commodities around the world, supported at every step by distinctive networks around its commodity chains. Coca and cocaine, explained Gootenberg, could not anymore be interpreted only in terms of the binaries 'supply' and 'demand' or as commodities that enter undifferentiated into depersonalised world markets. These were now commodities 'embedded in long transnational social and political networks' (Gootenberg, 2001: 2).

To sum up this sub-section, the case put forward is that the plants that became tools for colonisation — sugarcane, cotton, tea, opium and coca, which later became processed into heroin and cocaine, thus intensifying their commodification — introduced new forms of 'economics' and became, to borrow Trocki's phrase, '*incubators of capitalism*'. The opium poppy and the coca bush are clear examples of crop commodities that gained a 'social life' and played a role in shaping history. Commodity chains emerged around them, where the interaction of participants produced particular economic, social and political configurations that structured the ways in which land was used, investments were mobilised and deployed, labour was appropriated, trade networks were organised, and exchange arrangements put in place.

2.7 (Period 5) Illicit commodification in an age of prohibition

The global spread of the opium and coca economy, however, was countered by an international prohibition movement that grew in assertiveness because of growing fears that an addiction epidemic, particularly in China, was getting out of control. According to the UNODC, by 1906 the number of opium users had grown to 25 million, or 1.5% of the global population, and there 'was little interest in suppressing a business that was so profitable for opium merchants, shippers, bankers, insurance agencies, and governments'. Many national economies of that period were described as being 'as dependent on opium as the addicts themselves' (UNODC, 2008: 3).

Active and passionate campaigns for prohibition emerged in Britain, the most important beneficiary of the opium trade. Chinese speakers against the opium trade campaigned in London in the 1870s, supported by members of the House of Lords including the Earl of Shaftesbury, Lord Ashley, who had introduced a Parliamentary motion stating that the opium trade and monopoly 'were utterly inconsistent with the honour and duties of a Christian kingdom'. In 1874, the Anglo-Oriental Society for the Suppression of the Opium Trade was founded in Britain, with Lord Ashley as president, and with funding and inspiration derived from the Quakers (Booth, 1996: 152–153).

Figure 2.6: Photo of the Dowager Empress Cixi (Wikimedia Commons)

It was the United States, however, that made the first official moves against opium on the international stage. After annexing the Philippine Islands in 1898, US colonial administrators immediately organised an Opium Committee led by Bishop Charles Brent who, in 1903, urged US President Theodore Roosevelt to mobilise global cooperation to fight the opium trade. In January 1909, Brent represented the US government in chairing the first International Opium Commission, convened in Shanghai (Blue, 2000: 53). It is symbolic of opium's sheer commercial power that the Shanghai conference had to be postponed by a month, out of respect for the recently deceased

Emperor Guangxu and Dowager Empress Cixi, who was known to be an opium user herself and who died 22 hours after Guangxu's passing (Booth, 1996: 181).

From this point forward, the US began an explicit quest to internationalise the doctrine of drug prohibition (Bewley-Taylor, 2002; 2012). After the 1909 Shanghai Conference, a codified drug control system evolved. In 1912, the International Opium Convention of The Hague curbed shipments of narcotic drugs not meant for medical purposes. In 1920, the tasks of international drug control were assumed by the newly founded League of Nations, which developed three conventions — signed in 1925, 1931 and 1936 — that laid the groundwork for the operations of the international drug control system. After the Second World War, the United Nations took over, and established protocols to improve the control system (UNODC, 2008).

Through these years, a 'prohibition culture' built up in the UN as US support for global drug control consolidated and expanded. A 1952 report to the UN ECOSOC's Commission on Enquiry on the Coca Leaf, for example, supported racist views that only when the 'primitive population' are Christianised do they 'show themselves to be physically and mentally capable of freeing themselves from coca-leaf chewing'.[65] In 1961, the Preamble of the UN Single Convention on Narcotic Drugs stated the duty of states 'to prevent and combat this evil'. The wording is notable, explains Rick Lines, because under international treaty law, the Single Convention is the only UN treaty 'characterising the activity it seeks to regulate, control or prohibit as being "evil"' (2010: 3).

Today, three global treaties provide the mandate for the UN's enforcement of a global policy of drug control and prohibition:

- The *Single Convention on Narcotic Drugs of 1961*, as amended by the 1972 Protocol, which consolidates into a single document all treaties and agreements between states since 1912. The 1961 Convention is a legal instrument that imposes a blanket prohibition on plant-based drugs, including coca leaf and cocaine, concentrate of the poppy straw and opium, morphine and heroin, and cannabis and cannabis resin. It allows exceptions, such as medical use of the drugs, but only under strict controls. Plant-based drugs are grown mostly in 'Southern' countries.

[65] From the report by P.O. Wolff, January 1952. The report is available online: http://www.unodc.org/unodc/en/data-and-analysis/bulletin/bulletin_1952-01-01_2_page003.html, accessed 28 June 2019.

- The *Convention on Psychotropic Substances of 1971*, which is concerned with synthetically manufactured substances that affect the mind, emotions and behaviour, such as amphetamines, barbiturates or sleeping pills. These are drugs which are manufactured by the pharmaceutical industry located mainly in 'Northern' countries.
- The *Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988*, which obliged state parties to criminalise and treat as serious criminal offences all aspects of illicit drug cultivation, trafficking, manufacture, sale, possession, and money laundering. The most controversial legal obligation is the criminalisation of possession of illicit drugs for personal consumption.[66]

2.8 The changing nature of illicit drugs capitalism

Various scholars have noted that the international drug control apparatus is a remarkable achievement. Buxton observes that no equivalent global control system — with its treaties, institutions and monitoring — has emerged for any other commodity. Not only do states have to work cooperatively in enforcing the treaties, many even have to surrender their own sovereignty on national drug policy (Buxton, 2006: 100).

Given the power and resources mobilised for drug eradication through the 20th century, including various wars on drugs, the question remains as to why the production of opium and the manufacture of cocaine were reported to be *at the highest levels ever recorded* in the 2018 UN *World Drug Report*. Why, in spite of this concerted international effort, does prohibition continue to fail?

The answers may lie at least partly in how opium and coca continued their social life, but this time as fully illicit commodities. Prohibition focuses on removing the banned product from circulation, but not on unbundling the embedded institutions and social relationships behind its reproduction. Thus, what needs to be examined are the processes of commodification, the status of the commodity chains, the concentration of opium and coca capitalism, and their

[66] As of March 2020, there are 186 UN member countries that are parties to the 1961 treaty (see https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=VI-18&chapter=6&lang=en); 184 parties signed up to the 1971 treaty (see https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=VI-16&chapter=6&lang=en); and 191 parties to the 1988 treaty (see https://treaties.un.org/pages/viewdetails.aspx?src=treaty&mtdsg_no=vi-19&chapter=6&lang=en). All sites last accessed 20 March 2020.

expansion as illicit products. How were the land, labour, capital and specialisations required for their production transformed or adapted to the constraints enforced by prohibition?

Gootenberg and other scholars have used historiography to provide an important set of answers. They argue that there is a more specific origin for the massive and unprecedented turn to illicit coca crops across the western Amazon from the 1950s: failed state-led modernising projects, in particular the vast and unprecedented project to build the *Carretera Marginal de la Selva* (Marginal Highway of the Jungle) from Venezuela to Bolivia, that encouraged population movement into the Amazon to appease poor and rebellious rural folk. When this project failed in the late 1970s, it 'left hundreds of thousands of impoverished non-indigenous peasants stranded in the Amazon without government credits, schools, social and judicial services, communications, and business opportunities or jobs originally promised by the colonization schemes'. Under such conditions, coca became the perfect market crop for coping and survival in these peripheries, produced by an army of dispossessed and displaced poor peasants who are best described as 'orphans of development' (Gootenberg and Davalos, 2018).

Through a periodisation of opium and coca history, this chapter has shown that law enforcement alone will not solve the 'drug problem' for two reasons. First, there exists a global 'army' of illicit crop producers (or the 'ants' of the drug trade), mostly poor and impoverished peasants are mostly 'orphans of development'. Second, the policy of prohibition is attempting to ban illicit crops: (a) for which demand exists; (b) whose social structures and division of labour have been reorganised; and (c) which deliver profit and power for the entrepreneurs, intermediaries and arbitrageurs operating between the producers and consumers in global commodity chains. A reiteration of Wolf's analysis underscores the power relations framing these social processes, i.e. that the specialisations that created opium and coca commodity chains meant massive social reorganisation that could only be achieved by the visible hand of political and coercive enforcement at huge social costs (2010 [1982]: 310). As McCoy concluded, these crops have been an extraordinary 'source of profit and power, corruption and collusion' (2003: 3).

The presence of commodity chains dismantles the notion of a perfectly free market — a crucial difference that often appears to be missed in drug policy analysis. As Wallerstein argues, in commodity chains, the interest of the capitalist is *not* to lower costs like all others, but to maximise profit and market power. Thus, the key actor in this chain — the criminal entrepreneur — can be the most uncompetitive, most inefficient, and least productive, and yet still capture the most profits, if he or she can maintain relative monopolies or control of political levers, which is dependent on state action of various kinds. These relative monopolies then build up quite distinct forms of capital accumulation (Wallerstein, 2009: 84). Profit maximisation based on political power, not economic efficiency, is particularly evident in the commerce of opium and coca. The business model of the British East India Company, the predecessor of today's drug cartels, is the main historical example. The extent of commodification processes and structures today — the 'bundle' of institutions and social relationships discussed at the beginning of this chapter — is documented in the INCSRs.

Illicit drugs capitalism continues to transform, deepen and resist state control. Drug cartels and criminal gangs that are sometimes better resourced and armed than small countries have emerged. Today, many are no longer petty criminals and have been compared to multinational companies. With markets less and less limited by political boundaries, and with communications and travel becoming cheap, quick and easy, illicit drugs capitalism penetrates national economies in the same way that the reach of legitimate business has extended globally.

2.9 Power relations and political divides on drug control

It is against these historical contexts that current policy and political divides, and consequently the competing schools of thought on drug control, could be examined. These divides were on full display in the run-up to and during the UN General Assembly Special Session on the World Drug Problem of 19–21 April 2016, when 193 member-states convened to decide, among other issues, whether or not to strengthen prohibition; whether to approach the drug problem as a criminal or a public health problem; and whether to look for alternative development or substitute crops to replace opium and coca. The impact of 'wars on drugs' was also debated, with countries at the forefront — like Colombia, El Salvador and Guatemala — challenging their effectiveness.[67]

Arguments for prohibition have been largely de-contextualised: drug policy has mainly concentrated on the enforcement of the crops' illegality, with very little attention devoted to their impacts as 'incubators of capitalism' or to the long history of these commodities' social construction. Throughout decades of expanding and deepening prohibition, there has been very little focus in policy debates on the way that illicit commerce has sustained national economies, or on how capitalist interests — both legal and illegal — have fought for control over illicit markets. Furthermore, progress in prohibition was largely measured in

[67] I was an NGO observer in the Special Session and in prior and subsequent meetings at the UN.

terms of perceived reductions in supply, with relatively little thought for how to manage demand. As such, despite the huge resources deployed for prohibition, very little is actually known about the real economics and messy politics of the illicit commerce in opium and coca.

2.9.1 The divides on drug policy

It was the historian David T. Courtwright who asked why alcohol, tobacco and caffeine — which are also psychoactive and equally highly commodified products — have remained relatively impervious to prohibition (Courtwright, 2001: loc. 82–129). Among UN member-states, for example, there are Muslim countries that strictly enforce bans on alcohol sale and consumption in their respective territories, yet there are no UN-wide treaties prohibiting alcohol. The answer, presumably, is because alcohol, tobacco and caffeine are 'softer' psychoactive products, and therefore are assumed to be less harmful than opiates and cocaine. But then, Courtwright continues, why have other regionally popular plant drugs such as kava, betel, khat or peyote failed to become global commodities like the banned cocaine, opium or cannabis? (Courtwright, 2001: loc. 82–129). In her analysis, Sue Pryce concludes that the 'drug problem' is unsolvable: even the word 'problem', she states, 'is problematic because it implies that there is a solution, whereas drug use is endemic, a part of the human condition' (Pryce, 2012: viii).

Yet tensions remain in the global community over drug policy. According to Martin Jelsma of the Transnational Institute (TNI), there are at least four key policy divides on drug control:

- The first divide is over assumptions that narcotic drugs are harmful, and here Jelsma underscores an inconsistency which reflects the underlying power relations in the negotiation of international treaties. The drug crops opium, coca and cannabis — produced largely in developing countries — are deemed to be harmful, and therefore automatically banned. But man-made addictive substances produced largely by the pharmaceutical companies of developed countries are considered safe, unless otherwise proven. Hence, they can be banned only if an appropriate investigation has been made into their health impacts. In other words, naturally occurring plant crops produced largely in developing countries are automatically criminalised, whereas manufactured drugs from developed countries have to be rigorously tested before they can be banned (Jelsma, 2003: 183).
- A second divide is over obligations associated with supply and demand reduction: restricting supplies of coca leaf, cocaine, opium, heroin and

cannabis is made an international legal obligation, but restricting the demand for these plants and products is not. Hence, while producer (mostly developing) countries can be sanctioned for not doing anything to reduce supply, consuming (mostly developed) countries are not subject to similar monitoring and sanctions systems (Jelsma, 2003: 183).

- A third divide is around harm reduction, mainly comprising initiatives by European countries, and now supported by the World Health Organisation (WHO), involving programmes such as safe needle exchanges, regulated supply for registered habitual users, or access to medical advice and treatment, like opioid substitution therapy. This is intensely controversial because it treats drug abuse as a public health, not a criminal problem, and hence is regarded with suspicion by prohibitionists. Harm reduction has been labelled a 'Trojan Horse' for the legalisation of illicit drugs (Jelsma, 2003: 185).
- Inevitably, the fourth divide is along the line of prohibition vs. legalisation. On the polar ends are countries that stand by prohibition on one hand, and the proponents of various forms of legalisation, on the other. While some countries including China, Russia and Pakistan have taken a hard-line stance against narcotics in various UN fora,[68] a number of other countries are relaxing national restrictions, at least for cannabis. In December 2013, Uruguay became the first country to legalise cannabis or marijuana for personal consumption, under a government-controlled market. But it is changes in North America that are particularly worth watching. Following Uruguay, Canada became the first G7 country to fully legalise cannabis.[69] In the US as of June 2019, 11 states plus the District of Columbia have become legal markets for recreational cannabis use; over 30 states have legalised its medical use; and 11 have decriminalised cannabis possession. More US states are poised to follow the trend. US President Donald Trump himself was

[68] China, Russia and Pakistan are the three main countries whose delegations have taken the lead against any relaxation of drug policy reform, including harm reduction, in the meetings of the Commission on Narcotic Drugs and the UNGASS 2016, in which I was present as an NGO observer.

[69] From https://www.theguardian.com/society/2018/jun/02/legalise-cannabis-treasury-3bn-drugs, accessed 13 June 2018.

reported to be in favour of leaving the decision on whether or not to legalise cannabis to individual states.[70]

It is not just countries, but also law enforcers and NGOs that are divided — some support prohibition while others support legalisation. In the UK in 10 July 2012, the House of Commons Home Affairs Committee heard Chief Constable Tim Hollis arguing for prohibition, while former Cambridgeshire Chief Constable Tom Lloyd argued for legalisation. Hollis supports prohibition but considers the 'war on drugs' as 'unhelpful', because 'it is a wrong approach to what is a deep-seated and complex social problem' (December 2012: 82). Lloyd, on the other hand, supports decriminalisation and legalisation because, 'it is much more harmful for those drugs to be produced and supplied by criminals who care only for profit' (ibid.: 83). The UNODC has taken steps to clarify the nuances on where it stands on many of these issues. In an informal interview, senior official and key UNODC expert on drug economies, Thomas Pietschmann, sought to distance the UN from the US war on drugs position. The UN, Pietschmann maintains, 'has never declared war on anything. Our programmes and policies are all based on the legal mandates provided by the three global drug control treaties'.[71]

There is also disquiet over the UNODC's published history on *A Century of International Drug Control*. Despite the claim that drug control policy works, the counter-charge has been made that the UNODC was trying to 'hide the failures of drug control policy behind a bad history lesson'. The Transnational Institute, an activist think tank, pointed out that when the UNODC published the history in 2008, it failed to acknowledge that the UN's own 10-year drug control targets endorsed in 1998 were not met. Hence, according to TNI, the UNODC 'offers a narrative of 100 years of success, fabricating a comparison with Chinese opium production and use at the turn of the 20th century' (TNI, 2008). TNI was

[70] The list of US states that have legalised cannabis in some form, or decriminalised its use, comes from http://www.governing.com/gov-data/state-marijuana-laws-map-medical-recreational.html. On President Trump's break with his own Attorney-General on cannabis policy, see https://www.nytimes.com/2018/06/08/us/politics/trump-marijuana-bill-states.html, both accessed 13 June 2018.

[71] I informally interviewed Pietschmann at his office in Vienna in June 2013, which was authorised by the head of his division, Jean-Luc Lemahieu.

unequivocal in its conclusion: 'the current UN conventions have not curbed the illicit market'.[72]

2.9.2 Illicit drugs economies as a development issue

In July 2019, the international NGO Christian Aid (the development agency of the Anglican Church) and the Drugs and (dis)order Project, led by SOAS,[73] published a report warning that current approaches, particularly the wars on drugs, are counter-productive with potentially disastrous consequences for some of the world's poorest and most left-behind groups (Christian Aid, 2019). In a press statement for the report, Christian Aid emphasized that 'ill-conceived approaches of criminalisation and enforced eradication of illicit croplands destroy livelihoods and exacerbate human rights violations of already stigmatised and marginalised groups'. Arguing that illicit drugs production is more than just a law enforcement problem, the report emphasises that 'it is a development problem too requiring developmental solutions'. The central problem to be resolved, argues the report, is not illicit crop production, but the continuing marginalisation and exclusion from markets and state protection of the communities who rely on that production in order to cope and survive.[74]

I am the main author of the Christian Aid report; during its preparation, a key point of debate was how to present the balance of harms and gains in illicit crop production. The growing of illicit crops can indeed involve violence and coercion; but it can also deliver incomes, employment and protection amidst continuing instability and fragility. Hence, the report adopted the phrase developed by Jonathan Goodhand in a 2005 article, arguing that illicit economies are sources of both order and disorder. More discussion of the drugs vs. development policy debate is presented in Chapter 4 of this dissertation.

[72] In 2006, TNI had already criticised the UNODC for constructing success stories to convince the world that international drug control policy is working. For more on the questions raised, see TNI (2006, 2008).

[73] See https://drugs-and-disorder.org/ for more details on this four-year research project which received a £7 million grant from the UK's Global Challenges Research Fund (GCRF).

[74] The press statement was carried by the UN's humanitarian news service, ReliefWeb, see https://reliefweb.int/report/world/peace-illicit-drugs-and-sdgs-development-gap. Alongside the report, there are two related blogs: https://www.christianaid.org.uk/news/curious-case-unusual-economic-transformation; and https://www.christianaid.org.uk/news/illegality-violence-and-fragility-do-they-breed-each-other.

2.10 Conclusion: Narratives that provide the historical setting

On 17 June 1971, as the United States struggled to gain the upper hand in the Vietnam War, US President Richard Nixon opened a new offensive: the 'war on drugs'. Speaking to members of the US Congress,[75] Nixon decried the fact that America had the largest number of heroin addicts in the world, 'and yet America does not grow opium, nor does it manufacture heroin'. He asked Congress for $155 million in new funds, bringing the total US budget to tackle drugs to over $350 million that year. He also created a central authority to coordinate all efforts — the Special Action Office of Drug Abuse Prevention. Nixon asked Congress to amend the laws on aid, so that funding could be more flexibly provided to countries that would rally behind the US war on drugs.

Nixon emphasised his intent to leave no room 'for other nations to question our commitment to this matter'. The focus would be 'to strike at the "supply" side of the drug equation — to halt the traffic by striking at the illegal producers of drugs, the growing of those plants from which drugs are derived, and trafficking in these drugs beyond our borders'. The problem, he stressed, 'has assumed the dimensions of a national emergency'. In a press conference two hours later, Nixon declared: 'America's public enemy number one is drug abuse. In order to defeat this enemy, it is necessary to wage a new, all-out offensive. This will be a world-wide offensive dealing with problems of supply'.[76]

It is through speeches and declarations like Nixon's, repeated in different forms and at varying levels of intensity since the beginning of the 1900s, that the 'common sense' of drug policy evolved. It is a common sense that is built upon a political agenda, based on the shared understanding and values of those with the power to enforce it. As such, this 'common sense' — following Gramsci — is best seen as a creation of a 'historic bloc' (*blocco storico*), that has become legally, institutionally and ideologically embedded in the global complex that rises from the UNODC and ONDCP structures, and which consequently normalises a version of what is supposedly good or bad, acceptable or unthinkable (Gramsci, 1971: 690, 768; Cox and Sinclair, 1996: 131–133).

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[75] See Nixon's speech at http://www.presidency.ucsb.edu/ws/?pid=3048.

[76] Nixon's press statement, from which this quote was taken, is available at: http://www.presidency.ucsb.edu/ws/?pid=3047, accessed 12 May 2018. Curiously, Nixon made no mention at all of coca or cocaine. In contrast, he mentioned heroin 18 times, and opium 11 times, and mentioned cannabis, barbiturates, LSD and other drugs once each.

The normalisation of this common sense has been challenged by the cocaleros' rise to power in Bolivia, no matter how problematic that rise may be. But another way to challenge the 'common sense' is to historicise the social construction of what is licit or illicit, legal or illegal through time. Nixon's offensive not only needs to be seen from a wider historical perspective but framed as a product of historical development itself. The transformation and emergence of the plants opium and coca from being sources of medicine, through being market commodities, into becoming what Nixon called a 'clear and present danger to society' thus triggering a 'national emergency', were transitions through which the running theme, this study argues, has been commodification. Through the five periods elaborated in this chapter, the following narratives emerge.

First, illicit crops and the commodity chains that result from their trade have been incubators of capitalism. Their emergence and patterns of trading through history rearranged commodity chains and much of the affiliated social and economic terrain. Mining in the Andes that financed Spanish colonialism would not have been possible without coca. Similarly, without opium, 'there probably would have been no British Empire' (Trocki, 1999: loc. 158). As Trocki has highlighted, the British opium trade created mass markets and generated unprecedented cash flows, leading to far-reaching changes in the accumulation of wealth, expansion of banks, and growth of trading firms. As such, the opium trade formed the primary foundations of capitalism and the modern nation-state itself.

Second, plant commodities including illicit crops acquire a 'social life' that ultimately change the course of history and transform society. As Hobhouse (2005) has documented, opium and tea have sparked wars; sugar and cotton enslaved whole social classes; and coca profoundly shaped the politics and economics of Latin America from the 16th century. In other words, the plants and their commerce introduced new forms of 'economics' involving not just a different way of accumulating capital for those who gained most from the trade, but also different livelihood strategies for the growers of the crops, and different governance strategies for state actors involved. Thus, rather than thinking of opium and coca exclusively in terms of market forces or the law of supply and demand, a lot more can be gleaned by unbundling the relationships and enterprises that develop around them when analysed in terms of interdependent commodity chains.

The establishment of these commodity chains appears central, as Wolf has noted, to developments in the latter part of the 19th century, when capitalism took a 'great leap forward, escalating demand for raw materials and foodstuffs and creating a vastly expanded market of worldwide scope' (Wolf, 2010 [1982]: 310). As a result, 'whole regions became specialised in the production of some raw material, food crop, or stimulant', which explains the reorganisation caused by an emergent 'true division of labour' (ibid.).

Most importantly, the presence of commodity chains cancels the notion of a perfectly free market. As Wallerstein argues, in commodity chains, the interest of the capitalist is *not* to lower costs like all others, *but* to maximise profit and market power. Capital accumulation, he said, 'is not about free enterprise but about monopolies' (2009: 84). As this chapter has shown, profit maximisation based on political power, not economic efficiency, is particularly evident in the licit and illicit commerce of opium and coca. The British East India Company's business model is not only the central historical example, it is also the precursor of today's drug cartels and the tools that they use for expanding their business.

The third narrative is the emergence and entrenchment since 1909 of a global prohibition movement, with the United States as its key mover. Today, prohibition is codified into the three global drug control treaties under the UN. Despite these treaties, however, key divides remain. These divides, documented by Jelsma, are over assumptions and processes as to how a commodity comes to be deemed illegal; over imbalances in the legal obligations related to the supply and demand of crops and products that are deemed illicit; splits over harm reduction; and finally, the continuing debate over narcotic drug prohibition versus legalisation.

The next chapter probes deeper into these divides and the sources of accepted knowledge on illicit crop economies.

3 Consumers, Intermediaries and Producers: The Global Commodity Chains of Illicit Drug Crops

3.1 Introduction

The illicit trade in coca and opium products is a global enterprise — its markets cut across national boundaries. Since these are illicit markets that are deliberately concealed, official information comes from two global monitoring and tracking systems: (a) that put in place by the United Nations and coordinated by the UN Office on Drugs and Crime (UNODC), its findings published in the annual *World Drug Reports* (WDRs); and (b) that put in place by the United States, coordinated by the White House's Office of National Drug Control Policy (ONDCP) which publishes the annual *Illicit Narcotics Control Strategy Reports* (INCSRs). This chapter tracks the evolution of these systems and critically assesses the material they have compiled and published on the illicit crops' global commodity chains. To the best of my knowledge, a sustained critical scholarly evaluation, particularly of the INCSRs, has not previously been attempted.

In the WDR published in 2005, the UNODC presented an Illicit Drugs Index (IDI) 'that would provide a single, standard, and comparable measure of a country's overall drug problem, weighted by the size of its population'[77]. It was spurred on to develop the IDI, the UNODC states, because the drug problem has been traditionally presented as a supply-demand issue, split between production, trafficking and consumption, and further broken down into drug categories that result in a 'heterogeneity that has made it difficult to establish benchmarks and to make straightforward comparisons of the drug problem across regions/countries over time'. Hence, the UNODC points

[77] As shown in the table, the IDI aggregated its figures from countries to regions.

out, it has been difficult to bridge policy divides between producing and consuming countries, and to explore possible correlations with other socio-economic indicators and indices (WDR 2005, Vol. 1: 165–174). The WDR 2005 divided the world into 16 sub-regions and reported their IDI, as shown in Table 3.1.

Table 3.1: Illicit Drugs Index (per capita values)

Sub-region	Production	Trafficking	Abuse	IDI
Caribbean	2.46	7.21	2.39	12.06
Central America	0.25	4.04	3.32	7.61
Central Asia	3.53	6.07	4.96	14.56
East Africa	0.3	1.13	0.8	2.23
East and SE Asia	2.4	0.6	2.09	5.09
East Europe	0.15	1.26	10.96	12.37
Near and M.East/ SW Asia	32.24	14.95	5.48	52.67
North Africa	4.85	1.12	1.54	7.51
North America	4.98	9.79	9.63	24.4
Oceania	3.87	5.56	9.42	18.85
South America	14.46	9.31	4.49	28.26
South Asia	0.28	0.1	2.68	3.06
Southeast Europe	1.4	9.19	2.15	12.74
Southern Africa	1.52	1.45	2.35	5.32
West and Central Europe	1.07	5.8	6.23	13.1
West and Central Africa	0.82	0.73	3.49	5.04
Mean	**4.33**	**3.26**	**3.77**	**11.36**

Source: WDR 2005, Vol. 1: 172

'Production', 'trafficking' and 'abuse' were chosen by the UNODC as the three indicators to comprise the IDI. Values were assigned to each indicator, weighted according to the size of the population, and the sum of all three indicators then constituted the IDI. The higher the IDI, the bigger the drug problem. Across time, reductions in IDI would mean progress in drug policy implementation, while increases in IDI would generally mean worsening drug problems. As Table 3.1 shows, the leading producers are the sub-regions of Near and Middle East/South-west Asia (32.24) and South America (14.46); the leading trafficking regions are Near and Middle East/South-west Asia (14.95) and North America (9.79); and the regions with the highest abuse problems are East Europe (10.96) and North America (9.63).

In many ways these indicators correspond to the three markets that will be examined in this chapter as highlighted in the chapter title: the consumer (abuse), intermediary (trafficking), and producer markets. While the development of the IDI is useful for measuring the success or otherwise of drug policies and such indices are 'fundamental to continuous, economic and community improvement' as rightly argued by Ritter (2009: 475), it is important to reiterate that indices 'are not reality: they are a radical simplification of it for the purposes of abstraction and data manipulation' (Gutierrez et al., 2011: 9). Hence, while useful for analysis, the information contained in the IDI will be essentially contested. This may be why the UNODC published the IDI only once: it appears to have been discontinued and is not included in any subsequent issues of the WDR since. This chapter therefore goes back to the basics, which means sketching the consumer, intermediary and producer markets for illicit opium and coca, and running its own assessment and analysis based on these sketches.

It is important to emphasise that this chapter is based almost exclusively on the two sets of primary sources — the WDRs and INCSRs — that are the certified legal documents which provide official knowledge on the illicit crops. Statements and claims made in this chapter should be assumed to derive directly from these official sources, unless otherwise indicated.[78]

Illicit drugs reports produced by the UN have been published every year from 1999 to 2019 (the last year covered by the research).[79] The report published in 1999 was entitled *Global Illicit Drug Trends,* and the publisher was then called the UN Office on Drug Control and Crime Prevention, or UN ODCCP. The 2003 edition was still entitled *Global Illicit Drug Trends,* but UN ODCCP had by then taken on its current name, the UN Office on Drugs and

[78] Citations from these sources are made sparingly, especially because some of the matters discussed occur repeatedly in various years of publication; for example there are legal claims repeated each year that have become the standard introduction for these reports.

[79] There may have been publications in earlier years, but they are not listed as such on the UNODC website. For example, an article in the *New York Times* (26 June 1997) quotes from a World Drug Report (https://www.nytimes.com/1997/06/26/world/un-report-says-tens-of-millions-use-illicit-drugs.html).

Crime, or UNODC. In 2004, the report was renamed the *World Drug Report,* published by UNODC, and this is how it remains to date. For ease of reference, this study uses the shortcut (WDR + year) when citing from these reports (even when the original report was named *Global Illicit Drug Trends*). Other official documents will be cited in the standard way.

The second primary source is the INCSR, produced by the US government. The first INCSR was published in 1986, and it has appeared each year since then. However, this study was not able to retrieve the INCSRs for 1992, 1993 and 1995. Also, INCSRs retrieved for certain years — from 1996 to 2004 — were in HTML format that gives no actual page numbers. In certain years (2005 to 2009), the INCSRs retrieved was broken up into separate pdf files, hence pages cited may be repeated. From 2010 onwards, all INCSRs were published in single pdf format and could be properly cited. Again, for ease of reference, the shortcut (INCSR + year) is used when citing from these reports.

This chapter analyses content, tracks socio-political trends and patterns, develops coding categories, and attempts an interpretation of the underlying text and meaning of official statements and claims. All these sources are declassified and accessible to public scrutiny, enabling their inclusion as a chapter in this study.

3.2 The global measuring and monitoring mechanisms of illicit drug economies

The UNODC today is the principal multilateral institution mandated to monitor the illicit drug trade. It relies on various tools to make its quantifications. The most important are the survey reports derived from its Annual Research Questionnaires (ARQs), satellite mapping, and aerial imagery, which are then validated through field visits, and coordinated with local police reports, among others. The data are published as the *Illicit Crop Monitoring Surveys*, which become the core information for the *World Drug Report* (WDR) published every year.[80] On top of this core information, the UNODC receives and processes information submitted by UN member-states, as part of their treaty commitments, to the International Narcotics

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[80] For a discussion of the methodology used initially, see for example WDR (2000: 69–70); for more recent years, see WDR (2018f) and WDR (2019f).

Control Board (INCB). The UNODC and the INCB, along with associated bodies, are headquartered in Vienna.[81]

The US government, however, conducts its own unilateral monitoring of illicit drug markets. Aside from commissioned research projects, mainly funded by the US National Research Councils, the US produces its own annual report. On 1 March of every year since 1986, the US Department of State has submitted to the US Congress an *International Narcotics Control Strategy Report* (INCSR). This report is a legal requirement.[82] Before the US government can provide development, military, drug control or any other form of aid or assistance to any country, that country has to be formally certified by the US President as compliant with international narcotics control standards. Countries that do not pass the evaluation are 'designated', which means 'failing demonstrably' to adhere to international drug control obligations. Countries whose anti-drug efforts are ineffective could be 'decertified', i.e. rendered unqualified to receive US aid support. The INCSR presents four lists that effectively lay out the scope and depth of the illicit markets:

- The 'Major List', which identifies the major illicit drugs-producing and drugs-transit countries, according to US evaluation;
- The 'Designated List', which enumerates countries deemed not compliant with international drug control standards; these countries may be decertified for eligibility to receive US aid and trade benefits;
- The 'Suppliers of Chemical Precursors List', which details countries that are sources of the chemicals needed to transform opium and coca into heroin and cocaine;

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[81] There is considerable discussion and debate around the knowledge gap and methodological challenges inherent in the measurements made not just by the UNODC, but also by the US government and private companies using remote sensing technology. Buxton, for example, notes that in national surveys on drug use, the bias towards quantification means less focus on and understanding of essential qualitative information, such as how people were introduced to drugs, why they chose certain drugs, or how drug careers evolved (Buxton, 2006: 68). These observations are also applicable for the UNODC's surveys. However, appraising methodology is outside the scope of this chapter, hence, only abbreviated discussions are presented here.

[82] The legislation includes Sec. 489, 481(d)(2) & 484(c) of the Foreign Assistance Act of 1961; and Sec. 706 of the Foreign Relations Authorization Act 2003 (INCSR 2019, Vol. 2: 2).

- The 'Money-Laundering List', which identifies countries and jurisdictions around the world that facilitate the illicit drug trade by providing financial and legal services.[83]

The production of the INCSR is coordinated by the ONDCP, and implemented by the Bureau of International Narcotics and Law Enforcement Affairs (INL). As explained in the introductory statements of the INCSRs through various years, the reports source their raw data from the relevant US embassies worldwide, the DEA, and US intelligence operatives who feed into the CIA's Crime and Narcotics Center. The WDRs, on the other hand, are published by the UNODC jointly with respective government institutions in host countries, and are based on jointly-owned research operations, such as conducting the Illicit Crop Monitoring Surveys. According to one informed source, the UNODC's methodology for collecting data covers almost the entire territory in producer countries (at least from 1999 to 2008), whereas ONDCP's surveys cover only a representative sample (Mejia and Posada, 2008: 8).

It is important to emphasise that although both the WDR and the INCSR cover the same phenomena, they are substantially different from each other in a number of ways:

- The WDR, at its core, is based on survey data from questionnaires administered by the UNODC as well as national government personnel. In other words, its publications are owned by many governments and it is produced for UN member-states. The INCSR, on the other hand, comes mainly from intelligence reports and assessments conducted by *one* government, the United States, and is produced for the US Congress.
- The authors of the WDRs are accountable to the member-states of the UN. The authors of the INCSRs are ultimately accountable for what they publish only to Washington DC.
- WDR research operations within a country are guided by mutually agreed research protocols and agreements — for example, that there will be sign-off from the host country in the event of the publication of sensitive material.[84] It is not clear if the US has similar protocols

[83] This information is presented at the beginning of each INCSR since 1996 as the standard preface.

[84] According to UNODC research staff in Vienna, one protocol is that data identifying villages and individuals could not be published, an ethical standard to protect research subjects.

and agreements on sensitive matters and the eventual ownership of intellectual property. But what is clear is that developing countries will not get US official development aid — by far the world's biggest by volume — if they score badly and are 'designated' in the INCSR.

- The WDR covers practically all countries. The INCSRs' detailed country coverage varies — from 33 country reports in 1986, to 136 in 2010, and back to 66 in 2019. Thus, it appears that the INCSR is less sensitive to possible reaction from countries; the WDR, because of the way it is governed, has to be more 'diplomatic'.

Together, these two sets of official narratives construct much of what is known about the clandestine commerce and illicit markets of opium and coca today.

3.2.1 Evolution and legal basis of the US monitoring system

The origins of the US worldwide reporting system on illicit drugs can be traced back to a speech made by President Ronald Reagan on 14 October 1982 calling anew for a 'war on drugs', echoing a call made by Richard Nixon in 1971.[85] Among other things, Reagan announced the creation of 12 anti-drugs task forces across the US; the setting up of a criminal justice commission to tackle organised crime; the organisation of a cabinet-level committee to review inter-governmental cooperation; and lastly, he ordered the Attorney General to submit a yearly report to the President and Congress on progress in the worldwide campaign. Four years later, in 1986, when he signed the 'Just Say No to Drugs' Proclamation, Reagan claimed that the 'epidemic' of drug abuse was 'every bit as much a threat to the United States as enemy planes and missiles' and that, as a result, America was 'losing its future by default'. Finally, in November 1988, Reagan signed into law the Anti-Drug Abuse Act of 1988.

Henceforth, US global counter-narcotics policing became more systematic. In 1986, the start of Reagan's second term, the US Congress began regularly receiving a comprehensive cross-governmental report on global narcotic trends, signed off by the departments of State, Justice, Defense, Treasury, Health and Human Services, as well as the US Agency for International Development (USAID). The reports were coordinated by the

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[85] See https://www.reaganlibrary.gov/research/speeches/101482c, accessed 19 August 2019.

Bureau of International Narcotics Matters (INM),[86] with inputs from US embassies, the DEA and the CIA. It is not clear whether the 1986 document presented to Congress can be seen explicitly as the first INCSR. What is clear, though, is that its 296 pages established the framing, language and organisation of data that would structure international counter-narcotics narratives for the following decades (INCSR 1986).

From a cursory glance at the press statements that accompany the release of the INCSR each year (see for example INCSR 1997), the most anticipated parts of the INCSR are what came to be known as the 'Major' and 'Designated' lists. These are, after all, the document's unique contribution. Unlike the UN, which is governed by its member-states, the US can unilaterally identify and publish those countries it considers to be the major drugs-producing, drugs-transit and drugs-linked money-laundering centres, on the grounds that such identification is necessary to prevent illicit drugs from entering US territory or to block dirty money from passing through the US financial system. The US regards its publication of the lists as a global public service — that the best way to rout out what thrives underground or in the shadows, and which drives corruption and other harms, is to expose it to public scrutiny. But at the same time, through this process of publishing INCSRs, the US has unilaterally awarded itself the power to declare who is good or bad in terms of international drug control and money laundering.

The first INCSR retrieved for this study — published in 1 February 1986 — did not make public any explicit Major, Designated or Money-Laundering lists. This does not mean there were no lists — they could have been provided to Congress as confidential briefings. But the report was published during a period in which the State Department was asking for legislative guidance on the definition of a *major* drug-trafficking and a *major* money-laundering country before and after amendments to the 1986 and 1988 Acts (INCSR 1989: 2; INCSR 1991: 46). Thus, as the INCSR 1986 provided country reports on 33 jurisdictions of interest in the global US campaign against narcotics, questions were being raised with regard to the legality of the Americans making their own unilateral predetermination of which countries could be classified as major drugs-producing or not. It seems that this is why all subsequently published INCSRs are introduced with the standard clarification 'Legislative Basis for the INCSR'.

[86] Since 1995 the INM has been called Bureau of International Narcotics and Law Enforcement Affairs, or INL. See https://www.state.gov/about-us-bureau-of-international-narcotics-and-law-enforcement-affairs/, last accessed 9 September 2019.

On 29 February 1988, a 'presidential determination' was made in which Reagan identified 17 major narcotics-producing or narcotics-transit countries, that had 'cooperated fully' with the US and were therefore certified to receive aid (see Figure 3.1). Also identified as 'majors', but considered to be in the vital national interests of the US to be certified, were Laos, Lebanon and Paraguay. Finally, Afghanistan, Iran, Panama and Syria were designated as not cooperating and therefore decertified. The nuanced wording of 'cooperated fully' or 'taken adequate steps' in the presidential determination reflected the lack of resolution on the meaning of 'major'. In subsequent House debates, how to define and weigh whether a country was a direct or indirect source was also asked. No uniformly reliable criteria had been agreed by the time INCSR 1989 was produced (INCSR 1989: 2).

THE WHITE HOUSE

WASHINGTON

February 29, 1988

Presidential Determination
No. 88-10

MEMORANDUM FOR THE SECRETARY OF STATE

SUBJECT: Certifications for Narcotics Source and Transit Countries under P.L. 99-570

By virtue of the authority vested in me by Section 481(h)(2)(A)(i) of the Foreign Assistance Act of 1961, as amended by the Anti-Drug Abuse Act of 1986 (P.L. 99-570), I hereby determine and certify that the following major narcotics producing and/or major narcotics transit countries have cooperated fully with the United States, or taken adequate steps on their own, to control narcotics production, trafficking and money laundering:

The Bahamas, Belize, Bolivia, Brazil, Burma, Colombia, Ecuador, Hong Kong, India, Jamaica, Malaysia, Mexico, Morocco, Nigeria, Pakistan, Peru and Thailand.

By virtue of the authority vested in me by Section 481(h)(2)(A)(ii) of the Act, I hereby determine that it is in the vital national interests of the United States to certify the following countries:

Laos, Lebanon, and Paraguay.

Information for these countries as required under Section 481(h)(2)(B) of the Act is enclosed.

I have determined that the following major producing and/or major transit countries do not meet the standards set forth in Section 481(h)(2)(A):

Afghanistan, Iran, Panama and Syria.

In making these determinations, I have considered the factors set forth in Section 481(h)(3) of the Act, based on the information in the International Narcotics Control Strategy Report of 1988.

You are hereby authorized and directed to report this determination to the Congress immediately and to publish it in the Federal Register.

Ronald Reagan

(i)

Figure 3.1: Ronald Reagan's 1988 presidential determination of major-producing, transit, and designated countries

Another policy dispute that affected the extent to which the INCSRs could label countries as drugs-producing, transit or money laundering arose from doubts as to whether withholding US aid was sufficient as a diplomatic or policy tool to get the desired changes or results. Discussions emerged about deploying stronger tools, such as the use of sanctions, whether diplomatic (e.g. severing of diplomatic ties); economic (e.g. embargoes, asset freezes, restriction of trade, or denial of access to international banking); military (e.g. arms sales suspension or imposition of no-fly zones); or travel control (the denial of visas to key individuals and organisations).[87]

The use of sanctions came into sharp focus after Myanmar's military regime violently suppressed widespread popular protests in 1988 and refused to recognise the election results of May 1990. Over the next few years, at least six Burma-specific laws and presidential executive orders were passed by the US to legally impose sanctions. These include Section 138 of the Customs and Trade Act of 1990, which authorised the President to impose economic sanctions if human rights and counter-narcotics obligations had not been met; and (some time later) the Burmese Freedom and Democracy Act of 2003, which authorised a range of range of sanctions including a ban on the import of products from Myanmar, asset freezes, visa bans, and a US vote against loans being provided to Myanmar by the World Bank and other international financial institutions (Hadar, 1998; Martin, 2012). Together with measures taken by other countries, from 1990 to 2016, Myanmar's economic and diplomatic isolation outside the ASEAN (Association of Southeast Asian Nations) was near complete. Myanmar suffered worse punishment than the simple withholding of US aid, which was the *raison d'etre* for the INCSRs' lists.

On 21 October 1995, US President Bill Clinton issued EO (Executive Order) 12978 that declared a national emergency due to the 'unparalleled violence, corruption, and harm' that Colombian narcotics traffickers were causing in the US and abroad. He invoked emergency powers to block assets and prohibit transactions with significant foreign narcotics traffickers.[88] The order authorised the Secretary of the Treasury, the Attorney General and the Secretary of State to employ all necessary powers. This led to the creation of the Specially Designated Narcotics Traffickers (SDNT) list — a database kept

[87] The 'ramifications of certification' were discussed in the early INCSRs. In one, it was asserted that the US must oppose loans by multilateral development banks to decertified countries, and that trade sanctions could be imposed by presidential discretion (1991: 47).

[88] The text of EO 12978 is available at https://www.treasury.gov/resource-center/sanctions/Documents/12978.pdf, last accessed 21 August 2019.

and maintained by the Treasury's Office of Foreign Assets Control (OFAC). OFAC included in the SDNT hundreds of names of individuals, firms and organisations from the INCSR's list of major drug-producing and transit countries. This approach appears to have been modelled on the successful application of sanctions on the Cali cartel, particularly the seizure of the cartel-owned *Drogas La Rebaja* drugstore chain in 28 of Colombia's 32 provinces. In Myanmar, investments were already banned. But the EO took the policy a step further by making it illegal for US individuals, firms and banks to enter into any economic transaction with individuals, firms and groups on the SDNT list, unless a special licence was obtained from OFAC (INCSR 1996: Executive Summary).

However, the legal basis of EO 12978 rests on the declaration of a national emergency, which by definition is only a temporary occurrence and thus necessarily terminates over time. To avoid the possibility of a future legal challenge on the designations, asset seizures and sanctions, a bill was submitted to Congress to turn the tools provided by the EO into time-unlimited law. Thus, on 3 December 1999, the Foreign Narcotics Kingpin Designation Act, or the Kingpin Act, was passed into law to deny foreign narcotics traffickers and their related businesses and operatives access to the US financial system, and to prohibit all trade and transactions between the traffickers and US companies and individuals.[89] Over time, the SDNT transformed into the list of Specially Designated Nationals or SDN — any individual, entity or organisation deemed detrimental to the security of the US, and which may be involved in such activities as terrorism, narcotics trafficking or weapons proliferation. The US had by this time become fully equipped to be the global counter-narcotics policeman.[90]

3.2.2 Definitions, trends and patterns

The INCSRs define[91] a '**major illicit drug-producing country**' as one in which: a) 1,000 hectares or more of illicit opium poppy is cultivated or harvested during a year; b) 1,000 hectares or more of illicit coca is cultivated or harvested during a year; or c) 5,000 hectares or more of illicit cannabis is

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[89] The text of the Act and explanations are available at https://www.hsdl.org/?abstract&did=446825, and https://obamawhitehouse.archives.gov/the-press-office/fact-sheet-overview-foreign-narcotics-kingpin-designation-act, last accessed 21 August 2019.

[90] The provisions were further strengthened after the Patriot Act of 2001 was passed, following the 9/11 attacks.

[91] These definitions appear in the introduction of almost all INCSRs published each year under the section 'Legislative Basis of the INCSR'.

cultivated or harvested during a year, unless the President determines that such illicit cannabis production does not significantly affect the United States.

On the other hand, a '**major drug-transit country**' is one: a) that is a significant direct source of illicit narcotic or psychotropic drugs significantly affecting the United States; or b) through which are transported such drugs or substances.

The INCSR also tracks the category '**major precursor chemical source country**', defined as countries that are the major sources of the essential chemicals used in the production of illicit narcotics. Most countries on this list have large licit chemical industries.

A '**major money-laundering country**' is defined by statute as one whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking. However, the INCSRs also make a clarification: because the complex nature of money-laundering transactions makes it difficult in many cases to distinguish the proceeds of narcotics trafficking from the proceeds of other serious crime, the countries that it identifies are those whose financial institutions engage in transactions involving significant amounts of proceeds from *all* serious crime.

Lastly, a '**designated country**' is one which has failed demonstrably during the previous 12 months to adhere to its obligations under international narcotics agreements and is therefore designated by the US president as not qualified to receive US aid, support and trade benefits, and can be subject to further sanctions.

Aware of the serious political and legal implications that such designations may create, and in order to ensure that the authority and integrity of the designations may not be challenged or contested (e.g. a country may sue the US government for inclusion in the list), no lesser figure than the US president has the task of making these decisions, known as the 'presidential determination'.

This study compiled all available INCSRs that could be retrieved from three US government websites (the State Department; Homeland Security Digital Library; and the National Criminal Justice Reference System) and encoded the identifications and designations into a spreadsheet so that the data could be grouped and sorted.[92] All INCSRs from 1996 to 2019 published

[92] For a full list of all INCSRs reviewed and their sources, see the References list at the end of this study.

lists of major illicit drug-producing, drug-transit and money-laundering countries. INCSRs 1992 and 1993 are missing, and not all INCSRs from 1986 to 1995 uniformly presented the lists (perhaps due to the ongoing debates in Congress over the legal definitions, mentioned above).

There were also other forms of sanctions, like those imposed on Bolivia after September 2008, when its cocalero President Evo Morales expelled the US Ambassador, USAID and the DEA, charging them with supporting right-wing unrest. In response, the US declared that Bolivia was no longer a partner in the campaign against drugs, withdrew most US programmes in the country, raised duties on imports from Bolivia and restricted exports to the country (INCSR 2009, Vol. 1: 7–11). Bolivia has remained on the INCSR Designated List ever since.

The lists — the symbol of US power to declare who is good or bad — became regularised after their legal foundations were determined and established. After EO 12978 had been signed in 1996, the Major, Designated, Chemical Precursor Source and Money-Laundering lists of the INCSR were published regularly. And in 2000, after the passage of the Kingpin Act, the US started publishing the SDNT list along with an online searchable database. Since then, its publication has become an annual ritual of US foreign policy.

Having laid out the two official global mechanisms in monitoring the illicit drug trade, the next sections proceed to discuss the consumers, intermediaries and producers of the global illicit drug trade.

3.3 The consumer markets for illicit opium and coca, 1989–1993, United States (US)

Data from the US ONDCP and the UNODC make it possible not only to sketch the consumer markets for illicit opium and coca, but also to run some tests to check the internal consistency of the official estimates of market size, scope and depth. In this presentation, the focus is on the period 1989 to 1993, so that it may be compared to the current period, and thus provide a basis for establishing trends and patterns through time. Scrutiny of a dated dataset offers some insights that remain relevant today and on a global scale, as will be discussed in the subsequent section. In this section, averages are extensively used, not because average figures are analytically superior, but because they are useful for making comparisons. However, averages have limitations, such as concealing distributions and disparities, that are also necessary for analysis.

3.3.1 The US market for cocaine, 1989–1993

An ONDCP-commissioned report published in 1995 provides estimates on the size of the US market for cocaine from 1989 to 1993, as shown in columns A and B of Table 3.2 (Abt Associates, 1995).[93] Thus, in 1989 there were an estimated 2.6 million 'hardcore' users and 6.47 million 'occasional' users of cocaine. 'Hardcore' users are those 'who use the illicit drug at least weekly and exhibit behavioral problems stemming from their drug use', while 'occasional' users are those who use drugs less often than weekly, as defined in the National Drug Control Strategy (ONDCP, 1995: 14).

Column C provides official estimates of cocaine available for consumption. In 1989, an estimated 417 metric tons of cocaine (expressed at 100% purity) was thought to be available for consumption — a figure computed from the cocaine estimated to be destined for the US, minus foreign seizures and federal seizures.[94] If the 417 tonnes are divided by the number of estimated users, an average annual consumption per user could be computed (Column D). The average for 1989 is 45 grams, and the average for the five years (1989 to 1993) is 53 grams. In other words, users in the US during those five years are estimated to have consumed on average roughly 1 gram of pure cocaine per week.[95]

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[93] A key task of the ONDCP is to quantify market size for illicit drugs. Hence it commissioned a consulting firm, Abt Associates Inc., to work with such agencies as the National Institute for Drug Abuse (NIDA), and to draw from data from the annual National Household Survey on Drug Abuse (NHSDA) which started in 1972, as well as the Drug Use Forecasting Survey (DUF) which started in 1987. In 1995, Abt Associates submitted the report *What America's Users Spend on Illegal Drugs, 1988–1993*.

[94] The 1995 Abt Associates report presented a range; and what is presented in Column C is the midpoint of this range.

[95] This study makes an assumption that the cocaine available for consumption (C) could be divided by the number of users because there is no other explanation in the report on how the available cocaine was used or consumed (e.g. seizures, losses during processing and transport, legitimate processing for licit medical use, etc.).

Table 3.2: The US market for cocaine and average consumption per user (1989–1993)

Year	A[i] Estimated number of hardcore users (cocaine)	B[i] Estimated number of occasional users (cocaine)	C[ii] Pure cocaine available for consumption in the US, in grams	D C/(A+B) Average annual consumption of pure cocaine per user, in grams
1989	2,624,312	6,465,843	417,000,000	45
1990	2,468,509	5,584,686	405,500,000	50
1991	2,218,700	5,440,115	409,900,000	53
1992	2,339,381	4,330,521	457,500,000	69
1993	2,127,166	4,050,117	291,500,000	47
Five-year average				53

Notes:
i = Composite NHSDA + DUF (Abt Associates, 1995: 12)
ii = Abt Associates (1995: 6, Table B) presents a range; Column C presents the midpoint of this range
Source: Abt Associates Inc. (1995).

In 2010, the US National Research Council published a report that presented a Table on the amount of cocaine consumed (Reuter, 2010: 50),[96] which is incorporated here in Table 3.3 (Column C).[97] Although a different set of annual average consumption of pure cocaine emerges in the new Column D, the average over five years, at 54 grams per user each week, remains basically the same.

[96] Note that 'cocaine consumed' is different from the earlier 'cocaine *available* for consumption'.

[97] The difference in figures in the two column Cs of Tables 3.2 and 3.3 may be explained by the fact that Table 3.2 reports the midpoint within a range, while Table 3.3 reports an estimate of the cocaine actually consumed. So for example in 1989, the figure of 576 metric tons consumed in Table 3.3 is within the range covered in Table 3.2, but higher than the midpoint of that range.

Table 3.3: US market for cocaine (1989–1993) with consumption adjusted

Year	A Estimated number of hardcore users	B Estimated no. of occasional users	C Total amount of cocaine consumed, in grams (Reuter, 2010: 50)	D C/(A+B) - Average annual consumption of pure cocaine per user in grams
1989	2,624,312	6,465,843	576,000,000	63
1990	2,468,509	5,584,686	447,000,000	55
1991	2,218,700	5,440,115	355,000,000	46
1992	2,339,381	4,330,521	346,000,000	52
1993	2,127,166	4,050,117	331,000,000	54
Five-year average				**54**

Source: Abt Associates (1995); Reuter (2010: 50).

In both cases, the average annual consumption figures are too high to be plausible. Consumption of 1 gram of pure cocaine per user per week means that all those surveyed are 'hardcore users', i.e. by definition there will be no 'occasional users'. Further, ingesting 1 gram of pure cocaine in a single dose can be fatal. Therefore, either the number of users is under-reported, or the amount of cocaine available for consumption is over-estimated. Or it may be a combination of both. The NRC report (Reuter, 2010) provides no breakdown between hardcore and occasional users. This shows limitations in the science and data that inform US national drug policy.

3.3.2 Checking for consistency in the US market for heroin, 1989–1993

The corresponding figures for the US heroin market from 1989 to 1993 are shown in Table 3.4. Not only are estimates of the number of heroin users significantly lower; what also emerges is a much lower average annual consumption for the five years, at just 14.96 grams of heroin per user.[98] This

[98] The Abt Associates report could not develop a supply flow model for heroin, hence the report does not have data on 'total heroin available for consumption' similar to that for cocaine in Table 3.2. The report cites two reasons for this omission. First, it is difficult to estimate to estimate total harvest in the main producing areas of Southwest and Southeast Asia. Second is that Europe and North Africa are the primary export markets for heroin from these regions. Hence, Table 3.4 presents data from the NRC report on estimates of total amount of heroin consumed in the US (Reuter, 2010: 50).

is likely to be a more realistic estimate, and also shows significant differences in the US consumer markets for cocaine and heroin.

Table 3.4: The US market for heroin 1989–1993

Year	A[i] Estimated number of hardcore users (heroin)	B[i] Estimated number of occasional users (heroin)	C[ii] Total amount of heroin consumed in grams	D C/(A+B) - Average annual consumption per user in grams
1989	607,046	504,446	16,600,000	14.9
1990	533,630	469,891	13,600,000	13.6
1991	465,305	368,102	12,500,000	15.0
1992	444,372	289,557	11,700,000	15.9
1993	496,309	229251	11,200,000	15.4
Five-year average				14.96

Notes:
i = Composite NHSDA + DUF (Abt Associates, 1995: 12)
ii = Reuter (2010: 50)
Source: Abt Associates (1995); Reuter (2010: 50)

3.3.3 Cross-validating per capita spending on drug use

Further cross-validations may be conducted, this time on expenditures on illicit drugs. The 1995 Abt Associates report provides data on weekly median expenditures on drug use from a survey of arrestees, as shown in Table 3.5:

Table 3.5: Weekly median cocaine and heroin expenditures reported by arrestees in the US, 1989–1993 (in 1994-dollar equivalents)

	1989	1990	1991	1992	1993
Cocaine (hardcore user)	276	265	251	231	221
Heroin (hardcore user)	312	316	291	206	251

Source: Abt Associates Inc. (1995: 14, Table 2).

It should be noted that the US war on drugs had changing targets. In 1971 when President Nixon announced his global offensive on drugs, the target was heroin from Asia's Golden Triangle — there was no mention of coca and cocaine in his speech to Congress or in the press releases. In President Reagan's 1986 declaration, however, cocaine had become the main target, suggesting that South American cocaine trafficking had expanded and taken priority.

Returning to our cross-validation: if there were 2.62 million hardcore cocaine users in 1989 (as estimated by Abt Associates) with a weekly median cocaine expenditure of $276 (as reported in the arrestees' survey), that would equate to roughly $724 million being spent weekly to purchase cocaine. Abt Associates provide a further table (ibid.: 15, Table 3) on total annual expenditures on cocaine and heroin in the US markets, reflected here in Tables 3.6 and 3.7.[99]

Table 3.6: Estimated total expenditures on cocaine in the US market, 1989–1993

Year	A[i] Estimated number of hardcore cocaine users	B Expenditures on cocaine in $ billions, (1994 $ equivalents)	C[i] Estimated number of occasional cocaine users	D Expenditures on cocaine in $ billions, (1994 $ equivalents)	E (B + D) Total users' annual expenditure, in $ billion (1994 $ equivalents)
1989	2,624,312	34.7	6,465,843	7.7	42.5
1990	2,468,509	31.1	5,584,686	7.8	38.9
1991	2,218,700	26.7	5,440,115	8.5	35.2
1992	2,339,381	25.5	4,330,521	7.6	33.1
1993	2,127,166	23.3	4,050,117	7.5	30.8

Notes:
i = Composite NHSDA + DUF (Abt Associates, 1995: 12)
Source: Abt Associates (1995)

[99] The estimates of expenditures may vary due to assumptions on the number of hardcore and occasional users, and about what constitutes their average expenditures. Furthermore, Abt Associates (1995: 15, footnote 20) explains that because the factors that entered the calculations were not derived from probability samples, 'it is impractical to develop a statistically-based margin of error'. In other words, the figures are what they are – estimates with limitations.

Table 3.7: Total expenditures on heroin in the US market, 1989–1993

Year	A[i] Estimated number of hardcore heroin users	B Expenditures on heroin of users (A) in $ billions (1994 $ equivalents)	C[i] Estimated number of occasional heroin users	D Expenditures on heroin of users (C) in $ billions (1994 $ equivalents)	B + D Total users' annual expenditure, in $ billions (1994 $ equivalents)
1989	607,046	9.9	504,446	1.6	11.5
1990	533,630	8.8	469,891	1.5	10.3
1991	465,306	7.1	368,102	1.1	8.2
1992	444,372	6.2	289,557	0.8	7.0
1993	496,309	6.5	229,251	0.6	7.1

Notes:
i = Composite NHSDA + DUF (Abt Associates, 1995: 12)
Source: Abt Associates (1995)

It needs to be emphasised that the core data from which most of these figures are extrapolated are the weighted averages in the surveys of arrestees in the US on how much they spent a week for cocaine or heroin consumption. The medians of weekly expenditures are then multiplied by the estimated number of users, thereby arriving at the dollar equivalents, that total billions. The most important observations from Tables 3.6 and 3.7 is that from 1989 to 1994, cocaine and heroin expenditures in the US market were progressively decreasing.

3.3.4 Testing for consistency in drug use expenditure

A question that may be raised is whether the weekly median cocaine and heroin expenditures as reported in the surveys are realistic: i.e., is the 1989 figure of $276 per user spent on cocaine per week a credible representation of reality? Unfortunately, this has become much more difficult to cross-validate, owing to the different base years used in the computations. Nevertheless, what can be presented are the weekly median figures reflected as annual expenditures, as shown in Table 3.8 below.

The figures in Table 3.8 raise questions on whether cocaine and heroin users are all gainfully employed middle-class Americans able to afford an annual expenditure of $11,000–14,000 for cocaine and $13,000–16,000 for heroin consumption. Thus, another limitation of the figures emerges. Using these figures alone, stripped of context, will likely create a misleading picture of reality.

Table 3.8: Expenditures on cocaine and heroin reported by arrestees, 1989-1993 ('hardcore' users, $, 1994-dollar equivalents)

Year	Weekly median **cocaine** expenditure	Projected annual **cocaine** expenditure (52.1429 weeks)	Weekly median **heroin** expenditure	Projected annual **heroin** expenditure (52.1429 weeks)
1989	$276	$14,393.29	$312	$16,270.68
1990	$265	$13,819.64	$316	$16,479.27
1991	$251	$13,089.55	$291	$15,175.53
1992	$231	$12,046.56	$206	$10,742.82
1993	$221	$11,525.06	$251	$13,089.55

Source: Abt Associates (1995)

To summarise, knowledge about the size, scope and depth of the markets for cocaine and heroin in the US (since 1989, after Reagan's declaration of a second war on drugs) are riddled with inconsistencies — limitations of the data that, unfortunately, have not been highlighted in the development of US drug policy.

- First, the estimates on the numbers of hardcore and occasional users do not tally with the estimates of the volume of cocaine and heroin thought to be available on the market. Either the number of users is under-reported, or the quantity of cocaine or heroin available for consumption is over-estimated.
- Second, if the estimates on the number of users on one hand, and quantities of illegal drugs available for consumption on the other, were to be accepted as representative of reality, then there would be no difference between 'hardcore' and 'occasional' users.
- Third, estimates of what users are thought to spend to procure the drugs also reveal some real limitations. The projected annual expenditures would imply that all users are middle-class Americans with comfortable incomes.

Recent studies confirm that taking the prevalence of drug use alone as the primary performance indicator in US drug markets is indeed restrictive. Caulkins et al., for example, point out that three other indicators are relevant: (a) number of heavy users; (b) total expenditures; and (c) total amount consumed. They conclude that for all drugs in the US market, 'total consumption and expenditures are driven by the minority of consumers who consume on 21 or more days each month' (2015: 728). However, as has been demonstrated so far in this section, tests of internal validity and consistency across all the measurements (e.g. do the number of heavy users tally with estimates of consumption and expenditure?) are necessary. But more importantly, quantified measurements also require qualitative interpretation and analysis.

The next sub-section conducts a similar examination and cross-validation, this time focused on global markets and using recent available data.

3.4 Global consumer markets

In WDR 2019, the UNODC estimates that between 201 million and 341 million people worldwide aged 15–64 had used drugs at least once in the previous year. The midpoint in this range is 271 million, which corresponds to 5.5 per cent of the global population aged 15–64, representing one in every 18 people (WDR 2019b: 9). This, in a nutshell, is the global illicit drugs consumer market, as officially estimated by the UNODC. As it states in the WDR, 'more than a quarter of a billion people use drugs' (ibid.: 2).

Of the estimated 271 million past-year users of any drug, WDR 2019 identifies a subset of 35 million people 'with drug use disorders' — those whose 'drug use is harmful to the point where they may experience drug dependence and/or require treatment' (ibid.: 11). This corresponds to an estimated 0.71% of the global population aged 15–64. The number of people who died as a result of drug use in 2017 — estimated at 585,000 — is of epidemic proportions (ibid.: 1).[100] This partly explains the sense of urgency that accompanies the WDR.

Over time, the categories in use have changed. 'Hardcore users' are now called 'people with drug use disorders', while the definition of 'occasional users' has been broadened to 'those who have used illicit drugs *once* in the *past*-

[100] On page 19, WDR 2019 quotes the 585,000 deaths due to drug use from the Global Burden of Disease Study. However, there is an apparent inconsistency. In a previous page WDR 2019, quoting from the same source, states that 'the use of opioids accounted for 110,000 (66 per cent) of the *167,000 deaths attributed to drug use disorder*' (2019b: 12, italics added). Without explanations, it becomes uncertain whether the number of deaths is 585,000 or 167,000.

year' (italics added). WDR 2019 provides the following breakdown of the 271 million people estimated as using drugs (2019b: 11–13):

- More than two out of three, or 188 million, are past-year users of cannabis, which represents 3.8% of the global population aged 15–64. The figure includes those who have used cannabis at least once in the past year.
- There are 53.4 million past-year users of opioids, corresponding to 1.1% of the global 15–64 population, of which 29.2 million were past-year users of opiates (heroin and opium).[101]
- There are 28.9 million past-year users of amphetamines, or 0.6% of the 15–64 global population. Within these are 21.3 million users of ecstasy.
- There are 18.1 million past-year cocaine users (0.4% of the 15–64 population).

An illustration of this breakdown is presented in Figure 3.2. Note that there may be overlaps in the WDR's count (e.g. cannabis users also being ecstasy users), and the figures quoted are typically the midpoints in a range. Hence, the sum is more than the 271 million global estimate of users. The pie chart is only for comparative illustration and does not show the overlaps or midpoints.

[101] Note that 'opioid' is the broad generic term that includes opiates and other, mostly synthetic, pain-killing drugs such as oxycodone, fentanyl and methadone. 'Opiate' is a drug naturally derived from the flowering opium poppy plant, such as the opium gum itself, morphine and heroin. Hence, for the purposes of this study, we can use the figure 29.2 million as the official estimated size of the global illicit opiate market.

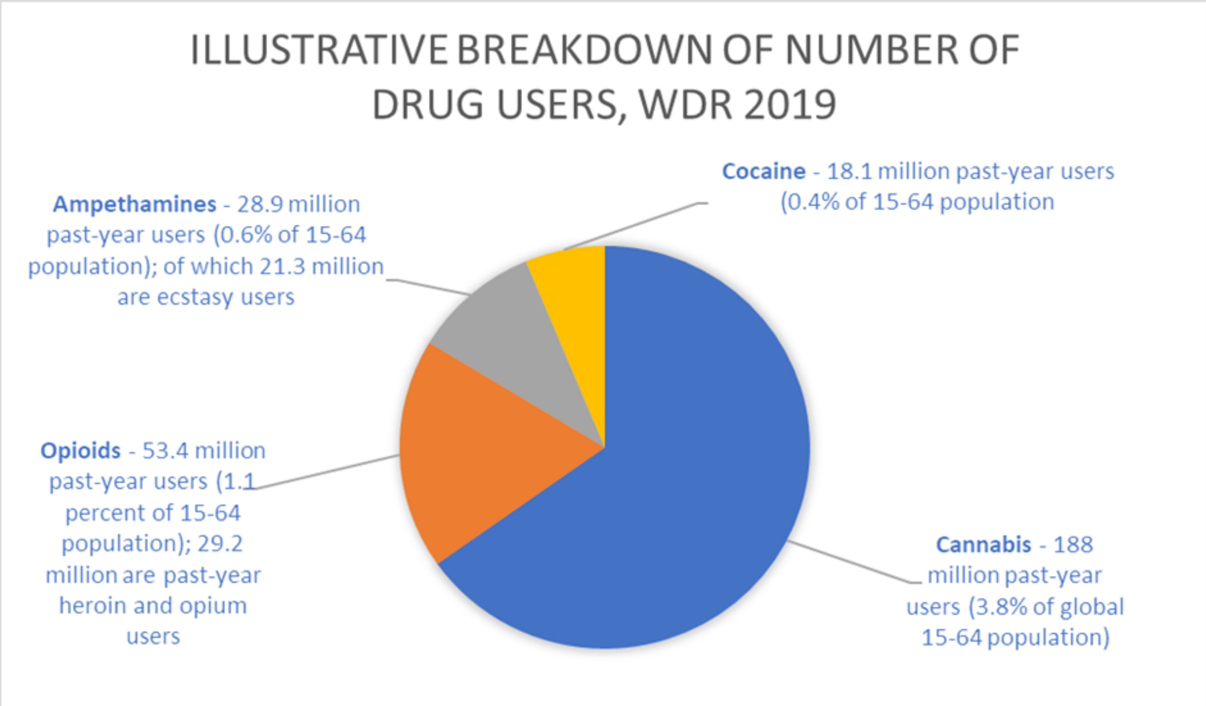

Figure 3.2: Breakdown of global drug users Source: WDR (2019b: 11–13)

The question to ask is whether or not the UNODC data have the same limitations concerning internal consistency as the official data on US markets in the previous sub-section. This breakdown shows that the overall conclusion ('more than a quarter of a billion people use drugs') is overstated, since nearly 70% of those counted are only 'past-year' users of a 'soft' drug (cannabis) that is now increasingly being legalised globally. Since 2012, 11 US states and the District of Columbia have become legal markets for recreational cannabis use, and a further 11 have decriminalised cannabis possession.[102] Uruguay has legalised cannabis for personal consumption under a government-controlled market since 2013. Thus, if cannabis use is taken out, and assuming that cannabis users do not use the other drugs, the number of people using narcotic drugs globally would from 271 to 83 million.

[102] The inclusion of Washington DC means that cannabis can now be legally acquired right inside the US capital. For details, see http://www.governing.com/gov-data/state-marijuana-laws-map-medical-recreational.html

This can be juxtaposed against WHO estimates of 1.46 billion users of tobacco in 2015,[103] and 2.3 billion drinkers of alcohol in 2016.[104]

For the purposes of this study, the global illicit market for heroin and opium, as estimated by WDR 2019, are as follows: 29.2 million users for heroin and opium; and 18.1 million users for cocaine. WDR 2019 does not provide estimates on number of coca-leaf chewers.

3.4.1 Cross-validating annual consumption per user

It is important to emphasise that given the clandestine nature of illicit drugs, these estimates on the numbers of consumers in illicit markets may not reflect reality and are always tentative. Nevertheless, these are the official figures used as the basis for policy and decision-making. Hence, simple tests of cross-validation to check for the internal consistency of the figures are warranted.

As in the previous sub-section, one test is to look for average annual consumption per user, and make a judgement on its plausibility. Consider the WDR estimate that globally there were 18.1 million past-year users of cocaine in 2017, corresponding to 0.4% of the global population aged 15–64.[105] Table 3.9 presents figures from the latest five years for which UNODC data are available.

Table 3.9: Estimates of number of past-year cocaine users (2013-2017)

Year	Africa	Americas	Asia	Europe	Oceania	Global
2013	2,660,000	8,970,000	1,340,000	3,680,000	390,000	17,040,000
2014	2,770,000	9,710,000	1,360,000	4,040,000	390,000	18,260,000
2015	2,840,000	8,500,000	1,300,000	4,060,000	390,000	17,090,000
2016	3,180,000	9,230,000	1,040,000	4,330,000	430,000	18,200,000
2017	1,300,000	9,930,000	1,670,000	4,740,000	430,000	18,070,000

Source: Statistical pages of WDRs 2014 to 2019

To compute for average annual consumption per user, the quantity of cocaine available for consumption is divided by the estimate number of users.

[103] The WHO tobacco figures are from https://apps.who.int/iris/rest/bitstreams/1138280/retrieve, last accessed 9 September 2019.

[104] For alcohol figures, see https://www.who.int/substance_abuse/publications/global_alcohol_report/en/ , last accessed 9 September 2019.

[105] Note that WDR 2019 does not provide a breakdown of how many of the 18.1 million past-year users used cocaine only once and how many used it more than once.

For 2017, the UNODC estimated that 1,976 tonnes of cocaine (expressed at a purity of 100%) were produced.[106] Thus, average consumption per user in 2017 may be derived by dividing the volume produced (1,976,000 kg) by its 18.1 million users. The result is 109 grams per user annually, or roughly 2 grams per week. Table 3.10 repeats the process for all years from 2013 to 2017.

Table 3.10: Estimate average cocaine consumption/user, 2013-2017

Year	A Global estimate of cocaine users	B Potential annual manufacture of 100 per cent pure cocaine, in grams	B/A Potential average available per user per year in grams (rounded off)
2013	17,040,000	902,000,000	53
2014	18,260,000	943,000,000	52
2015	17,090,000	1,124,000,000	66
2016	18,200,000	1,586,000,000	87
2017	18,070,000	1,976,000,000	109

Source: Table 3.9 and WDR 2019b: 68

From Table 3.9, a snapshot of the global consumer market for cocaine emerges, summarised in Figure 3.3 below. The two main markets are the Americas (55.95%) and Europe (26.23%). This confirms the status of cocaine as a Western drug of choice. And from Table 3.10, users on average consume about 2 grams of pure cocaine per week.

What emerges is that — once again — the figures appear to be overstated. The 2017 estimate of cocaine users includes those who had used cocaine 'at least once' in the previous year, yet on average, consumption levels were at 109 grams, or about 2 grams of pure cocaine each week. This is an extremely high estimate, especially since a single gram of cocaine at 100% purity can cause a fatal overdose. The limitations seen in the previous cross-validation of the US market figures thus carry over to the global level, suggesting that either the estimated size of the market (18.1 million users) is understated, or the production volume (1,976 tonnes) is overstated. If production is not

[106] The WDR 2019 statistical tables note that the figure of 1,976 tonnes was arrived at using new conversion ratios that included licit coca leaf produced in Bolivia and projected its conversion into cocaine hydrochloride, taking yield into account.

overstated and the figures hold true, where did all that cocaine go, and how was it consumed?

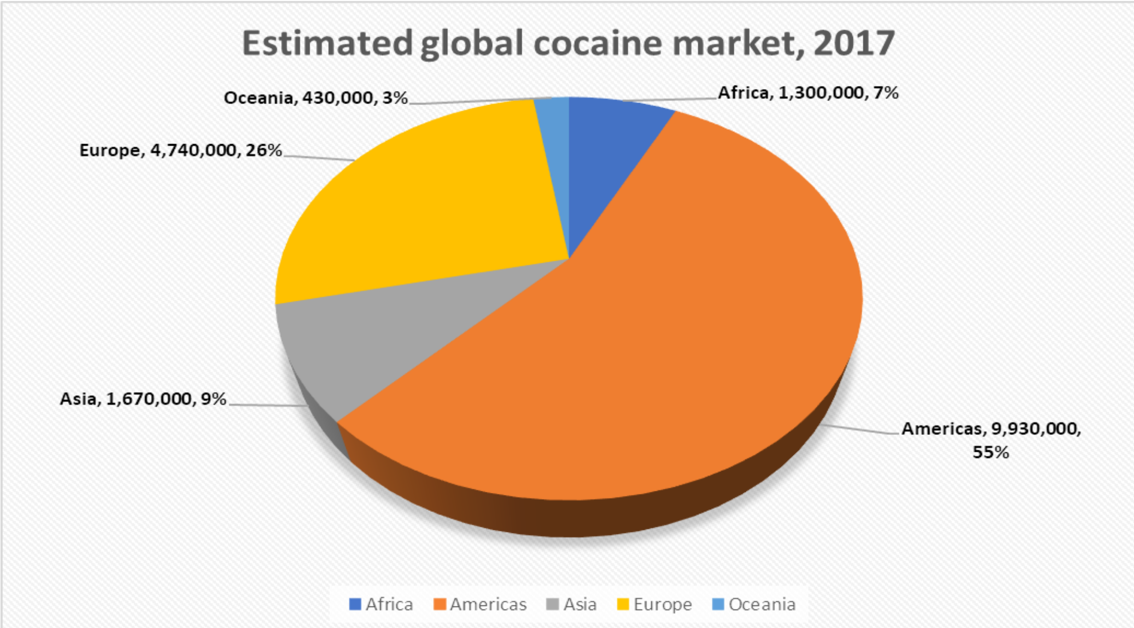

Figure 3.3: Estimated global cocaine market. Source: WDR 2019b

Part of the answer to this question can be found in WDR 2019b (p.52, Figure 32), which shows cocaine seizures of over 320 tonnes in 2016–2017. This may mean that only 1,656 tonnes were available for consumption. But even taking this into account, the resulting approximate annual consumption per user of 93 grams is still way too high, especially given that the estimated 18.1 million users include those who tried it only once in the past year.

A similar test for cross-validation for heroin is presented in Tables 3.11 and 3.12.

Table 3.11: Best estimates on the number of opiates users, 2013–2017

Year	Africa	Americas	Asia	Europe	Oceania	Global
2013	1,880,000	1,630,000	10,010,000	2,970,000	30,000	16,530,000
2014	1,960,000	2,090,000	10,160,000	3,190,000	50,000	17,440,000
2015	2,010,000	1,760,000	10,780,000	3,110,000	30,000	17,670,000
2016	2,060,000	2,840,000	11,230,000	3,200,000	40,000	19,380,000
2017	1,470,000	2,690,000	21,730,000	3,220,000	40,000	29,160,000

Source: Statistical pages of WDRs 2014 to 2019

A most noticeable change in Table 3.11 is the big increase in the number of estimated opiate users in Asia – a jump from 11.2 million to 21.7 million – between 2016 and 2017. The increase is attributed to 'improved knowledge on drug use' from new surveys conducted in India. This reiterates that even the most reliable official figures are at best approximations that may be wrong.

Table 3.12: Estimate average opiate consumption per user, 2013–2017

Year	A Global estimate of heroin users	B Potential annual manufacture of heroin, in kg	B/A Potential average consumption per user per year in grams (rounded off)
2013	16,530,000	555,000	33.6
2014	17,440,000	542,000	31.1
2015	17,670,000	327,000	18.5
2016	19,380,000	388,000	20.0
2017	29,160,000	867,000	29.7

Source: Table 3.11 and WDR 2019b: 66

From Tables 3.11 and 3.12, a snapshot of the global consumer market for opiates can be constructed. As summarised in Figure 3.4 below, this market would have the following characteristics:

- Three fourths of the consumers of opiates (74.51%) are in Asia (India, China, Southwest and Southeast Asia). This is followed by Europe (11.04%) and the Americas (9.22%).

- WDR 2019b explains that the jump in the global number of users of opiates from 20 million in 2016 to 29 million in 2017 was due to new surveys being conducted in India and Nigeria.
- Given the official estimates of heroin availability in 2017 at 867 tonnes, this would imply a potential average available per user of 29.7 grams.

Note that these computations are not in any way being offered as representations of reality: they are mainly tools for comparative analysis and for probing into potential distribution. Note also that the product being considered here is only heroin — the estimates do not include other opiates like morphine or raw opium gum, which by definition are also being consumed by this cohort of consumers.

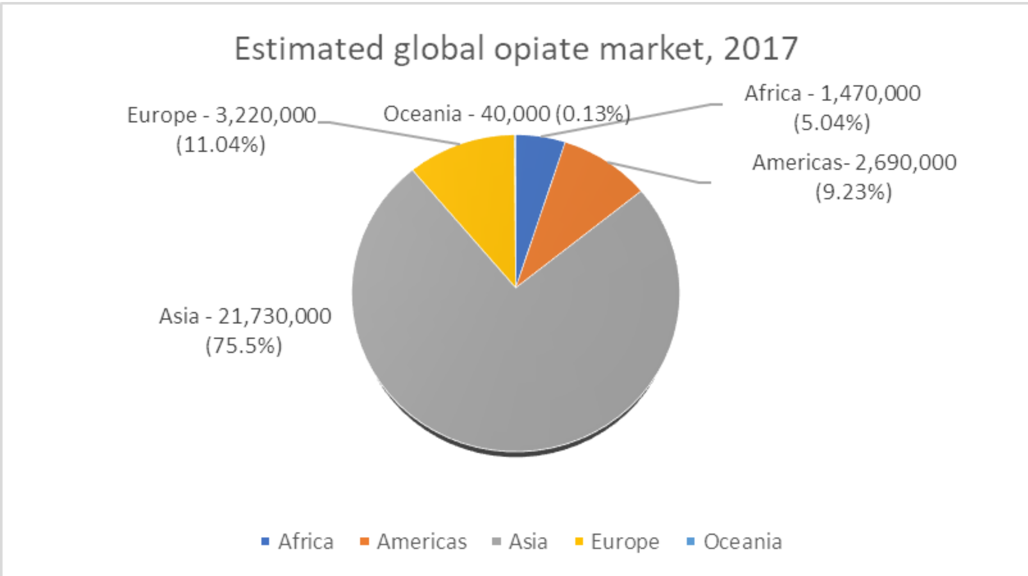

Figure 3.4: Estimated global users of opiates. Source: WDR 2019b

3.4.2 Cross-validating expenditures per user

Another cross-validation test is to consider the retail street prices paid by the average cocaine or heroin consumer. Much of this will of course depend on the location. In 2017, the UNODC reported that the inflation-adjusted weighted average street price in euros of cocaine in Western and Central

Europe was €73 (or $82) per gram.[107] This means that a European person who used cocaine at least once in the past year paid €73 for that single gram, which is plausible. However, if we assume, citing the previous estimates, that the typical user's average annual consumption is between 93 and 109 grams of cocaine for the year, this means the user is paying between €6,759 and €8,030 over the year. Though not an impossibility, this seems unlikely especially since, according to Eurostat, the median equivalised net income for Europe in 2017 was €16,943.[108] If the typical user earns that median income, it is unlikely that 40% to nearly 50% will be spent on cocaine use alone, while the rest is divided between food, rent and utilities.

What emerges therefore is that the same limitations of data seen in the US market are reproduced in the global market. When put together, or cross-validated against each other, inconsistencies emerge in the estimates of number of users, volume of production, and expenditures by the average user in procuring cocaine or heroin in their main markets in the US and Europe.

3.4.3 The consumer markets for illicit coca and opium remain elusive

Efforts have been made by the US ONDCP and the UNODC to identify, quantify and measure the consumer markets for illicit coca and opium products. What emerges from the tables above are figures showing the estimated sizes of the global consumer market for cocaine and opiates in 2017.

Yet as this section has shown, mainly by cross-validating officially supplied figures, while those markets can be identified, there are limitations as to what is known about their size (number of users) and scope (distribution). A conclusion that can be derived is that the estimates have a number of limitations:

- Estimates of market size (number of individual users) are not consistent with estimates on volume of production.
- Average consumption per user computed based on the official figures are unlikely.

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[107] See https://dataunodc.un.org/drugs/heroin_and_cocaine_prices_in_eu_and_usa-2017 accessed 31 August 2019.

[108] Source: Eurostat Website, http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_di04&lang=en

- Estimates on the users' expenditures on cocaine and heroin remain far too high to be realistic.

Various authors and experts who have analysed these markets have highlighted similar limitations and caveats in their findings. Reuter and Trautmann, for example, state that 'drug problems and drug policy may attract considerable policy and political attention but that has not been matched by large scale data collection and analysis' (Reuter and Trautmann, 2009: 51). Addressing the issue of indexes, they emphasise that:

> There remains a dearth of data sets or indicators for comparing how one nation's drug problem compares to that of other nations, for describing how a nation's drug problem has changed over time; and for assessing how drug policies contributed to observed changes in national drug problems over time. (ibid.)

Storti and de Grauwe likewise note that it is broadly accepted that data on the illicit drug industry are very poor, the quality of statistical information weak, and the variety of information limited (2009: 51), while Savona and Riccardi (2015) further note the lack of data and consensus over estimation methodologies. In short, extreme care should be taken when making assumptions about the markets for illicit cocaine and heroin because officially supplied figures are weak and wobbly.

Having examined the consumer markets, this chapter now proceeds to examine the intermediaries — the entrepreneurs and enablers of the illicit opium and coca markets.

3.5 Intermediaries: Traffickers, enablers, and US power to declare who is 'good' or 'bad'

This section examines the territories and services that enable the illicit markets for opium and coca. It draws from data supplied by the US government's annual worldwide reporting system, as presented in the INCSRs and in the application of US sanctions.

3.5.1 The US process of tagging major drugs-producing, transit and designated countries

On 9 November 1997, US President Clinton notified Congress that the following 30 countries and territories were the major drugs-producing or drugs-transit countries in the world for 1996:

- Afghanistan, Aruba, The Bahamas, Belize, Bolivia, Brazil, Burma, Cambodia, China, Colombia, Dominican Republic, Ecuador, Guatemala, Haiti, Hong Kong, India, Iran, Jamaica, Laos, Malaysia, Mexico, Nigeria, Pakistan, Panama, Paraguay, Peru, Taiwan, Thailand, Venezuela, and Vietnam (INCSR 1997: 26).[109]

Clinton further identified the Netherlands Antilles, Turkey and other Balkan Route Countries, Cuba and Central Asia as territories of concern to US drugs authorities. Kazakhstan, Kyrgyzstan, the Philippines and South Africa were identified as 'important cannabis producers' but were not included in the list because 'their cannabis production does not significantly affect the US' (INCSR 1997: 364).

However, 22 of the 30 countries tagged were described as 'cooperating fully with the US' in counter-narcotics efforts, and as having 'taken steps to comply with the 1988 UN convention'. Hence, these 22 countries were certified as qualified to receive US aid and other forms of support:

- Aruba, The Bahamas, Belize, Bolivia, Brazil, China, Dominican Republic, Ecuador, Guatemala, Haiti, Hong Kong, India, Jamaica, Laos, Malaysia, Mexico, Panama, Peru, Taiwan, Thailand, Venezuela, and Vietnam (ibid.).

The essential part of the INCSR is the 'designation' of countries as 'not compliant with global counter-narcotic standards', leading to decertification. Four countries were decertified in 1997:

- Afghanistan, Burma, Iran and Nigeria.

Secretary of State Madeleine K. Albright explained that Afghanistan and Burma were decertified because the production of heroin was increasingly concentrated in these two countries. Burma at that time had the largest area under opium cultivation anywhere in the world.[110] Albright stated that 'opium and heroin remain as Afghanistan's largest sources of income'; that the Burmese government continues to allow the most notorious drug lords of Southeast Asia to keep the things they value most — their money and their freedom; and that Nigeria 'remains the hub of African narcotics trafficking' and its 'gangs run networks that bring in much of the heroin which ends up

[109] In his letter to Congress, Clinton said that he had removed Lebanon and Syria from the list because the two countries had jointly begun a campaign to eradicate opium poppy cultivation in the Beka'a Valley (INCSR 1997: 364)

[110] Afghanistan produced more opium, because its yield per hectare was higher than Myanmar's. However, Myanmar's opium has a higher morphine content.

in the US'. Albright noted that trends in Iran had been more encouraging, but the US was unable to certify the country because of a lack of hard data to verify the extent of the progress reported (INCSR 1997: 10).

There were four other designated countries, but Clinton recommended that it is in 'the vital national interests of the US' that they be certified. This exemption from decertification occurs where US foreign policy interests are prioritised over drug policy. The four countries that were tagged as major drugs-producing or transit countries but were recommended for exemption from decertification were:

- Cambodia, Colombia, Pakistan and Paraguay.

In response to questions from members of Congress why Colombia was designated, only to be exempted, Albright explained that the decision to decertify was caused by the lack of full cooperation from the Colombian government. However, this decision was waived 'to lay the groundwork for increased future cooperation, and to support those in Colombia who are striving to strengthen the rule of law and buttress their embattled democracy' (ibid.: 10). It should be noted that the previous year, Clinton had declared a 'national emergency' because of the 'threat' posed by Colombian cocaine exports. It was also during this time that further US sanctions came into force, including the Specially Designated Narcotics Trafficker (SDNT) list, which became the wider Specially Designated National (SDN) list from 2000, after the passage of the Kingpin Act.

Assistant Secretary Andy Beers explained that the waivers for Cambodia and Paraguay were recommended because the US wanted to be in a situation to 'provide electoral and other assistance in the future'. The decision for Pakistan was more complex but boiled down to Pakistan being a strategic US ally in counter-terrorism and non-proliferation, and hence needing US assistance for its economy (INCSR 1997: 21).

The INCSR 1997 also identified Argentina, Brazil, China, Germany, India, Mexico and the Netherlands to be the major sources of precursor chemicals in the manufacture of illicit drugs. The US's stated goal on chemical control is to support the establishment of chemical control regimes in source countries, and to improve chemical diversion investigation. It also seeks to improve the exchange of information through the Multilateral Chemical Reporting Initiative (MCRI), which was launched in 1997, hosted by the DEA and the European Commission. In 1997, the US concluded that countries in which chemical control was considered a law enforcement issue were more supportive of the MCRI, while countries in which chemical control was considered a regulatory issue have been more cautious (INCSR 1997: 41).

Another important role of the INCSR is its tagging of countries and territories as money-laundering jurisdictions and centres of financial crime. This is based on the guidelines adopted by the Financial Action Task Force (FATF), a body created by the G7 in 1989 and attached to the International Monetary Fund. In 1997, the INCSR reported that all FATF member-countries already have anti-money-laundering (AML) legislation 'that comports with the FATF 40 recommendations'. The US supported the development of multi-agency programmes for these countries, including central bank training and assistance. It was also in 1997 that the US imposed stricter reporting requirements to reduce the Colombian drug cartels' suspected use of money transfer services to repatriate drug profits. For example, the US Treasury issued a Geographical Targeting Order (GTO) requiring New York area transfer services to report, for a limited period, all remittances of $750 or more to Colombia. This is said to have caused an immediate and dramatic reduction of drug profits via the money transmitters, and an increase in the seizure of cash at east coast border areas (INCSR 1997: 42–43). The countries tagged as money-laundering centres in INCSR 1997 were:

- Antigua, Argentina, Aruba, Austria, Brazil, Canada, Cayman Islands, China, Colombia, Costa Rica, Cyprus, Dominican Republic, Germany, Hong Kong, India, Israel, Italy, Japan, Liechtenstein, Luxembourg, Mexico, the Netherlands, the Netherlands Antilles, Nigeria, Pakistan, Panama, Paraguay, Peru, Russia, Singapore, Spain, Switzerland, Taiwan, Thailand, Turkey, United Arab Emirates, United Kingdom, United States, Uruguay and Venezuela.

The INCSR included the US itself in this list, partly because of questions from members of Congress who asked why the US points its fingers at many other countries, but not at itself. One question put to Albright was: 'Why can't our (US) failures also be underscored in writing?'. General Barry R. McCaffrey, the Director of the ONDCP, replied that the US has a national drug control strategy and has identified 88 areas by which to evaluate itself. He enjoined members of Congress to participate in that process (INCSR 1997: 13).

From this point and through the succeeding years, the INCSR lists were regularly published, under the authority of the US president, to notify Congress of other countries' compliance with international drug control standards. Changes in the Major lists over the years include the following:

- Various countries were taken off the Major-Producing and Transit list: Iran, Malaysia (1998); Aruba, Belize (1999); Hong Kong, Taiwan (2000); Cambodia (2001); Thailand, Haiti (2004); China, Vietnam (2005); Brazil, Nigeria, Paraguay (2010).

New countries added to the Major lists were: Costa Rica, Honduras (2010); Belize, El Salvador (2011). The list of decertified countries included:

- Afghanistan, Burma, Iran and Nigeria were added in 1997.
- Guatemala and Haiti were included in 2003; but Haiti removed was in 2004.
- Venezuela was added in 2005.
- Bolivia was added in 2008. By this time other countries had been removed, and only Bolivia, Burma and Venezuela were decertified[111].
- In 2016, following the ending of the Burma Sanctions Program, Burma was taken off the decertified list.

In 2019, the INCSR's Major lists were as follows:

- *Major drugs-producing and transit countries*: Afghanistan, The Bahamas, Belize, Bolivia, Burma, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, India, Jamaica, Laos, Mexico, Nicaragua, Pakistan, Panama, Peru and Venezuela.
- *Designated countries:* Bolivia, Venezuela.
- *Major money-laundering jurisdictions*: Afghanistan, Albania, Algeria, Antigua and Barbuda, Argentina, Armenia, Aruba, Azerbaijan, Bahamas, Barbados, Belgium, Belize, Benin, Bolivia, Bosnia and Herzegovina, Brazil, British Virgin Islands, Burma, Cabo Verde, Canada, Cayman Islands, China, Colombia, Costa Rica, Cuba, Curacao, Cyprus, Dominica, Dominican Republic, Ecuador, El Salvador, Georgia, Ghana, Guatemala, Guyana, Haiti, Honduras, Hong Kong, India, Indonesia, Iran, Italy, Jamaica, Kazakhstan, Kenya, Laos, Liberia, Macau, Malaysia, Mexico, Morocco,

[111] In many of its annual reports, the INCSRs do not explicitly mention countries it considers decertified. For example, INCSR 1998 and 1999 contains a section called "Statement on Decertification", but did not list the countries that were added, kept, or removed from decertification during those years. Hence, a continuing list of confirmed decertified countries from 1997 to 2019 is a gap in the study – what is presented here is information on countries only when explicit mentions have been made. My speculation is that this vagueness in decertification could have been used as leverage in on-going negotiations with the target countries.

Mozambique, the Netherlands, Nicaragua, Nigeria, Pakistan, Panama, Paraguay, Peru, Philippines, Russia, St Kitts and Nevis, S. Lucia, St Vincent and the Grenadines, Senegal, Serbia, Sint Maarten, Spain, Suriname, Tajikistan, Tanzania, Thailand, Trinidad and Tobago, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States, Uzbekistan, Venezuela and Vietnam.

- *Major precursor chemical source countries:* Afghanistan, Argentina, Bangladesh, Bolivia, Brazil, Burma, Canada, Chile, China, Colombia, Costa Rica, Dominican Republic, Ecuador, Egypt, El Salvador, Germany, Guatemala, Honduras, Hong Kong, India, Indonesia, Japan, Mexico, the Netherlands, Nigeria, Pakistan, Peru, Poland, Republic of Korea, Singapore, South Africa, Switzerland, Taiwan, Thailand, the United Kingdom and Venezuela (INCSR, Vol. 1, 2019).

Overall, because of the considerable resources it commands, the US has effectively accorded itself the unilateral power to declare who is good or bad, narcotics-wise, in the world.

3.5.2 Overview of intermediaries and enablers of the illicit drugs market, according to the INCSR

The INCSRs provide a comprehensive list of how illicit drugs commerce is enabled by many countries all over the world, as elaborated below:

Argentina is not a major drug-producing country but consistently appeared as a precursor chemical source country from 1996 to 2019, being one of South America's largest licit producers of precursor chemicals (INCSR 2013, Vol. 1: 51). It also shares a border with Bolivia and is thus a transhipment point for cocaine exports to Europe and the US.

The Bahamas has been on every INCSR to date as a major drugs-transit and money-laundering country. Its 700 islands scattered over 100,000 square miles have historically been pirate lairs and smuggling bases, offering ideal isolated sites and routes for deliveries, refuelling and stockpiling. The Bahamas has 73 airstrips and 110 small-boat harbours that local authorities could not fully monitor and control against better-resourced traffickers (INCSR 1986: 152).

Brazil is a major transhipment country for cocaine from Colombia, Peru and Bolivia. Most importantly, after the US it is also the world's second-largest consumer of cocaine HCL. Brazil is South America's major legal producer of ether and acetone. It is also a coca cultivator country and a large producer of marijuana (INCSR 1990: 116; INCSR 2019, Vol. 1: 121).

Dominican Republic is recorded as a major transit country in all INCSRs, and also as a money-laundering country in some years. Though its location makes it a transhipment point for drugs entering the US, its significance, claims the INCSR, lies in its diaspora — there are over a million Dominican immigrants in New York city alone that provide an embedded social network for drugs trafficking (INCSR 1990: INCSR 2019; Vol. 1: 147). Neighbouring **Haiti** is also recorded in many years as a major transhipment point for cocaine from South America and marijuana from Jamaica (INCSR 2019, Vol. 1: 177).

Ecuador lies between the two largest cocaine-producing countries, Colombia and Peru, and is identified as a major transit country for cocaine and precursor chemicals from 1988 to 2019. Since 2016, it has been listed as a major source of precursor chemicals. It has coca plantations owned by Colombians who freely cross the unmarked border area (INCSR 1986: 105; INCSR 2012, Vol. 1: 206).

Guatemala: most countries in Central America (El Salvador, Honduras, Nicaragua) figure prominently in many years on the INCSR, but it is Guatemala that emerges consistently from 1994 to 2019 as a major drugs-transit country. It became the Colombian cartels' choice for cocaine transhipment in the early 1990s because Guatemala has hundreds of unmonitored airfields, a good network of roads leading to Mexico, and coastal areas on both the western (Pacific) and eastern (Caribbean Sea) sides. This makes it possible for smugglers to switch routes — whether by air, land or sea — as needed. Opium is also grown in its mountainous regions of San Marcos and Huehuetenango (INCSR 1994: 133).

Jamaica appears every year in the INCSR mainly on account of its exports of marijuana, although Jamaican traffickers are also known to trade in cocaine, which is easier to transport because of its higher value and lower volume. Jamaica is also listed as a money-laundering hub, but since 2007 has had a more robust anti-money-laundering framework after the passage of the Proceeds of Crime Act.

Laos is a major opium-producing country, and a significant transit hub and consumer of other illicit drugs, particularly amphetamine-type stimulants. Most of the opium grown in Laos is destined for export and refinement into heroin. Poppy cultivation in Laos decreased 96% between 1998 and 2007 due to aggressive government action and US international development assistance (INCSR 2019, Vol. 1: 203).

Mexico consistently emerges in all years as a major narcotics-producing, transit, chemical source and money-laundering country, but it has never been designated because it cooperates with the US. It is a significant source and transit country for heroin, marijuana and synthetic drugs. Mexico is also a main transit route for fentanyl originating from China. The Merida Initiative is the US government's primary assistance mechanism for civil security assistance to help Mexico deal with its drug problems (INCSR 2019, Vol. 1: 212). Mexico is also a major money-laundering country. In 2012, the US Senate found drug traffickers were converting US dollars into Mexican and other currency with Mexican currency exchange firms that had accounts with HSBC[112].

Nigeria is listed in most of the years as a major transit country. Nigerian organised criminal networks remain major actors in trafficking cocaine and heroin worldwide, facilitated by the Nigerian diaspora. Nigeria is also a significant centre for financial crimes and cyber-crime, where money laundering occurs through real estate investment, wire transfer to offshore banks, round tripping (reciprocal sales of identical assets), jewellery, bulk cash smuggling, and the reselling of luxury goods such as imported cars (INCSR 2019, Vol. 2: 147).

Pakistan continues to be one of the world's top transit corridors for opiates and cannabis, trafficked through the porous borders with Afghanistan and Iran. Illicit drugs are distributed globally through Pakistan's seaports, airports, postal services and unpatrolled coastal areas. The UNODC estimates that up to 40% of opiates produced in Afghanistan pass through Pakistan, while precursor chemicals for producing heroin and methamphetamine pass through it in the other direction (INCSR 2018 Vol. 1: 236).

Panama is a global transit hub, and its canal and transportation infrastructures are used by drug traffickers to smuggle cocaine to the US and across the globe (INCSR 2018, Vol. 1: 241). It is also a financial centre where Colombian cartels have bought and operate banks (Micolta, 2012: 66). As revealed in the 'Panama Papers' scandal on the firm Mossack Fonseca, the country is also a pivotal centre for purchasing secrecy services for use in cross-border transactions and money laundering.

Paraguay is listed a major drugs-transit country from 1988 to 2010, and as a money-laundering hub from 2011 to 2019.

Peru: for most of the 20th century, Peru was the world's top producer of coca leaves and cocaine. However, production in Peru declined, due mainly

[112] Source: US Senate Report (https://www.hsgac.senate.gov/imo/media/doc/PSI%20REPORT-HSBC%20CASE%20HISTORY%20(9.6)2.pdf)

to eradication policies, and in 1996–1997, it was overtaken by Colombia as the top producer. It remains the world's second-largest producer of cocaine. Peru is also a major importer of precursor chemicals used for cocaine production (INCSR 2018, Vol. 1: 247).

Thailand was for many years a major opium-producing and transit country but has been successful in eradication and in introducing alternative crops through programmes sponsored by the royal family. However, Thailand remains a net importer of illicit drugs for domestic use. Thailand's status as a logistics and financial hub with porous borders and uneven law enforcement make it vulnerable to trafficking and money laundering (INCSR 2019, Vol. 2: 179).

Venezuela was added to the Designated list in 2005, after Hugo Chavez won a referendum, and has been designated ever since. Its proximity to Colombia makes it a transit hub, and current conditions allow ample opportunities for financial abuses (INCSR 2019, Vol. 2: 194).

Further details of what the INCSRs report on offshore financial secrecy jurisdictions are presented in the next section.

3.5.3 Offshore secrecy and financial services jurisdictions

The INCSRs over the years remain an important source of information on how the criminal, the corrupt, and the tax cheat hide and move dirty money. The most important scheme deployed is to process cross-border transactions in plain sight, through normal bank accounts that conduct regular transfers to receive or transmit payments. Normally, these bank accounts are owned by entities or legal persons such as companies, trusts, foundations and even charities. A company or legal person, once established in law, can open bank accounts, legally trade, transact business, or make and receive payments, *even if* its real owners are unknown. Hence, they become front companies or entities that cannot be linked to real owners, and which can then purchase property, including mansions and yachts; buy shares in a publicly traded company; or invest in profit-maximising portfolios run by fund managers.

The creation of such entities is made possible by *secrecy service providers*, or the lawyers, bankers, accountants and other middlemen whose principal role is to maintain the legal front and the fiction of the 'limited liability company' as a legal entity. The sheer magnitude of the abuse — a glimpse of which was revealed through the 2015 Panama Papers exposé — shows how easy it is for drug traffickers to register companies and open bank accounts to enjoy the proceeds of crime, *legally*.

The Panama Papers exposé in 2015 came after an investigation by the International Consortium of Investigative Journalists (ICIJ) into the operations of Panama-headquartered Mossack Fonseca, a firm that provided secrecy services to clients who can pay.[113] A whistleblower leaked more than 11.5 million documents in a hard-drive that detailed attorney–client information for more than 214,488 offshore companies, trusts and foundations. Operating in more than 21 jurisdictions, Mossack Fonseca is considered one of the world's five biggest wholesalers of offshore secrecy. Of the companies that appeared in the Panama Papers, over half — or more than 113,000 — were incorporated in the British Virgin Islands. Panama was the next most favoured jurisdiction in registering front entities.[114] Panama has been flagged in the INCSR consistently over the years as a major money-laundering country.

In many cases, it was banks themselves that requested Mossack Fonseca to register an offshore company for bank clients (see Figure 3.5). The Panama Papers revealed that more than 500 banks had registered 15,600 shell companies, including HSBC affiliates that registered more than 2,300 offshore companies for clients, after which more bank accounts were opened.[115]

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[113] ICIJ is a global network of more than 190 investigative journalists in more than 65 countries. For more discussion on the Panama Papers, see the ICIJ investigations: https://www.icij.org/investigations/panama-papers/explore-panama-papers-key-figures/

[114] An example of how drug traffickers, such as Joaquin Guzman, use secrecy services, is presented in a magazine article written by this researcher in 2016: see https://volteface.me/feature/secrecy-for-sale/, last accessed 21 August 2019.

[115] See https://projects.icij.org/panama-papers/graphs/8/, last accessed 21 August 2019.

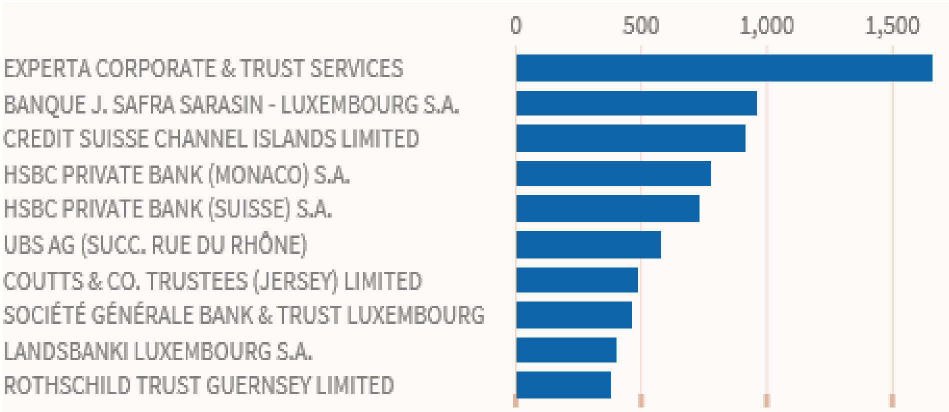

Figure 3.5: The 10 banks that requested the most offshore companies for its clients
Source: ICIJ https://www.icij.org/investigations/panama-papers/explore-panama-papers-key-figures/ last accessed March 2020

Since 2011, the INCSR had flagged the British Virgin Islands (BVI), a UK overseas territory, as a major narcotics-linked money-laundering centre. BVI is a well-established financial centre offering accounting; banking and legal services; captive insurance; company incorporations; mutual funds administration; trust formation; and shipping registration. Because the BVI is a UK overseas territory, it cannot sign or ratify international legal conventions in its own right — it is the UK's responsibility to arrange for the ratification of any convention to be extended to and enforced in the BVI (INCSR 2011, Vol. 2: 67-68).

In the last five years, campaigning organisations in the UK such as Christian Aid, Global Witness and Transparency International have put pressure on the UK government to compel its overseas territories to require real owners (in legal parlance 'beneficial owners') to be declared in the registration of companies, and to publish publicly accessible lists of the true identity of owners of companies sheltering assets. In May 2018, a cross-party alliance of MPs forced the government to concede that it would introduce an order in council requiring public registers to be set up by 2020 if overseas territories had not done so voluntarily by then. However, in early 2019, it was reported that the order will be delayed, after overseas territories threatened to take the government to court or even to secede from the UK. As a result, the UK Foreign Office moved the date to 2023.[116]

The full list of 'Treasure Islands'[117] and offshore secrecy and financial service jurisdictions monitored by the INCSR is presented below (note: the list is not evidence of wrongdoing, and simply quotes from the INCSRs).

Antigua and Barbuda: a two-island nation first flagged in 1996 and appeared in INCSRs every year since as a money-laundering jurisdiction. Because of US concerns on money-laundering vulnerabilities, it passed the Money Laundering Prevention Act.

Aruba: first flagged in 1990 and identified from 1996 to 1998 as a major drugs-transit country. It was removed from the lists but re-emerged as a money-laundering jurisdiction in 2018 and 2019.

Bahamas: consistently on the INCSR list as a drugs-transit and money-laundering jurisdiction.

Barbados: listed as a money-laundering jurisdiction from 2017 to 2019. Its key weakness is that the government could not seize assets acquired through criminal activity without a prior conviction (INCSR 2017, Vol. 2: 43).

Belize: flagged since 1988 as a drugs-transit country; included as a money-laundering country from 2007 due to the lack of law enforcement and strong bank secrecy protections.

Benin: listed from 2017 to 2019 as a money-laundering jurisdiction. The port of Cotonou is a transportation hub for the sub-region and serves Nigeria and land-locked countries in the Sahel. Criminal networks exploit the volume of goods and people moving through Benin (INCSR 2017, Vol. 2: 45).

Bosnia and Herzegovina: emerged as a money-laundering jurisdiction in 2006 and 2007; re-emerged in 2017 to 2019. Its political structure and ethnic politics hinder the effectiveness of its anti-money-laundering regime (INCSR 2017, Vol. 2: 51).

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[116] A key news report on this development can be found at: https://www.theguardian.com/world/2019/jan/11/mps-attack-ministers-over-delay-to-tax-havens-public-registers, last accessed 21 August 2019.

[117] 'Treasure Islands' is the title of the book by Nicholas Shaxson that provided the first comprehensive overview of the damage done by offshore banking, tax havens and secrecy services. He compared the tax havens to the 'treasure islands' where pirates in the 16th and 17th centuries kept their loot (Shaxson, 2011).

British Virgin Islands: flagged from 2011 to 2019 as a money-laundering jurisdiction in the INCSRs. Tagged as a major secrecy provider in the Panama Papers (see above).

Cambodia: listed from 1996 to 2000 as a major drugs-transit country particularly for methamphetamine and amphetamine-type stimulants. Re-emerged from 2006 to 2018 as a money-laundering jurisdiction.

Cabo Verde: listed from 2017 to 2019 as targeted by drug traffickers for money-laundering operations due mainly to its large informal economy (INCSR 2019, Vol. 2: 71).

Cayman Islands: a UK overseas territory listed consistently from 1990 to 2019 as a money-laundering jurisdiction. As of June 2017, the Islands held $1.03 trillion in international assets through 158 banks; 146 trust company licences; 143 licences for company management and company service providers; 836 insurance-related licences; and five money services businesses. The Cayman Islands had a population of 61,559 in 2017, while at the same time 98,686 companies and 10,621 mutual funds were domiciled in its territory (INCSR 2018, Vol. 2: 77).

Costa Rica: listed as a money-laundering jurisdiction from 1990 to 1997, and from 2002 to 2019. From 2011, it was also listed as a major drugs-transit country.

Cuba: listed as a money-laundering jurisdiction from 2017 to 2019, but with low risks. Its key weakness is the lack of a Suspicious Activity Reporting (SAR) system. Continuing US sanctions prevent Cuba's banking system from fully integrating with the international financial system (INCSR 2018, Vol. 2: 85–86).

Cyprus: listed from 1990 to 2019 (except 2017) as a money-laundering jurisdiction despite having a comprehensive AML framework. It is a regional financial centre which has a significant number of non-resident businesses — about 255,521 as of 31 October 2015 (INCSR 2015, Vol. 2: 105). It has issued orders to financial entities to be vigilant against shell companies. By law, all companies registered in Cyprus must disclose their ultimate beneficial owners, but 'some Cypriot law and accounting firms help construct layered corporate entities to mask the identities of financial beneficiaries (INCSR 2019, Vol. 2: 87).

Dominica: emerged intermittently as a money-laundering jurisdiction from 1997 to 2005, and from 2018 to 2019. It hosts two internet gaming companies, 13 offshore banks, and an unknown number of insurance entities, trusts and international business companies. In 2015 the number of firms it registered was close to 19,000. It permits bearer shares and provides citizenship to individuals who donate at least $100,000 or through an investment in real estate valued at a minimum of $200,000 (INCSR 2019, Vol. 2: 91–92).

Dominican Republic: recorded as a major drugs-transit country throughout the INCSRs, and also a money-laundering country in some years. It has one of the largest economies in the Caribbean, and has eight international airports, 16 seaports, and a large porous frontier with Haiti.

Eastern, Dutch and French Caribbean: in various years, the INCSR reported on these groups of islands collectively as money-laundering jurisdictions, some of which are individually identified in this list.

Gaza and the West Bank: from 2014, the INCSR started reporting on Gaza and the West Bank, which were previously included as part of the Israel report. Although there are few little data available, the INCSR included Gaza and the West Bank as money-laundering jurisdictions in 2015 and 2016 on account of its hawala networks that are widely used for both legitimate and illicit purposes (INCSR 2015, Vol. 2: 219).

Guernsey: the Bailiwick of Guernsey (the Channel Islands of Guernsey, Alderney, Sark and Herm) is a British Crown Dependency that is INCSR-listed from 1997 to 2016 as a money-laundering jurisdiction. It is a financial centre with a risk of proceeds of crime passing through its system because the majority of its customers are based elsewhere, and such proceeds are likely to arise from foreign predicate offences (INCSR 2015, Vol. 2: 120–121).

Guinea-Bissau: listed as a money-laundering jurisdiction from 2009 to 2018 for not being compliant with international standards. The country's riverine geography and weak law enforcement make it a transhipment point. In 2013, the US DEA arrested its Navy Chief of Staff, Admiral Jose Americo Bubo Na Chuto, for complicity with drug trafficking (INCSR 2018, Vol. 2: 110).

Haiti: listed from 1994 to 2019 as a drugs-transit or money- laundering country, or both. Haitian gangs are engaged in international drug trafficking, and money-laundering activities use Haitian couriers primarily via maritime routes (INCSR 2019, Vol. 2: 108).

Honduras: listed as a drugs-transit or money-laundering country since 2010. Money laundering stems mainly from organised crime, for example, human smuggling fees are regularly paid via money service businesses. It does not have an AML strategy or a money-laundering risk assessment (INCSR 2019, Vol. 2: 110).

Hong Kong: a jurisdiction that has regularly appeared in INCSR lists since 1986. It is the world's sixth-largest banking centre in terms of external transactions, and fifth-largest foreign exchange trading centre. In the 1986 INCSR, Hong Kong was cited for its lack of currency controls and for banking secrecy laws that made it attractive to narco-traffickers. The 2019 INCSR claimed that Hong Kong's low tax rate and simplified tax regime, sophisticated banking system, shell company formation agents, free port status, and absence of currency and exchange controls make it vulnerable to money laundering, trade-based money laundering, and underground finance (INCSR 1986: 185; INCSR 2019, Vol. 2: 112).

Isle of Man: listed as a money-laundering jurisdiction from 1997 to 2016. It is a British Crown Dependency that is neither part of the European Union nor a member of the Financial Action Task Force. Its significant offshore banking and corporate registration businesses make it an ideal environment for financial crimes and money laundering (INCSR 2015, Vol. 2: 142).

Israel: listed as a money-laundering jurisdiction from 1996 to 2016. Until 1997, money laundering was not a prosecutable crime in Israel. Hence by 1996, 35 major crime bosses from Russia and Ukraine had established a presence, drawn too by liberal immigration laws. Home-grown criminal groups or those with ties to Russia, the US and the EU, often utilise a maze of offshore shell companies and bearer shares to obscure ownership (INCSR 1997: 74–75; INCSR 2015, Vol. 2: 143–144).

Jersey: the largest of the Channel Islands is identified as a money-laundering hub from 1997 to 2016. It is a British Crown Dependency with offshore banking facilities and corporate registration businesses believed to be used to structure tax reduction and avoidance mechanisms for citizens of the EU (INCSR 1997: 77). A common practice is the use of nominees as directors or officers of offshore entities or as holders of bank accounts. In recent years, these services are publicised on the internet. However, Jersey is regarded as a cooperative jurisdiction in AML enforcement (INCSR 2015, Vol. 2: 148).

Kazakhstan: has emerged as a money-laundering jurisdiction from 2017 to 2019. It is listed as a transit country for Afghan heroin bound for Russia and Europe. It has the most developed economy and financial system in Central Asia and is transforming its capital city into a financial offshore zone (INCSR 2017, Vol. 2: 114).

Kenya: listed as a money-laundering hub from 2007 to 2019. Nairobi is East Africa's financial hub and is at the forefront of a growing mobile banking system. Money laundering occurs in the formal and informal sectors.

Diaspora remittances to Kenya totalled $1.38 billion between January and June 2018. Most of Kenya's 165,900 mobile-money agents use Safaricom's M-Pesa system, and there are 14 million accounts on M-Shwari, a mobile lender. Kenya is a transit point of regional and international drug traffickers, and trade-based money laundering remains a problem. Its regular trade in goods provide counter-valuation that facilitate transactions in regional hawala networks (INCSR 2019, Vol. 2: 127).

Lebanon: listed from 1997 to 2018 as a money-laundering hub. It signed up to the 1988 UN drug convention but registered reservations regarding bank secrecy. It is an active financial centre of the Middle East. Proceeds in the region from illicit trade are thought to be moved to Lebanon for laundering. Lebanon has a huge black market for consumer items, and its global diaspora remits $7.5 billion annually. Hizbollah, active in Lebanon, is designated by the US as a terrorist organisation (INCSR 2017, Vol. 2: 123).

Liberia: included in the 2017 to 2019 money-laundering lists. Smuggling is a big problem, and illicit transactions are facilitated by a cash-based economy. Money exchange operations are poorly controlled (INCSR 2019, Vol. 2: 131).

Liechtenstein: the richest country in the world on a per capita basis is listed as a money-laundering centre from 1994 to 2016. It is a major European financial centre due to its low business tax rates, liberal incorporation rules and strict bank secrecy. In 1997, it had some 25,000 holding or 'letter box' companies, and fees associated with these activities accounted for 30% of state revenues. In the last few years, banking secrecy has been softened to allow for greater cooperation to identify tax evasion (INCSR 2015, Vol. 2: 161).

Luxembourg: one of the largest financial centres of the world is identified as a money-laundering jurisdiction from 1994 to 2016. It has domestic banks, but the majority are foreign subsidiaries of banks in Germany, Belgium, France, Italy and Switzerland. It has been called a 'magical fairyland' for well-known corporations that seek to drastically minimise their tax bills (INCSR 2015, Vol. 2: 163).

Macau: listed as a money-laundering jurisdiction from 2001 to 2016, and in 2018. It is not a significant regional financial centre but is the world's largest gaming market with gaming revenues of $33.2 billion for 2017. Asian organised crime groups are active in gaming services and also in drug trafficking. Macau is a Special Administrative Region of China and on its own could not sign or ratify international conventions. China is responsible for Macau's foreign affairs.

Malaysia: Malaysia was identified in 1988 and 1994 to 1997 as a drugs-transit country, and as a money-laundering jurisdiction from 2017 to 2019.

Morocco: known as a producer of cannabis, Morocco was listed from 2017 to 2019 as a money-laundering jurisdiction.

Philippines: listed as a money-laundering jurisdiction from 2000 to 2019 and considered a producer and exporter of cannabis (INCSR 2000: 227). It is not a major financial banking or offshore centre, but rising crime and weak AML enforcement allow for criminal proceeds to be easily laundered. Money laundering is not a stand-alone criminal act in the Philippines and requires a predicate crime in order to be investigated (INCSR 2019, Vol. 2: 159).

Senegal: listed as a money-laundering jurisdiction from 2017 to 2019, Senegal serves as a regional business centre for Francophone West Africa. Its most important vulnerabilities are bank transfers to offshore accounts in tax havens and real estate transactions conducted with cash (INCSR 2019, Vol. 2: 166-167).

Singapore: listed from 1990 to 2016 as a money-laundering jurisdiction. Singapore is a major international financial and investment centre as well as a major offshore centre. Secrecy protections, a lack of routine large currency reporting requirements, and the size and growth of Singapore's private banking and asset management pose significant money-laundering risks (INCSR 2015, Vol. 2: 198).

St Kitts and Nevis; St Lucia; St Maarten; and St Vincent and the Grenadines: in 2018 and 2019, the INCSR reported these four jurisdictions as money-laundering centres. St Kitts and Nevis had previously been listed in 2000, 2006 and 2007. St Maarten was listed in 2012 and 2016, while St Vincent and the Grenadines was listed in 2000 and 2001.

Taiwan: listed as a money-laundering jurisdiction from 1994 to 2016. The INCSR 1997 said that Taiwan is a money-laundering concern because of the participation of people from Taiwan in international organised crime. Money laundering is carried out through Taiwan's banking system and non-bank financial systems (INCSR 1997: 108).

Ukraine: listed in 2002–2003 and from 2005 to 2019 as a money-laundering centre. It is seen as having adequate counter-narcotics legislation, but money-laundering schemes are becoming more elaborate and complex. Ukraine's large shadow economy represents a significant money-laundering vulnerability (INCSR 2017, Vol. 2: 180–181).

United Arab Emirates: a stable hub for transportation, trade and financial activity, UAE is listed as a money-laundering centre each year from

1990 to 2019. UAE's open business environment is used by illicit actors. It has a large number of exchange houses, hawalas, and general trading companies. A portion of the money-laundering activity in the UAE is likely to be the proceeds from heroin produced in Afghanistan. Other money-laundering vulnerabilities include the real estate sector, the misuse of the international gold and diamond trade, and the use of cash couriers to transfer illicit funds. Domestic public corruption contributes little, if anything, to money laundering (INCSR 2017, Vol. 2: 183).

Uruguay: listed as a money-laundering hub from 1994 to 2018. Uruguay often uses the US dollar as its business currency: about 75% of deposits and 55% of credits are denominated in US dollars, making it easier to launder criminal proceeds (INCSR 2018, Vol. 2: 207).

Vietnam: listed as a major drugs-transit country from 1994 to 2005 and a money-laundering centre from 2017 to 2019.

3.5.4 We're all in it together

The INCSRs frequently use the phrase 'vulnerability to money laundering' when assessing and classifying countries and jurisdictions as 'major money-laundering' sites. The idea of 'vulnerability' suggests that there may be others that are not vulnerable, i.e. that are resistant or impervious to narcotics-related money laundering, presumably because of robust financial legislation and monitoring systems. However, when the big countries and economies are considered and found to be 'vulnerable' as well, it suggests that the entire global economy is susceptible to this behaviour. Below, the descriptions from the INCSR lists continue, but this time focused on OECD countries and emerging economies.

Australia is listed as a money-laundering jurisdiction in 1990, and from 1997 to 2016. The INCSR 1997 contains an apparent contradiction on Australia. In the Introduction, it includes Australia in the list of money-laundering countries, but in the subsequent country report it opens with the statement that Australia is not a centre for drug-related money laundering. This may be a reflection of the report's balancing act as it mitigates the possibility of offending an ally. The document goes on to cite Australia's balanced and comprehensive system to detect, prevent and prosecute money laundering. Yet in the section 'Changes in INCSR Priorities 1997–1998', the report upgraded Australia from medium priority to 'country of primary concern' on money laundering (INCSR 1997).

In 2012, the INCSR reported that the majority of illegal proceeds in Australia were derived from fraud-related offences, though narcotics offences provided a substantial source of crime proceeds (INCSR 2012, Vol. 2: 56). In 2016, an explanation is provided that according to the Australian Crime Commission, financial crimes continue to increase in diversity, scale and the level of overall harm. It conservatively estimated that serious and organised crime cost Australia about $10.67 billion each year (INCSR 2016, Vol. 2: 66–69).

Austria, where the UNODC is headquartered, is listed as a country of primary concern on money laundering from 1996 to 2016. The INCSR 2016 explains that money laundered by organised crime groups derives primarily from fraud, smuggling, corruption, narcotics trafficking, and trafficking in persons. The report also claims that there are migrant workers in Austria who send money home via all available channels (INCSR 2016, Vol. 2: 70). One apparent reason for Austria's inclusion is that it has only recently enforced strict legal requirements on banking secrecy. In 2014, Austria accepted a long-delayed EU law to curtail bank secrecy and tax evasion by requiring EU member-states to automatically exchange information on accounts held by their citizens abroad. It appears that this is the reason for Austria's removal from the list in 2016.

Belgium appears in the INCSR as a source of precursor chemicals from 2013 to 2018, and as a money-laundering country in 2018 and 2019. It is identified as a primary entry point for cocaine smuggled into Europe, mainly through the Port of Antwerp, which has experienced record-breaking cocaine seizures from containerised cargo — 30 tonnes in 2016; 41 tonnes in 2017; and 35 tonnes in the first ten months of 2018. Another 28 tonnes were seized in South America before the container proceeded to Antwerp. The seized cocaine in 2017 alone would have generated $1.2 billion. Belgium has a robust chemical industry but has not been historically a source of precursor chemicals. However, it serves as a transit point for precursor chemicals sourced out of China and India and destined for clandestine synthetic drug laboratories in the Netherlands, Mexico and elsewhere (INCSR 2019, Vol. 1: 109).

China is listed in the INCSR as a major producing and transit country from 1994 to 2005; as a narcotics-related money-laundering country from 1996 to 2019; and as a source of precursor chemicals used in illicit narcotics from 1994 to 2019. China's land size, population and expanding economy have all contributed to the country becoming a hub for drug and chemical precursor production and trafficking. Its numerous coastal cities with high-volume seaports, and its vast network of major international airports make China an ideal destination and transit hub for illicit drugs. China is also a major source of synthetic drugs, new psychoactive substances (NPS), and precursor chemicals that are smuggled to clandestine laboratories all over the world. China is also the principal source of illicit fentanyl and fentanyl-related compounds fuelling the opioid crisis in the US (INCSR 2019, Vol. 1: 133–134).

France is listed in the INCSRs as a money-laundering country from 1997 to 2015. With banking, financial and commercial relations, especially with Francophone countries around the world, it is seen as an attractive venue for money laundering because of the size of its economy, political stability and sophisticated financial system. It is also an important transit country for narcotics (INCSR 1997: no page; 2015, Vol. 2: 112).

Germany is listed in the INCSRs as a major source of chemical precursors from 1994 to 2019, and as a money-laundering country from 1994 to 2016. The basis for its inclusion in the money-laundering list is that while it is not an offshore financial centre, it has one of the largest (regular) financial centres in Europe and is a member of the Eurozone, making it attractive to organised criminals and tax evaders. Thus, the size of its economy makes it susceptible to money-laundering and terrorist-financing operations. The reports also state that Germany continues to be a consumer and transit hub for narcotics. It allows the use of shell companies, trusts, holdings and foundations that can help obscure the source of assets and cash. Germany is estimated to have a large informal economy, such as the hawala systems used by its immigrant population, although there is little official data on this activity. Bulk cash smuggling by organised crime elements is also reported as prevalent in Germany, especially illicit drug proceeds arriving or passing through from the Netherlands (INCSR 2016: Vol. 1: 115–116).

Greece is included as a money laundering country from 2000 to 2016. Greece is the regional financial centre for the Balkans, and also a bridge between Europe and the Middle East; hence it is a gateway country for narcotics and illicit money flows. Heroin and hashish transit from Turkey, while cannabis and other drugs transit from Albania, Bulgaria and North Macedonia. It has porous marine and land borders. Official corruption, organised crime and a large informal economy make the country vulnerable to money laundering and terrorist financing (INCSR 1998: no pages; 2016, Vol. 2: 119).

India is the world's largest producer of licit raw opium, managed through a system of licensing land for opium planting based on existing stocks and estimates of future demand (INCSR 1986: 235; INCSR 2013 Database: 194). Over the last two decades, however, it has become an increasingly important transit point for illicit narcotics produced from Pakistan, Afghanistan and Burma (INCSR 1990: 244). India is also a source of chemical precursors for Burmese traffickers. India is a financial centre with formal as well as an extensive informal economy and remittance systems. The most common money-laundering methods include opening multiple bank accounts, intermingling criminal proceeds with assets of legal origin, purchasing bank cheques with cash, and the routing of funds through complex and opaque legal structures (INCSR 2014, Vol. 2: 123).

Indonesia, the world's biggest archipelago, is listed as a money-laundering country from 1997 to 2019 and as source of precursor chemicals from 2013 to 2019. It was included in 1997 because it did not have anti-money-laundering laws in place. By 2019, it still had gaps in its financial system legislation and regulation. Most money laundering in the country is connected to corruption cases, followed by drug trafficking and other criminal activities like tax crimes, illegal logging, wildlife trafficking or bank fraud. Comprising thousands of islands, it has a long history of vulnerability to smuggling of illicit goods and bulk cash, made easier by unpatrolled coastlines, sporadic and lax law enforcement, and poor customs infrastructure (INCSR 1997; 2019, Vol. 2: 116–117).

Iran is listed as a major producing and transit country in 1988 and from 1994 to 1998. It was in the money-laundering list in 2007–2009, and from 2011 to 2019. Iran was one of the first countries to be denied certification, in 1987 and 1988. It was described as continuing to profit from narcotics cultivation, thereby rejecting obligations to the world community. From 1985 to 1988, it was reported as producing 200 to 400 metric tons of opium and had no narcotics control programme. It had a high number of opium addicts (INCSR 1988: various pages). In 2018, the US re-imposed all sanctions on Iran. It has a large underground economy, spurred by uneven taxation, widespread smuggling, sanctions evasion, currency exchange controls, and a large expatriate community. It remains a major transit route for opiates smuggled from Afghanistan and Pakistan. In 2015, Iran's Minister of Interior estimated the combined value of narcotics trafficking and sales in Iran at $6 billion annually (INCSR 2019, Vol. 2: 118).

Italy is listed as a money-laundering country from 1994 to 2019. Italy's economy is ninth-largest in the world and third-largest in the Eurozone, but activities associated with organised crime and a large unregulated shadow economy make it vulnerable to money laundering. Much of the illicit money made from illegal activities is funnelled into commercial and financial entities, including buying large amounts of real estate, especially hotels in resort areas.

The illegal gold market is also believed to be heavily used by money launderers (INCSR 2019, Vol. 2: 120–121). In 1997, money laundering in Italy was estimated informally to total over $50 billion annually (INCSR 1997).

Japan is listed as a money-laundering country from 1994 to 2016. It is a regional financial centre but not an offshore financial centre. Its risk of money laundering comes from organised crime, including by Japanese groups (Yakuza), Mexican drug-trafficking organisations, and other domestic criminals. Over the last few years, there has been an increase in financial crimes in Japan committed by citizens from West African countries, such as Nigeria and Ghana. The major sources of laundered funds include drug trafficking, fraud, loan sharking, remittance frauds and bulk cash smuggling (INCSR 2016, Vol. 2: 152–153). Japan is one of the largest markets for methamphetamines in Asia: 80% of all drug arrests involve methamphetamines and ATS. Japan is an important trafficking base — in February 2009 authorities seized 8.4 tonnes of acetic anhydride being shipped to Afghanistan concealed in shipping containers at the ports of Yokohama and Nagoya (INCSR 2010, Vol. 1: 386).

The Netherlands is listed as a money-laundering country and source of precursor chemicals from 1994 to 2019, according to the INCSRs. It is Europe's main gateway, with Rotterdam as the world's largest container port. It is also a financial centre, and a centre of the international chemical industry. Narcotics criminals take advantage of Dutch commercial assets for illicit purposes, and the country attracts individuals seeking to produce precursor chemicals (INCSR 1996). A government-commissioned study in November 2018 showed that $18.2 billion is laundered annually in the Netherlands. It has six islands in the Caribbean falling under its jurisdiction, half of which are also monitored by the INCSR.

Switzerland is listed as a money-laundering country from 1994 to 2018, and as a source of precursor chemicals from 2013 to 2019. It is described as a major financial centre managing an estimated 25% of offshore global wealth from private clients, and a country in which illicit financial activity occurs. Historically, drug traffickers from Russia and the Balkans have dominated attempts at narcotics-related money-laundering in Switzerland. The country's adoption of Automatic Exchange of Information Agreements has changed money-laundering standards as well as the compliance culture (INCSR 2018, Vol. 2: 188).

Turkey is listed from 1994 to 2019 as a money-laundering jurisdiction. Turkey is recognised as a transit (although not 'major') country for heroin and cocaine headed to European markets. Money laundering takes place through banks, non-bank financial institutions and the informal economy. Turkish-based traffickers transfer money, and sometimes gold, via couriers to pay narcotics suppliers in Pakistan or Afghanistan (INCSR 2019, Vol. 2: 177).

The **United Kingdom** is listed as a money-laundering country from 1994 to 2019 and a source of precursor chemicals from 2008 to 2019. As a consumer country of illicit drugs, crime syndicates from around the world exploit the UK market and use the UK as a major transhipping route. In 2008, the government estimated that 25–35 tonnes of heroin and 35–45 tonnes of cocaine enter the UK each year (INCSR 2010, Vol. 1: 638). However, what the INCSRs do not say is that the UK itself, in particular the 'square mile' of London, is an important offshore financial centre that provides secrecy services, like the UK overseas territories and Crown Dependencies.

Finally, the INCSR also includes the **United States** as a money-laundering centre from 1994 to 2019, and as a source of precursor chemicals from 2000 to 2012. However, there are no country reports on the US in any of the INCSRs. The INCSRs are a US tool to point at others, but not at itself.

3.5.5 Analysing American-structured international drug control standards

Various scholars have noted that the international drug control apparatus is a remarkable achievement. As Buxton observes, there is no other global control system — with its treaties, institutions, and monitoring — that has emerged for any other commodity. Not only do states have to work cooperatively in enforcing the treaties, many even have to surrender their own sovereignty on national drug policy (Buxton, 2006: 100). The INCSRs illustrate how part of that sovereignty is effectively surrendered to the United States.

The preceding review shows that there appears to be no other country with a wider understanding and deeper knowledge of global illicit drug markets than the US. The US tracks and monitors what is going on, and in the process has given itself the power to structure global drug policy. As a result, global drug policy has become patterned after the approach that the US defined and adopted back in 1986 when it stated its goals to be the following (paraphrased from INCSR 1986: 28–29):

- To break the grower-to-user narcotics chain which stretches across five continents through a comprehensive programme of international control. To apply pressure at all points in the chain through: crop control; increased seizures of both drug products and financial assets; intensified investigation and prosecution of traffickers; and effective treatment and prevention of drug abuse.

- To prioritise crop control in international strategies, supported by enforcement programmes operating as close to the source as possible. To make the people and governments of illicit drug-producing countries aware of the problems they export to other countries, and the domestic problems they are creating within their own societies. To convince other governments to raise the foreign policy priority assigned to narcotics control.
- To provide assistance, including by other donor countries, with clearly defined crop control objectives. To support governments of producing nations to demonstrate the political will to undertake effective crop control and interdiction programmes, to commit social and political as well as material resources, and to promulgate and adopt laws which facilitate control objectives. To stamp out the corruption that has undermined control efforts in many source countries, led by strong and determined governments.
- To provide treatment and prevention programmes, which should be developed and sustained by each nation, according to their own needs and in keeping with their resource capabilities. To continue efforts to enhance and expand intelligence collection.
- Above all, to encourage the international community to make common cause in a more vigorous, more widespread, and more united effort to control international narcotics production and trafficking.

The puzzle is why — despite all the information and knowledge generated by the INCSRs — US and global drug policy is unable to break away or at least revise these principles despite the apparent failure of drug control. Information from the INCSRs themselves demonstrate a number of reasons why the narcotics commodity chain could not be easily broken and why the US approach continues to fail. Among these are:

- *Financial systems*. Existing informal as well as formal financial systems facilitate transactions and enable the transfer of payments across borders in global illicit drug markets. For example, hawalas are widespread, deeply entrenched and widely used, and are not only found in places like the Middle East or East Africa, but also in diaspora communities in the US, UK, Germany or France. In some countries, long traditions of bank secrecy — and the lack of government oversight on non-bank financial activities, including currency exchange houses, illicit casinos, cash transporters, informal exchange houses and wire transfer businesses — allow money to be transferred freely across borders without being subject to money-laundering controls. Most importantly, entire networks exist that are served by secrecy services providers and offshore financial systems that allow drug profits to be kept and laundered into the financial system in plain sight. Among the biggest offshore jurisdictions that enable money laundering are the US itself, the UK, the Netherlands, Germany, Japan and Australia — to cite just a handful.

- *Industries*. A globalised economy which includes industries for the manufacture of precursor chemicals for licit profit-making purposes enables such chemicals also to be supplied for illicit purposes. Aside from G7 countries, Australia, Argentina, Brazil, China and India are all major economies that supply precursor chemicals that enable the illicit manufacture of coca and opium products. The US is advocating a shift in the approach to tackling precursor chemicals, from economic regulation to law enforcement. But as experience has shown, this only brings short-term solutions: criminal entrepreneurs will find new chemicals to use in expanding industries in developing countries that will be more difficult to control and will remain a step ahead of law enforcement.
- *Infrastructure*. The infrastructure for trading and distribution/trafficking is well entrenched. This includes locations like the Bahamas that offer over 100,000 square miles of isolated sites which are ideal for deliveries, refuelling or stockpiling; or countries like Guatemala where traffickers can switch between land, air and sea routes to avoid detection as needed. The diaspora is also a key consideration — the social networks that can be tapped by enterprising traffickers are wide and deep. Finally, there is also the financial infrastructure put in place by secrecy providers.

Yet, although its own reports make it clear that financial systems, industries and infrastructure are what sustain illicit trade, the INCSRs appear to be deeply wedded to price theory. The wealth of US knowledge on the illicit drugs market has not been deployed to resolve the mystery of prices. Price theory has remained an unchallenged narrative that guides drug policy. This is examined in detail in Chapter 6.

The INCSRs stand out as a reference, a source from which many academics, organisations and the media will quote, just as students consult a general reference source or encyclopaedia. Assessments of drug, foreign, aid or military policy can hardly be made without referring to information sourced from the INCSRs. Yet critical examination of INCSR as an artefact of US policy and as representative of existing political and economic relations between the US and other countries appears to be scant. This is perhaps a topic for a future research agenda.

Having laid down the limitations of official narratives on the size and scope of illicit markets, and having outlined the reasons why such illicit markets could not be easily broken or eliminated, the next section focuses in more detail on the source of illicit drug crops — their primary agricultural producers.

3.6 Producers: Contextualising estimates on illicit crop production

Having sketched the consumer and intermediary markets in illicit opium and coca, the stage is now set to examine the producers. As elaborated in INCSR 1986, global and US drug policy consists of a comprehensive programme of international crop control supported by enforcement programmes as close to the source — i.e. the producers — as possible. This section describes the depth and resilience of illicit-crop-producing areas and how illicit coca and opium have evolved in the last 35 years, focusing on four key producing countries: Afghanistan, Burma/Myanmar, Colombia and Bolivia, and using information from the INCSRs and the WDRs. Table 3.13 shows how the four countries have been classified in the INCSRs since publication started in 1986.

Table 3.13: Afghanistan, Burma, Colombia and Bolivia as represented in the INCSRs

Year	Representations of Afghanistan, Burma, Colombia and Bolivia
INCSR 1986 (296 pages)	All four countries listed as producers of illicit drugs, with a country-specific assessment supplied for each (status of illicit narcotics, production trends, adequacy of legal and law enforcement measures, etc.).

INCSR 1987 (54 pages)	The document is technically not an INCSR, but rather a briefing to Congress on the review conducted of the 'International Narcotics Control Activities of the United States'. All four countries are identified as producers of illicit crops.
INCSR 1988 (72 pages)	Bolivia, Burma and Colombia are identified as major narcotics-producing and/or major narcotics-transit countries but also as cooperating fully and taking adequate steps. Afghanistan is denied certification.
INCSR 1989 (33 pages)	Only the Executive Summary is available. Country summaries identical to the 1988 report are supplied. Afghanistan and Burma denied certification.
INCSR 1990 (386 pages)	No explicit mention of denials of certification in this report, but the four countries continue as major producers and individualised country narcotics assessments are made for each. Accomplishments from the war on drugs offensive in Latin America are reported.
INCSR 1991 (50 pages)	Colombia and Bolivia praised for anti-drug efforts. Summaries for all four countries as producers are provided. Section on methodology for estimates first included in report.
1992	No copy retrieved
1993	No copy retrieved
INCSR 1994 (542 pages)	Statement on the legislative basis of the INCSR is more comprehensive; explicit lists included. All four countries are listed as major drugs-producing and/or transit countries. Colombia is further listed as a money-laundering country. Full reports on each provided. Full section on chemical controls included for first time.
1995	No copy of report retrieved
INCSR 1996 (467 pages - HTML)	First INCSR published when all legal questions and definitions are settled. All four countries are listed as major drugs-producing and/or transit countries. Colombia is further listed as a money-laundering country. Full reports on each provided.
INCSR 1997 (414 pages - HTML)	Includes statements from Secretary of State Albright, Assistant Secretary Beers, Attorney-General Reno and ONDCP Director McCaffrey. All four countries continue to be listed as major drugs-producing and/or transit countries. Burma and Colombia are listed as money-laundering countries as well. No mention about denials of certification.

INCSR 1998 (467 pages – HTML)	All four countries continue to be listed as major drugs-producing and/or transit countries. Burma and Colombia are listed as money-laundering countries. No mention about denials of certification. Includes statements on how decertification fights corruption.
INCSR 1999 (538 pages – HTML)	All four still listed as before, with Burma and Colombia further listed as money-laundering countries. No mention of denials of certification.
INCSR 2000 (578 pages – HTML)	All four still listed as before, with Burma and Colombia further listed as money-laundering countries. No mention of denials of certification.
INCSR 2001 (number of pages not known – published in many separate files)	All four still listed as before, with Burma and Colombia further listed as money-laundering countries. No mention of denials of certification.
INCSR 2002 (806 pages)	All four still listed as before, with Burma and Colombia further listed as money-laundering countries. No mention of denials of certification. Includes a special section on Offshore Financial Services that indicates number of offshore banks, registered international business companies, etc. Provides a comparative chart of services provided in offshore jurisdictions. Also includes a briefing on the 2000 certification determinations.
INCSR 2003 (873 pages)	All four still listed as before, with Burma and Colombia further listed as money-laundering countries. Burma (along with Guatemala and Haiti) is denied certification. Includes an appendix on the Financial Action Task Force's Special Recommendations on Terrorist Financing that has implications for all four countries.
INCSR 2004 (1002 pages) Part 1	First time INCSR goes over 1000 pages. Provides full reports for 131 countries. All four still listed as before, with Burma and Colombia further listed as money-laundering countries. Burma (along with Haiti) is denied certification.

INCSR 2005 (1099 pages) Volume 1	All four still listed as before, with Burma and Colombia further listed as money-laundering countries. Burma continues to be decertified.
INCSR 2006 (528 pages) Volume 1	All four are listed as major-drugs producing/transit countries. Burma and Colombia remain in list of money-laundering countries; Afghanistan is added because of its 'extremely huge informal financial system'. Burma is still decertified (along with Venezuela).
INCSR 2007 (609 pages) Volume 1	All four are tagged as major drugs producers. Afghanistan, Burma and Colombia are further listed as money-laundering countries. Burma continues to be decertified. President Bush expresses concern about Bolivia (where Morales has become president).
INCSR 2008 (638 pages) Volume 1	All four are tagged as major drugs producers. Afghanistan, Burma and Colombia are further listed as money-laundering countries. Burma continues to be decertified.
INCSR 2009 (1196 pages) Volume 1	All four countries are now tagged *both* as major drugs producers and as money-laundering countries. Burma continues to be decertified. Bolivia is also decertified.
INCSR 2010 (674 pages) Volume 1	All four countries are listed *both* as major drugs producers and as money-laundering countries. Burma and Bolivia continue to be decertified.
INCSR 2011 (596 pages) Volume 1	All four countries are listed *both* as major drugs producers and as money-laundering countries. Burma and Bolivia continue to be decertified.
INCSR 2012 (474 pages) Volume 1	All four countries are listed *both* as major drugs producers and as money-laundering countries. Burma and Bolivia continue to be decertified.
INCSR 2013 (325 pages) Volume 1	All four countries are listed *both* as major drugs producers and as money laundering countries. Burma and Bolivia continue to be decertified, and memoranda for their continued decertification is included by President Obama. A big change in 2013 is the addition of all four countries in the list of major sources of chemical precursors: Afghanistan

	has huge stockpiles that make it a distributor of chemicals; Burma leads in the production of synthetic drugs that require chemicals; Bolivia has found new chemicals (not under any form of control) to use for processing cocaine; and in Colombia, chemical diversion is a serious problem.
INCSR 2014 (332 pages) Volume 1	All four countries are listed as major drugs-producing, money-laundering and chemical source countries. Bolivia and Burma remain decertified.
INCSR 2015 (328 pages) Volume 1	All four countries are listed as major drugs-producing, money-laundering and chemical source countries. Bolivia and Burma remain decertified.
INCSR 2016 (307 pages) Volume 1	All four countries are listed as major drugs-producing, money-laundering and chemical source countries. Bolivia and Burma remain decertified. President Obama signals possible changes in the April 2016 UNGASS but does not indicate a clear US position on a public health approach, criminal justice reform, and strengthening international law enforcement cooperation.
INCSR 2017 (297 pages) Volume 1	All four countries are listed as major drugs-producing, money-laundering and chemical source countries. Bolivia and Burma remain decertified. Reports on 'Significant Illicit Drug Manufacturing Countries' is turned into its own sub-section in the report.
INCSR 2018 (294 pages) Volume 1	All four countries are listed as major drugs-producing, money-laundering and chemical source countries. Bolivia remains decertified, but Burma is taken off the designated list. The Burma Sanctions Program of the US government was earlier terminated, and most entities in the SDNs could transact business with the US now that sanctions have been abolished.
INCSR 2019 (280 pages) Volume 1	All four countries continue to be listed as major drugs-producing, money-laundering and chemical source countries. Only Bolivia remains decertified.
Note: Where the INCSR is split into two volumes, Volume 1 is a report on drug and chemical control, while Volume 2 is dedicated to money laundering, and has also been collected for this study.	

3.6.1 Status of the four producer countries in this study

The INCSRs confirm the status of the four countries in this study as among the world's leading illicit drug crop producers.

Afghanistan is consistently identified from 1986 to 2019 as a major illicit drug-producing country. Since 1986, the INCSRs have supplied a country report on Afghanistan's production figures, institutional development, supply reduction efforts, corruption issues, and public information and treatment efforts. Afghanistan surpassed Burma in opium production in the mid-1990s, and since 2003 has had the largest number of hectares under opium cultivation in the world.

From 2006, Afghanistan started to be recorded as a major money-laundering country as well. This is because, while Afghanistan is not a regional financial or banking centre, its informal financial system is extremely large, deeply entrenched and widely used. INCSR 2006 estimated there were then 330 known hawala dealers in Kabul, and 100–300 additional dealers in each of the 34 provinces. These dealers are organised into unions in each province and maintain a number of agent–principal relationships throughout the country and internationally that enable 'money transfer without money movement'. A hawala broker hands over cash to a recipient-beneficiary based on a promise from another hawala broker elsewhere or abroad, who has received a payment from the donor. The record-keeping of promises and accounting practices of the hawaladars are known for being robust and 'extremely efficient', and could take note of currencies traded, international pricing, and debits and credits with other dealers. The hawala system's main difference from a formal banking system is that it cannot take deposits for lending or investing purposes as regular banks do. It is best suited for many but small cross-border payments such as remittances being sent by overseas workers back to their families. It also suits the illicit trading of heroin, which is typically broken into small packages and smuggled across borders — like an 'ant' trade — and payments are then processed through the hawala system (INCSR 2006, Vol. 2: 51-53).

Starting in 2013, Afghanistan was further listed as a major source of precursor chemicals, such as ammonium chloride, acetic anhydride or hydrochloric acid, that are used in refining raw opium into its morphine, brown heroin or white heroin base, and finally into heroin HCL. While Afghanistan does not have industries to produce the chemicals, it has huge stockpiles that make it a distributor. For example, in 2008, Afghan counter-narcotics police seized 2,229 kg of ammonium chloride and 736 kg of sodium carbonate smuggled through the Pakistani border — sufficient to produce hundreds of tonnes of heroin.[118]

Bolivia is also consistently reported each year from 1986 to 2019 as a major drugs producer. Bolivia is flagged by the INCSR for being one of the three largest cocaine producing countries and a significant transit zone for Peruvian cocaine.

Bolivia was designated in 2008, after President Evo Morales expelled the US ambassador, USAID and the DEA from the country. Though some form of cooperation between the two countries has now been restored, Bolivia generally remains, by its own choice, to be outside US foreign policy influence and is very critical of the figures and assessments on the coca economy produced by US authorities. Hence, its designation can be seen as influenced by its opposition to US drug and foreign policy. Bolivia is different from Afghanistan and Colombia in that the latter two countries have had a long history of cooperation with the US and are therefore not designated despite being major illicit crop producers at a scale higher than Bolivia.

In 2009, Bolivia came to be reported too as a major money-laundering country. Although Bolivia is not a financial centre, the INCSR attributed its assessment to money laundering linked to narcotics trafficking, public corruption, smuggling and trafficking of persons, Bolivia's long tradition of bank secrecy, and the lack of government oversight on non-bank financial activities. Hotels, currency exchange houses, illicit casinos, cash transporters, informal exchange houses and wire transfer businesses are known to transfer money freely in and out of Bolivia without being subject to money-laundering controls. Bolivia was also suspended from the Financial Action Task Force of South America (GAFISUD) from July 2007 to November 2009 due to failure to pay three years of membership dues. In July 2007, Bolivia was also suspended from the Egmont Group of Financial Intelligence Units, and barred from using the group's secure web, on the grounds that the country lacked terrorist financing legislation (INCSR 2009, Vol. 2: 125-127).

From 2013, Bolivia came to be listed as a major source of precursor chemicals, even though it is not a major producer of chemicals. This was due to the discovery by Bolivia's Special Counter-narcotics Police Force (FELCN) of drug traffickers using new chemicals in cocaine manufacturing such as isopropyl alcohol, liquid ethyl acetate, sodium bisulphate and cement. Because of restrictions on regular precursor chemicals, the traffickers did

[118] See https://www.unodc.org/unodc/en/frontpage/targeting-precursor-chemicals-in-afghanistan-and-beyond.html, last accessed 21 August 2019.

their own research and discovered alternative chemicals. Not only were these new chemicals not among the controlled precursors, these are also locally produced in the country. The INCSR further criticised the weakness of Bolivia's system of licensing the transport of controlled substances: unless found next to a cocaine lab, unlicensed transport and commerce in these chemicals incur only an administrative fine (INCSR 2013 Vol. 1: 66–67).

Since 1986, when the INCSRs started, **Colombia** has been included as a major drugs-producing and a major money-laundering country. From 2013, it also became a source of precursor chemicals, like Bolivia, after its underground cocaine *cocineros* (cooks) learned about new chemicals to use in the manufacturing of cocaine. But unlike Bolivia, Colombia has never been designated, as the country has pursued a policy of close cooperation with the US in tackling its illicit coca economy.

Myanmar, consistently referred to as **Burma** by the US, has a similar track record in the INCSRs to the other three countries: it is consistently identified from 1986 to 2019 as a major illicit drug-producing country. When the INCSRs started in 1986, Burma was the world's largest producer of heroin, and the trade was protected by insurgent armies in ethnic enclaves at the periphery of central government control. According to INCSR 1994, the ruling State Law and Order Restoration Council (SLORC) espoused a policy that emphasised economic development in the ethnic areas, rather than attempting to apply drug enforcement measures. This was based on the belief that economic development would reduce opium cultivation. The problem was — continued the report — neither development nor a reduction in opium cultivation occurred. Yet the US could not do anything more — it could not threaten to decertify Burma because the country was already subjected to the more severe sanctions that isolated its economy to the point of collapse. SLORC could not be pressured to, for example, resume aerial eradication that ceased after its 1988 takeover. The Burmese government remained primarily concerned with keeping the border area insurgents quiescent and did not prioritise counter-narcotics programmes in those regions (INCSR 1994: 241–242). However, SLORC did bring the country's legal code into compliance with the main provisions of the UN conventions by passing the 1993 Narcotic Drugs and Psychotropic Substance Law. It also cooperated with the UNDP and the UN Drug Control Programme for drug-related development aid which it was not qualified to receive from the US.

3.6.2 Estimates of areas under cultivation and production

The estimates of areas under illicit crop cultivation supplied by the US ONDCP (INCSRs) and the UNODC (WDRs and Illicit Crop Monitoring

Surveys) do not always tally. In many cases the figures reported by the ONDCP are different from figures reported by the UNODC. But more importantly, there are also differences in figures reported by the same report in different years. For example, WDR 2004 Table 5 reported that Bolivia's dried coca leaf production in 2003 was 17,100 tonnes (Vol. 1: 95, 97). However, a similar table in WDR 2005 reported the 2003 figure as 18,500 tonnes (Vol. 2: 207, Table); while WDR 2006 reported an even higher figure of 27,800 tonnes (Vol. 1: 81, Table).

The UNODC explains that these estimates represent the best effort to sketch the dimensions of the international drug problem. The numbers come from various sources with varying degrees of quality, including data that become softer as more variables come into play. The field research undertaken to build or validate the figures is far from easy, and it is difficult to develop precise information. The harsh terrain on which many drugs are cultivated is furthermore not always easily accessible. In May 2011, for example, four UNODC staff and two Bolivian Air Force pilots conducting aerial monitoring were killed in a plane crash in Bolivia (WDR 2011).

The INCSR 2000 explains that the most reliable information on illicit drugs is on the hectares under cultivation, which is based on 'proven statistical methods similar to those used to estimate the size of licit crops' (INCSR 2000: 17). But the picture is less clear, it states, on crop yields, where small changes in soil fertility, weather, farming techniques and crop disease can produce widely varying results. Not all estimates include allowances for losses. As such, estimates in one year may be revised in succeeding years. But the major challenge lies in estimating the amount of heroin or cocaine that can be processed from the volume of crops harvested. Despite these caveats, the ONDCP and UNODC stress that these figures 'are useful for determining trends', even if the best figures are ultimately approximations.

Sometimes, the differences may be attributed to a lack of clarity on whether the area being estimated was monitored before or after some form of crop control or eradication. But a common likely explanation is that different methodologies have been used, thus producing significant variations in the estimates. In order to deal with these differences in figures, this study has taken the following steps:

- In the case of opium, this study entered all the differing figures provided for succeeding years in both INCSRs and WDRs into a single spreadsheet. Where only one entry exists, that was used. Where a newer entry revised an older entry, the newer figure was used. But in all other rows, the average of the different entries was computed.

Although this is an ad hoc process, the goal here is merely to sketch the outlines and the trends, not to produce alternative figures with scientific certainty.

- The differences in the figures for coca are much more difficult to overcome because changes in methodology produced significant variations. One example is the changing estimates on Colombia's coca leaf production from 1995 to 1998. INCSR 1998 reported that in 1994, coca leaf production was at 40,800 tonnes. However, when a different methodology was adopted by the Colombian government, INCSR 1999 reported the 1995 figure to be 229,300 tonnes — a more than fourfold upward change, and making the figure substantially different from that reported in the WDRs. Hence, in producing the graphs on coca, this study has taken the decision to report separately on what the INCSRs and the WDRs supply.

Taking a cue from a graph constructed by Laserna in 1995 (see Chapter 6, Figure 6.1), it is still possible, despite the wide variations in estimates, to plot a measure of central tendency in order to construct a broad outline and to sketch the trends that shape the illicit crop trade.

3.6.3 Areas under cultivation: Opium

Figure 3.6, based on data from both INCSR and WDR, provides the broad outline of the area under opium cultivation from 1985 to 2017 in the two main producing countries, Afghanistan and Myanmar. The figure shows that Myanmar (orange line) had more land under opium cultivation until around 2003 when its cultivation went down while Afghan opium poppy fields expanded.

There are key differences that need to be considered when comparing opium cultivation in the two countries. For example, most of Myanmar's opium-growing land is on rain-fed hillsides, while in Afghanistan, the main opium-growing areas, Helmand and Kandahar, are desert regions crossed by river valleys with irrigation canals and diversion ditches that distribute water from two main dams collecting water flowing down from the Hindu Kush mountain ranges. It is for this reason, the WDR notes, that yields per rain-fed hectare in Myanmar are typically four times lower than the yield from mostly irrigation-fed opium cropland in Afghanistan (WDR 2001: 6). Myanmar's opium crop, however, has a higher morphine content, which is why in certain years typical Myanmar opium was three to four times more expensive than Afghan opium.

The orange line in Figure 3.6 adds another layer of information on Myanmar: from 1985 to 1989, the area under cultivation increased significantly. This was a period in which the country's multiple insurgent groups rearranged and repositioned themselves amidst political agitation in the main cities, elections, and the military coup of 1988. In the early 1980s, a stalemate had emerged in Myanmar's multi-ethnic conflicts, prompting the military to adopt a new and unorthodox counter-insurgency strategy in which private militias engaging in the drug trade were allowed access to government-controlled highways, as long as they fought on the military's side. In addition, Myanmar's generals exploited rifts within the bigger rebel armies, by tolerating splinter groups making money from the illicit drug trade (*FEER,* June 1990; Lintner, 2015; McCoy, 2003: 434–435). By 1989, many of these insurgents started signing ceasefire agreements with government. Thus, from 1989 to 1997, while insurgencies were generally in abeyance, Myanmar also recorded its highest level of areas under opium cultivation.

The most striking feature of the blue line (Afghanistan), on the other hand, is its generally upward slope from 1985 to 2017, which tracks Afghanistan's rise to become the world's major producer of opium and heroin. But within this rise are dramatic decreases and increases. The most notable is the decrease in land under opium cultivation and opium production from 2000 to 2001, which is attributed to the Taliban-imposed opium ban. In the subsequent years, the WDRs attributed production decreases to crop diseases and unfavourable weather patterns. In 2003, Afghanistan overtook Myanmar with a greater area under cultivation, but it was some time earlier, in the mid-1990s, that Afghanistan surpassed Myanmar's opium production (Figure 3.11 below).[119]

[119] All data tables from which graphs in this section are drawn are supplied in the Annexes to this thesis.

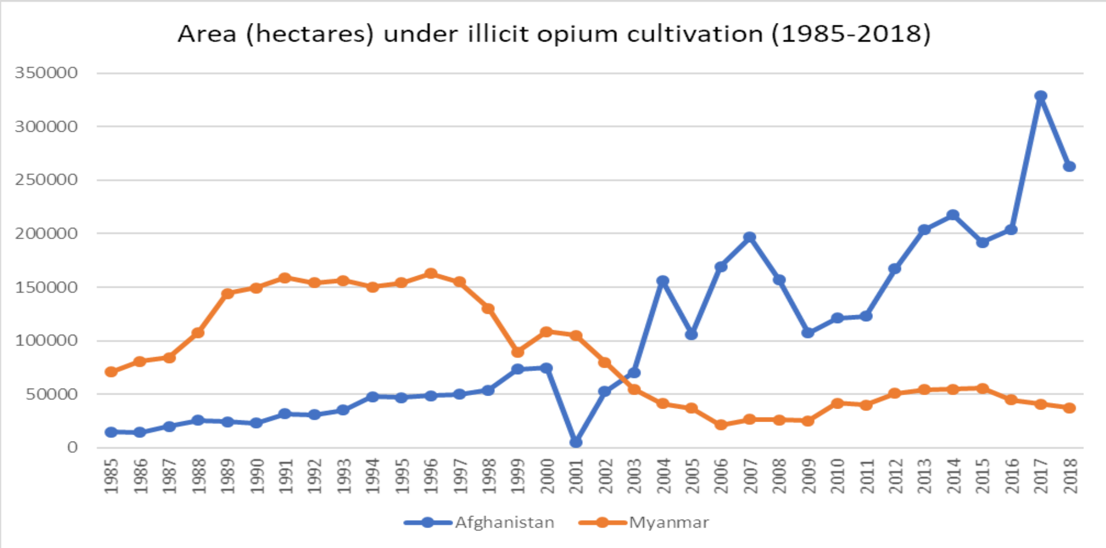

Figure 3.6: Area (hectares) under illicit opium cultivation in Afghanistan and Myanmar.
Source: See Annex

3.6.4 Areas under cultivation: Coca

Figure 3.7 shows the changes in the area under coca cultivation in Colombia from 1985 to 2018. Note, however, that rather than merge data from the two official sources, the graph shows separately what is reported by the INCSRs (blue line) and what is reported by the WDRs (orange line). From 1987 to 1998, the estimates provided by the two agencies are almost identical. But from 2001 onwards, the INCSRs consistently reported higher estimates. The greatest difference was in 2006, when the INCSR reported an estimate of 157,100 hectares, which is more than double the WDR estimate of 78,000 hectares. However, despite these differences from 2001, the two lines are more or less parallel to each other, which suggests differences in methodology. Mejia and Posada observe that UNODC's methodology for collecting data covers almost the entire territories of producer countries, whereas the ONDCP's surveys cover only a representative sample (2008: 8).

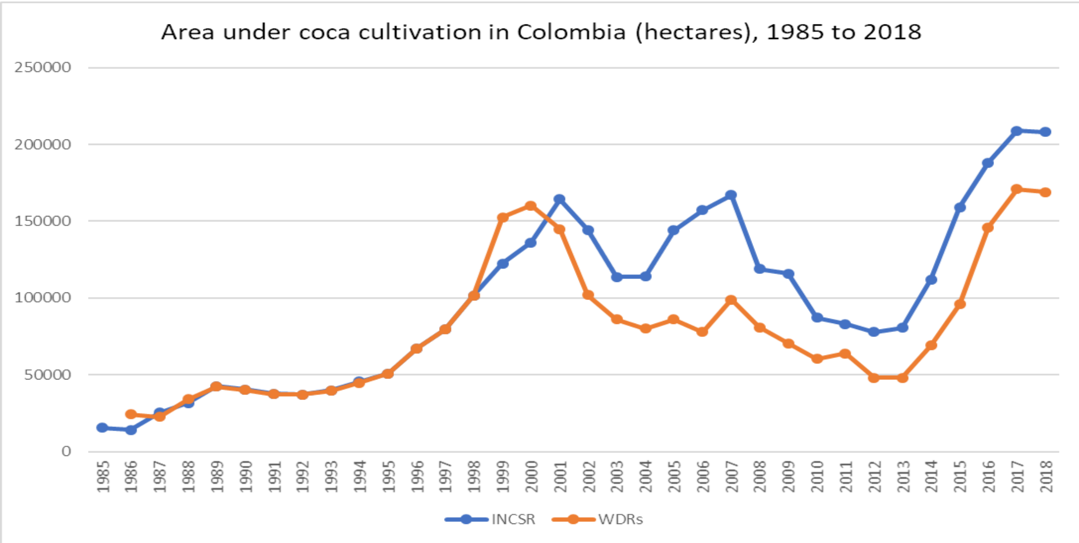

Figure 3.7: Differences in estimates of the INCSRs and WDRs on illicit coca cultivation in Colombia

From 1982 to 1989, growing levels of violence in the war on drugs in Colombia coincided with a steady increase in areas under cultivation. The enforcement statistics for 1985 were impressive: 725 cocaine labs destroyed; 280 weapons, 109 radios and 167 vehicles confiscated; 21 aircraft impounded; and 132,407 gallons of gasoline (petrol), 67,368 gallons of ether, 39,057 gallons of acetone, 15,200 gallons of acid and 70,108 kg of sodium carbonate seized (INCSR 2000: 80–81). Yet enforcement appears to have barely made a dent, as areas under cultivation continued to increase. This could have been accounted for by the so-called 'balloon effect' — pressure in one area merely forces the illicit trade to reappear in another area. When the war on drugs intensified from 1989 to 1995 — leading to the dismantling of the main cartels — the area under coca cultivation did not substantially decrease as expected.

A similarly broad sketch of the area under cultivation in Bolivia is presented in Figure 3.8. It shows the rise of Bolivia as a major coca producer beginning in the early 1980s during a coca boom (Laserna, 1995) and peaking from 1989 to 1996, after which cultivation decreased, reaching historic lows by 2000. Thereafter it generally rose again until 2010, when it started to decline. However, from 2013, the INCSR and WDR reports diverge, with the INCSR giving much higher figures than the WDR.

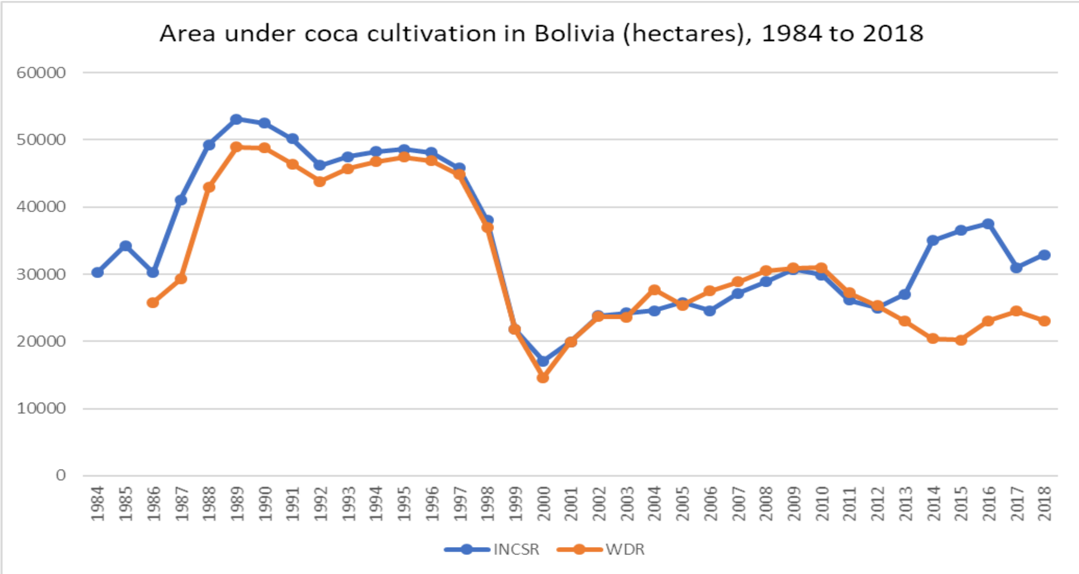

Figure 3.8: Differences in estimates of the INCSRs and WDRs on illicit coca cultivation in Bolivia

Two questions emerge from Figure 3.8. First, what explains the rise in area under cultivation in Bolivia from the early 1980s to the peak in 1989?[120] In the first half of the 1980s, Bolivia was a main supplier of coca paste during the rapid expansion of the Colombian cartels. It is plausible therefore that the driver of the rise of coca cultivation was demand from Colombia. This will be investigated further in subsequent chapters. Second, what explains the decrease from 1996 to 2000? One hypothesis is that this was due to US pressure – especially since US Executive Order 12978, which reinvigorated the American-led global counter-narcotics campaign, was issued in 1995.

Figures 3.9a and 3.9b present a comparison of areas under cultivation in Bolivia and Colombia, based on INCSR (3.9a) and WDR (3.9b) data. Though the INCSR and WDR figures differ, the story is more or less the same. Bolivia produced more coca than Colombia from the 1980s until 1995, when coca

[120] Note that in the Annexes this thesis, data from a table created by Painter (1994: 15) on coca cultivation in Bolivia (1963–1991) have been entered in the spreadsheet. Plotted onto a graph, this confirms coca cultivation was below 10,000 hectares until 1975, rising to about 20,000 hectares in 1980. In the years that overlap with INCSR and WDR, Painter's estimates tended to be higher.

cropland in Colombia overtook and rose steeply until 2001. There is divergence from 2003, when the INCSRs reported an increase, but the WDRs showed gradual decrease until 2014. However, there is convergence again from 2014 onwards, when both reports suggest similar steeply rising estimates for Colombia (though INCSR estimates are larger).

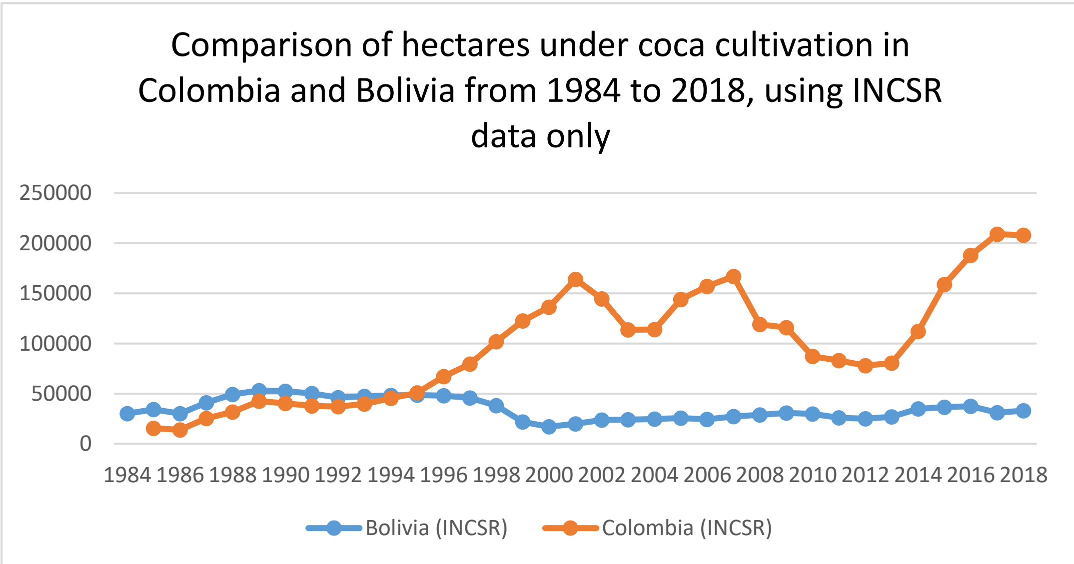

Figure 3.9a: Area under Coca Cultivation (INCSR data)

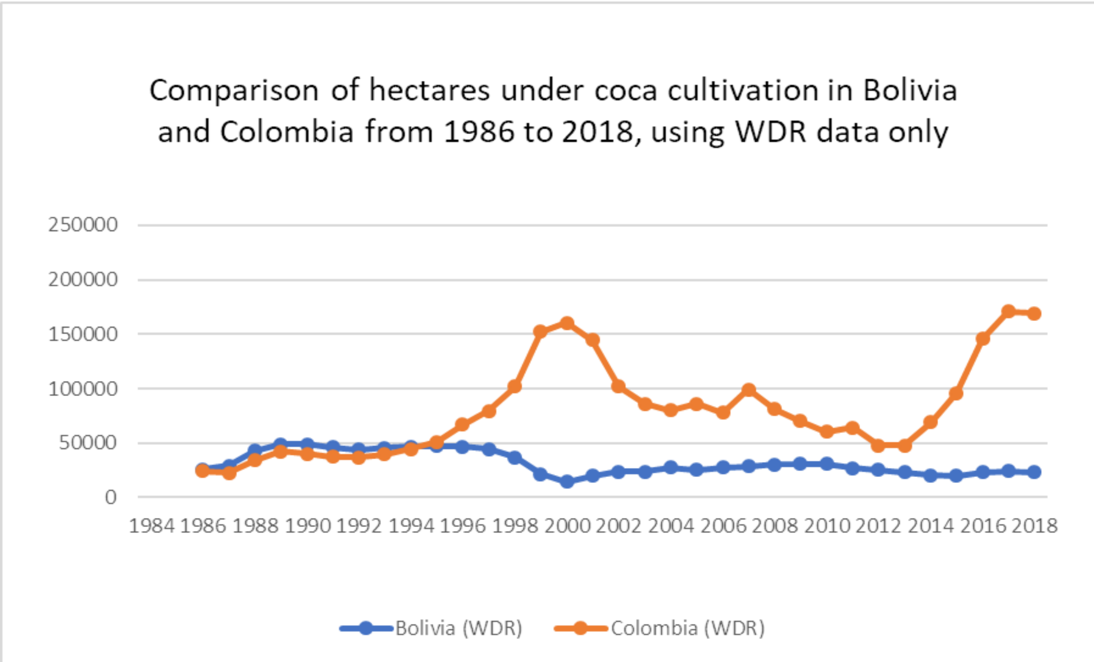

Figure 3.9b: Area under Coca Cultivation (WDR data)

According to WDR (2001: 67), the sharp increases in Colombia (orange lines) from 1995 to 2001 were due to the implementation of a new monitoring methodology under the UNODC's Illicit Crop Monitoring System that started in 1999 which was then backtracked to the 1995 estimates. This new methodology led to higher estimates being reported. The WDR notes that due to differences in methodologies, the UNODC and US reporting systems are not comparable. However, when tracked on the graph and compared to the nearly identical estimates on Bolivia (blue lines), the differences come across as two variations of what is essentially a similar story. It needs to be emphasised that these are broad outlines, and not precise representations.

The WDR 2000 explains that though Colombia is the major manufacturer of cocaine hydrochloride, it initially did not grow a lot of coca but imported the necessary cocaine base from Peru and Bolivia (see Figure 3.10). This changed in the 1990s. By 1997, Colombia's cultivation and production were on a par with Peru's, and by 1999, two-thirds of all coca leaf was produced in Colombia. The WDR attributes the shift to the following factors. First, a fungus destroyed significant amounts of the coca harvest in Peru. Second, clandestine flights for the delivery of coca base from Peru and Bolivia to

Colombia were curtailed. The closure of the air corridor caused coca farm-gate prices in Peru to collapse and in Bolivia to decline. As the Colombian cocaine manufacturers lost their supply chains, they looked for other sources of supply and found it inside Colombia itself. Sourcing coca paste within Colombia became necessary because the successors to the Cali and Medellin cartels, as WDR 2000 notes, 'did not have the kind of infrastructure to organise the logistics to transport large amounts of coca leaf or paste from Peru and Bolivia'. In addition, coca could be more easily grown in the territories where the Colombian government did not exercise control, like the areas controlled by guerrilla or paramilitary groups (WDR 2000: 29–30).

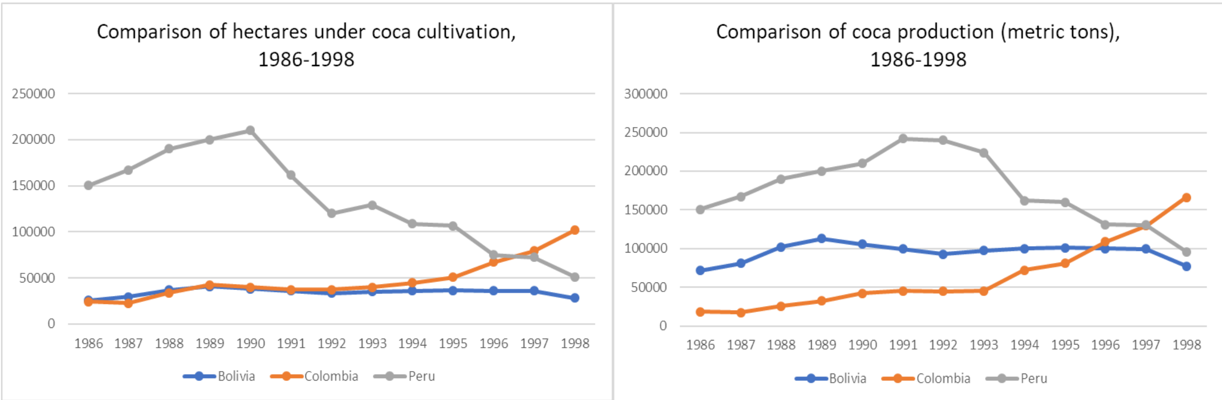

Figure 3.10: Colombia's rise and the changes in illicit cultivation and coca leaf production. Source: WDR 1999: 42

3.6.5 Production figures: Opium

Figure 3.11 tracks the estimated production (in tonnes) of dried opium in Afghanistan and Myanmar from 1983 to 2018. From 1983 to 1993, Myanmar was the global leader, but Afghanistan started to surpass it in 1994. By 1997, Myanmar had entered a long-term decline in production, while Afghanistan started to produce more. In 2001, however, there was a precipitous drop in Afghanistan's production. This was attributed to the Taliban-imposed opium ban that, according to Farrell and Thorne (2004: 81), achieved an unprecedented 99% fall in production in Taliban-controlled territories. This was quickly followed by a dramatic increase, reaching 7,800 tonnes by 2007 — at that time the highest recorded level.

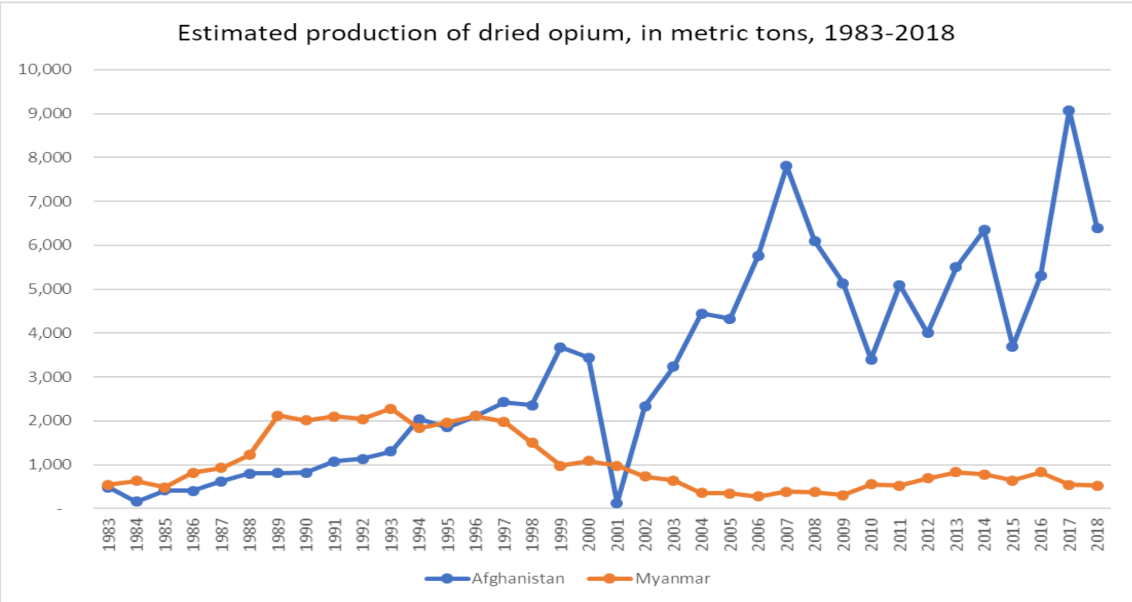

Figure 3.11: Estimated production of dried opium (**tonnes**) in Afghanistan and Myanmar

After 2007, disease affected opium crops, leading to a sharp decline with production reaching pre-opium ban levels. Since then, production levels have fluctuated due to a host of other factors, including weather and soil conditions. WDR 2019a and INCSR 2019 Vol. 1 both report that in 2017, world production estimates reached their highest levels since records began, driven largely by record opium production in Afghanistan which went beyond 9,000 tonnes.

3.6.6 Production figures: Coca

As noted earlier, there are huge variations in the estimates of production reported by the INCSRs and the WDRs, hence, it is necessary to present their figures separately. In Figure 3.12, the production estimates for Colombia's dried coca leaf, as reported by the INCSRs (blue line) and by the WDRs (orange line), tell two substantively different stories.

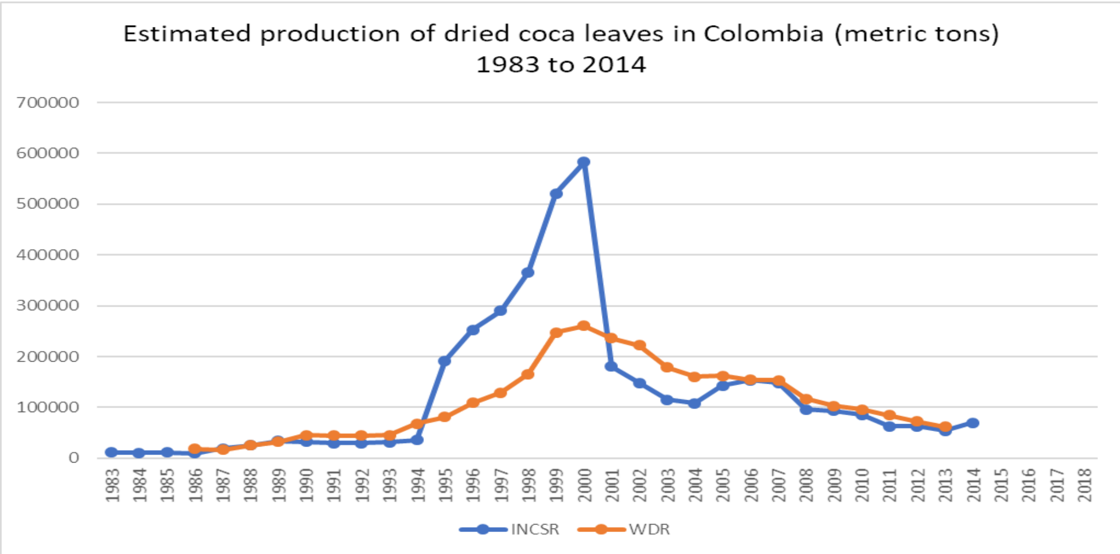

Figure 3.12: Two different stories on coca production

As with estimates of area under cultivation (Figure 3.9b), WDR 2001 attributes increases in production from 1995 to 2000 to the adoption of a new monitoring methodology by the Colombian government which started in 1999 and was then retroactively applied to the prior five years, back to 1995, thus revising previous estimates. The details of the methodology and how it changed are not available in the publicly accessible documents, so little can be said about it here. However, as can be seen from Figure 3.12, it resulted in dramatic changes in the estimates, especially of the INCSR figures. In 1994, the INCSR reported coca production estimates at 40,800 tonnes. In the following year, the estimate increased more than fourfold to 229,300 tonnes. Although the orange and blue lines follow a similar overall trend, the numbers are startlingly different. In 2000, the INCSR estimated Colombia to have produced 583,000 tonnes, compared to the WDR's estimate of 261,058 tonnes, or a difference of 321,942 tonnes. No statements from either organisation were seen to explain such huge discrepancies, which seem to represent two very different stories of Colombia's coca production.

The lines do not start and begin on the same years. This is because the earliest figure supplied by the UN publications came only in 1986. The lines end in 2013 (WDR) and 2014 (INCSR) because after these years, the two publications reported only on cocaine production, and did not supply figures on coca leaf production. This reveals a law enforcement predisposition in the reports and a lack of focus on what mattered more to the poor peasant growers of illicit coca.

In contrast, there is more similarity in the production estimates from the two reports for Bolivia, as shown in Figure 3.13. Prior to 1992, the WDR estimates were higher. From 1992 to 1999, the two reports supplied nearly identical estimates. From 1999 onwards, WDR estimates tended to be lower than the INCSR's. Estimates in the WDR extend to 2018 because the Bolivia Illicit Crop Monitoring Surveys supplied the figures until that year.

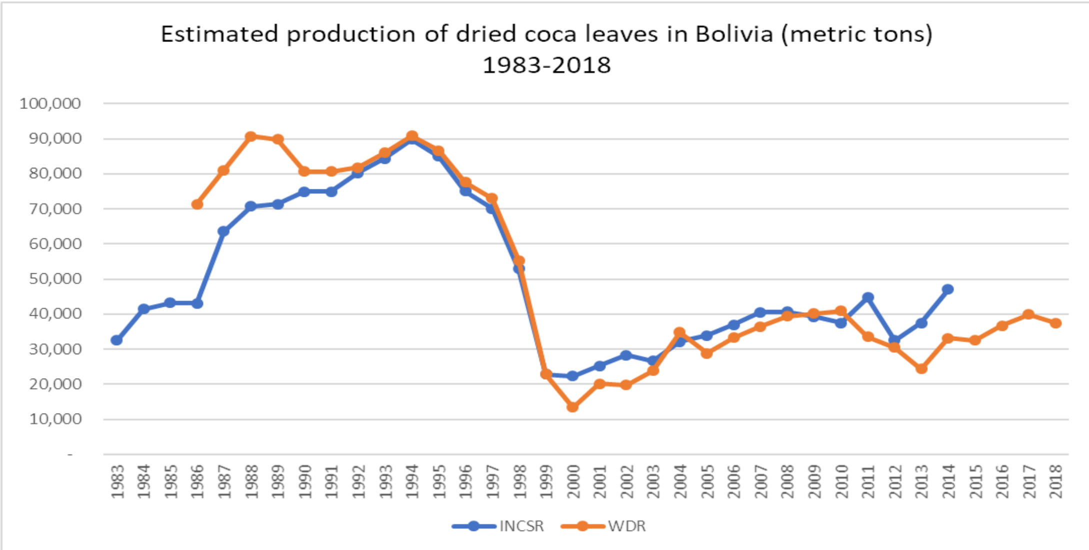

Figure 3.13: Comparison of production estimates in Bolivia

A most interesting point regarding Colombia, as seen in Figures 3.7 and 3.12, is the rise in area under cultivation and coca leaf production from 1992 to 2000. This period of growth in hectarage and production was immediately preceded by the elimination of drug kingpins like Escobar and the Rodriguez-Orejuela brothers, as well as the dismantling of the Medellin and Cali cartels, along with the majority of their legal fronts and enterprises. But instead of *decreasing* due to an apparently 'victorious' war on drugs, hectarage and production actually increased at unprecedented speed. It appears that the atomisation of drug production from 'the large, visible Medellin and Cali cartels to a much greater number of smaller drug producers', and the consequent emergence of 'boutique drug traffickers' (Crandall, 2002: 160), led to the overall expansion of the illicit trade. An unintended consequence of the war on drugs apparently was the transformation of the illicit trade from centralised cartel to dispersed small-scale 'ant' traffic that may have caused or contributed to the reported expansion in cultivation and production. It is also worth noting that the growth in hectarage and production occurred at the time that paramilitaries consolidated after the demise of the big cartels. Similarly, the later decline in hectarage and production, after 2001, coincided with the fragmentation and demobilisation of the paramilitaries.

Again, it must be emphasised that the graphs are not without limitations and offer only broad sketches that may be challenged. Their value lies in providing reference points: the stories of resilience and careers which are elaborated in Chapters 4 and 5 can now be assessed against a trajectory of illicit crop production over a number of years.

3.7 Conclusion

There is a well-known Indian parable about blind men who approached an elephant from different sides and made their respective descriptions of what it must look like. The first touched the elephant's side and concluded that an elephant is like a wall. The second touched the tusk and said it is like a spear. Another got hold of the squirming trunk and said it was like a snake, while a fourth felt about its legs, and said it is like a tree. The parable has now become a metaphor about how different versions of the same 'reality' emerge.

Similarly, there are different versions of the same reality of illicit crops, their commodity chains, and the actors within them — the consumers, intermediaries and producers. This is perhaps why debates over drugs and development policies seem to be interminable. Hence, prior to presenting and developing the central research question and research design of this study, it was necessary to historicise the main elements of what is known about illicit opium and coca economies (Chapter 2), and to probe and test at least the official versions of that reality today (Chapter 3).

This chapter has not only presented broad sketches of the consumer, intermediary and producer elements of the illicit trade in opium and coca. It has also provided critical commentary on the internal consistency of the official measurements of the consumer markets using three tests: (a) checking whether official estimates on number of users and volume of production validate each other; (b) computing for the possible annual average consumption per user and assessing whether the sums are reasonable; and (c) calculating average spending per user and making a judgement on its plausibility.

The tests in Section 3.3 show that estimates of market size (number of individual users) are not consistent with estimates on volume of production, because average consumption per user as computed on the basis of official figures are very unlikely. The tests also show that estimates on users' expenditures on cocaine and heroin are far too high to be realistic. These results do not belittle or undermine the importance of the policies intended to tackle the harms and deaths being attributed to drug abuse. Rather, the results raise the possibility that political agendas are shaping the data, and not (as it should be) the other way around.

If the estimates are not internally consistent, it is therefore necessary to examine the wider picture, and consider what the other 'blind men' say. Proponents of prohibition insist that the 'drug problem' is a public order issue that can only be resolved through law enforcement. Harm reduction experts assert that it should be tackled as a public health matter. Development contends that at the roots of the problem lie social and economic inequalities. It is likewise possible that the solution will not be a one-size-fits-all silver bullet, but rather that many different, bespoke, context-specific fixes that do not rule out proposals like legalisation will be needed.

The lack of consistency brings policy debates to an impasse. Yet there is a way to resolve this conundrum: comparative analysis. Because figures and data can always be framed in a particular way to emphasise a certain type of urgency, or to overturn perceived policy complacency, critical comparative analysis may offer a way of testing and checking. What this chapter has shown is that a comparative approach is essential in tackling the 'known unknowns' and 'unknown unknowns' of this study.

This chapter has also examined what is known about the intermediaries of illicit economies in the world's main opium and coca producing countries. Though opium and coca economies are illicit, the mechanisms that enable them are hidden in plain sight in financial systems, industries, infrastructure and the labour supply — both formal and informal. It is in this regard that the US system of reporting indeed provides a public service. Unlike the WDRs which can be hamstrung by objections from member-states and are thus constantly balancing on a diplomatic tightrope, the INCSRs readily identify the transit as well as the money-laundering countries involved in the illicit drugs trade. Hence, intermediaries and enablers across the world are known; offshore secrecy and financial services providers are identified; and the benefits that illicit drug profits deliver to economic giants and big countries can be documented.

Yet at the same time it must be said too that the maverick US system also exercises some form of malign influence in the global tracking and monitoring of illicit economies. The UN system, which traces its origins to the 1909 Opium Conference in Shanghai, was a US initiative, an explicit quest to internationalise the doctrine of drug prohibition. It was also US influence over the decades that built up a 'prohibition culture' (Bewley-Taylor, 2002; 2012). The international drug control apparatus of the UN system today, therefore, is an achievement of US policy. But despite being part and parcel of this international apparatus, the US maintains its own unilateral system. Part of the reason is that as the US intensified its pursuit of prohibition, it created laws that required its own apparatus to be independent of, although linked to, the multilateral system. Having two systems creates some problems. First, the UN system, where decisions are made based on a one-country, one-vote process is effectively undermined by the US vote, which though only a single vote like all the others, carries a lot of behind-the-scenes influence and the constant threat of a veto. Second, countries need to surrender some of their sovereignty in accepting US policy because the US has awarded itself the power to label who's good or bad, narcotics-wise. Those who don't align themselves with US policy — like Bolivia, Venezuela or Iran — tend to be decertified. And third, the existence of two systems produces two versions of reality that, while not necessarily cancelling each other out, will nonetheless bend the direction and scope of global policy-making towards US policy. Though the UN distances itself from the US, stating that it has not declared any 'war on drugs' and that all its actions are all in accordance with legal treaty mandates, it will be seen as complicit in US-sponsored and militarised counter-narcotics operations that destroy livelihoods and violate human rights. When Bolivian cocaleros attempted to represent themselves before the UN in June 1998 during the General Assembly Special Session on the World Drug Problem, UN officials did not object when they were not granted their US visas.

Finally, this chapter has provided some contextualisation of the estimates on land and harvests generated by the US and UN monitoring systems. It has highlighted how informal financial systems, like the hawalas, enable transactions and payments across borders; it has demonstrated that enforcement barely dents the 'ant' traffic; that criminal entrepreneurs innovate and find better ways and new chemicals to produce plant-based drugs; and that ultimately, national governments have their own priorities that may not be aligned with global prohibition. The chapter shows that understanding local contexts is essential. Therefore, in the later chapters, this study will pay particular attention to highlighting local social, political and economic contexts.

This chapter started with the statement that the illicit trade in coca and opium products is a global enterprise, and its various sections have confirmed that globalisation makes that trade possible.

4 The Paradox of Illicit Economies: Survival, Resilience and the Limits of Drug and Development Policy Orthodoxy

4.1 Introduction: The disconnect between drug and development policy

On September 2015, the United Nations unanimously adopted Agenda 2030, or the Sustainable Development Goals (SDGs). Agenda 2030 is billed as a 'roadmap for the future', and consists of 17 goals, the delivery of which will be measured through 169 quantitative targets and 262 indicators, with nation-states (countries) as both the unit of analysis and reporting entities.[121] First in Agenda 2030's list of commitments is a promise to 'leave no one behind' and to 'put the last first'. Yet the reality is that the reach of development programmes and the implementation of the SDGs are *barely* touching the margins. The most dangerous places[122] — borderlands with high levels of

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[121] For a full list of all 17 SDGs with their 169 targets and 232 indicators, see the UN's SDG website https://unstats.un.org/sdgs/indicators/indicators-list/. The SDGs are available in text and spreadsheet form. SDG monitoring consists largely of tracking how a country (i.e. not a sub-national area or a region, but a 'country') has delivered on the quantitative targets and indicators. Countries typically conduct 'Voluntary National Reviews' (VNRs), which are then submitted and peer-reviewed in the UN system.

[122] The label 'dangerous places' is used by the Stockholm Peace Research Institute (SIPRI) to refer to territories in the top 25% in terms of violent death rates; in addition, they are the source of 40% of the world's refugees and internally displaced persons. Such territories are found in a total of 110 countries. See the SIPRI 2017 Yearbook: https://www.sipri.org/sites/default/files/SIPRIYB17c06.pdf. As one example of how development is 'barely touching the margins' today, in early 2012, after conflict erupted in northern Mali, Christian Aid evacuated its staff from most of its areas of operation, and since then has been unable to send them back due to the risks.

violence, conflict and ongoing displacement — remain marginalised and excluded from markets, beyond the reach and protection of state and multilateral institutions, and hence subsist, typically, by relying on illicit economies for coping and survival strategies.[123]

Debates more than 20years ago on reframing the understanding of conflicts, particularly the persistence within such conflicts of illicit and criminal enterprise (e.g. drug crops, 'blood' diamonds, human trafficking, etc.), should have shifted the understanding about SDGs, borderlands and dangerous places. Duffield pointed out that global markets have expanded even into unstable regions, thereby creating a 'grey zone of international commercial activity' in which companies are able to secure a degree of privilege and protection through negotiation and private deals with rulers (1998: 84). Reno argued that clandestine economic systems 'have become widespread and integral to building political authority in parts of Africa', thus challenging existing assumptions about 'how political actors calculate their interests' (1998: ix). Goodhand suggested that war economies could be reflections of long-term innovative adaptations of marginalised and excluded economies to globalisation, 'linked to expanding networks of parallel (illegal) and grey (semi-legal) economic activity' (2000: 265). Keen offered the view that conflict is not simply the irrational breaking down of societies and economies; it is also '*the reordering of societies and economies in particular ways*' (italics in original). In examining the 'economic benefits of war', as well as top-down and bottom-up economic violence, Keen concluded that internal forms of war may now be better understood as the 'continuation of economics by other means' (Keen, 1998: 9–13).

But such reframing and the research that came with it, unfortunately, never really gained currency. In a review of subsequent literature, for example, Bhatia points out that war economies characterised by illicit drugs cultivation and the proliferation of criminal and quasi-criminal networks have been predominantly regarded by policy-makers managing post-war transitions and counter-narcotics policies not in terms of 'the reordering of societies in particular ways' as Keen suggested, but as the outcome of 'peace spoilers' (Bhatia, 2019). The areas where illicit crop cultivation emerged were typically written off as 'dangerous places', implying an undesired deviation from the 'normal'. Goodhand notes that representations of these places as ungoverned, rebellious zones of illegality ignore the empirical clues and

[123] See further discussions in the July 2019 report published by Christian Aid on *Peace, Illicit Drugs, and the SDGs* (Christian Aid, 2019).

anomalies that coping, survival and adaptation take place in contexts of fragility and conflict by whatever means possible, with or without state or development interventions (Goodhand, 2019). Ballve argues that despite the typical depiction of these spaces as 'ungovernable' or 'stateless', narco-frontiers 'are wracked by extra-legal regimes of rule in which the state is simply one actor among others' (2019: 211) enforcing or attempting to enforce its authority. And even though various 'unruly' areas absorb displacement and exclusion from elsewhere, thereby actually providing solutions rather than being simply problems, flawed assumptions persist that illicit economies can only be sources of instability and are distinct and could easily be separated from licit economic activities.

As such, blind spots have emerged in the understanding of illicit economies. Official narratives, summarised in the WDRs and INCSRs, overwhelmingly support the eradication of illicit economies by law enforcement, and not through the introduction of development programmes to finally address what actually is the more fundamental problem: the marginalisation and exclusion of the affected territories and communities. This chapter examines these blind spots and traces their genealogy not only to show that marginalisation and exclusion are the foundational problems to be solved, but also to find ways of bridging the disconnect between drug policy and development policy.

Today, the 'drug problem' remains one of the most difficult policy challenges for the United Nations, donor agencies and national governments. Global opium harvests in 2016–2017 were officially estimated to be between 9,100 and 9,400 tonnes, from which 700 to 1,050 tonnes of heroin were processed (WDR 2018a: 12). That is equivalent — using the often-cited observed retail street price of heroin in London of $135,000 per kg (see Table 1A of this study) — to a potential global annual turnover of between $94.5 billion and $141.75 billion. Similarly, global turnover of cocaine sales is huge at an estimated $169.2 billion, based on the street prices of cocaine in Chicago of $120,000 per kg (Reuter and Trautmann, 2009: 23).[124] In comparison, the

[124] There appears to be some discrepancy in Reuter and Trautmann's Table 1 (2009: 23), due to notations of 'ounces' and '100 mg. pure'. However, this Chapter uses the figures of $135,000 per kg for heroin and $120,000 per kg for cocaine based on the logic of the table. Note that these authors' estimates are inferences into hidden activities, not actually observed sales and consumption.

worldwide trade in cane sugar was estimated to be worth $69.7 billion in 2018, while the global coffee business was estimated at $107.8 billion in 2019.[125]

Despite such scope and magnitude, the disconnect between drug and development policies remains. This is no better reflected than in the lack of links and complementarities between the Systematic Country Diagnostics (SCDs) of the World Bank Group (WBG) on one hand, and the WDRs of the UNODC on the other. The SCDs examine economic development problems to inform the WBG's strategy for a particular country. Because the WBG is also a 'knowledge bank', the SCDs arguably offer a most authoritative official socio-economic and fiscal assessment of a country under review. Yet the SCDs suffer from a fundamental flaw: they pay scant attention to illicit economies and their impact on local communities.

- The last SCD for Myanmar, published in November 2014,[126] includes just one marginal reference to 'opium' in one paragraph of its 67 pages. This omission is despite footnotes in the SCD mentioning that the country was undergoing historic 'triple transition' changes since the elections of 2011. In each of these changes — from military to democratic governance; from a centrally directed, closed economy to a market-oriented one; and from 60 years of conflict towards peace in the border areas (World Bank, 2014: 7) — opium plays a key role, and yet the analysis remains wilfully blind to opium's existence and impact on the changing local context.
- Similarly in Afghanistan's SCD, published in 2016, opium is given only passing mention.[127] Described as 'a country-level analytical document that provides an evidence-based diagnostic to help identify development priorities', the Afghanistan SCD reports that inequality has increased, growth is not equally distributed, and economic growth fell sharply in 2015–2016. Furthermore, it points out that while

[125] Figures on sugar were sourced from https://www.statista.com/topics/1224/sugar/; the figures on coffee came from https://www.statista.com/outlook/30010000/100/coffee/worldwide, both last accessed 31 March 2019.

[126] See http://documents.worldbank.org/curated/en/427501468109465674/Myanmar-Systematic-Country-Diagnostic-Ending-poverty-and-boosting-shared-prosperity-in-a-time-of-transition, accessed 28 January 2020. In January 2019, the Bank announced the start of preparations to produce a new SCD for Myanmar. See http://www.worldbank.org/en/news/infographic/2019/01/21/myanmar-systematic-country-diagnostic , last accessed 31 March 2019.

[127] See http://documents.worldbank.org/curated/en/302911468190767498/Afghanistan-Systematic-country-diagnostic, accessed 28 January 2020.

international development aid contributed to growth and job creation in high-conflict areas, it did not contribute to raising productivity. This SCD therefore recommends three priorities: a) strong and inclusive growth and job creation; b) expansion of prioritised service delivery; and c) fiscal stability to reduce dependence on aid in the medium-term (World Bank, 2016). Again, the omission of opium is a fundamental flaw because the opium economy — as shown by evidence provided by Mansfield, Fishstein, Fitzherbert, Pain and others — is a most important creator of jobs and distributor of income; it delivers services, including protection, to those involved; and it is a main source of cash in places not reached by development aid. It is a puzzle how an institution as well equipped and informed as the World Bank has allowed a massive blind spot to restrict its analysis and diagnosis of the situation in Afghanistan.

- In Colombia's 2015 SCD, the first of only three mentions of 'coca' appears late — on page 89.[128] This SCD argues that in order 'to achieve poverty eradication and shared prosperity in a sustainable manner', Colombia must tackle its 'three defining characteristics': first, an uneven territorial development; second, the presence of a protracted armed conflict; and third, almost two decades of extractives-based economic growth (World Bank, 2015b: 7). Why coca was not included in the analysis is baffling. Published research from Ramirez (2011) and Torres (2011) details the key role played by coca for coping and survival in the neglected territories where armed conflict was particularly acute. More specifically, coca enables those areas abandoned by the state to be reconnected to markets. Though insurgent groups use the illicit coca economy as a source of funding, it is also the case that peasants displaced by conflict and by extractive industries are among those who turn to coca for survival. Despite its obvious central role in Colombia's marginalised regions, coca receives only passing mention.
- Bolivia's SCD, also published in 2015, has no mention at all of 'coca' or 'drugs' in its 109 pages (World Bank, 2015a). This, again, is a significant omission, given that Bolivia's president Evo Morales was installed in office on the strength of the country's cocalero

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[128] See http://documents.worldbank.org/curated/en/142801468188650003/pdf/97878-CAS-P151459-R2015-0135-IFC-R2015-0201-MIGA-R2015-0053-Box391496B-OUO-9.pdf, accessed 28 January 2020.

> movement. A key concern raised and analysed in the SCD is Bolivia's public debt, but there is very little attention paid to household debt — a widespread and constant problem for poor households surviving in marginalised areas and resorting to coca cultivation.

Thus, despite the claim that the SCDs draw upon 'all available information' from research by both the WBG and other international and domestic partners, there is little to show that the WBG has seriously considered incorporating illicit economies into its analyses. This is unfortunate because, as this study contends, tackling illicit trades — especially those that are routinely or deliberately overlooked in development programming — is strategically important not only in ensuring that deprived and marginalised communities have a stake in a country's national development plans, but also in providing the basis for sustainable development and peace.

One reason for the omission may be that illicit crop production is considered a 'shadow' or illicit economic activity. Hence jobs, income or revenues from these clandestine economic activities may not be explicitly captured by usual measurements and are instead assumed or recorded as 'proceeds of crime', for which monitoring is patchy and limited to law enforcement agencies. But one also wonders if the WBG avoided considering illicit crop economies, because this field is regarded as the sole domain of the UNODC.

To be clear, though, the neglect is mutual. On one hand the SCDs do not consider illicit crop economies in their scope, apparently ignoring UNODC data. But on the other hand, despite the availability of relevant data and analysis from the World Bank, the WDRs do not cite the SCDs in their analysis of, for example, employment levels, access to credit, or other socio-economic trends in the illicit-crop-producing territories surveyed. Thus, UNODC data and analyses are not taken up by the WBG, and the WBG's development data are not used by the UNODC. The mutual exclusions are a source of methodological and analytical weakness in both sets of reports.

These omissions represent a serious error. Among other things, it leads to a failure to acknowledge and analyse the paradox that illicit economies, though a driver of criminal activity, may also be a source of order under certain conditions, and that criminal actors, though drivers of predation and violence, can be development actors too, no matter how counter-intuitive that may seem. The disconnect also explains the fundamental conundrum. Drug policy could not solve the so-called 'drug problem', as evidenced by the failure of prohibition. Solutions may perhaps be found in the application of development policy, but current development orthodoxy, as reflected in the WBG's approach, remains far too limited and unable to penetrate the interdependencies — the 'whys' and 'hows' of coping and survival in illicit-crop-producing territories with high levels of violence and conflict. What emerges therefore is a segregation between drugs policy and development policy: official drugs policy and development policy are effectively siloed from each other.

Despite the disconnect, it is essential to emphasise that the WBG and UNODC share some common understandings: they have more or less similar assumptions over illicit economies and their supposed harms, differences notwithstanding. The rest of this chapter is an examination of these shared assumptions, a step that may be key to unravelling the paradox of illicit economies. This chapter first groups these assumptions into four threads, and then attempts to unpack and deconstruct them. This elaboration is necessary because, collectively, drugs and development agencies get to define to a significant degree what is presumed to be 'good' or 'bad' in illicit-crop-producing territories. These assumptions, whether explicit or implicit, become the frameworks for understanding; they construct the dominant depictions with which these territories are typically framed; and shape what is measured, and how, in the respective countries. These assumptions may explain why resilience — the innovative and unorthodox strategies for coping and survival in the constantly changing and insecure environments of illicit-crop-producing territories — remains a blind spot in both drugs policy and development policy orthodoxy.

Thus, the principal difference between the licit and the illicit entrepreneur may simply be the socially constructed and politically applied label 'criminal', because both are, after all, involved in similar processes of commodification of crops, accumulation of wealth and assets, and appropriation of labour. The coercive specialisation of criminal entrepreneurs does not make them less or more reliant than licit capitalists on interdependent relationships. As Abraham and van Schendel note, there is an uncanny symmetry between criminal networks and strategic business models. The dominant imagery of nation-states fighting valiantly against global criminal networks, as represented in institutions like the UNODC and the WBG, 'is far too simplistic and even misleading'. The labels 'illegal' or 'criminal' are applied to those who defy the norms and rules of formal political authority, 'but they are quite acceptable, "licit", in the eyes of the participants in these transactions and flows' (2006: 3–4). Nordstrom points out that trillions of dollars move around the world outside legal channels, flowing through millions of hands, thousands of institutions and hundreds of borders, as 'they ruin the lives of some and create vast empires of profit for others' (2007: xvi).

Before proceeding, a short note is necessary on this chapter's methodology. This chapter uses comparative analysis, drawn from existing discussions of specific local contexts and cases that cover almost all illegal opium production (Afghanistan and Myanmar) and the vast majority of coca production (Colombia and Bolivia). Thus, the chapter does not present new empirical material, or data sourced from primary sources as in Chapter 3. Rather, what is new here is that it uses carefully selected material from the four countries in a comparative way to unpack the discourses on global drugs policy. As noted in Chapter 1, this comparative approach has been suggested as a way to tackle the research problems that emerge when much of the phenomenon under study remains hidden; when available data are uneven; and when the conditions which have a bearing on the analysis are often incomplete or piecemeal (Mollinga and Gondhalekar, 2014). Inferences are then developed from the comparison of the material gathered. Systematic comparisons can be a useful strategy to address the limitations of knowledge on phenomena that are hidden, understudied, piecemeal or incomplete, and can potentially generate new insights through which long-running divides between drugs and development policies may be better addressed.

4.2 (Thread A) '*Fragile states are most vulnerable to illicit crop production and its harms*': The case of Afghanistan and Helmand

A central and widely held assumption of both drugs and development agencies is that *fragile states*[129] are most vulnerable to illicit crop production and its harms. Illicit drug crops are understood to be a cause, or at least an essential attribute, of violent conflict. As the UN Commission on Narcotic Drugs (CND) stated in its 2009 Political Declaration, 'drugs infect society through open wounds', and fragile states are understood to be among those

[129] Defined as 'states that are failing, or at risk of failing, with respect to authority, comprehensive service entitlements, or legitimacy' (Stewart and Brown, 2009: 3).

'open wounds' (CND, 2009).[130] Fragile states not only provide safe havens for criminals but are also the most likely places where illicit crops could be grown 'with impunity'. A working paper published by the OECD adds, 'conflict-affected and fragile states are especially vulnerable to the dynamics of transnational organised crime and may provide more favourable conditions for its development' (Miraglia et al., 2012: 2). Afghanistan is one such 'deeply fragile and conflict-affected state', according to the opening sentence of its 2016 SCD (World Bank, 2016: 1).

Indeed, fragility and conflict have been emphasised as Afghanistan's 'most important constraints' in addressing poverty and achieving development. To these the World Bank SCD added further 'critical constraints': a demographic bulge; significant risks of earthquakes, floods, droughts and landslides; and declining aid (World Bank, 2016: 1–25). In 2018, the UNODC reported that 78% of the world's land area under opium poppy cultivation was located in Afghanistan; Afghanistan also produced between 550 and 900 tonnes, or 66–85% of the total estimated world production of heroin of 700–1,050 tonnes. Helmand Province in south-western Afghanistan, with the biggest concentration of opium producers, is the epicentre of this production (WDR 2018a: 12).

4.2.1 The social reproduction of fragility meets the social reproduction of resilience

These depictions of fragility, conflict and crisis are not new. They have been the dominant narratives on Afghanistan since the 1979 Soviet invasion and again after the ousting of the Taliban by US-led NATO troops in 2001 (Pain and Sutton, 2007: 1–9). These depictions, though, have been disputed by scholars who criticise the implicit assumption that Afghanistan's population, particularly those rural-based and beyond the immediate reach of state or aid institutions, are helpless and dependent. Rural Afghan society, they argue, has inherent strengths, as seen in the robustness and resilience of its farming and pastoral systems that enable survival under conditions of extreme fragility and conflict (Fitzherbert, 2007: 29).

The volume edited by Pain and Sutton (2007), entitled *Reconstructing Agriculture in Afghanistan*, includes chapters on the dynamics of livelihood change, the evolution of food security information, the limits of price and

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[130] See page 4 of https://www.unodc.org/documents/ungass2016/V0984963-English.pdf, accessed 28 January 2019.

profitability, and the understanding of real markets. In their introduction, Pain and Sutton point out:

> The assumption that reconstruction post-September 2001 started with a clean slate (marketless, social capital-less Afghanistan) is not only bad history but also extremely misleading. The processes of significant economic and social change that relate to the mobilisation and consolidation of ethnic and regional identities, regional economies, the development of shadow and informal economies — of which opium poppy is but one aspect — and deep unresolved conflicts at multiple levels over resources and identities are all key facets of contemporary Afghanistan. (2007: 2)

Afghans, claim Pain and Sutton, 'have been anything but passive and static, adopting brilliant, innovative and unorthodox strategies to secure food, livelihoods and stability in a shifting and insecure environment'. As such, macro-, meso- and micro-level agro-pastoral environments define and order social and political structures and livelihood opportunities. Most importantly, Pain and Sutton call attention to the 'dynamic social production of resilience, or the capacity to manage, adapt to, cope with or recover from risks to livelihoods'. These variables 'not only reflect social relations over time, but also are themselves social relations linked to hierarchies and resistances of society in which they circulate'. The key point is that there is a need to recover and examine the 'minutiae of coping and survival that has been all but erased' in development orthodoxy. Attention needs to be drawn to the '*interdependencies* of production, livelihoods and the mosaic of environments at even the small scale' or to the 'multi-layered livelihood strategies which include migration, manipulation of aid, remittances, and of course, narcotics production' (ibid. 3–5; italics added).

Thus, the dominant depiction of fragility is simply a 'convenient device' to tell a story that supports a particular, state-centred, aid-dependent and elite-focused humanitarian and development agenda (Pain, 2007). Fitzherbert is scathing, arguing that these orthodoxies are 'frequently simplistic, outdated, and ignorant, or based on a perspective that overvalues the role of state and aid agencies in agricultural recovery and change' (2007: 29). Especially in volatile rural areas, informal and local structures persist *in spite of* the fragility and conflict, 'consolidating the resilience born of centuries of survival in a harsh and unforgiving land' (Pain and Sutton, 2007: 2–3).

The photo in these pages of a woman spooling wool by hand, in preparation for making a rug, in Zendajan, Herat Province, provides some evidence that not all 'fragile' areas and local economies are automatically vulnerable to illicit crop productions and its harms. Her household is one of those receiving support from the Zenan-Herat Silk Co. set up by the Rehabilitation Association and Agriculture Development for Afghanistan (RAADA), a local NGO that is a partner organisation of Christian Aid. Herat is a comparatively peaceful area that has not relied too heavily on the illicit drugs trade, despite lying along the normal trade route from west and southern Afghanistan into Iran.

Figure 4.1: Woman in Herat spooling wool by hand
(Photo by Uruj Perwaiz for Christian Aid, July 2018)

Box 5.1: The processing of opium and the different types of heroinFigure 4.1: Woman in Herat spooling wool by hand
(Photo by Uruj Perwaiz for Christian Aid, July 2018)

David Mansfield is another strong critic of the 'fragility' discourse. Data produced by the UNODC, he states, reinforce the portrayal of 'the farmer' in accordance with neoclassical economic theories of the firm. He points out that the simple act in UNODC surveys of categorising the population into 'opium poppy farmers' or 'non-opium poppy farmers' implies that 'those who grow opium are landed and produce nothing else, while those who do not grow opium poppy on their land are not working on the opium crop of others' — assumptions that are 'flatly untrue' (2016: 42–43). Mansfield builds up a 'rural livelihoods approach' (ibid.: 50–51), drawing on authors like James Scott, who views peasants as political and moral actors defending their values and individual security, and who argues that unlike a capitalist enterprise a peasant family is a unit of consumption as well as a unit of production (1976: 13–34), Alexander Chayanov (1966 [1925]), who asserted that peasants will prioritise a stable subsistence over a higher risk/higher return strategy, and Eric Wolf, who maintained 'peasants run a household, not a business concern' (1966: 2).

4.2.3 Unintended consequences

The term 'unintended consequences' [131] finds particular resonance in Helmand Province, where well-intentioned policies to tackle poorly understood 'fragility' have unfortunately backfired. After the US-led invasion in December 2001, British forces prepared to assume administrative control of the province. Its aid agency, the Department for International Development (DfID), offered compensation to farmers who voluntarily destroyed their opium crop, to wean them away from its cultivation. But the scheme backfired, because as it turned out, it incentivised rather than discouraged opium-growing: it became even more risk-free, because opium can be grown to claim compensation, or else sold in the bazaars. In addition, there were cases of local authorities pocketing the money. In 2006, angry Helmand farmers were still demanding that the British pay for crops destroyed four years earlier.[132]

The British also made the removal of Helmand's then provincial governor, Sher Mohamed Akhundzada, a precondition for continued UK development support to the province. The governor had a reputation as a notorious warlord, accused of corruption and involvement in the drugs trade, though admittedly an effective regional and tribal leader[133]. Because the central government in Kabul resisted, the pressure for removal was ramped up by no less a figure than British Prime Minister Gordon Brown himself, on a surprise visit to Helmand in March 2009. Again, the move — a step to consolidate better governance practice in the province — backfired. Removed from his

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[131] 'Unintended consequences' is a widely used term in drugs policy, and was the title of a series of reports commissioned by the UN Research Institute for Social Development in 1995; see Tullis (1995).

[132] Details and sources of this compensation fiasco can be found in a 2015 Christian Aid report (Gutierrez, 2015: 4–5).

[133] Felbab-Brown (2017) provides a useful discussion on political-criminal alliances in Afghanistan.

sources of patronage, Akhundzada told his over 3,000 armed followers — whose 'salaries' he could no longer pay — to go and find 'employment' with the Taliban. In late 2009, the army commander in charge of Britain's Task Force Helmand, Brigadier Ed Butler, confirmed that his troops had become embroiled in fiercer battles against Taliban-led troops significantly strengthened by Akhundzada's men, ironically their former allies (McElroy, 2009).

But perhaps the most important unintended consequence in Helmand was that triggered by the 'Food Zone Initiative', a joint effort of the US, UK and Afghan governments in the autumn of 2008 to reduce instability and dramatically improve Helmand's food security. Troops were provided; roads and irrigation were rehabilitated and improved; farmers were given subsidies to grow alternative crops (wheat, saffron, nuts, etc.); and other forms of essential support — credit, agricultural extension, access to markets — were provided (Mansfield and Fishstein, 2015). The Food Zone Initiative became an unqualified success in the short run, resulting in better productivity, higher incomes and improved food security for participating farmers. But it was precisely this 'success' that triggered the displacement of land-poor households, contend Mansfield and Fishstein. Because the land-owning farmers of Helmand, who previously had to rely on seasonal migrant workers as farmhands during labour-intensive months, and who typically rented a portion of their smallholdings to sharecroppers as a form of guaranteed income, now had better incomes and more efficient production, they found less need for seasonal farmhands and could get more by ending sharecropping arrangements and using the rented-out land themselves. Thus, the consequence of 'success' meant that poorer farmhands and sharecroppers not only lost their livelihoods; they were also excluded from government support because they were not registered as owners of property (ibid.: 5–8).

The irony is that it was a fairly successful development project, *not* violent conflict, that triggered the forced migration of the land-poor. They moved north of the Boghra canal, beyond the reach of opium-eradication campaigns, buying desert land from local commanders or arriving as sharecroppers or tenants hoping to save enough from opium cultivation to buy their own land in the future. With generous loans from opium traders, they constructed deep wells with diesel or solar-powered pumps that converted desert land to agriculture. As a result, according to Mansfield and Fishstein, the once-desert land planted to opium north of the canal increased from 752 hectares in 2002 to 34,270 hectares in 2012, a 45-fold increase (ibid.).

A 2016 video from Alcis, a research and mapping firm, documents opium's role in converting over 300,000 hectares of desert into agricultural land, sustaining the livelihoods of over 1.2 million people in the largely desert southwest from 2000 to 2015.[134] The 2016 SCD statement that Afghanistan's 'unrecorded export of opium' is 'large', or '7–8% of GDP', makes it even more of a puzzle why the impact of the illicit crop has been omitted in the WBG's analysis. Opium is not insignificant to Afghanistan.

4.2.3 Balancing harms and gains

An argument can now be made that for the poorest and the land-poor, survival may come less from official development aid and state interventions, and more due to engagement with expanding shadow and informal economies. Contrary to the common belief that engaging in illicit trade is simple criminality motivated by greed or need, the decisions taken are not simplistic: they are based on poor households' evaluation of risk and opportunities, including getting protection elsewhere when they cannot expect it from state institutions — processes that are typically invisible to outsiders. As shown in the case of Helmand, growing opium, in addition to growing food crops or livestock, allows a household living outside the formal economy and unable to rely on the state for security of income, to access a form of protection provided by drug traffickers — often the actors with the acknowledged capacity to enforce violence locally. In other words, these households are treading a careful balance between harms and gains. Opium cultivation by poverty-stricken and land-poor farmers in Afghanistan is a resilience strategy.

Goodhand's (2004) unpacking of a 'war economy' into three categories merits restating here. First is the *combat economy*, which 'includes the production, mobilisation and allocation of economic resources to sustain a conflict and economic strategies of war aimed at the deliberate disempowerment of specific groups'. Second is the *shadow economy*, which 'refers to economic activities that are conducted outside state-regulated frameworks and are not audited by state institutions'. Finally, the *coping economy* 'refers to population groups that are coping (maintaining their asset base) or surviving but undermining their asset base'. Though these categories are interconnected, they are not static and 'may change over time according to the influence of changing political regimes and various external shocks', each

[134] The video can be seen at: https://vimeo.com/173599228, last accessed 31 December 2019.

involves 'different types of actors, incentives, commodities and relationships'. Goodhand explains, for example, that while entrepreneurs in both combat and shadow economies may profit from the conflict, entrepreneurs in the shadow economy may nevertheless have an interest in peace, unlike those in the combat economy (Goodhand, 2004: 155–157). This framework is particularly useful in making the necessary distinctions for policy — for example, a war on drugs that destroys coping economies and does little to affect the better-protected combat and shadow economies would be counter-productive.

Like the World Bank, other development agencies appear to deny, or choose to ignore, the significant economic impact and consequent political repercussions that an illicit trade of such size can have on Afghanistan's development. DfID, despite having implemented programmes to finance the substitution of opium with other crops in Helmand in the early to the mid-2000s, does not mention opium at all in its 2011–2015 Operational Plan for the country (DfID, 2012). Documents from USAID, such as its country profile of Afghanistan and its rapid assessment reviews, pay very little or no attention to the opium economy (e.g., USAID, 2014). Thus, Mansfield and Fishstein rail against Western donors for keeping their 'eyes wide shut', accusing them of 'almost wilful short-sightedness' and 'gross negligence' (2015: 3). William Byrd, a former World Bank consultant, argues that the Bank did meaningfully engage on illicit drugs in Afghanistan in the mid-2000s, although he acknowledges too that prospects for replicating such engagement are not good. Using that experience, however, Byrd introduces 'entry points' that may be considered by the Bank's member-countries. 'Older' entry points include tackling the public health dimension; addressing rural development in illicit crop cultivating areas; supporting better governance reforms; and addressing the cross-border nature of opium (i.e. single-country approaches may not work). Byrd also introduces 'newer' entry points such as using political economy analysis; tightening money-laundering tracking, prevention and apprehension; and including the illicit economy in peace-building processes (Byrd, 2019).

In summary, the dominant interpretation that 'fragile states are most vulnerable to illicit crop production and its harms' is at best an incomplete assessment of what is actually going on. Within so-called fragile states are resilient communities, many of which adopt innovative and unorthodox strategies, and build interdependencies with licit and illicit actors, to protect their assets, livelihoods and security in constantly changing and insecure environments. The conflicts in Helmand are not simply an irrational breaking down of society, but are also, following Keen, a reordering of that society and its local economy in particular ways (Keen, 1998); or, following Duffield, conflicts that may be 'symptomatic of new and innovative forms of political economy' (Duffield, 1998); or they could be reflections of long-term innovative adaptations of marginalised and excluded economies to globalisation (Goodhand, 2000). To further test these propositions, an examination of the case of Colombia and Putumayo, compared to Afghanistan, follows in the next section.

4.3 (Thread B) '*Fragility, violence and illegality breed each other*': The case of Colombia and Putumayo

The dominant depiction of areas where violence and illicit economies thrive as unruly, disorderly, or less civilised frames a picture of lawlessness or absence of local order. This obscures attention — and development aid — from being focused on the structures, norms and adaptations for coping and survival amidst the violence and conflict. It distorts the understanding of the relationships (or lack of them) between marginalised communities and state institutions. It fails to appreciate the dilemmas — for example, that criminals, belligerents and ordinary people caught in conflict may have agendas that, while completely different from each other, sometimes overlap and may even merge temporarily. More importantly, drugs and development orthodoxy seldom see the agency of local people. The conclusion that emerges is that because the world's leading producers of illicit crops and drugs, Colombia and Afghanistan, are beset by violence and conflict, it therefore follows that fragility, violence and illegality can be thought to breed each other. But as will be pointed out below, leading Colombian scholars have argued strongly against such framing, emphasising that it is not the unruliness, disorder, or illicit crop production that are the fundamental problems, but the marginalisation and exclusion of subsistence peasant communities caused by the structural inequalities of the political economy, heightened by violence and conflict.

4.3.1 A comparison of the world's leading illicit crop producers

To elaborate on these claims, it is useful to begin with a simple comparison of the world's top coca producer with the world's top opium producer, provided in Table 4.1.

Table 4.1: Essential data on the top two illicit drug crop producers, 2017

	Afghanistan (opium and heroin)	**Colombia** (coca and cocaine)
Population	35.53 million	49.06 million
GDP	$19.54 billion[i]	$314.46 billion[ii]
Land area	652,864 square kilometres	1.142 million square kilometres
Land area planted to illicit crop	**328,000 hectares (78%)** of world total of 420,000 hectares (WDR 2018a: 12)	**146,000 hectares (68.5%)** of world total of 213,000 hectares (WDR 2018a: 29).
Illicit crop production level	**9,000 tonnes (85%)** of 10,500 tonnes of opium produced globally in 2017 (WDR 2018a: 12)	No figures supplied. Since 2014, the UNODC stopped publishing on coca leaves production, and only reported cocaine production
Processed drugs production levels	**550 to 900 tonnes (66% to 85%)** of 1,100 to 1,400 tonnes of heroin produced globally (WDR 2018a: 13)	Estimated production is **866 tonnes (61%)** of the total of 1,410 tonnes of cocaine produced globally, of which 378 tonnes were seized in Colombia (WDR 2018a: 29).
Estimate of the size of the illicit economy as a proportion of GDP	SCD states that exports of opium comprise **7-8%** of Afghanistan's GDP	The farm-gate value of coca leaf production in Colombia is about **0.2%** of GDP, or **3%** of the agricultural sector's GDP

Notes on sources:

i: https://data.worldbank.org/country/afghanistan. GDP was higher in 2013, at $20.56 billion

ii: https://data.worldbank.org/country/colombia. GDP was higher in 2014, at U$381.112 billion

Like Afghanistan, Colombia's violence is brutal; it has been going on now for more than 60 years, according to the *Centro Nacional de Memoria Historica,* a public body reconstructing the history of conflict that has caused over 218,000 deaths and displaced over 5.7 million people (CNMH, 2012).[135] In

[135] CNMH documentation reveals the following: a) of the more than 218,000 killed, 81% were civilians; b) the displacement of 5.7 million people was the highest recorded in the

1999, the World Bank, building on the work of *violentologos*,[136] attempted to conceptualise and quantify this long history of violence, and concluded that government and civil society alike 'recognise that violence is the key development constraint' of Colombia. The assessment categorised the violence into three types: political, economic and social. To reduce violence, it then recommended interventions at national level (e.g. a peace programme), sectoral level (e.g. curriculum reviews of the education system, strengthening the justice system, etc.), and municipal level (e.g. social capital projects) (World Bank, 1999: vii–x). The parallels with Afghanistan are recurrent.

CNMH traces the roots of Colombia's violence back to the 1948 *El Bogotazo* urban insurrection that destroyed the centre of Bogota, which started *La Violencia* — the period of partisan conflict between Liberals and Conservatives through the 1940 and 1950s. In the next decades, the violence expanded into a left-wing insurgency (CNMH 2012: 1). From 1985 to 1989, there was a huge surge in the violence. In November 1985, the M-19 guerrilla group attacked the Palace of Justice in central Bogota and held the entire Supreme Court hostage. Following a brutal military response, around 300 people — including 12 justices of the 25-member Supreme Court — were killed (*New York Times*, 10 November 1985). Four years later, from August to December 1989, drug traffickers went to war in response to efforts to capture Pablo Escobar, among others. By early October 1989, Colombian police had linked 142 deadly bomb attacks to the Medellin cartel, with up to 88 car bombs exploding at banks, hotels and malls in major Colombian cities. An Avianca commercial airliner, reportedly with two government drug informants as passengers, was also targeted, killing all 107 on board (*New York Times,* 30 August 1989; 4 October 1989; 20 December 1994).

Another similarity in the two countries is heavy US involvement. The US invaded Afghanistan in December 2001 and, along with its NATO allies, became the effective government for years while the central Kabul government was strengthened and reinforced. The extent of US involvement in Afghanistan can be gleaned from a 2008 Oxfam report, which shows that

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world, until the 2015 Syrian conflict; c) 25,000 people disappeared; d) 25,482 people were kidnapped by guerrillas; 2,541 by paramilitaries; e) 10,618 people were killed or wounded by landmines; and e) over 489,000 women in the 2000s were victims of sexual violence.

[136] The long history of violence in Colombia is such that a discipline of 'violentology' has emerged, involving *violentologos* devoted to the study of the causes and quantification of social costs of violence in the country, as noted in the World Bank paper (World Bank, 1999: 2).

the US military was spending nearly $100 million a day, or $36 billion a year, in Afghanistan. By way of comparison, the volume of development aid provided by *all* donors to the country was around $7 million a day, or $2.5 billion a year (Waldmann, 2008: 1). This shows the glaring disconnect between security and development policy. Another contrast is provided by the issues of scrutiny: while development aid was intensely reviewed, security spending was largely outside the scope of publicly accessible monitoring and evaluation processes. Principles of aid effectiveness have been adopted following the 2005 Paris Agreement, but there are no similar principles applied to security spending. The US also funded Afghanistan's Criminal Justice Task Force and built the high-security, self-contained Pul-e-Charkhi prison near Kabul, which was created to insulate the Task Force's special prosecutors, judges and prison officials from political pressure and security threats; they were mentored by experienced US Assistant Attorneys and DOJ Senior Trial Attorneys (INCSR 1999: 108–110).

US involvement in Colombia, on the other hand, is exemplified in Plan Colombia, initially a $1.3 billion programme started by the Clinton administration in 2001, and continued by the Bush administration, to put in place policy initiatives that support an aggressive anti-drug strategy (Crandall, 2002: 160). The US has also repeatedly used the threat of decertification on Colombia. This certification process has also been used to qualify for military support in the form of equipment, weapons, transport, information and advice. Colombia therefore has to show that it is eradicating illicit croplands, attacking drug traffickers and allowing US DEA operatives to operate within the country in order to receive aid. US threats of decertification have often triggered harsh eradication operations by the Colombian government, as well as extradition to the US of captured drug traffickers, so that the country can be reported in the INCSR as 'cooperating fully' with American authorities and taking 'adequate steps' to fight drugs.[137]

However, although Colombia and Afghanistan share similarities in the intensity and scope of violence, there is a major difference: the size of their economies. Colombia's GDP is more than 16 times that of Afghanistan. Thus, while beset by violent conflict for far longer than Afghanistan, Colombia evades easy categorisation as 'fragile'. It has, at least in theory, resources to deliver 'comprehensive service entitlements', the lack of which defines 'fragility' (Stewart and Brown, 2009: 3). The stark difference in size of

[137] See for example the extended discussion between Secretary Albright and US congressmen on questions as to why Colombia was decertified only to be exempted, in INCSR 1997.

the economy also suggests that illegality and violence will not always breed fragility: Colombia's economy expanded over the last 50 years, despite the ongoing violence. Foreign direct investments continued, showing how firms could adapt their business models even to unpredictable and violent local conditions.

The unequal distribution of economic growth in Colombia, and the inability to distribute the benefits of growth to large areas that have suffered from long-term neglect, are widely accepted. It is precisely in this regard that the illicit coca economy can be contextualised. Not only are large quantities of coca being grown in neglected parts of the country; more importantly, the crops are also grown by *campesinos* (peasants), those who have been historically marginalised and excluded from the mainstream economy, state protection and public services provision.

4.3.2 Marginalisation and exclusion = coca-growing areas

One key coca-growing area is Putumayo, characterised by its poor infrastructure and largely agrarian economy. It is also where the *Fuerzas Armadas Revolucionarias de Colombia* (FARC), the country's largest rebel group, has been most active. For the last 35 years, Putumayo has been a major producer of coca and cocaine. The central state, explains Maria Clemencia Ramirez, typically represents Putumayo 'as uncivilized and disorderly, where inhabitants follow alternatives codes of behaviour and justice beyond (the state's) hegemonic control' (2011: loc. 299). Many inhabitants of Putumayo are *colonos,* or campesino settlers displaced from other regions by conflict and exclusion from the market. They are often depicted as 'migrants without roots — therefore without any regional identity' (ibid.). Since the 1960s, continues Ramirez, they have been portrayed as people 'in search of easy money', or the 'first and weakest link in the global chain of cocaine trafficking'. Many are regarded as either guerrilla supporters or criminals. This stigmatisation not only makes them legitimate military targets, it also further reinforces their exclusion and marginalisation (ibid.).

The two main international development banks in Colombia — the World Bank and the Inter-American Development Bank (IDB) — recognise how violence and conflict hobble economic growth in the country but ignore the coca economy and fail to analyse its role, despite the fact that it could be the most important coping and survival mechanism in the marginalised areas. The 2015 World Bank SCD on Colombia mentions coca cultivation only in relation to its environmental impact on the Pacific and Andean ecosystems (World Bank, 2015b). The IDB focuses exclusively on the legal economy:

there is no mention at all of coca cultivation, cocaine exports, or the size of Colombia's shadow economy in its Country Strategy 2015–2018 (IDB, 2015).

Other agencies, notably USAID, pay more attention to the coca economy. In its Country Development Cooperation Strategy 2014–2018, USAID pledged to promote peace by supporting alternatives to coca production. It will invest in agricultural value chains that can create alternative livelihoods for small producers in areas vulnerable to coca cultivation and drug production. USAID cites the success of its programmes in developing cacao, specialty coffee, rubber and dairy sectors in former coca-growing areas (USAID Colombia, 2014: 9).

The inclusion of illicit drugs as one of six agenda items in the 2016 government–FARC peace agreement initially offered promise.[138] It included the provision 'to build a joint and comprehensive solution to the problem of illicit drugs', and sought new, evidence-based alternatives that will 'treat illicit crop cultivation and drugs consumption differently from the problem of organised crime'. But as Ricardo Vargas Meza points out, this approach is simply a reiteration of orthodoxy. The agreement, Vargas argues, is weak because it fails to even define the problem of illicit drugs; it does not take into account that the criminal economy is able to continue regardless of who controls security in the producer regions; and the 'community participation' it envisages is limited to crop substitution, 'not with regard to life in the territory as a whole' (Vargas Meza 2014: 1–2).[139] Ramirez, an anthropologist who investigated the reasons for the 1996 Cocalero Uprising in southern Colombia, adds the crucial critique. She argues that marginalisation and exclusion — not illicit crop cultivation, unruliness, or disorder — are the real problems in coca-producing Putumayo. This is a view that finds resonance with the scholars of Afghanistan mentioned earlier.

Putumayo was neglected by the state, which considered it a peripheral area of little importance, and useful only because its 'empty' territories could absorb migrating campesinos displaced by upheavals and violence in other regions of the country. When the state finally acted, it was 'not to meet its responsibilities and compensate those who suffered by its absence, but to represent [the people in Putumayo] as criminals and punish them with

[138] For a summary of the final agreement in English, see http://www.altocomisionadopara-lapaz.gov.co/herramientas/Documents/summary-of-colombias-peace-agreement.pdf.

[139] Vargas Meza's assessment refers to the 2014 joint Peace Communique, before the agreement was signed.

violence', thus further reinforcing their exclusion and marginality (Ramirez, 2011: loc. 338). Often lost in the dominant interpretation is a key point that Ramirez emphasises: 'that coca growers were seeking to free themselves from dependence on illegal armed actors' by participating in civil society and seeking commitments from the state in the provision of public services (2011: loc. 331 and 382). As she argues:

> In conflict-ridden zones, an alternative model is emerging where there is continuity between the state and civil society, each seeking to establish cooperative relations with the other to oppose violence and bring state presence back to areas where it has been wholly or partially absent. (ibid.1: loc. 401)

4.3.3 The coca-cocaine economy: A means for reintegration into markets?

Another Colombian scholar, Maria-Clara Torres Bustamante, rejects the depictions of illicit crop growers as simply passive and unable to influence the world in which they live. Torres points out, for example, that the cocaleros of Bajo Putumayo were also creating and developing their own version of political and social order. Despite their stigmatisation, they lobbied for the creation of local municipalities in order to bring state institutions closer, making them into more accessible administrative centres where the cocaleros can press for the delivery of public services. The cocaleros — regarded as criminals — were asserting and reclaiming their citizenship (Torres, 2011: 33–68).

More importantly, Torres points out, it is precisely the illegal coca economy which has enabled an excluded territory and people to be inserted back into the market. Among other things, the coca economy accelerated the use of money in 'peripheral' and 'out-of-the-way' Putumayo, not only because it brought in more cash, but also because other food crops, such as cassava or corn starch, displaced by coca, now had to be purchased and transported from other regions, consequently invigorating those other regions' agrarian economies. Villages in Bajo Putumayo — La Dorada, La Hormiga and San Miguel — which became centres of trade in coca paste consequently transformed into small 'boom' towns where hotels were set up, transportation expanded, and demand for goods like cars, chainsaws, outboard motors and firearms increased. The importation of electricity generators created further downstream stimulation to the local economy. Migrants from across the country streamed or migrated to Putumayo in search of livelihood opportunities or seasonal work in coca farms (ibid.: 60–68).

As the volume of transactions expanded, a local financial system was consolidated. Torres documents how per capita bank deposits in Putumayo grew, from COP (Colombian peso) 179 in 1995, to COP 1,049 in 2005, a more than fivefold increase in a decade of coca-led growth.[140] Though Torres cautions that data on banking in Putumayo are unreliable and should not be made the sole basis for calculating the extent to which the illicit coca trade monetised the local economy (ibid.), the case could still be made that, from a position of extreme isolation, Putumayo became increasingly integrated into national and global markets as a result of its coca economy.[141]

4.3.4 Fragility and state absence vs. narco-frontiers and indirect rule

Whether or not the changes brought by coca constitute genuine development remains debatable, but clearly the coca economy transformed both state and market structures in Putumayo. Ballve's analytical concept of 'narco-frontiers' offers some key insights. The drug trade, he explains, finds fertile ground in frontier zones because these are spaces where rule of law is contested, political authority is in question, and economic relations are wrought by violence. And yet, he continues, a growing body of research has found that drug trafficking networks often end up 'bolstering legal circuits of power and profit in these hinterland spaces'. Frontiers, he concludes, 'are contradictory spaces produced by both power and the limits of reigning regimes of accumulation and rule' — forces that are both brutal and brittle (Ballve, 2019: 212).

Gutierrez Sanin (2019) offers a similar analysis of these 'contradictory spaces'. The central state is not completely absent in these spaces because it maintains *indirect rule*, i.e. 'non-bureaucratically mediated territorial control' marked by 'the combined development of a thin bureaucracy and a thick system of partisan networks, which regulated the transactions between territories and central decision-making structures'. The instruments of indirect rule have been a heterogeneous assortment of notables and middlemen, 'who because of their territorial power base have had access to both to the crucial "Bogota tie-in" and to regional/municipal resources' such

[140] Torres notes that the figure is still eight times lower than the national average, showing the extent of marginalisation of Putumayo's economy.

[141] Note, however, that Lyons (2016), in her ethnographic study of poor farmers in Putumayo's coca-growing heartland, argues that forms of resistance emerge to the violence and criminalisation produced by militarised, growth-oriented capitalist development. Hence, although Putumayo's overall economy is indeed being increasingly integrated into markets by coca, other forms of survival are emerging.

as votes, access to rents and (frequently) specialists in violence. These new coalitions, he continues, more often than not include narco-traffickers and other new economic elites (Gutierrez Sanin, 2019: 15–16). The concepts of fragility and state absence that have so dominated the conventional understanding of illicit crop economies quickly melt away under Ballve's and Gutierrez Sanin's analyses.

In sum, the notion that fragility, violence and illegality breed each other has stigmatised coca-growing areas and cocaleros to such an extent that it has become difficult to focus attention on the real and more fundamental problems of marginalisation and exclusion. Sadly, such views also found their way into the final peace agreement. Orthodox assumptions about fragility and its links to violence and illegality are not always true, as demonstrated by Colombia's overall economic growth despite the violence, the emergence of 'narco-frontiers', and the continuation of indirect rule. The case of Putumayo in particular — a marginalised area reinserted into national and global markets by its illegal coca economy — sheds light on the roles that illicit economies may play in the expansion of capital and markets especially among excluded and displaced populations.

4.4 (Thread C) '*Illicit crops and drugs production are sources of instability*': The case of Myanmar and Shan State

The failures of drugs and development orthodoxies could be attributed to the continuing neglect of interdependency, in the shape of symbiosis, quid pro quos, collusion, or other similar relationships that become essential for coping and survival in contexts of marginalisation and exclusion. Interdependency can also be a form of reciprocity created and maintained to better manage risks, or a form of insurance in constantly shifting and insecure environments. Where there is interdependence, illicit crops could be a source of order, contrary to orthodox understanding.

This claim plays out in the case of Myanmar and Shan State, a classic example of a marginalised and excluded economy making innovative adaptations to globalisation (Goodhand, 2000), while reordering society and economy in particular ways (Keen, 1998). It is also an example of an initially clandestine economic system which became widespread and emerged as integral to building political authority (Reno, 1998). This case disproves the set of assumptions that posits that illicit crops and drugs production are only and exclusively sources of instability. As will be shown in this section, illicit crop economies can also be sources of stability and economic expansion. To start this discussion, an examination of recent opium production in Myanmar is necessary.

4.4.1 Declining opium production in Myanmar

The UNODC reports that in contrast to the situation in Afghanistan, opium production in Myanmar decreased over the period 2015 to 2017 by some 14% to 550 tonnes. In addition, despite the constriction in supply, the opium price fell by almost 30% to an average of $153 per kg, which in combination with the decrease in seizures, suggests a decline in demand for opiates produced in the country (WDR 2018c: 13–14). Earlier, the UNODC reported that a 2016 survey in Shan State, which in recent years accounted for up to 90% of Myanmar's opium production, revealed that the proportion of villages producing opium 'fell from 31% of all villages in Shan State in 2015 to 22% in 2016' (WDR 2017a: 14). However, while more villages are abandoning opium, villages that continue opium production have increased the average area under cultivation — from 0.4 hectare to 0.6 hectare per household — suggesting increasing concentration (ibid.).

The Myanmar Opium Survey 2018 (UNODC 2018) reports a continuing declining trend which started in 2014 and saw the area under cultivation fall from 41,000 to 37,300 hectares. In the two main producer states, Shan and Kachin, the area under opium cultivation decreased by 12% in 2018. Thus, reductions have taken place in practically all regions. However, the survey reported an increased opium yield per hectare, at 13.9 kg per hectare, a 4% increase compared to 2017. It also estimated the gross value of the opium economy at $1.2 to $2.3 billion, or 1.5% to 3.3% of GDP in 2017. Of this total, it is believed that $62 million to $103 million, or 0.4% of the agriculture sector's value, was earned by farmers cultivating opium. The period also saw massive decreases in the farm-gate prices of fresh and dry opium, falling by 35% and 45% respectively (UNODC 2018: iii–iv), which suggests a reorganising political economy.

The UNODC thinks that declining opium production in Myanmar may be linked to the massive expansion in supply and lower prices in Afghanistan. Because the Afghan and Myanmar opium production markets 'have mainly existed in isolation from each other', this trend (of a link between prices and supply in the two countries) 'would constitute a new phenomenon' (WDR 2018c: 14). The UNODC also suggests that decline in the demand in

Myanmar could be caused by a switch to the use of ATS and other synthetic drugs in the region. Further comparisons are presented in Table 4.2.

Table 4.2: Comparing basic data (latest available) of the top two opium producers

	Afghanistan: world's main producer of opium and heroin (ca. 78-85% of total)	**Myanmar: world's second main producer of opium and heroin (ca. 10-20% of total)**
Population 2018	37.172 million	53.708 million
GDP 2018	$19.363 billion[i]	$71.215 million[ii]
Land area	652,864 square kilometres	676,590 square kilometers
Land area planted to illicit crop	**328,000 hectares (78%)** of world total of 420,000 hectares (WDR 2018c: 12)	**41,000 hectares** (a decline from 55,000 hectares in 2015, and the lowest level since 2010) (WDR 2018c: 12) This reduced further to **37,300 hectares** in 2018[iii]
Illicit crop production level	**9,000 tonnes (85%)** of 10,500 tonnes of **opium** produced globally in 2017, an 87% increase from the previous year (WDR 2018c: 12)	**550 tonnes** of **opium** (a decline of 14% from the previous figure) (WDR 2018c: 13)
Processed drugs production levels	**550-900 tonnes (66%-85%)** of 1,100– 1,400 tons of **heroin** produced globally (WDR 2018c: 13)	**20-45 tonnes** of **heroin** for export; **7.6 tonnes** of heroin for domestic consumption; **114 tonnes** of unprocessed opium for consumption and potentially available for export (UNODC 2018: 19)
Farm-gate prices of illicit crop	February 2018: Dry opium: $113/kg (down from $195/kg in 2017)[iv] Fresh opium: $94/kg (down from $177/kg in 2017) No breakdown between dry and fresh provided. Using the lower price, value of 9,000 tonnes of opium is at least **$846 million**	All of 2018 Dry opium: $154/kg Fresh opium: $136/kg Total farm-gate value of opium is estimated at **$62-103 million** (UNODC 2018: vi)
Street prices of illicit drugs[v]	The average wholesale price of heroin in 17 western European countries is $31,549/kg. The 550–900 tonnes is therefore	The average wholesale price of heroin in 17 western European countries is $31,549/kg The 20–45 tonnes is therefore worth **$630.9 million to $1.419 billion**

	worth **$17.35 billion to $28.4 billion** Globally, the estimated annual street market value of heroin is around $55 billion[vi]	
Estimate of the size of the illicit economy as a proportion of GDP	World Bank's diagnostic states that exports of opium comprise **7-8% of GDP.**	UNODC estimates: **1.5-3.3% of GDP** (UNODC 2018: 4).

Notes on sources:

i: https://data.worldbank.org/country/afghanistan, last accessed 19 July 2019

ii: https://data.worldbank.org/country/myanmar, last accessed 19 July 2019

iii: According to UNODC 2018

iv: Sourced from the Ministry of Counter-Narcotics, Islamic Republic of Afghanistan and UNODC-Kabul, http://mcn.gov.af/Content/files/Afghanistan%20Drug%20Price%20Monitoring%20February%202018.pdf, page 4, accessed 28 Jan 2019. Farm-gate opium prices in Afghanistan have been falling.

v: The weighted average retail and wholesale prices of cocaine and heroin in 17 western European countries are sourced from https://www.unodc.org/unodc/secured/wdr/Cocaine_Heroin_Prices.pdf accessed 23 May 2016.

vi: https://www.unodc.org/documents/wdr/WDR_2010/1.2_The_global_heroin_market.pdf

Another explanation suggested by the UNODC for the declining trend is that the peace process is slowly establishing long-term stability. Because the UNODC believes that there is a direct connection between drugs and conflict — i.e. the drug economy supports the conflict and in turn the conflict facilitates the drug economy — 'providing solutions to the conflict will break this cycle'. The drug economy's influence can, the UNODC continues, be mitigated through the scaling-up of alternative development programmes that provide viable sources of legitimate income, as well as by addressing the presence of transnational organised groups (UNODC 2018: 5).

It is beyond the scope of this study to support or rebut the UNODC's explanations for the decline. It could also be that the decline in opium production in Myanmar is due to the long-term diversification of local economies that is enabling poor villages to wean themselves away from their income- and employment-dependence on opium. This is a matter for future research. For the moment, what this study could examine are cross-country comparisons with the other three focus countries, particularly with Bolivia that has also experienced a significant decline in coca production which will be discussed in the next section. For this section, the focus is an examination of the underlying assumption that illicit crop production and drugs trafficking are sources of instability.

4.4.2 State-sponsored protection rackets

Snyder and Duran-Martinez define 'state-sponsored protection rackets' as 'informal institutions' through which quid pro quos are arranged between public officials who refrain or selectively enforce the law on one hand and criminal entrepreneurs on the other, in return for a share of the spoils generated by illicit activity (2009: 254)[142]. The benefits from such rackets are not inconsequential, as the case of Myanmar demonstrates. Before 1990, there were some 25 ethnic armies operating in remote regions, the largest of which emerged in the borderlands of Shan State. As the conflicts dragged on, most if not all insurgent groups turned to taxing opium cultivation for financing their armed struggles. The curious phenomenon observed by Snyder and Duran-Martinez was that, following the dramatic increase in opium and heroin production after 1989, the biggest of these opium-financed armies did not expand. Neither did they engage in more battles, widen their bases, nor extend the scope of their operations. Instead, most demobilised and appear to have focused instead on opium-growing to rebuild their lives. Consequently, there was a dramatic reduction in the levels of violence (ibid.: 262).

The explanation, according to the two authors, lies in the military's successful construction of 'institutions of protection'. Such institutions, they argue, could emerge only under certain conditions. First, state officials must have a credible capacity to enforce the law because, without a credible threat of enforcement, why would criminals pay for non-enforcement? Thus, the stronger the illicit actors, the stronger and more capable the state must be if it is to successfully induce those illicit actors to participate in the protection racket. Second, criminal organisations also need to have the capacity to offer a credible guarantee to 'share the spoils', to refrain from violence when needed, share information, or control 'public hazards'. Thus, to be credible partners in a protection racket, 'criminal organisations require a certain level of internal command, control, and coherence' (ibid.: 255–256).

[142] In an earlier article, Snyder discussed whether 'lootable wealth' breeds disorder (2006: 943). This 2009 article provides the answers to that question.

With these conditions apparently met in Myanmar's borderlands, opium 'transformed from being a source of violence into a source of political order'. Opium not only provided a lucrative 'exit option' for battle-weary rebels looking for a settlement or compromise with the enemies they could not defeat, but who also could not win: the quid pro quo also created 'a powerful pacifying effect on the illicit markets'. By 1997, continue Snyder and Duran-Martinez, opiates had become Myanmar's largest export, 'pumping more than half-a-billion dollars annually into the economy, an amount exceeding the government's official tax revenues'. More importantly, these drug profits were invested into the legal economy, at a time when Myanmar was suffering from international sanctions and therefore had neither foreign direct investments nor official development aid and was perennially lacking hard foreign currencies. Thus, aside from helping in the demobilisation of insurgents, the racket provided an important revenue source. For the under-funded military units on the front lines, this provided an added bonus of making them financially self-sustaining in their operations. In short, the creation of a protection racket around opium enabled not only the partial demobilisation of the largest insurgent armies, it also stemmed capital flight and allowed the cash-strapped and diplomatically isolated government to weather the crippling effects of the international embargo imposed on the country (ibid.: 269).

The interdependency that was created is further illustrated in the retirement of Khun Sa, one of the major drug lords in Shan State who led the Mong Tai Army and at one point even declared himself head of an independent Shan State. Khun Sa's 'surrender' and turnover of the sizeable arms cache of his 20,000-strong army, including portable surface-to-air missiles, is generally regarded as a setback for the drug lord. McCoy, the first Westerner to have interviewed Khun Sa, argues that the drug lord miscalculated because his bid for Shan independence drew powerful states — Rangoon, Bangkok, Beijing and Washington — into an ad hoc alliance against him (McCoy, 2003: 435–436)

The surrender, however, was not a complete loss to Khun Sa, according to Snyder and Duran-Martinez. It actually brought him economic benefits, since it not only freed him from the expense of having to provide for his own protection by maintaining a large private army, but also opened up doors that enabled him to invest in the legal economy. While living in luxury in the capital and protected by the military, he made major investments in real estate and the hotel industry. Despite US pressure on Rangoon to extradite Khun Sa and the substantial increase to $20 million of the bounty on his head, he remained protected in the Burmese capital, enjoying a life of opulence in the company of his teenage wives, until his death by natural causes in 2007, at the age of 73 (Snyder and Duran-Martinez, 2009: 269–270).

4.4.3 History repeating itself: Opium as an incubator of capitalism?

The global community was not unaware of the state-sponsored protection racket. Over successive years, the INCSRs had been stating that drug profits had become the seed capital for many otherwise legitimate commercial and manufacturing enterprises. In 2002, for example, the INCSR reported that Myanmar had adopted 'policies that facilitate the funnelling of drug money into commercial enterprises and infrastructure investment' (INCSR 2002: XII–94). Indeed, in an evaluation of Myanmar's anti-money-laundering efforts in 2002, Brian P. Joyce confirmed what by then had become a public secret: 'As a means of maintaining peace and apparent stability, criminal elements were not only permitted to engage in illegal activity but also encouraged to invest ill-gotten gains into legitimate commercial development' (2002: 81).

As such, it was illicit enterprise that arguably began the revival of Myanmar's moribund economy. Over the years, more of these opium-capitalised legitimate enterprises were tagged in the Specially Designated Narcotics Traffickers (SDNT) database. The state-sponsored protection racket as an incubator of capitalism is captured in Patrick Meehan's (2015)[143] enumeration of some of the country's largest private companies believed to have been created or capitalised by revenues from the drugs trade.

Table 4.3: Firms and tycoons with known or suspected links to the Shan opium trade (developed from Meehan, 2015: 17–19)

Company and Chairman	**Main enterprise**	**Involvement in the drug trade**
Asia World Company	Real estate, transport, construction, infrastructure, industrial development	Asia World was founded by Lo Hsing Han, one of Myanmar's best-known drug lords. By the time he died on 6 July 2013, he had built Asia World into the biggest conglomerate in Myanmar, with subsidiaries in Singapore. Key news organisations around the world published obituaries for him. *The Economist* described him not only

[143] This paper by Meehan was commissioned by Christian Aid in 2015 but has remained unpublished out of concerns over possible repercussions on the organisation's humanitarian and development programmes in Myanmar. However, much of the information it contained came from publicly ava

Chaired by U Tun Myint Naing, also known as Steven Law		as a 'heroin king' but also 'a pillar of the economy' (27 July 2013).[i] The *Daily Telegraph* described how he started as a militia captain who became successful as a drug lord by undercutting his rival traffickers, charging lower commission fees for the opium and heroin he trafficked. Steven Law is Lo's son; he was educated and groomed to take care of his family's legitimate business enterprises. Law was once wanted by the US on drug trafficking charges and Asia World was on the US Sanctions List for years and has been investigated for money laundering. After the US government terminated its Burma Sanctions Program in October 2016,[ii] Asia World has become a fully legalised and legitimate multinational conglomerate.
Hong Pang Group Chaired by Wei Hseuh-Kang	Construction, jade mines, logging, infrastructure electronics, commercial agriculture, textiles, gems, transport	Wei is a leading figure in the United Wa State Army, (UWSA) formerly in charge of its Southern Command and 171 Military Region. UWSA is a splinter of the Communist Party of Burma, and the second insurgent army to sign a peace agreement with the government, in May 1989. Later, UWSA was mobilised alongside the Burmese Army (Tatmadaw) to fight the Shan State Army-South. Wei is a known drug lord and close associate of Khun Sa. Wei was indicted by a Brooklyn Grand Jury in January 2005 and is wanted by both the US and Thailand on drug trafficking charges. In 2008 the US Treasury Department named 26 individuals and 17 companies linked to Wei and the UWSA as 'Specially Designated Narcotics Traffickers pursuant to the Foreign Narcotics Kingpin Designation Act (Kingpin Act)'. The Treasury's OFAC described the UWSA as the 'largest and most powerful drug trafficking organization in Southeast Asia' (from OFAC's database entry) [iii].
Yetagun Construction Company Chaired by General Ye Myint	Construction	General Ye Myint was a member of the State Peace and Development Council, the official name of the military government that took power from 1988 until it was disbanded in 2011. Ye served as the head of Special Operations Bureau (1) and has been one of the government's leading negotiators with the UWSA and other Kokang-based insurgent armies over the past two decades. In 2008 he was forced to resign from the government as a result of his son's arrest on drug trafficking charges, though reports stated that in 2009 he continued to serve as a government interlocutor with the Kokang-led Myanmar National Democratic Alliance Army (MNDAA).
Maung Weik and Family Company	Burma's largest importer of steel and gilding glue, used for the	Maung Weik had close links with a number of senior government officials and is believed to have been closely involved in trafficking drugs from Burma to Malaysia. In

Chaired by Maung Weik	building and renovation of pagodas	November 2008 he was sentenced to 15 years imprisonment on drug trafficking charges following an investigation into the drug trafficking activities of Aung Ye Zaw Myint, the son of Lt. General Ye Myint (see above).
Myanmar Mayflower Group Chaired by U Kyaw Win	Banking, logging, fisheries, import/export	Also known as May Flower Kyaw Win, he was born to a poor Chinese family from northern Shan State, but rose to become Chair of Myanmar May Flower Bank, at one time the third largest in Myanmar. He has close connections with the government, especially with General Maung Aye, Deputy Chairman of the State Peace and Development Council. Myanmar Mayflower Bank was shut down in 2005 after intense pressure on the Myanmar government from the US, which stated that the bank was 'of primary money laundering concern' (entry in OFAC database). He was reported to have been the nominee for Finance Minister by the now ruling NLD party.
Olympic Construction Company Group (renamed Shwe Taung Group) Chaired by U Eike Htun (aka Aik Tun)	Real estate, construction, banking	Established in 1990, Olympic is one of Myanmar's largest construction companies, focusing on real estate in Yangon. It built Yangon's first shopping centre. U Eike Htun forged close links with former Prime Minister Khin Nyunt and the Olympic Construction Company has been involved in numerous joint ventures with the government's Housing Development Agency. By the end of 1996, Olympic had invested $700 million in property development projects, and is linked to Asia Wealth Bank (see next item).
Asia Wealth Bank Chaired by U Eike Htun (aka Aik Tun)	Banking	Asia Wealth Bank was Myanmar's largest private bank prior to the banking crisis in 2003. Little is known about the exact source of U Eike Htun's capital though it is strongly believed that he has close links with the drug trade in his native Kokang region. In 2003, the US Treasury imposed sanctions on Asia Wealth Bank and Myanmar Mayflower Bank, stating that they posed 'an unacceptable risk of money laundering and other financial crimes, and are linked to narcotics traffickers. The specific information concerning these two banks justifies their exclusion entirely from the U.S. financial system' (entry in OFAC database) [iii]. The US Treasury explicitly cites Eike Htun as 'having connections with the narcotics trade'.
Peace Myanmar Group (PMG Co. Ltd) Chaired by Yang Mao-Liang	Spirits and liquors (Myanmar Rum and Myanmar Dry Gin), and bottled drinking water; paint factory; franchisee for	Yang Mao Liang is a leading figure in the MNDAA, one of the splinter groups of the CPB which signed a ceasefire agreement with the government in March 1989. Founded in 1994, Peace Myanmar Group has previously entered into joint ventures with the Ministry of Commerce. Throughout the 1990s the Yang family domi-

	Mitsubishi Electric)	nated drug production and trafficking in the Kokang region of Shan State, controlling many of the estimated 23 heroin refineries that emerged in the area following the 1989 ceasefire. In 1994 Yang Mao-Xian (Yang Mao-Liang's younger brother) was arrested and executed by Chinese authorities for drug trafficking.
Shwe Lin Star Company and Green Light Company Chaired by Lin Ming Xian (aka U Sai Lin)	Road-building, tourism, construction, logging, mining	Ling Ming Xian, a former CPB Commander, is the leader of the National Democratic Alliance Army, a position he has held since 1988. The NDAA formed following the collapse of the CPB and signed a ceasefire with the government in 1989. During the 1990s Lin forged close links with the government. He is described as a 'leader of national races' in the state press and hosted US Congressman and House of Representatives' Speaker Dennis Hastert in 1993 and Congressman Charles Rangel in 1996, during their visits to Myanmar. He was also selected as one of the government-appointed representatives at the National Convention to draft the country's 2008 constitution. Throughout the early 1990s the NDAA, under Lin, monopolised drug production and refining in the area of eastern Shan State under his control. In 1997 Lin claimed to have made this area opium-free and he was taken off the US SDNT List in 2000. Many still believe the NDAA derive significant income from heroin trafficking, although this is hard to verify. Lin's Green Light Company was commissioned to construct parts of the Asian Development Bank Greater Mekong Subregion (GMS) Route highway '3B' (itself a useful drug-money laundering channel), which has been a cost-effective way of improving the area's infrastructure.
Yangon Airways and Tetkham Company Aik Hawk (aka Hsiao Haw)	Airline, hotels, gems, construction	Aik is the son-in-law of UWSA President, Bao Youxiang. He has close links with Wei Hsueh Kang (see Hong Pang Group above) and is closely involved in the drug trade. Aik Hawk had personal links with former Prime Minister Khin Nyunt and is close to other senior generals. The Company has won numerous large-scale construction contracts from the Yangon City Development Council. Aik has also provided capital for businesses owned by high-ranking generals, including General Myint Hlaing, the former commander of the Northeast Regional Command. Aik was also a principal investor in Myanmar Mayflower Bank (see above). In 2009 a number of his associates were arrested after heroin seizures in Yangon, and Aik himself came under increasing government pressure, apparently fleeing to UWSA-controlled territory. In 2008, under the Kingpin act, the US placed sanctions

		on both Yangon Airways and Tetkham, designating both as entities of a 'significant narcotics trafficker', and added them to the SDNT List.

Notes:
i: Other news organisations that published obituaries about Lo included the New York Times, Al-Jazeera, ABC News Australia and the Bangkok Post
ii: See https://www.treasury.gov/resource-center/sanctions/Programs/Documents/burma_fact_sheet_20161007.pdf
iii: Some of the information are sourced from a search of the US Specially Designated Nationals Sanctions SDNT database: see - https://sanctionssearch.ofac.treas.gov/. It should be noted though that since the US terminated its Burma Sanctions Program in 2016, many of the names and firms in the sanctions list have been removed and could not anymore be searched.

4.4.4 Illicit crop enterprise as sources of order, too

Myanmar is a typical developing country that has rich mineral areas, forests and fertile valleys that have, since independence, become dangerous places where armed groups ruled, engaging in civil wars in which no side could win or be defeated. Much of the conflict was in the rugged and mountainous Shan State, which according to Bertil Lintner (2000, 2015) was historically the poorest and most marginalised area because its terrain did not allow intensive agriculture, lacked water resources, and had poor infrastructure for bringing harvests to markets before they spoiled. But two crops were suited to its conditions: tea and opium. When the conflicts ignited, tea diminished in importance, while opium, which can be grown on just about any hillside, over a much shorter period, and with considerably less maintenance, became the crop that provided a lifeline to those trapped by the conflict. An interesting observation by Lintner is that, while there was intense fighting over territory and political causes, very little violence was triggered by the opium trade itself.

Myanmar's economic isolation contributed to the utility of opium to its national economy. When in 1988 the government declared martial law and enforced a bloody crackdown, painful international economic sanctions were imposed by the US and the global community. It became illegal for US banks, firms and individuals to engage in transactions in Myanmar or with Myanmar firms and individuals, without first obtaining special licences from the US Treasury. Deprived of access to global markets, starved of foreign direct investments and hard foreign currency, and barred from receiving development aid, Myanmar's economy teetered on the verge of collapse. Yet it did not go belly up, thanks not just to the investment of opium profits into the national economy, but also to opium's most effective redistribution of income especially in the most marginalised areas.

Given such conditions, it is not a surprise that the most important firms and enterprises to have emerged in Myanmar, as detailed by Meehan in Table 4.3, are those capitalised by opium profits. As Renard observed back in 1996, despite the diplomatic isolation, economic embargo, muddled rules on property ownership, lack of industrial capacity, and most importantly the possibility of US prosecution for sanctions breaches, there were still 26 foreign banks that decided to open representative offices in Myanmar that year. Wasn't this, he asked, because 'there was such a thriving opium trade?' (Renard, 1996: xiv–xv).

The question that remains is whether the state-sponsored protection racket of the 1990s has ended and has now been replaced by something else, as signalled by the decline in opium production since 2014 flagged by the UNODC. Like Asia World, Lo Hsing Han's conglomerate that has successfully managed the transition from an illicit firm under US sanctions to a legitimate multinational enterprise that transacts normal cross-border business, is Myanmar now moving out of the illicit economy, and settling strategically and firmly into the legal economy? If so, this will not be the first time that such a transition has been made. Myanmar and its opium-capitalised conglomerates will simply be treading the same path, as elaborated in Chapter 1, that British investment houses and trading firms such as Jardine Matheson and Company, Dent and Company, or Russell and Company took in their transition from opium traders to diversified capitalist enterprises (Trocki, 1999).

In sum, illegality does not always breed violence: there is no singular relationship between illicit crop economies and instability. Although it appears counter-intuitive, under certain conditions — as elaborated in the case of Myanmar and Shan State — illicit drugs can transform from being a source of violence into being a source of stability, and even a driver of economic growth. This appears also to be the situation in Afghanistan and Colombia. An understanding of interdependency — rather than theories of the firm or instrumentalist theories of violence — is necessary to resolve the failures of the orthodoxy.

However, it is important not to lose the nuances. Myanmar's decades of economic isolation — starting with its largely self-imposed isolation from 1962 and expounded by the harsh international sanctions from 1988 — may have created enabling conditions not possible in other contexts. Additionally, there has been a resurgence in violence in the opium croplands since 2011, showing that even apparently stable quid pro quos and relationships of interdependency are subject to wider processes of social, political and economic change.

4.5 (Thread D) *'Illicit crops are evil'*: The case of Bolivia and the Chapare

A fourth widely-held assumption of the orthodoxy is the notion that illicit crops are a social evil. In the 1952 UN ECOSOC Enquiry on the Coca Leaf, a team of UN scientists reported that '…we are convinced that coca-leaf chewing is a social evil' and went on to support racist views that coca-chewing populations were 'little civilised', needed to be 'saved', or that it was only through Christianisation that the 'primitive population' could 'show themselves to be physically and mentally capable of freeing themselves from coca-leaf chewing' (Wolff, 1952: 3–8). But more importantly, in 1961, no less a document than the Preamble of the UN Single Convention on Narcotic Drugs stated that it is the duty of states 'to prevent and combat *this evil*'. The wording is notable, explains Rick Lines, because under international treaty law, the Single Convention is the only UN treaty 'characterising the activity it seeks to regulate, control or prohibit as being "evil"' (2010: 3).

It is important to remember that this 'evil' is variably allowed — the licit cultivation of these plants and the licit manufacture of its products (like morphine or heroin) are allowed under regulation in order to supply medical and scientific needs. For example, in 2018 licit opium was harvested in Australia (12,826 hectares); France (8,054 hectares); Hungary (876 hectares); India (5,165 hectares); Spain (5,685 hectares) and Turkey (45,135 hectares) (INCB, 2018: 114–117). In the UK, there are thousands of hectares of farmland in Oxfordshire, Northamptonshire and Lincolnshire that are called 'the painkilling fields' because they grow opium poppies for the production of morphine, diamorphine, codeine and other opioids for the UK's National Health Service. The UK Home Office licensed the company Macfarlan Smith to produce the opium and process the opioids. The company then sub-contracted the cultivation of the crops to British farmers. The Home Office clarified that *Papaver somniferum* can be grown in the UK without a licence, 'but the extraction of the drugs is a complex industrial process and the people who work to produce the drugs have to be licensed' (*Evening Standard,* 14 July 2007; see also Ffrench, 2013).

Similarly, there is also licit coca leaf growing. The INCB reports that Peru has been the only country that exports coca leaf to the global market since 2010; in 2017, it reported an export volume of 147.3 tonnes. The other major licit producer is Bolivia, with its 'zones of traditional production' in which coca is legally grown and harvested for the coca-chewing market. But there are also 'zones of excessive production under transition', and 'zones of illicit production'. Bolivian *sindicatos* (coca workers unions) play the key role in identifying zones of excessive and illicit production, which are then subsequently targeted for eradication in order to prevent the excess harvest's conversion into cocaine for the criminal market.[144] Cultivation in Bolivia is allowed in accordance with the reservation expressed in 2013 at the UN, when the country re-acceded to the 1961 Convention (INCB, 2018: 22).

If opium effectively resuscitated Myanmar's economy when it was constrained by economic sanctions, as argued in the last section, coca and cocaine acted similarly for Bolivia in the 1980s, when the country suffered hyperinflation. In his cost-benefit analysis of Bolivia's national accounts during these years, James Painter concludes that the coca-cocaine economy not only prevented a major social collapse (there was already a virtual economic and political collapse), but at the very least 'facilitated the country's most radical restructuring of its economy this century' (Painter, 1994: 53–54, 73).

4.5.1 Stigmatised as criminals, cocaleros capture state power

Today, Bolivia, where coca-chewing has been practised for centuries, leads the way in reversing the beliefs, prejudice and stigmatisation around coca. Since the dramatic election of a cocalero, Evo Morales, as president in 2005, Bolivia has worked to undo the 'historical mistake' of banning the coca leaf under the 1961 Single Convention. Immediately after assuming the presidency in 2006, Morales convened a Constituent Assembly to draft a new Constitution to change, among other things, the legal status of coca, causing concern in global drug agencies and the US. By September 2008, Bolivia had declared its open defiance when Morales expelled the US Ambassador from the Bolivian capital (*Daily Telegraph*, 12 September 2008). Two months later, he went further by expelling the US Drug Enforcement Administration.

[144] For more discussions on the differences between eradication in Colombia and Bolivia, see Mortensen and Gutierrez (2019).

In February 2009, following approval in a referendum, the new constitution came into force. It states that:

> The State shall protect native and ancestral coca as cultural patrimony, a renewable natural resource of Bolivia's biodiversity, and as a factor of social unity. In its natural state coca is not a narcotic. Its revaluing, production, commercialization and industrialization shall be regulated by law. (Article 384, Constitution of the Plurinational State of Bolivia)[145]

Speaking before the CND in Vienna on 11 March 2009, Morales stunned his audience by chewing a bag of coca leaves at the podium. 'This is a coca leaf', he said. 'This is not cocaine. This represents the culture of the indigenous people of the Andean region' (*Daily Telegraph*, 12 March 2009). Bolivia then led a petition for two amendments to the 1961 UN Single Convention on Drugs: the removal of Article 49-2a which banned the coca leaf; and the removal of the coca leaf from the Treaty's schedule of restricted products and substances. When countries led by the US objected, the petition collapsed in January 2011, well into Morales' second term. In response, Bolivia officially withdrew from the Treaty in protest. It formally notified the UN Secretary-General of its withdrawal on 23 June 2011 — but then it also announced its application to re-accede to the Treaty on 1 January 2012, when the withdrawal would take effect. This was a legal manoeuvre, allowing Bolivia to re-accede officially 'with reservations', which means that it joins the treaty again, but notifies the other parties that it does not accept the classification of the coca leaf as an illicit drug. Under Section 1 of Article 49 of the Treaty, a country may at the time of accession reserve the right to 'temporarily permit' coca chewing in its territory for 25 years (INCSR 2012 Vol. 1: 9, 16, 125–129). When the re-accession was approved a year later, Bolivia had won a technical means to buy time, 'legalise' coca cultivation temporarily, and then campaign for more changes within the UN system.[146] In other words, Bolivia won time to refine its policy of 'yes to coca, no to cocaine'.

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[145] From the English translation of Bolivia's 2009 Constitution available at https://www.constituteproject.org/constitution/Bolivia_2009.pdf , accessed 29 January 2019.

[146] Bolivia's row with the UN, specifically with countries that opposed coca-leaf chewing despite the Bolivian government's opposition to cocaine, received widespread media coverage. See, for example, Jamie Doward (2013) in *The Guardian*.

4.5.2 'Yes to coca, no to cocaine'

The policy, officially called the 'Cato Accord', legalised the cultivation of small amounts of coca in specific zones or '*catos*' to supply Bolivia's legal market for coca with pre-set limits. It has been described as 'a humane and effective approach to control coca cultivation' that 'encouraged the sindicatos or coca workers unions to self-police to ensure growers do not exceed this limit' by identifying areas where over-production takes place, which are then subject to government-conducted eradication operations. In addition, it envisions the processing and export of coca-based products such as coca tea, coca shampoo and coca toothpaste (Grisaffi, 2015: 1; Ledebur and Youngers 2013). There is inevitable resistance from coca growers to such an approach, but it is 'overall deemed fair and well-managed, as shown by the relative absence of open rejection of the authority of the *sindicatos'* (Mortensen and Gutierrez, 2019: 66).

As in Putumayo, many residents of Bolivia's Chapare province are migrants displaced by upheavals and changing agrarian economies elsewhere (Chapter 6 provides further discussions on this). Chapare was not only where US-backed eradication campaigns were most forceful, it was also where the alternative coca control strategy was developed. The settler families of Chapare, emphasises Grisaffi, were not reliant on coca alone. They used manual labour in family-run farms to cultivate rice, bananas and citrus fruit. Others found work as labourers in coca-paste production. Perhaps because many of them had previously been exposed to social movements and the benefits of collective action as unionised workers in collapsed mining firms, it was from these settler-farms that the self-governing sindicatos emerged, which assumed the role of local governance, 'responsible for assigning land, administering justice, taxing the coca trade and undertaking community projects such as building schools or roads' (2015: 3).

Grisaffi points out that coca growing is not profitable. Rather, 'it complements subsistence farming and, in the absence of other income-generating activities, is one of the few pursuits that provide them with access to cash'. In marginalised economies, cash is needed to pay for schooling, buy clothes, visit the doctor, or to purchase daily needs such as cooking oil or salt. To be eligible to operate a cato of coca, growers first have to obtain a land title and have their cato measured and officially registered. To bolster and improve internal controls, the European Union funded a biometric register of producers and their catos, imprinted on identity cards. Coca control then becomes a community responsibility, with the sindicato organising regular inspections, and the community deciding on eradication measures should production breach the limits (ibid.: 3–5).

There remain many problems and issues with the Cato policy, with some critics coming from the ranks of cocaleros themselves. Yet what cannot be denied is a significant outcome — the Cato policy has contributed to a sharp reduction in violence. Despite its previous history of violence and conflict, Bolivia today has no active armed insurgencies or Colombia-style criminal cartels. In a visit by Colombian peasant leaders to the Chapare in February 2017, they were impressed that an eradication operation they had just witnessed did not lead to any outbreak of violence, and noted the deeply transformed relationships between the Bolivian military and the peasantry (Mortensen and Gutierrez, 2019: 66).

4.5.3 Social movements, contentious politics and 'rough peace'

Bolivia's achievement is nothing less than remarkable, explains Ursula Durand-Ochoa (2012). The cocaleros were engaged in contentious politics; they had to defend an internationally outlawed commodity, and to make divisive claims that inhibited social movement unity. Externally, their claims and cultural identification with coca cast doubt on their legitimacy, thus limiting their chances of support from allies and sympathisers. Internally, they had to construct other political identities in addition to that of cocalero. They are campesinos and indigenous people too. They are poor communities whose very lives are at stake, and whose human rights have been consistently disregarded. They have a right to be heard in international policy-making that has so far deliberately excluded them. Thus, the cocaleros legitimised their struggles to their external audiences by raising issues wider than the coca, that they are willing to be part of a 'plurinational state', and that they represent the voice of the excluded. In the process, they turned the source of illegitimacy — the coca leaf — into a potent national symbol that signified opposition to the economic elites, the traditional political parties, and the United States (2012: 34, 196).

The construction of such identities, Durand-Ochoa argues, is dependent upon political opportunities and threats that constantly shift. Thus, the cocaleros deliberately 'accentuated, attenuated, redefined, and constructed identities in strategic calculations to promote unity and attract support'. They based their claims on a material grievance — coca eradication — that affected their livelihoods. But at the same time, they 'employed symbolic discourses in their struggles as they sought to legitimise their initial grievances and incorporate new ones to sustain and broaden their appeal'. They made use of political opportunities or created new ones, 'by tapping into grievances, discourses and identities that resonate' with various audiences. In other words, according to Durand-Ochoa, the cocaleros were successful because they employed both strategy-oriented approaches that led to visible gains, such as policy change, and identity-oriented approaches with less visible gains, such as the production or the appropriation of meaning. The cocaleros successfully challenged internationally dominant norms and law and put themselves on a collision course with the US. But instead of being politically isolated as a consequence, they began to rally other countries to start questioning the basic premises of the international drug control treaties (2012: 196–197). Using the same strategies that the cocaleros used to broaden their appeal within the country, Bolivia under Morales championed wider issues of the excluded on the international stage.

Stewart Prest has sought to explain what he terms Bolivia's 'rough peace', or the avoidance of armed conflict in such a contentious political context. He argues that certain forms of locally embedded governance institutions — such as the sindicatos that assumed governance functions in the absence of the state — can play an important role in mitigating the likelihood of armed violence. 'Inclusive communities equipped with governance institutions capable of resolving collective action problems', he emphasises, 'are, under a range of conditions, less likely to engage in armed conflict with other communities or the state' (2015: ii).

Thus, Durand-Ochoa's and Prest's conclusions are particularly useful for understanding what may be missing in the other three illicit-crop-producing countries studied here, which are affected by violence and conflict. Prest's analysis may explain why and how some countries at risk of civil conflict, such as those with unconsolidated political regimes or limited state capacities, like Bolivia, 'tend to persist indefinitely in a state of rough, yet durable peace, while others experience conflict' (ibid.).

The near elimination of violence, avoidance of criminal enterprise, and institution of self-governance all counter the framing of coca as a social evil. Drug control and development policies of other countries could benefit from a careful consideration of Bolivia's experiences.

4.5.4 Comparing Bolivia with other illicit-crop-producing countries

As a case in this PhD study, therefore, Bolivia presents a necessary and important contrast with the other cases: it is major illicit crop producer but it has no active armed insurgencies, and as far as this research could determine, no politically active criminal organisations like those seen in Colombia.

Moreover, unlike Myanmar, Bolivia does not appear to need a state-sponsored protection racket in order to turn coca into a source of stability.

As already mentioned, one key similarity that Bolivia does share with Myanmar is the fact that its illicit crop and product effectively reversed a collapse of the national economy. From the late 1970s to the early 1980s, Bolivia suffered a deep recession. The most obvious symptom was hyperinflation, the 'twilight zone where banks no longer function, and bills are paid with foot-long bundles of paper money' (*New York Times,* 8 April 1985), while the value of earnings erode at a dramatic pace. 'The largest peso note — a 100,000 peso bill — is worth only $2' (ibid.). In early 1985, the inflation rate was estimated at 50,000%, but was estimated to fall later in the year to 16,000% (ibid.). And so effectively, what international economic sanctions did to cripple Myanmar's economy after 1988, hyperinflation did to Bolivia in the early 1980s.

Bolivian economist Roberto Laserna explains that the recession began with a crisis in the balance of payments, the result of Bolivia losing out on its external trade because of the plunging prices of its main exports, gas and minerals, and the tightening of conditions in the financial market. At its core, however, the recession was caused by serious problems of production that led to the virtual collapse of the formal economy (Laserna, 1995: 42–45). There were also 'conjunctural "push" factors', such as the widespread and prolonged drought of 1983–84 leading to a serious shortage of staples and the death of large numbers of livestock; the permanent and temporary migration of a workforce seeking stability; political scandals and instability; and overall discontent that led to a series of general strikes (Painter, 1994: 6).

Deep and painful as it was, however, the recession coincided with a coca boom. As observed by James Painter,

> …the coca-cocaine economy clearly acted as a huge social safety net, absorbing labour from the collapsed mining and industrial sectors, and replacing large portions of dollars previously generated by minerals, gas and other exports. But coca and cocaine production also provided critical, and perhaps decisive, support for the success of the stabilization programme initiated by the government in 1985. (Painter, 1994: 54)

Part of the evidence upon which Painter based this conclusion is a table, showing the spectacular rise of coca-cocaine in Bolivia's economy from 1986 to 1990[147]. As Table 4.4 shows, starting from 1987, nearly half of Bolivia's recorded exports were from the coca-cocaine economy. If opium was pumping half a billion dollars into Myanmar's economy by 1997, coca and cocaine were doing the same for the much smaller Bolivian economy from 1986 to 1990.

Table 4.4: Coca-cocaine as a percentage of Bolivia's exports, 1986 to 1990 (Painter, 1994: 48)

	1986	1987	1988	1989	1990
Coca-cocaine	$246 million (27.8%)	$536 million (48.5%)	$674 million (52.9%)	$632 million (43.5%)	$694 million (43%)
Minerals	$197 million (22.7%)	$207 million (25.2%)	$273 million (30%)	$403 million (36.9%)	$401 million (33.5%)
Hydro-carbons	$333 million (38.3%)	$256 million (31.1%)	$219 million (24.1%)	$214 million (19.6%)	$227 million (18.9%)
Non-tra-ditionals	$109 million (12.5%)	$106 million (12.9%)	$108 million (11.9%)	$204 million (18.7%)	$292 million (24.4%)
Total without coca	$638 million	$570 million	$600 million	$822 million	$921 million
Total with coca	$884 million	$1105 million	$1275 million	$1454 million	$1615 million

The impact of the coca boom must not be measured in terms of aggregate income alone. A more important measure is how much of that income is retained inside the country and redistributed across the population. In Myanmar's case, the income from opium exports could only be re-invested back into the local economy, as international sanctions had outlawed foreign

[147] Painter adapted this table from data supplied in Franks, 1991: 20.

banks and firms from transacting business with Myanmar. For Bolivia, Painter presents another table, based on two sources (USAID and Franks) that gives an indication of coca-cocaine incomes retained inside Bolivia in 1990 (see Table 4.5).

Table 4.5: Estimates of coca-cocaine incomes retained in Bolivia in 1990 (Painter, 1994: 49)

	USAID estimates	**Franks' estimates**
Coca leaf income	$35 million, of which $35 million stayed in country	$64 million, of which $64 million stayed in country
Coca paste income	$72-95 million, of which $37-59 million stayed in country	$153 million, of which $71 million stayed in country
Coca base income	$193-291 million, of which $48-79 million stayed in country	$364 million, of which $53 million stayed in country
Cocaine income	$291-380 million, of which $29-35 million stayed in country	$330 million, of which $28 million stayed in country
Total income staying in Bolivia	$150-208 million	$216 million

Official unemployment jumped from 5.8% in 1980 to more than 21% in 1985, as at least 60,000 people lost their jobs in the manufacturing and mining sectors. These included the 27,000 miners who were laid off following a slump in the global price of tin — the backbone of Bolivia's exports — from $12,000 to $5,000 a tonne. The government responded by closing 17 state mines (Painter, 1994: 7). Many of these laid-off workers, including those from the mining districts of Potosi and Oruro, migrated to the Chapare, the centre of the coca boom. Chapare is an area that falls largely within the Cochabamba Department, a political administrative unit of Bolivia. Painter acknowledges that the number of these laid-off workers who migrated permanently is not known. Laserna, however, made the coca boom and the migration to the Chapare the focus of his research. Laserna wanted to know:

> … how a sudden economic boom in a peripheral region and fuelled by an illegal international activity occurs, and what consequences this has for regional development. If the coca boom has generated a significant flow of financial resources, have these offered an opportunity for development? What possibilities did the small indigenous peasant producers of coca have to accumulate wealth? Has it been possible for the region to take advantage of the coca boom to improve the living conditions of the population and accelerate its development process?

Laserna's findings are important because of the inferences and clues they offer into the impact of illicit-crop-fuelled economic booms in the other countries in this study. Laserna examined Cochabamba's place in Bolivia's economy. Resting mostly on low-lying plains and flatlands adjacent to the Bolivian highlands in the west, Cochabamba became important 'because of the development of agricultural haciendas which fed the mines in Potosi'. Hence, right from the beginning, Cochabamba was already incorporated into the internationalised Bolivian economy even though it was not export oriented prior to coca growing. As Laserna emphasises, 'the economic cycles of silver, tin, rubber and petroleum, which have been the organising forces of the Bolivian economy, found in Cochabamba a basic source of essential inputs, i.e. food and labour'. Hence, he concludes, economic processes here were more stable than in other parts of the country (1995: 231–232).

Migration into the region, along with the ability to reorient its economic focus to supply the mines in the highlands or the rubber plantations in the east, are probably the reasons why 'there was neither the development of concentrations of capital nor a strong dominant class in Cochabamba'. Bolivian agrarian reform, which Laserna calls 'one of the most radical and least violent on the continent', was centred in Cochabamba, making small properties characteristic of the region. Cochabamba is a region of small landowners and merchants, making its regional economic structure flexible and versatile (ibid.: 232–235).

An important insight provided by Laserna is that anti-drug campaigns made it impossible to turn the coca boom and its clandestine economic activities into development investments, and thereby attract legal capital into the region. In Myanmar, in contrast, illegal drug profits were transformed into investments in the legal economy because its entrepreneurs were kept out of global financial flows by international sanctions and were 'allowed' by the authorities. This was not the case in Bolivia, where illegality and anti-drug policies spread uncertainty for turning drug profits into legal investments. To establish a strategy of minimum control over the drug economy, thereby turning it into a development asset, Laserna suggests three processes (ibid. 241–245):

- The opening of markets: expand the legal coca market, both through depenalising its use and consumption, and industrialising its derivatives.
- Decriminalisation: begin a process of gradual, partial and controlled decriminalisation of drug markets, steering a course between the extremes of unrestricted liberalisation on one hand and absolute prohibition on the other.
- Human sustainable development: focus on the precariousness of the labour market and living conditions in the production zones, not just on the criminal organisations and their large profit margins.

Laserna reiterates that the major obstacle to taking advantage of the enormous resource flows from clandestine economic activity and turning them into equitable development is ***uncertainty.*** At the family level, reducing uncertainty will stimulate the savings of campesinos, and permit the planning of investments to improve their living conditions, income security, and the use of resources. At the regional level, reducing uncertainty would allow for improved coordination of institutions and agencies to implement development policies, and avoid what happened in the Chapare where daily disputes between credit and infrastructure agencies, or between promoters of new crops and coca eradicators, turned the region into an arena for rivalries and inter-agency conflicts (ibid.: 245).

Laserna's proposals find particular resonance in Helmand, Shan State and Putumayo. At the core of the paradox of illicit economies is the principle that the social reproduction of resilience could be improved if uncertainty were reduced, especially under conditions of fragility.

The case of Bolivia and the Chapare thus provide a useful contrast to this chapter's development of a conceptual model of interdependency, as a means to better understand the political economy of illicit crop production. If coca could be grown and managed in such way as in the Chapare — with considerably less violence, more democratic governance and the avoidance of control by criminal entrepreneurs, despite all its stated structural flaws and limitations — could the notion then of illicit drugs as evil be effectively challenged and dismantled?

4.6 Conclusion: Interdependency as an approach for connecting drugs and development policy

This chapter has demonstrated the fallacies of drugs and development policy orthodoxy. Many of the assumptions about fragility and vulnerability are at best incomplete assessments riddled with blind spots and oblivious to local agency. Assumptions about supposed links between fragility, violence and illegality are not always true. Illegal economies are shown to be capable of re-inserting excluded and marginalised local economies back into national and global markets, thus enabling the penetration of capital and investments into displaced populations. Illicit drug crops can transform from being a source of violence to a source of stability, even a driver of economic growth. Non-state institutions of local governance can potentially eliminate violence and, over the long term, pave the way for diversified local economies that ultimately eliminates dependence on illicit crops.

To conclude, the cases in this chapter are not just cases of illicit crop- and drugs-producing territories, but are also spaces of change and contestation, where interdependencies are created or broken, and where the 'resilience index' — a single common metric that represents diverse outcomes or consequences (Ritter, 2009: 475) — has been reproduced in contexts that have similarities and differences. Policy development to eliminate the disconnect between drugs and development policies is long overdue, especially since there is no shortage of knowledge and evidence available to policy-makers for reconsidering current approaches. The analysis in this chapter provides some indications of possible areas for focus in new policy development in order to resolve the paradox of illicit economies, as summarised in Table 4.6.

Table 4.6: Summary: Challenging the assumptions of orthodoxy

Case	Orthodoxy typically applied in understanding the case	What new policy development could cover
Afghanistan – Helmand Province	Fragile states are most vulnerable to illicit crop production and its harms.	Vulnerability to illicit crops is not automatic in fragile states; focus should be on the agency/resilience of people.
	Peasants cultivating drug crops are primarily rational economic actors.	Peasants tend to prioritise stable subsistence over high return/high risk strategies; peasants run households, not firms.
	Denial of existence and impact of illicit drug economies.	Engagement with illicit economies and actors to enable coping and survival in contexts of fragility and conflict.
Colombia – Putumayo Department	Fragility, violence and illegality breed each other. Areas where illicit economies thrive are unruly, disorderly or less civilised.	The more fundamental problems are marginalisation and exclusion. Illicit economies can serve excluded populations.
	The key problem to be solved in illicit-crop-producing areas is illicit crop cultivation.	Farmers do not rely on illicit crop production alone. They adopt multi-layered strategies to build resilience.
	Illicit crop producers are simple receivers of economic and political signals, and barely have the power to influence the world in which they live.	Opium and coca farmers create their own version of social and political order, including lobbying for state structures needed for the administration of local economies.
	Illicit economies are distinct and separate from the licit economy.	Boundaries have become unclear. Illicit economies enable excluded territories and people to be inserted back into the market.
Myanmar – Shan State	Illicit crops and drugs production are sources of instability. Illicit actors and criminals create chaos and disorder.	Illegality does not always breed violence. Under certain conditions, illicit crops can reduce violence and be a source of stability.
	Drug lords and criminals are illegitimate actors who can only operate in the ‘shadows’.	Drug lords and criminals can gain legitimacy. They can also become the legitimate democratic choice of voters.

Bolivia – Chapare District	Illicit drugs are evil. It is right to criminalise illicit drug crop producers.	The concept of 'illicit' is a social construction. Coca chewing has never been illicit in Andean culture and history. Coca growers are not necessarily criminals.
	State-sanctioned and aid-supported eradication campaigns are necessary to reduce the global supplies of plant-based drugs.	Social control mechanisms in place of market mechanisms to control supply are possible.

In conclusion, though illicit economies may enable coping and survival for excluded and marginalised communities, it is important to reiterate that there are costs involved that cannot be brushed aside. Behind the enterprises, commodity chains and social networks that make up illicit economies lies a form of capitalism that by nature is cruel, criminal, unregulated and exploitative. Communities surviving on the margins often have no choice but to live under its control, which may mean working under conditions of virtual slavery while criminal bosses reap most of the profits, or families being forced to give up their daughters as 'opium brides' to settle loans from drug traffickers. It is perhaps another paradox that, in overcoming some drivers of poverty, exclusion and marginalisation, these communities expose themselves to a new set of risks and dangers. This makes the bridging of the divides between drugs and development policy even more urgent.

5 Criminal Entrepreneurs as Pioneers, Intermediaries and Arbitrageurs in Borderland Economies

5.1 Introduction: *El Plan Birmania*

In January 2001, a group of Colombian paramilitaries hatched a plan to create an alliance of drug traffickers, paramilitaries and politicians to re-establish a 'new Colombia'. This was after the private neighbourhood watch groups known as *convivirs* were declared unconstitutional and their licences to bear arms were revoked. But not all convivirs disbanded; some joined already existing paramilitary groups. Amidst the realignments, the plan was aimed at consolidating a right-wing coalition. However, the plan was nearly abandoned after it was rejected by Carlos Castaño Gil, the spokesman and de facto head of the national paramilitary network, AUC (*Autodefensas Unidades de Colombia* or United Self-Defence Forces of Colombia) (Gutierrez Sanin, 2019: 83–87; see also *UPI Español*, 3 February 2007; *Semana,* 9 August 2007).

The secret plan came to light only six years later in November 2006, after the examination of a USB memory stick handed over by the paramilitary commander Hernan Hernandez to Justice and Peace prosecutors. Hernandez (real name: Herbert Veloza Garcia), applied to demobilise under the terms of the July 2003 peace deal that President Alvaro Uribe concluded with the AUC. Paramilitaries whose applications to demobilise were approved were assured of jail terms of no longer than eight years and no extradition to the United States to face drugs-trafficking charges. In 2005, Congress approved the Justice and Peace Law (Law 975) to facilitate and legally mandate the demobilisation process (Beittel, 2015).

The memory stick, which had belonged to Carlos (who was killed in April 2004), not only contained letters about kidnappings and killings that had occurred without his knowledge, but also pinpointed a police colonel, Danilo Gonzalez, as being responsible for the crimes (*Semana*, 9 August 2007; *El Colombiano,* 10 August 2008; ICTJ, 2013).

But most explosive was Carlos's allegation that Colonel Gonzalez, who was himself murdered in March 2004, was involved in a political project called *El Plan Birmania* (Spanish for 'The Burma Plan'). The USB listed dozens of politicians who had signed up to the proposed right-wing coalition. In March 2007, the Attorney-General called for 20 prominent politicians and other public officials to be questioned for the crime of conspiracy. Many were later arrested, including senators (*UPI Español*, 3 February 2007; *Semana*, 9 August 2007; *El Espectador,* 17 May 2008; *El Colombiano,* 10 August 2008). Over the next few months, Colombia was embroiled in its most dramatic political scandal, called *parapolitica* (a contraction of 'paramilitary' and 'politician'). It rocked President Alvaro Uribe's government, not least because most of the politicians implicated were his political allies. On 16 May 2012, the Supreme Court convicted 37 members of Congress and five governors for their ties to the paramilitaries, while investigations continued on another 139 cases (Alsema, 2012).

Two issues stand out in this chain of events. First, why did the architects of the secret plan call it '*El Plan Birmania*'? The most plausible explanation is that the Colombian paramilitaries were inspired by and wanted to replicate the way that local militias and armed groups in Burma were 'allowed' to make money from drugs, in return for their cooperation in counter-insurgency operations. In other words, they seem to have wanted the 'state-sponsored racket' that emerged in Burma replicated in Colombia. Second and more importantly, why did Carlos reject the plan? Carlos's letters show that he was setting the stage to distance the AUC from narco-traffickers and indeed, at that time, he was locked in bitter public disputes with other paramilitary chiefs over their involvement in the illicit drug trade (*UPI Español*, 3 February 2007). Carlos, though he himself was involved in drug trafficking along with his brothers, had always wanted the AUC to be a political movement. Thus, he seems to have regarded Plan Birmania as a liability that would only increase distrust and heighten the image of opportunism of the AUC. In May 2001, five months later after the plan was first conceived, when the AUC had spread to 20 of Colombia's 27 provinces and its presence was strongest where coca was grown, Carlos suddenly resigned from the paramilitary network, and issued a terse public statement: 'Partners in the cause: we in the AUC are friends and are respectful of state institutions. This principle is inviolable.

Respect it. I hereby irrevocably resign my position that you have given me' (*UPI Español*, 3 February 2007).

This raises the question of whether Carlos's rejection of Plan Birmania was due, on the one hand, to those permanent internal conflicts that reduced the paramilitaries to what Gutierrez Sanin and Vargas called a 'patchy fabric woven by many different actors, whose local field of action necessarily put them at odds with each other at critical junctures' (2017: 739); or, on the other hand, to his genuine opposition to the imminent expansion of criminal enterprise because what he sought, above all, was something more political?

To answer this question and analyse potential links between criminals across borders, this chapter examines the careers and life stories[148] of key criminal entrepreneurs across the four countries, which — when comparatively analysed — may reveal patterns and inferences which are relevant in answering this study's central research question. The justification for the research approach adopted in this chapter is that probing deeper into messy politics through a comparative examination of careers and life stories and the unpacking the contexts from which they emerge — as revealed, for example, in the dynamics and contentions around Plan Birmania — will not only provide clues into the politico-economic roles of criminal entrepreneurs, but will also test the propositions on interdependency being developed by this study.

To reiterate what was stated at the beginning of this study, the use of life stories as central units of analysis and sources of inferences derives from several scholarly outputs, including *An Anarchy of Families* (McCoy, 1994), as well as the literature on Historical Institutionalism, the approach to studying politics and social change elaborated by Thelen and Steinmo (1992: 1–3). Using criminal entrepreneurs as a unit of analysis can illuminate the 'branching processes', particularly the points of departure from established patterns that lead to outcomes such as remarkable resilience to policies of prohibition and state control.

Like other methods, there are of course limitations. Often, information about criminal actors is hidden or may remain incomplete, uneven, or piecemeal when verified. Hence, the stories presented here necessarily

[148] Ojermark makes the distinction that a *life story* is an account of a person's story of his or her life, or a segment of it, as told to another; while *life histories* are the accounts of a life based on interviews and conversations (2007: 4).

privilege one set of information over others, are not exhaustive, and reflect the agenda of the researcher. The material gathered may not constitute grounds for making or disproving generalisations. Nevertheless, life stories, especially when used comparatively, can be useful sources of inferences in a process similar to Hospers' explanation that when we see bear tracks in the mud, we can infer that a bear has been there, even if we didn't see one (1990: 72). Comparison may also, to a certain extent, resolve gaps caused by the incompleteness of information.

A further note on the sources is necessary. For the Myanmar case, much of what is known about Lo Hsing Han's life and career comes from two main sources: Bertil Lintner, a journalist who had published extensively on Myanmar since the late 1970s; and Alfred W. McCoy, who interviewed many of the relevant key actors in the opium trade during his fieldwork in Myanmar in the early 1970s and later visits. For the Afghanistan case, primary materials were consulted that yielded pieces of important information. These include the INCSRs, charge sheets filed in US courts in the prosecution of Lal Jan Ishaqzai and Bashir Noorzai, and the Scott Helmand Valley Archives compiled by the engineer Robert B. Scott, which includes letters he wrote in 2000–2001 to US authorities. Other sources consulted include works by journalist Rajiv Chandrasekaran; peace analyst Gretchen Peters; the PhD dissertation of Mark Beautement; and the PhD dissertation of ex-British Army officer Mike Martin. All these sources were in English.

A main source for the Castaño brothers is the biography of Carlos Castaño Gil by Mauricio Aranguren Molina, sometimes referred to as an autobiography because Carlos speaks most of the time in the text. Aranguren appears to have been commissioned to accompany Carlos and conduct a series of interviews from May 2001 until just before the book's publication in December 2001. Also consulted were *Verdad Abierta*[149] and court case records and decisions; and various news reports, including those written by Jeremy McDermott. Most of these were in Spanish, and computer-translated into English. The main sources for Suarez are his biography written by his wife Ayda Levy (in Spanish); the memoirs of Michael Levine, a former agent of the US Drug Enforcement Administration; and news reports. To mitigate the

[149] Verdad Abierta (Open Truth) is a digital portal created and maintained by academics and investigative journalists for the reconstruction, preservation, and dissemination of information about the Colombian armed conflict (see https://verdadabierta.com/quienes-somos/).

obvious bias of these sources, the information has been carefully cross-referenced with other sources and treated critically.

The chapter proceeds with the comparative examination of these careers and life stories. In the conclusion, a set of inferences drawn from the comparisons is presented and elaborated.

5.2 Myanmar: The 'heroin king' and 'pillar of the economy' from Kokang, 1963–2013

Lo Hsing Han (or Luo Xinghan) is the quintessential pioneer, intermediary and arbitrageur. When he died of old age (79) on 6 July 2013, he had become a tycoon for whom key news organisations around the world — including the *New York Times*, *Al-Jazeera*, *ABC News* Australia and the *Bangkok Post* — published obituaries and mini-biographies. While Lo was acknowledged as a drug lord in these accounts, he was also hailed as an influential businessman who built from his drug profits a commercial empire in real estate; in jade, ruby and teak concessions; in port and container shipping; and in construction and maintenance of highways to the Chinese border. These enterprises, which make up the Asia World Company Ltd., played a key role in reviving Myanmar's moribund economy battered by the isolation from foreign direct investments, development aid and hard foreign currency rendered by tough international sanctions.

Underwriting Lo's success was his ability to obtain long-term, stable protection for his illicit businesses. He played key roles that linked remote, subsistence producers of an illicit commodity to global markets. He had relationships of conflict and accommodation with other actors such as the Myanmar Army, Thai and Chinese authorities, and competitors in the trade, including the array of ethnic rebel armies straddled across the commodity chains he operated. Indeed, the labels 'criminal' or 'gangster' applied to Lo would be too simplistic. *The Economist* best captured his role in its obituary, by describing Lo as not simply a 'heroin king', but also 'a pillar of the economy' (27 July 2013).

5.2.1 Weaponising opium for country-insurgency

Lo was born in 1934 in the village of Ta Tsu Chin on Kokang's border with China. Predominantly inhabited by ethnic Chinese, Kokang has never really been under full Burmese central government control. It was ceded to the British under the 1897 Beijing Convention, but the British and subsequent Myanmar governments could only exercise indirect rule. In the 1950s, the territory found itself a refuge for Kuomintang (KMT) forces ousted from China by the victorious communists. The KMT found allies among Kokang's local chieftains who spoke the same Chinese Mandarin dialect (*FEER,* 1990; Lintner, 2015).

Lintner explains that Kokang was extremely poor because its 'high mountains and a scarcity of water made rice cultivation almost impossible'; as a result, the region came to depend essentially on two cash crops — tea and opium — 'which were sold or exchanged for food' (Lintner, 2015). When war broke out in the 1950s, opium became Kokang's only viable cash crop, considered best in the region because of its high morphine content. At that time, Lintner continues, Kokang's de facto ruler was a woman, Olive Yang or Yang Jinxiu, 'who had her own army of nearly 1,000 men', with the teenage Lo being one of them. The Yangs were a family of Shan ethnic princes and businessmen who became part of Myanmar's political elite. With the backing of the KMT, 'she became the first warlord — or should one say, warlady — to send convoys of trucks loaded with opium down to the Thai border' (ibid.; see also Lintner and Huong-Lintner, 2011).

In 1962, the military seized power in Rangoon and sent troops to occupy Kokang. Eventually, Olive Yang was arrested, forcing her elder brother Jimmy — an MP for Kokang since 1950 and founder of the East Burma Bank — to retreat down to the Thai border where he joined the KMT, who had been driven out to Thailand in 1961 (McCoy, 2003: 423; Lintner, 2015). Lo, by then a higher-ranking commander, stayed behind with his militia. Shortly thereafter, he lost a large consignment of opium to the newly arrived Myanmar troops. Military intelligence then offered to return the opium, on condition that Lo and his men formed a home guard unit or *Ka Kwe Ye* (meaning 'defence' in Shan). This was the first key turning point in Lo's career: he accepted the offer, and his KKY militia was given 'the right to use all government-controlled roads and towns in Shan State for opium smuggling, in exchange for fighting anti-Rangoon rebel forces in the area' (*FEER,* 1990: 22-23).

The deal transformed Lo into one of the key drug traffickers in Shan State backed by the military. The Myanmar government, explains McCoy, had sound reasons for tolerating the opium traffic. The first reason was economic. Poorly executed reforms after the 1962 military takeover had crippled foreign trade and disrupted the consumer economy. Afraid of straining the patience of beleaguered consumers, the military tolerated the black markets that developed, wherein Shan smugglers carried opium down to Thailand, and on the way back, brought many of the consumer goods sold in Burma's major cities — transistor radios, motorbikes, watches, even toothpaste. Opium thus became Burma's most valuable export commodity that stimulated trade and commerce. 'Without it', concludes McCoy, 'the consumer economy would have collapsed' (McCoy, 2003: 367–369).

Another reason was political: the military government hoped to turn opium into a counter-insurgency weapon. By allowing local militias like Lo's KKY to control most of the opium harvest, and then giving them use of government-controlled highways and towns as opium trading and refining bases, the various anti-Rangoon rebel armies — i.e. the KMT, the Communist Party of Burma (CPB), and ethnic nationalist forces — would be deprived of funding, which the Army hoped could weaken these groups, if not lead to them giving up their struggles. Indeed, the opium trade, observes McCoy, led to rebel leaders deserting the cause for the more comfortable life of a government militia commander. But the policy was also double-edged: 'while rebel leaders were won to the government side, just as many local militia became rebels and a force of their own', further complicating the chaotic conditions in Shan State. Others, including the most well-known (Lo, Khun Sa, On Chan, Yang Sun), either switched sides repeatedly or became apolitical mercenaries fighting to defend their autonomy in order to safeguard their businesses (ibid.).

As a KKY commander, Lo had other advantages. His elder brother, Lo Hsing-ko (Luo Xingguo), became a police chief inspector in Kokang, an added guarantee against local interference. A younger brother, Lo Hsing-minh (Luo Xingming), was appointed by the military to maintain liaison with CPB forces operating north of Kengtung, a strategic area where the Burmese, Chinese, Lao and Thai borders meet, allowing the Lo brothers a position from which to coordinate the opium traffic (*FEER*, 1990; Lintner, 2015). Thus, from 1963 to 1973, Lo sent 10 to 20 tonnes of opium to the Thai border in caravans of 800 to 1,000 mules that stretched for up three miles, guarded by some 500 soldiers, and which usually took 26 days to complete 'if it went smoothly' (McCoy, 2003: 424).

Lo was the ideal intermediary not only because of his access to government-controlled highways and towns, but also because he charged lower commission fees (20%) compared to rival traffickers in taking the opium for refining in Thailand. In a 1998 interview with the *New York Times,* Lo contends that it was not greed but benevolent concern for Kokang's struggling poppy growers that drove him into the opium trade. 'In the Kokang mountains', he said, 'people earned their living from poppy for over 100 years'. Over that period, he continued, 'poppy-growing and trading was legal; it was the only income for the people'. In the interview, Lo waved aside questions about how much he earned, and instead emphasised:

> My whole life has been spent just helping the poor. I was working for the Kokang people and the poor people who were looking for a way to sell their product. I did so much for them. I felt it was honourable. The Kokang people needed the opium market. I was their sole agent, so the Kokang farmers got a reasonable price. (*New York Times,* 11 May 1998)

Indeed, most growers of opium in the Kokang highlands are impoverished subsistence farmers from various ethnic minorities. As the Transnational Institute reports, the opium cash crop compensates for the lack of rice to feed the growers' families. The crop is also used as savings that can be drawn on for emergencies, medicinal purposes, and traditional ceremonies and religious worship (Kramer et al., 2014: 13).

In 1968, a reconsolidating CPB started an attempt to expand and build a rear base by successfully occupying Kokang, via an attack from the Chinese side of the border. Leading the force were Peng Jiasheng (Pheung Hya-shin) and his brother Peng Jiafu (Pheung Kya-fu), former comrades of Lo in Olive Yang's army who, unlike the Yangs, sided with the CPB. The CPB's arrival forced out various warlords and militias, including Lo and his men who retreated southwest to Lashio, the largest town in northern Shan State, where he was allowed by the Army to set up a new base camp. The CPB occupation is said to have transformed Kokang: land left by the fleeing warlords was distributed to landless peasants, and law and order was restored. But the CPB could not eliminate Kokang's opium production. Lintner (2015) offers two reasons for this: first, the CPB could not offer a viable alternative to opium cultivation because of the difficulty of finding cash crops suitable for Kokang's terrain; second, some CPB commanders, like the Peng brothers, themselves became opium traffickers.

In 1971, Lo and the Myanmar Army engaged the CPB in a 45-day battle for Kunlong bridge that led to a major defeat for the CPB, preventing their westward advance. The victory was credited to Lo's knowledge of the local terrain, thus earning him greater protection for his opium caravans from a grateful Myanmar Army (ibid.).

In 1973, however, the military regime appears to have changed its mind on the usefulness of the KKY militias. It is not clear whether the militias came to be viewed as potential liabilities because of their internal competition and squabbles; or if the paramilitary groups had simply lost value as a counter-insurgency device in an ever-more complex and continuing rearrangement of loyalties, alliances and business relationships in Myanmar's border regions. A process of demobilisation was started, which Lo fiercely resisted. He went underground and switched sides by forming a temporary alliance with the main ethnic army in the area, the Shan State Army (SSA). It appeared that the SSA rebels, according to Lintner, 'planned to suggest that the US government buy all Lo's opium in schange for some recognition of their political demands'. But before the offer could be made, Lo was arrested by Thai authorities near the town of Mae Hong Son in northwest Thailand, and was quickly deported to Rangoon where he was tried and sentenced to death for 'high treason' and 'rebellion against the state' — a reference to his alliance with the SSA. But the sentence was never carried out because 'sending Lo to the gallows would destroy a useful tool' (*FEER,* 1990: 22-23).

Box 5.1: The processing of opium and the different types of heroin

Lo was thought to have been manufacturing heroin by 1969. This was a significant step that allowed him not only to capture the lucrative value-added in transforming opium poppy into heroin, but also to establish economies of scale and reduce the burdens of transporting raw opium. Opium in its raw form is a gum-like secretion with a strong odour, that oozes from cuts on the pod of the opium poppy, which is collected by scraping it off the pod by hand; it is typically bundled into packs of 10 kg. It is converted into a morphine base for easier transport, in a process that uses boiling water, concentrated ammonia, and a two-step filtration. This morphine base is known as '**Heroin No. 1**', which is about 10% the volume of the original raw opium. Further processing transforms the morphine base into the heroin base or '**Heroin No. 2**'. By adding hydrochloric acid and additives like caffeine, the heroin base is transformed into something that resembles 'brown sugar' or '**Heroin No. 3**'. 'Brown sugar' is usually smoked as it is unsuitable for intravenous injection, hence it is further purified, filtered and refined, to produce a white powder that can be compressed into bricks, and is called '**Heroin No. 4**'. Much of the Heroin No. 3 and No. 4 produced in the refineries along the Sino–Thai–Burmese border found its way to Vietnam, for consumption by US military personnel (Booth, 1996: 270–271).

Lo's arrest may have been punishment from his military masters for refusing to disband, although there was also speculation that the planned approach to the US government alarmed officials who worried that Lo talking to the DEA may inadvertently expose the hidden powerful actors complicit in the opium trade. These 'hidden actors' were not just Myanmar government or Army officials on the take from the lucrative opium trade. McCoy points out there were not only Thai, Laotian or Vietnamese officials involved, but also and most importantly, the CIA. McCoy testified at the US Senate on 2

June 1972 that American officials, i.e. the CIA, were implicated in the drug traffic in Southeast Asia. And so, while opium had clearly been turned into a counter-insurgency weapon, it also created risks that could damage those who profit from its proliferation.[150]

5.2.2 Revival, re-emergence and the creation of order

Lo spent nearly seven years in prison, but with the death sentence effectively commuted. By 1980, a stalemate had emerged in Myanmar's multi-sided ethnic conflicts in which no side could either win or be defeated. Hence, a new government counter-insurgency strategy was started, and militia figures including Lo were released under a general amnesty. Their services were needed once again. On his release, Lo was given Kyats 2 million ($300,750) by the government to build a new base near Nampong in the Lashio area, where he set up another home guard unit under the government's new *Pyi Thu Sit* (People's Militia) programme that replaced the KKY. The agreement, however, remained the same: fight the anti-Rangoon rebels and in return gain access to government-controlled roads for smuggling (*FEER,* 1990).

McCoy argues that Myanmar's generals were exploiting rifts within the Shan State Army and the CPB. By reviving Lo's opium army and other Pyi Thu Sit militias, those rifts could be exacerbated, in addition to denying territory to the rebels due to militia presence. Indeed, nine years later, in March 1989, the divisions came to a head. Wa and Kokang rebels under the CPB, including forces led by the Peng brothers, mutinied and successfully drove the splintering leadership of the CPB into China. Lo, Olive Yang and Aung Gyi (a Sino–Myanmar ex-Army officer and a founder of the National League for Democracy) were sent to negotiate with the CPB mutineers. Lo visited Kokang on 20–21 March 1989, more than 20 years after being driven out by the CPB in 1968. He was received by the Pengs, his former enemies, with a dinner party. After subsequent meetings between Lo and the ex-CPB mutineers in Lashio, 17 new heroin refineries were established in the former

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[150] For an example of such speculation, see http://www.eastbysoutheast.com/godfather-golden-triangle-lo-hsing-han-obituary/, last accessed 11 Feb 2019. For one of McCoy's testimonies to the US Senate, see https://archive.org/stream/CIA-RDP75B00380R000100020022-9/CIA-RDP75B00380R000100020022-9_djvu.txt. McCoy's testimony was very damaging to the CIA, because he provided evidence (published in his book *Politics of Heroin in Southeast* Asia) at a time when US President Nixon had just called on Congress to provide support and funding for a global war on drugs (see McCoy, 2003: 9–10).

CPB areas in Kokang and in the hills overlooking Mong Ko (*FEER,* 1990; Lintner, 2015; McCoy, 2003: 434–435).

By late 1989, writes McCoy, Rangoon had broken 'the welter of highland revolts with a strategy that combined economics, ethnicity and military pressure'. This time, the counter-insurgency strategy was improved with the addition of a new component: ceasefire agreements. The first 10-year ceasefire agreement between the SLORC and the United Wa State Army (one of the CPB splinters) was signed in May 1989. This was followed within the next few years by 15 other such pacts. Not only was the number of rebel armies fighting the military reduced, the pacts also created pressure on other rebel armies, like Khun Sa's Mong Tai Army, that have not yet signed up to the ceasefire agreements. Because Lo's coalition was still too weak to confront the better-armed and better-positioned Khun Sa on the Thai border, they instead opened up 'new overland trafficking routes across southern China to Hongkong that soon supplied half the colony's heroin' (McCoy, 2003: 434–435, 438).

If in the 1960s the approach was simply to lure small armed groups to become KKY militias in return for the opportunity to make opium profits, in 1989, the larger rebel armies themselves were effectively enjoined, through the ceasefire agreements, to make profits themselves not only in opium but in other resource products too, including concessions for logging, jade mining, or plantation farming. This process has been popularly called '*ceasefire capitalism*', or the 'use of territory for political and economic ends as an effective post-war strategy' (Woods, 2011: 751).

The opium ceasefire strategy delivered quick results. Myanmar's military began to exercise greater control over restive territories, particularly in the Wa and Kokang areas, where rebels became more preoccupied with making money from opium and other resource concessions, rather than running insurgencies against Yangon. Moreover, allowing Lo and those rebel groups that signed ceasefires the leeway to run their opium and other businesses also delivered a further benefit to Myanmar's economically isolated economy: millions of dollars' worth of drug profits were invested inside the country. With the country suffering from international sanctions and deprived of foreign direct investments, development aid, hard foreign currency, and even visas to travel to countries like the US, it was profits from ceasefire capitalism that filled the growing gaps. Opium alone started 'pumping more than half-a-billion dollars annually into the economy, an amount exceeding the government's official tax revenues' (Snyder and Duran-Martinez, 2009: 269).

Lo Hsing Han was at the centre of these dramatic changes, quietly plotting and preparing his next strategic move.

However, it must be stressed that the ceasefire agreements did not result in broad political dialogues and settlements over how land and natural resources would be controlled, nor over how the profits therefrom would be taxed and shared. What happened instead, according to some scholars, was looting, land grabs and the non-disclosure of revenues by Army officials, ethnic armed groups and the paramilitaries. In many cases, contracts for infrastructure that passed through or built on certain territory were approved arbitrarily. The order that emerged, therefore, was a form of crony capitalism in which emergent elites, sometimes independently and sometimes in collaboration with one another, consolidated their control over territory and sections of the economy (Snyder and Duran Martinez, 2009; Woods, 2011, 2018; Meehan, 2015). This was the context in which Lo's Asia World emerged. Lo may be a 'pillar of the economy' as *The Economist* claimed; what it didn't say was that he was a successful crony capitalist.

5.2.3 Warlords as agents of capitalism

In 1992, as hundreds of drug traffickers were executed in Yunnan and when Myanmar's military was consolidating its control over its restive borderlands, Lo made what was perhaps the most strategic move in his career: he established the Asia World Company and became an important investor in the then internationally isolated licit economy of Myanmar. The firm expanded quickly and extensively, winning construction contracts from government, as well as Chinese-funded mega-projects,[151] thus effectively enabling the entry of licit, illicit and laundered capital into Myanmar's borderlands (Meehan, 2015). Asia World's spectacular growth was not deterred by its appearance in the US sanctions list. The bottom line is that Asia World had everything it needed in Myanmar.[152]

Lo's beginnings as a militia leader before the consolidation of military control in Kokang, and before China intensified its counter-narcotics

[151] It is not clear if China had arrived at any form of settlement with Lo. China also has no known counterpart to the US Foreign Kingpins Designation Act and Sanctions List that prohibits Chinese companies and individuals from doing licit business with identified narco-traffickers.

[152] After the US government terminated its Burma Sanctions Program in October 2016 (see https://www.treasury.gov/press-center/press-releases/Pages/jl0569.aspx, last accessed 15 February 2019) Asia World was taken off the list and has become a fully legalised and legitimate multinational conglomerate that can do business with the US.

pressure, established his position to negotiate deals with other powerful actors. It is clear that his success at obtaining protection for his businesses, whether legal or illegal, lay in carefully balancing relationships with state authorities, whether Burmese, Thai, or Chinese. He turned himself into a resource that they needed, and was therefore able to extract concessions or opportunities. A drug lord just making a profit would simply be hunted down. But a drug lord serving a useful political and financial purpose could become an ally and receive protection. In the process, Lo had a huge impact on the commercialisation of the local economy in Myanmar's opium-producing rural northeast. His illicit business created the conditions that enabled the diffusion of capital into Myanmar's borderland economies, and hence — while often seen as a warlord and armed actor — he was also substantially an agent of capitalism who played a role in monetising the rural economy and enabled certain rural areas to be connected directly to outside markets over time.

Ultimately, however, the order that emerged was a form of crony capitalism: a transformation with economic growth but little development, especially since inequalities in access to land and resources remained under the control of an emergent elite, and the profits generated generally bypassed public treasuries. Lo was no simple gangster or racketeer: he was strategically positioned to be of influence in both state and market. Lo Hsing Han established himself as the quintessential intermediary, pioneer and arbitrageur.

5.3 Afghanistan: Movers of opium traffic negotiating protection, 1990s–2013

> 'The mafia, at its core, is an institution that exploits and thrives on the absence of trust by providing protection, largely in the form of enforcing contracts, settling disputes, and deterring competition' (Gambetta, 2011: 2).

Diego Gambetta's research, credited for first lifting the veil off the clandestine economic activities of the mafia, is an exploration into why the south of Italy was persistently unable to develop socially and economically, yet did not slide any deeper into social dissolution. Gambetta's answer was that the emergence of the mafia prevented this dissolution. He showed that the mafia's violence is rational, serves a purpose, and has an organising principle which is to supply the specific commodity called protection (Gambetta, 1993).

The same questions could well apply to Afghanistan. It is unable to develop socially and economically yet demonstrates remarkable resilience that enables survival under conditions of extreme fragility, conflict and violence. Does Afghanistan, then, have an institution like the mafia that similarly provides protection, mediates access to resources, enforces contracts, settles disputes, and deters competition, thus preventing a slide into social dissolution, despite conflicts, violence and economic and social marginalisation?

This section is an examination of the careers of two opium traffickers in Afghanistan and of how they negotiated protection within these contexts. Haji Lal Jan Ishaqzai[153] has been described by Afghan and Western officials as a leading opium and heroin trader from Helmand. Haji Bashir Noorzai[154] was a member of the mujahideen who fought the Soviets, and a tribal chieftain of the majority ethnic group in Afghanistan's southern provinces, who originated from Maiwand District in Kandahar, the birthplace of the Taliban. Their careers provide clues not only into how protection is supplied to criminal entrepreneurs in Afghanistan's opium-growing areas, but also into the context that structured the control of land as Helmand transformed into the world's biggest producer of opium and heroin.

5.3.1 Lal Jan Ishaqzai, the 'dear old man'

The person known as 'Lal Jan Ishaqzai' was a major Afghan drug smuggler, important enough to be designated, along with six other known drug lords from various countries, as a 'Foreign Narcotics Kingpin' by US President Barack Obama in a letter of 1 June 2011 to the US Congress.[155] Lal Jan Ishaqzai is thus roughly on par with Lo Hsing Han. No other details were provided in Obama's letter, except that Haji Lal Jan Ishaqzai was born on 11

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[153] The title 'Haji' is an Islamic honorific term referring to those who have already made the Haj or pilgrimage to Mecca. Ishaqzai refers to the tribe to which he belongs. The suffix 'zai' in the surname means 'son of', the equivalent of the prefix 'bin' in Arabic surnames, or the suffix 'son' in many Scandinavian surnames.

[154] There are various spellings of this name, including 'Bashar' and 'Nurzai'. In this study, I use the spelling used by US prosecutors: see http://www.investigativeproject.org/documents/case_docs/691.pdf, accessed 21 February 2019.

[155] See Obama's letter, https://obamawhitehouse.archives.gov/the-press-office/2011/06/01/letter-president-foreign-narcotics-kingpin-designation-act, accessed 19 February 2019.

November 1950 in what is today the strife-torn Sangin District in Helmand, where his drug factories are thought to be located.[156]

Sangin is a market town located on a narrow, flat, flood-plain area on the east bank of the Helmand River, just opposite the Y-junction where the Helmand and Musa Qala rivers meet (see Map 5.1). It is served by a good all-weather road that goes to the Kajaki Dam about 40 km to the northeast. In the other direction lies the town of Gereshk which is located on the paved Kandahar–Herat highway and is the centre of many government services for regions north of the highway. According to Richard B. Scott (1980), Sangin gets abundant year-round water through traditional diversions and intakes from the river and from the Saraj canal. In the late 1940s, after the Second World War, Afghanistan's then king, Mohammed Zahir Shah, started a project to massively improve existing canals (such as the Saraj waterway, built in 1910) and to transform the deserts of south-western Afghanistan into a fertile oasis. Drawing on Afghanistan's $100 million gold and foreign exchange reserves earned from its principal export of pelts, the king hired the American construction company Morrison-Knudsen in 1946 to widen and improve the road from Kandahar to the Pakistani border. After receiving loans from the US Export-Import Bank and supported by US aid money, the company constructed the Arghandab dam, the Kajaki dam and the Boghra canal. Construction occurred in stages and was completed by 1970. The massive modernisation project, which came to be managed by the Helmand-Arghandab Valley Authority (HAVA), was at that time the world's largest desert irrigation infrastructure (Chandrasekaran, 2012; Beautement, 2016).

In the 1960s–1970s, according to Beautement, the US government became more directly involved with HAVA and designed the development of Helmand Valley as an economic buffer to shield Iran and Pakistan, its allies at the time, from Soviet influence. However, in order to achieve this, Afghanistan's tribal rivalries needed to be tamed. While the British, decades earlier, had tackled the tribal wars 'through the linear logic of boundary commissions', the US 'replotted tribal enmities along hydrological charts'. The resolution of conflicts became 'a matter of apportioning cubic yards of water and kilowatt-hours of energy' (Cullather, 2002, quoted in Beautement, 2016: 112).

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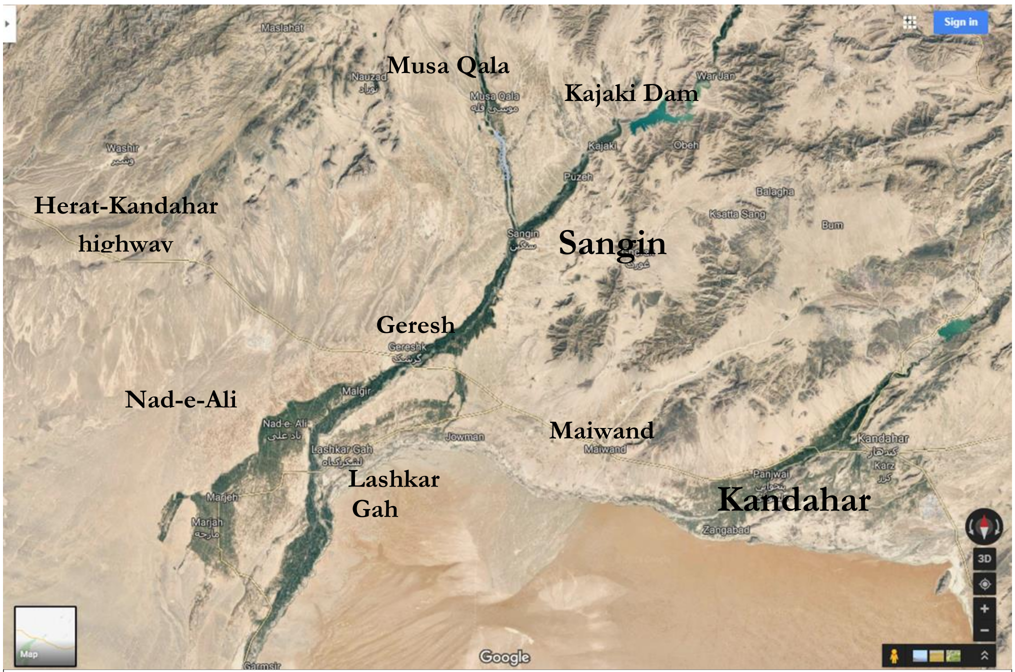
[156] Sourced from the US Specially Designated Nationals Sanctions List: https://sanctionssearch.ofac.treas.gov/



Map 5.1 – Sangin District

Sangin is shown in this Google satellite map at the Y-junction where the Musa Qala and Helmand Rivers meet. Also shown are Musa Qala, the Kajaki Dam, Gereshk, and Lashkar Gah, Helmand's provincial capital. The green areas lining the Helmand and Arghandab Rivers are typically the irrigated agricultural areas in this desert region. The Herat-Kandahar Highway cuts across from East to West, crossing Gereshk. Map scale is not provided. The area covered has a population of approximately 1.2 million.

Thus, the security and effectiveness of infrastructure and water initiatives became synonymous with the social and political situation in Helmand. The great canal project brought jobs, new district centres, and the promise of thousands of hectares of irrigable land. New schools were set up, and net farm incomes per person rose fivefold from $126/year in 1963 to $1,280/year in 1973 (Beautement, 2016: 112). Yet a sticky problem that appears to have been deliberately left hanging was the land issue. Construction of the dams and the canals meant land requisitions, forced resettlement, redrawing of tribal boundaries, and the migration of communities from outside Helmand into newly reorganised towns. The formation of HAVA in 1952, for instance, involved the 'removal of some 1,800 square miles of territory from local control' (ibid.). This created intractable land disputes in a country where only

30% of private farmlands had been surveyed by 1978 (Wily, 2013: 20). Beautement (2016: 112) suggests that the resettlement programmes were an attempt to undermine tribal groups that had caused problems, and goes on to argue that similar patterns are being repeated today (ibid.).

The canals certainly changed the traditional balance of power in Helmand: in addition to the *khan* (landowner), there also emerged the *miraw* (water manager), who sets out how much water each family can have from the canals and is the first person to arbitrate disputes (Martin, 2014: Appendix 2). Typically, the government maintains control of the water until it leaves the canals, after which it falls under the control of the indigenous systems of water distribution. Farmers pay a token fee to the miraw for the maintenance of the canals and are expected to provide labour in shovelling the silt during the annual scheduled shut-downs. In some areas, the khan is also the miraw, which can centralise power and influence, but this is not usually the case among the more fragmented Pashtun groups (Scott, 1980: 14).

Wily (2003) points out that there is no clear regime for managing land rights, and by default, much of the management of land has fallen to the courts. However, given instability and the vulnerability of judges to coercion by warlords, land management and dispute resolution have mostly lost credibility. Most rural Afghans, continues Wily, regulate their land ownership relations through customary institutions, that are rife with practices that favour wealthier elites, men and dominant ethnic groups. As a result, deeply inequitable and unjust land ownership has become entrenched (Wily, 2003: 3).

Helmand also has a highly developed system of patronage for sharecroppers that has become the loose basis for political affiliation. According to Scott, sharecroppers in Helmand may come from any tribe or ethnic group; be a relative of the khan; be contracted for one or multiple seasons; or may work for a labour-short household. The khan is expected to look after the interests of those who work for him, be pious, pay for maintaining the prayer leader or mullah, and aid the poor and destitute. In many cases, a large household of over 40 persons gives a khan greater influence and security, as it provides a larger basis for him to rely on in times of trouble. Support for the khan, Scott continues, can be tribal, religious, based on economic dependence, kinship or any combination thereof. One of the conditions that makes Sangin distinctive in Helmand is that, unlike other districts which have a sizeable settler population, there were no settlers in Sangin until 1980 due to limited land resources (Scott, 1980: 6–7).

Over the years, Sangin became 'the centre of opium poppy cultivation in this part of the country' (Scott, 1980: 6); since 2000 it has been the largest opium market in various years (Chouvy, 2009: 61, 83). Scott (1980) explained that though Sangin had adequate water, it had very limited land resources. As such, the district had the smallest average farm size in Helmand but an above-average household size of 10.1. This further compounded the economic pressures on the land to produce cash crops. It was perhaps because of this pressure that the district has more intensive agriculture, with opium poppy successfully double-cropped with the late planting of cotton. The cotton can be processed in the nearby cotton gins of Gereshk or Lashkar Gah (ibid.: 6–7), while the opium crop can be processed inside Sangin's network of hidden, makeshift drug labs.

On top of its land problems, Sangin had tribal rivalries that turned it into one of Afghanistan's most violence- and insurgency-affected districts. According to Mike Martin, a former British army officer and fluent Pashto speaker who did his PhD on the layers of conflict in Helmand, the tribal contests in Sangin could be traced to its strangely gerrymandered boundaries since 1964, which brought together an odd collection of the Ishaqzai and the Alikozai tribes, along with the Alizais and the Noorzais.[157] As a result, none of the tribes became pre-eminent, leading to intense disputes over the years. One key dispute is over control of the district centre, which means not only control of the market where the local opium bulk trading occurs, but more importantly, control of the local police. The group that controls the police gains protection for its opium business at the expense of others, as the police can manipulate government eradication campaigns towards tribal enemies (Martin, 2016).

In the middle of all this was Lal Jan Ishaqzai, one of the main khans in Sangin who owned a compound by the district bazaar, controlled the local market and levied taxes, until he was ousted in 2003. Sangin appears to have been better managed than neighbouring Musa Qala, which also has an opium bazaar for bulk trading. According to traders interviewed by Mansfield in 1998, excessive taxes by the Akhundzada family (an Alizai family from northern Musa Qala), as well as extortion and the theft of opium by Nasim Akhundzada and his fighters, chased business away from Musa Qala and into Sangin, which soon became Helmand's dominant opium bazaar (2019: 13).

[157] This dissertation was eventually published as the book *An Intimate War: An Oral History of the Helmand Conflict, 1978–2012* (Martin, 2014).

Martin (2016) records that, when the Taliban arrived in 1994, they kicked out the feuding Ishaqzai and Alikozai warlords, but the Ishaqzai men soon began working for the Taliban. Subsequently, when the Taliban were themselves ousted in the US-led invasion of 2001, an Alikozai warlord, Dad Mohammad, was installed by the US-backed government of President Hamid Karzai. When two US soldiers were killed in 2003, Dad Mohammad managed to convince the Americans that the killers were Ishaqzai. US forces — oblivious to the tribal contests going on — allowed Mohammad to conduct a reign of terror against the Ishaqzais, which included stealing the drug stocks of the Ishaqzai and Chowkazai clans. US Special Forces took over a compound owned by Lal Jan and turned it into its firebase. The property was handed over to the British in 2006, who renamed it FOB (Forward Operating Base) Jackson.[158] Control reverted to US Marines in 2010, who renamed it FOB Sabit Qadam. The compound has now become an Afghan National Army base. Lal Jan Ishaqzai has been trying to get it back ever since (Seck, 2014; Martin, 2016).

Box 5.2: Photo of what is believed to be Lal Jan Ishaqzai's house and compound in Sangin seized and since renamed successively FOB Jackson and FOB Sabit Qadam. Photo posted by a US soldier: http://blogs.militarytimes.com/battle-rattle/2014/05/, last accessed28 February 2016

This is where some confusion about the identity of Lal Jan Ishaqzai sets in. There appear to be two 'Lal Jans' — the Haji Lal Jan (Ishaqzai) identified in the US Sanctions List, and the Haji Lal Jan (Noorzai/ Darzai) identified by Mike Martin in his book. Asked to clarify this confusion, Martin said that 'Lal Jan' is not a formal name, but rather a moniker which translates into 'dear old man' in Pashto. The first Lal Jan (Ishaqzai) is the warlord and drug lord identified in the US Sanctions List.

[158] According to Patrick Hennessey, a British Grenadier Guard in Afghanistan, Lal Jan's compound was fraudulently sold by his main rival for $2,000. Hennessy spoke to MPs in the UK House of Commons in March 2016 calling on the government to end the war on drugs. See https://www.politics.co.uk/comment-analysis/2016/03/11/the-day-police-told-parliament-to-end-the-war-on-drugs, accessed May 2020.

The second Lal Jan (Noorzai/Darzai) is a powerful ex-Taliban commander from Nad-e-Ali — another irrigated and major opium-producing district — who was known for selling land in the desert to migrants who then engaged in growing opium (Martin, 2014: 122, 148). Martin believes that the owner of the compound that was renamed FOB Jackson and FOB Sabit Qadam is the drug smuggler whose actual name is 'Fatah Mohammad', who belongs to the Ishaqzai/Chowkazai clan, but who took the name 'Lal Jan'.[159] Thus, the US Sanctions list should also identify the individual they listed as 'a.k.a. Fatah Mohammad'.[160]

Martin confirms that, after being evicted from his Sangin compound in 2003, Lal Jan Ishaqzai (or Fatah Mohammad) retreated to Quetta in Pakistan, where he began to divert his considerable resources to the scattered Taliban movement. For example, he paid the running costs of the Gailani Hospital, known for treating Taliban fighters injured in Helmand. This sponsorship 'enhanced his image in the eyes of the populace, even though he is doing it to interact with the Taliban, who are his clan and aid his opium business' (Martin, 2014: 129).

With his tribal enemies in alliance with US forces and the US-supported Karzai government, Lal Jan Ishaqzai eventually became more firmly embedded with the Taliban. Taliban protection enabled him to expand his opium business and he soon became one of, if not the main financier of the Taliban in Helmand, according to journalist Matthieu Aikins, quoting from military sources. Lal Jan also grew close to prominent families, especially those that exercised influence in Kabul. Because he was cut off from direct access to Kabul by the Alikozais, Lal Jan developed close relations instead with the powerful Ahmad Wali Karzai, President Karzai's half-brother, who was the de facto local ruler of Kandahar as Chair of its Provincial Council. Thus, Lal Jan lived openly in Kandahar City under Wali Karzai's protection, even after he was included in Obama's kingpin list (Aikins, 2014).

The Alikozai warlord Dad Mohammad preyed heavily on the Ishaqzais, with support from his American allies as well as Helmand's governor, Sher Mohammad Akundhaza. In June 2006, the Ishaqzais struck back. Some 32 members of Dad Mohammad's family were ambushed and killed, after they came to collect the body of murdered ex-Sangin district governor Gul

[159] Personal correspondence with Mike Martin, March 2019.

[160] For the purposes of this study, the individual will be continued to be referred to as Lal Jan Ishaqzai, but this study understands him to be the same person known as Fatah Mohammad (Ishaqzai/Chowkazai), as explained by Martin.

Mohammad. The massacre has been described as a 'drugs hit', a Taliban reprisal, and an Ishaqzai–Alikozai dispute. Martin suggests that it was a combination of all three (Aikins, 2014: 152).

The Ishaqzais made themselves felt elsewhere. Former Grenadier Guard Patrick Hennessy said that the high death toll during his tour of duty — 106 British servicemen and about 100 Americans killed in Sangin alone — came from fighting with 'members of the tribe of the guy who wants his house back'. Hennessy said they were 'not being shot at too much' when he first arrived, but things changed in 2009 and 2010 when coalition forces started targeting opium poppies. 'When everybody's livelihood started going up in smoke', he continued, 'they [locals] started planting IEDs [Improvised Explosive Devices]'.[161]

Hence, despite having powerful enemies that included American and British forces, Lal Jan Ishaqzai was not marginalised at all, especially with Wali Karzai's patronage. Wali was powerful not just because he was the president's half-brother, but also because many regarded him as enjoying protection from the CIA, showing the extent of the complex relationships of conflict and accommodation among Afghanistan's key players. Wali was first linked to drugs in 2004, after he intervened for the release of an 'enormous cache' of heroin found hidden beneath concrete blocks in Kandahar (*New York Times,* 4 October 2008). He was subsequently reported as having been on the payroll of the CIA from 2001 to 2009 for providing a variety of services, such as supplying recruits to the local paramilitary group, called the Kandahar Strike Force, which was directed by the CIA and used for raids against suspected insurgents and terrorists. Wali was also a local go-between for the Americans when they wanted to talk to the Taliban. But most importantly, Wali was the Americans' landlord in Kandahar, renting out a compound that became the base of the CIA and US Special Operations troops (*New York Times,* 27 October 2009). To local people who knew the real owner of the compound, therefore, the base became symbolic of who the Americans were firmly connected with in the fluid politics of Afghanistan.

However, Lal Jan Ishaqzai lost his protector when Wali was assassinated in July 2011. This emboldened prosecutors to painstakingly build a case against Lal Jan — gathering evidence and obtaining sworn testimonies. Finally, on 26 December 2012, Lal Jan's home was raided by Afghan police

[161] See https://www.politics.co.uk/comment-analysis/2016/03/11/the-day-police-told-parliament-to-end-the-war-on-drugs, last accessed 31 July 2019.

commandos, only to find that he had already escaped. However, Lal Jan telephoned Tooryalai Wesa, the governor of Kandahar, who in turn phoned President Karzai to ask what was happening and why Lal Jan Ishaqzai was being pursued. This series of phone calls shows how quickly a drug lord could access the very top of government. Unfortunately for Lal Jan, the phone call was tracked by the surveillance team, who pinpointed his location and arrested him. He gave himself up peacefully and was quickly flown to Kabul. In a matter of hours, the governor of Kandahar, along with a dozen elders, followed to lobby President Karzai to stop the prosecution (Aikins, 2014). According to Afghan journalist Tamim Hamid, 391 kg of heroin and 1,300 kg of opium were seized during Lal Jan's arrest. Also arrested were two of his nephews (Hamid, 2004).[162]

Despite pressure from the elders and Kandahar's governor, President Karzai authorised the prosecution to proceed. Karzai was scheduled to visit the White House in the following month, January 2013, and he needed to show some progress for the aid his government was receiving from the Americans. Subsequently, Lal Jan was taken to the Pul-e-Charkhi complex, a fortified area near Kabul airport, where the US-funded Criminal Justice Task Force is based. It was built to insulate its special prosecutors, judges and prison officials from political pressure and security threats. Within days, Lal Jan was tried, convicted and jailed for 20 years. Officials in Washington quickly praised this 'rare success in the fight against the drug trade in Afghanistan'. Lal Jan's successful prosecution justified the hundreds of millions of dollars that the US had spent in propping up Afghanistan's criminal justice system.[163] Predictably, during Karzai's White House visit, Lal Jan's case was flagged as one of the major accomplishments of the counter-narcotics efforts (*New York Times,* 31 December 2014).

Behind the scenes, however, Lal Jan and his allies were already setting in motion the mechanism for his release. On appeal from his lawyers, the Supreme Court reduced his sentence to 15 years. By April 2013, an order from the Presidential Palace, based on what appeared to be authorisation from the Supreme Court and the Interior Ministry, approved Lal Jan's

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[162] It was reported later that Haji Agha Mohammad, reputedly Lal Jan's son, was arrested in 2015 and sentenced to 10 years in prison. See https://www.pajh-wok.com/en/2016/04/10/10-top-drug-smugglers-among-2906-arrested-2015 last accessed 21 February 2019.

[163] See for example p.28 of a US Senate caucus https://www.hsdl.org/?view&did=748464, accessed Feb 2019.

transfer from the high-security Pul-e-Charkhi prison in Kabul to Kandahar.[164] In June 2013, two lower-ranking judges in Kandahar ordered his release, based on provisions in Afghanistan's old penal code that allow judges to be lenient for sentences of less than 15 years and taking account of good behaviour. As the news spread of Lal Jan's release, President Karzai ordered his re-arrest. But it was too late: Lal Jan had already crossed to Quetta in Pakistan, where he remains at large. Corruption was blamed for his release, and as much as $14 million was said to have changed hands. Quoting an unnamed foreign official, one of the judges involved was said to have received $2 million in his bank account on the very day that Lal Jan was released. This judge has since fled the country (Aikins, 2014; Hamid, 2014; *New York Times,* 31 December 2014).

As Lal Jan's case shows, protection is contingent and can quickly shift in a fluid and constantly changing context. Even if drug traffickers have deep pockets to pay bribes, this may not always be effective, especially when those providing protection have bigger battles to fight, or political posturing to maintain, for their own survival. President Karzai could have given in to pressure but went against it apparently because he needed to establish his counter-narcotics credentials in the eyes of donor governments, whose support his government urgently needed.

5.3.2 Bashir Noorzai and the Quetta Alliance

The case of another Afghan drug lord, Haji Bashir Noorzai, provides some contrast on the contingency of protection. He was of similar standing to Lo Hsing Han and Lal Jan Ishaqzai, having been included in the Foreign Narcotics Kingpins list submitted to Congress by US President George W. Bush in 1 June 2004.[165] On 6 January 2005, US prosecutors brought charges against him at the Southern District Court of New York for conspiring from 1990 to 2004 to violate the narcotics laws of the US. As the 'head of an international heroin-trafficking organisation', the prosecutors charged Bashir with controlling 'opium fields in Afghanistan where poppies were grown and harvested to generate opium', which was then brought to laboratories in

[164] There are various accounts of this release. The www.afghan-bios.info website states that it was a 'mid-level judge' who ordered his transfer from Kabul to Kandahar prison. My interpretation, as given here, is based on Aikins (2014) and various reports in the *New York Times.*

[165] See https://www.nytimes.com/2008/09/09/nyregion/09noorzai.html , last accessed 19 February 2019.

Afghanistan and Pakistan for processing into heroin, and eventually exported to the United States (US District Court New York, 2005).

Bashir Noorzai's family, according to a *Time* report, owned large tracts of land in Maiwand, Kandahar, but was stripped of its ownership during the Soviet occupation (1979–1989). This prompted Bashir, then a teenager, to become a fighter with the mujahideen. When the Soviets were ousted, the Noorzai family recovered its land and started planting opium. The family supported the Taliban and was believed to be particularly close to Mullah Mohammad Omar, who also came from Maiwand. Bashir, renowned for his exploits as a mujahid, and by then an acknowledged tribal leader, apparently used his family's links to become one of just four major traffickers given permission to grow and process opium poppies. Bashir is believed to have organised the shipping of heroin through Pakistan, and onwards to the United States. As early as 1993, Bashir was already regarded by the US DEA as a 'wealthy heroin warlord and well-known drug trafficker' (Powell, 2007).

Bashir's clout is reflected in a 1997 incident mentioned in the US charge sheet. When Taliban authorities seized a truckload of morphine base owned by Noorzai, the truck was reportedly returned shortly thereafter 'with personal apologies from Mullah Mohammad Omar'. In 1997, Bashir is thought to have imported 57 kg of heroin into New York and to have plotted in 2000 to import 500 kg of heroin into the US and Europe. The charge sheet included an application for the forfeiture of all Bashir's known properties and bank accounts in the US.

A report by Gretchen Peters states that Bashir Noorzai was a former commander who fought under Yunis Khalis, one of the founders of the Hezb-e-Islami party that fought the Soviet occupation. Bashir was also Mullah Omar's original sponsor while he (Bashir) was a key decision-maker of the ruling council of Hezb-e-Islami. According to Peters:

> The one-million-strong Noorzai tribe controls tens of thousands of of acres of rich poppy farmland, as well as the key road out of southern Afghanistan. Bashir's late father, Haji Issa Noorzai, was a leading partner in the Quetta Alliance, a cartel identified by the DEA as a union of 'three inter-related heroin and hashish smuggling groups' that exported 'multi-ton shipments of heroin and morphine base'. (Peters, 2009: 10–11)

The 'Quetta Alliance' was a label used by the DEA to refer to an informal alliance of three Pashto-speaking smuggling groups that cooperated with each other for mutual benefit, and whose ties have been reinforced through marriage. They built their opium laboratories close to each other to enhance security; they bought and sold raw materials amongst each other, and on occasion have pooled resources to meet multi-tonne drug orders. The Alliance buys protection so that they receive advance notice of government raids, and as the DEA report claims, used their influence to quash Pakistani government plans to expand drugs enforcement capability. The Alliance has also suffered setbacks, such as killings of members by rival groups (the Pashtuns are a minority in Quetta) or arrests by law enforcers, but because of the scale and scope of their operations, they were able to absorb the blows. The report did not name the members of the Alliance. It concluded that:

> The Alliance operation is similar to a large manufacturing or service consortium. Each of the three groups brings individual strength to the Alliance. One has extensive political power; another has strong ties to Iranian trafficking groups; and the third has a strong presence on Pakistan's Makran coast and on the Arabian Peninsula. (DEA, 1994)

A key characteristic of Bashir Noorzai and other drug lords who smuggle heroin out of Afghanistan is that they also have profitable legal businesses. Some would say these firms and businesses are simply legal fronts for illegal activity, but then it could also be argued that they represent a portfolio of diversified business interests — a standard business school 'best practice'. Juma Khan, another drug lord, for example, was one of Afghanistan's largest importers of Toyota Land Cruisers and owned an electronics import-export firm in the United Arab Emirates. Bashir himself was Afghanistan's leading tyre importer. Because no truck passes empty across the Afghan–Pakistan border, a US Treasury report labelled the border traffic as basically drugs coming out and consumer commodities going in, all enabled by the Afghan Transit Trade Agreement[166] (cited in Peters, 2009: 26).

The UNODC published two reports — *The Global Afghan Opium Trade: A Threat Assessment* (UNODC, 2011b) and *Misuse of Licit Trade for Opiate Trafficking in Western and Central Asia: A Threat Assessment* (UNODC, 2012) — that found traffickers 'misusing' normal trade routes, dry ports and border

[166] The Afghan Transit Trade Agreement (ATTA) was a 1965 Treaty that allowed landlocked Afghanistan to import products that are offloaded in Pakistani ports, mostly in Karachi, which are then transported by land to Afghanistan. Smugglers have used the ATTA to import goods that enter tax-free into Pakistan on the grounds that they are bound for Afghanistan, but which then never reach the border, or reach the border but are sent back, earning profits for the illicit trade. The ATTA was reviewed and superseded by a 2010 Afghanistan–Pakistan Transit Trade Agreement (UNODC, 2012).

controls to smuggle opiates from Afghanistan to the global market. It identified four southern Afghan provinces as the centre of cultivation and location of heroin laboratories, and the source of trade routes, and classified them into those with low or no involvement of anti-government elements (AGE), and those supported or controlled by AGEs.

Up to 150 tonnes of heroin are estimated to flow south through Pakistan, 115 tonnes west through Iran, and 90 tonnes north through Central Asia (2009 figures). Much of the traffic through Pakistan flows via Balochistan Province, and its capital, Quetta. There is only one official border crossing, through the adjacent towns of Spin Boldak (Afghanistan) and Chaman (Pakistan), while the rest of the region is characterised by porous borderlands. The UNODC reports conclude that huge amounts of opiates are being trafficked through these borders with little resistance, and that there are many heroin labs in Helmand and Nimroz, where it is estimated that opium stocks are also being kept. The UNODC identifies the Afghan Taliban as one of the main beneficiaries of this trade through taxes they impose, estimated in 2009 to range from \$140 million to \$170 million (UNODC, 2011b: 26–30).

Matthew DuPee describes the Quetta Alliance as a network of Pashtun businessmen, smugglers and criminals who operated a 'trucking mafia' that expanded commercial linkages between Pakistan and Turkmenistan (passing through Afghanistan). He identifies Bashir Noorzai as part of this trucking mafia which came to support the Taliban, and refers to him as 'a powerful tribal leader from Maiwand, and owner of the village mosque where Mullah Omar preached at in Sangersar Village' (DuPee, 2010: 56). Maiwand, like Sangin, is a flat, agricultural area, irrigated by water from the Arghandab River, and through which the Herat–Kandahar highway passes. Hence, it is not only an important opium-growing area but also a market centre where opium can be bought on the roadsides.

DuPee provides details of the relationship between Mullah Omar and Bashir. In the summer of 1994, as Afghanistan was mired in civil war after the removal of the Soviets, Mullah Omar is said to have approached Bashir to relate a vision in which the Prophet Muhammad told Omar about the need to bring peace to Afghanistan. Bashir thereafter donated \$250,000, six pick-up trucks, and an undisclosed quantity of arms and ammunition to Omar and what was then a budding militia composed of *talibs* (students). As the militia swelled in numbers, it eventually took over control of local government administration. From Maiwand, the militia spread and gained strength and became referred to as the 'Taliban', which was later to take control of Kabul and most of Afghanistan. The relationship between Bashir and Omar remained strong through the 1990s (DuPee, 2010: 56–57).

Apart from Mullah Omar, according to news reports compiled by *History Commons,* Bashir developed close ties as well with Al-Qaeda and with the Pakistani Inter-Services Intelligence (ISI). After 9/11, the Taliban was reported to have entrusted $20 million of its money to Bashir for safekeeping. Bashir later surrendered to US forces, and was held in custody at Kandahar airport, but was released before DEA agents could question him, apparently because he was an intelligence asset. He then moved to Pakistan, where he obtained a Pakistani passport provided by the ISI, which allowed him to travel to other countries. When in 2004 the Bush administration included his name in the Kingpin list, which effectively froze his assets, he sought negotiations with the US Federal Bureau of Investigation. But a meeting in Dubai to finalise an agreement fell through when the FBI did not turn up (*History Commons,* undated).

For reasons still unclear to US officials, Bashir agreed to visit New York in April 2005, apparently to volunteer the information he had on the Taliban and Mullah Omar to US counter-terrorism officials, in return for immunity from prosecution and being taken off the Kingpin list. Arriving on a commercial flight, he was met at the airport by US officials, who seem to have been at a loss about what to do with him. After being interviewed for 10 days in his room at the Embassy Suite Hotel in Lower Manhattan by anti-terrorism officials, however, another set of US officials, from the DEA, came to arrest him. He was double-crossed, Bashir argues, because despite the information he provided, the DEA needed to justify its own funding by showing it was cracking down, not tolerating drug lords (Powell, 2007).

On 30 April 2009, Bashir was sentenced by US judge Denny Chin of the Federal District Court of Manhattan to life imprisonment. The judge argued that though Bashir had indeed cooperated with US authorities on the Taliban, the Afghan never admitted wrongdoing on the drug-related charges. His attempt to cut a protection deal with the Americans, lured, Bashir said, by two government contractors to use as leverage the information he could provide in the war on terror – fell apart (*New York Times, May 2009).* Unlike in previous cases when security considerations typically prevailed and drug lords were given protection for their security value, this time it was the war on drugs that was prioritised. Bashir's case shows that cutting a deal is something of a gamble — one can win protection but may also lose the 'bet'.

But unlike in a gamble, in real life the outcome is not determined by luck, but by the balance of interests[167].

5.3.3 Comparing opium kingpins

'Golden Triangle' and 'Golden Crescent' are labels used to refer to the world's major opium-growing and heroin-producing areas. From the early 1950s to 1990, the Golden Triangle — the border region of southeast Asia comprising Myanmar, Thailand and Laos — produced most of the world's illicit opium. In the Golden Crescent — the three western Asian countries of Iran, Afghanistan and Pakistan — opium production started to pick up in the early 1970s. From 1991, however, production in Afghanistan snowballed so that by 2007, its opium crop amounted to 93 per cent of global output (Chouvy, 2009: xii–xiii; 23). The rise of Afghanistan to top global opium producer is partly explained in this section. First, within Afghanistan's south-western and largely desert region are agricultural lands irrigated from the Helmand River that make intensive agriculture, including the double-cropping of opium with cotton, possible. Second, key drug lords from that region were largely successful in negotiating protection for the illicit trade in the murky and complex politics of Afghanistan.

If Lo Hsing Han was a central player in using the opium trade to revive the moribund economy of the Golden Triangle, Lal Jan Ishaqzai and Bashir Noorzai played similarly key roles in transforming parts of south-western Afghanistan, in just about two decades, to become the world's principal producers of opium and heroin. All three were big enough players to be listed in the US Specially Designated Kingpins list.

All three drug lords ran transport operations to bring opium and heroin across borders to the lucrative markets beyond. When he started, Lo ran caravans of 800–1,000 mules, that stretched for miles, to carry 10–20 tonnes of opium to the Thai border. Lal Jan Ishaqzai was in a strategic location: an opium-producing district with abundant water supply, which is also an important market town and opium bazaar connected by all-weather roads to nearby districts. It is also within easy reach of the Kandahar–Herat Highway,

[167] On 16 July 2019, however, it was reported that Bashir was freed from prison in Guantanamo Bay, and handed over by US authorities to Taliban representatives in Qatar, apparently to support peace negotiations between the US and the Taliban. See http://www.afghanistantimes.af/senior-taliban-official-freed-from-guantanamo-bay/ last accessed 31 July 2019.

a paved and well-maintained road through which much of the trade between Iran and Afghanistan passes. Bashir Noorzai's clan controls much of the A75, the highway from Kandahar to Spin Boldak and the only paved road that connects southern Afghanistan to Pakistan. Bashir was also involved with the Quetta Alliance. Quetta, the capital of Pakistan's Balochistan province, is the trade and communications centre between the two countries.

Running transport operations for high-value contraband through conflict-affected territory requires not only logistical cunning but also the ability to negotiate protection beyond territory that one controls. It is that protection, following Gambetta's thesis, which prevents the slide into deeper social dissolution of marginalised areas that are unable to develop socially and economically. In the cases of both Myanmar and Afghanistan, that protection came directly and indirectly from a wide array of players — from local politicians and officials, the police and the military, private or non-state armed groups and, most importantly, US agencies. CIA involvement in the Golden Triangle is well-documented by McCoy. Though Lo's case does not show direct engagement, CIA involvement certainly shaped the politics in the relationships between paramilitary drug traffickers like Lo and the Thai military. In Helmand, US troops provided protection to Lal Jan Ishaqzai's tribal enemies, who were also drug traffickers. But Lal Jan was able to gain protection instead from Wali Karzai, the landlord of the CIA and Special Operations Forces, and supplier of a paramilitary militia used by the US for counter-insurgency operations in Kandahar. Bashir tried to strike a deal with the Americans but was apparently caught in the political tug-of-war between US anti-terrorism and anti-drug enforcement authorities.

At some points in their careers, all three drug lords had shifting and contingent loyalties. Lo started in the private army of Olive Yang, became a counter-insurgent paramilitary leader, then switched sides to the Shan State Army when the military disbanded the paramilitary groups, only to find himself back on the military's side after the 1980 amnesty. Lal Jan Ishaqzai was a Taliban ally who sought the protection of a local warlord (Wali Karzai) who was regarded by the local populace as a US ally. Bashir Noorzai joined the mujahideen against the Soviets, became a Taliban ally, and later tried to strike a deal by giving information on the Taliban to American counter-terrorism officials. In other words, the three men arranged and rearranged themselves in relationships of conflict and accommodation with other actors.

In these cases, the boundaries between licit and illicit, or between legal and illegal business is not very clear — in fact they overlap. Lo's mule caravans went to the Thai border loaded with opium, but came back loaded with consumer items, without which, according to McCoy, the consumer economy (at least in the 1960s) would have collapsed. Similar patterns are seen in Afghanistan. In 1986, an American assessment of narcotics trafficking commented that it was probably welcome because of the hard currency and Western consumer goods it delivered (INCSR 1986: 234). Bashir Noorzai was Afghanistan's leading tyre importer, and while there is no direct evidence, it is likely that at least some of the lorries delivering goods to Afghanistan would smuggle opium or heroin on their way back to Quetta. Lal Jan has a base in Quetta to which he escaped, aided by the status he had acquired through paying the running costs of a hospital where injured Taliban fighters got medical attention.

On 20 November 2017, US forces in Afghanistan started a new counter-narcotics campaign called Operation Iron Tempest, a year-long bombing campaign that targeted Musa Qala, Sangin and other locations in Helmand and southern Afghanistan suspected of hosting heroin laboratories. The asymmetry in resources could not be any clearer. The US conducted over 200 air strikes using F-22 stealth fighters and B-52 strategic bombers, precision bombs, and real-time satellite reconnaissance. The targets were no more than 500 heroin 'labs' in non-descript mud huts often equipped with nothing more than a stove, barrels and precursor chemicals. These labs are so cheap they take less than three days to rebuild. Yet, by its own assessment, according to a *Time* report, the US admitted that its high-tech superiority barely dented the drugs trade. Opium and heroin production reached the highest levels ever recorded in 2018. In the last three months of the year, only two strikes took place, and the US quietly halted the operation. Iron Tempest became the latest high-priced counter-narcotics failure. As the report explained, the US has spent $8.9 billion in counter-narcotics efforts in Afghanistan since 2001, 'yet the war-torn country has consistently produced about 85% of the world's illicit opium supply' (Hennigan, 2019).

As the dust settled, the illicit drugs trade, with its peasant farmer proletariat and narco-bourgeois elite, simply carried on, proving its continuing resilience.

5.4 Bolivia: Upper-class drug barons: 1970-1988

'The drugs industry', asserts a special report in *The Economist* (2018), 'is simple and profitable. Its simplicity makes it easy to organise; its profitability makes it hard to stop'. But profitability alone is insufficient to explain its remarkable resilience. Without protection, profitability will not last. Also, profitability is not automatic in many contexts: it needs to be carefully constructed and maintained. A profitable business that openly antagonises the local community, for example, will not last long. But a business that plays a useful intermediation role and keeps the right partners will be regarded as indispensable, and will have the right allies to survive. These are the beliefs of a major drug trafficker himself, Roberto Suarez Gomez, who in the 1980s was known as Bolivia's 'King of Cocaine', as documented by his biographer, wife Ayda Levy (Levy, 2012).[168]

Suarez was a member of the elite who moved socially at the top of Bolivia's high society. He was a *latifundista* who owned extensive cattle ranches with airstrips in Beni and Santa Cruz, in the eastern lowland half of Bolivia, and a pilot, who owned the country's largest private fleet of small aircraft which he used to transport meat to Bolivian and Brazilian cities. Thus, he was already wealthy well before he turned his economic assets into hubs for coca base and paste transport to his partners in Colombia, where coca bush was not initially as widely grown (Levy, 2012; see also Painter, 1994). In 1982, the Reagan administration estimated his turnover at $400 million a year (*The Economist,* 2000).

5.4.1 Social differentiation in the illegal trade

Suarez's extensive family landholdings can be traced back to his great-granduncle Nicolas Suarez, a rubber baron who by 1890 controlled 6.5 million hectares of tropical forests and grasslands. In Beni, Nicolas built the ranches that provided labour and support to rubber-tapping operations. In the 1960s, Roberto Suarez and Ayda Levy settled in Santa Ana de Yacuma, where their main ranches were established. By the beginning of the 1970s, the couple controlled 250,000 hectares of grazing land with over 50,000 heads of cattle (Levy, 2012: Chapter 6).

The Suarez family were *blancos* (whites), *mistis* (mestizos), or the *gente buena* (good people) — the upper class in Bolivia's socially differentiated society. According to Leons and Sanabria, these social dividing lines are replicated in the social structure of the drugs trade, where dirty work is done by the indigenous Quechua-speaking Indians, campesinos, or the 'proletariat of the illegal economy', who are then grouped into *Kollas* (people of the highlands)

[168] The biography is written in Spanish; excerpts are translated into English here using translation software. Hence, there may be some distortions and inaccuracies in quotes and references. For this reason, too, citations often refer to chapter numbers rather than page numbers.

and *Cambas* (mostly those operating in the lowlands known as the Chapare). This set of distinctions, they continue, 'creates a cultural ceiling that one classified as indigenous is not permitted to rise above' (Leons and Sanabria, 1997: 10).

Suarez's drug business has mainly been to buy coca leaves from growers, turn it into coca paste, and then supply the semi-processed product to the Colombian cartels using his airplanes. Levy suggests that Colombia's Pablo Escobar started out by smuggling coca base purchased in Bolivia and selling it in Colombia to the highest bidder. However, in 1980 Escobar met Suarez and the two became business associates, and later on, friends and partners. This partnership was to blossom during Bolivia's 'coca boom' from around 1980 to 1987, during which Escobar, Levy says, became Roberto's best client and partner buying up the base sulfate the Bolivian sold, despite the 350% mark-up on its price (Levy 2012, Chapter 10).

Suarez had fruitful partnerships with other Colombian drug lords — Gustavo Gaviria, Gonzalo Rodríguez Gacha, Carlos Lehder and the Ochoas (all from the Medellin cartel); the Rodriguez Orejuela brothers and Mejias of the Cali cartel; and other known Colombian mobsters like Jairo Restrepo and Pablo Correa (Levy, 2012: Chapter 7). Levy describes an opulent party the couple had hosted on 26 December 1982 to celebrate the birthday of their eldest son Roby. Aircraft were dispatched to Sao Paolo and Rio de Janeiro to pick up celebrity chefs; to Panama to collect boxes of whisky, champagne, wine and other spirits; and to Colombia to pick up Pablo Escobar and Gonzalo Rodriguez Gacha. When Escobar disembarked, a large group of *mariachis* descended from a second plane playing *ranchera* music (Levy, 2012: Chapter 10).

Levy takes pains to emphasise that her husband was different from the criminals and warlords with whom he partnered. He was, she maintains, the mild-mannered *patrón*, who had the touch of the common people and was helping the poor get out of their misery. Levy laments how they were betrayed by Luis Garcia Meza, the general who became Bolivian president via a July 1980 coup that Suarez and his associates supported. Garcia caved in to US pressure by publishing a list of wanted drug lords with Roberto and son Roby on top. The publication caused damage, because Suarez's known properties and assets were frozen, prompting Levy to start the extremely tedious task of legally dissociating the family's assets from those acquired through her husband's business (Levy, 2012: Chapter 5).

Suarez had a particular hatred for the US, citing how two American companies — tobacco giant Philip Morris and firearms manufacturer Smith and Wesson — kill more people than cocaine (ibid.). More importantly, Suarez belittled the US-led 'war on drugs' because he believed that 'no one can eliminate the largest business in the world'. The most that anti-drug operations can achieve, he said, is to change the brokers or intermediaries who organise and profit from the business. He pointed out that when special police forces and the US DEA established bases in the coca-producing areas of Bolivia in the 1980s, coca leaf growing increased, rather than diminished (Levy, 2012: loc. 60–68).

5.4.2 Cocaine, Inc.

Suarez wanted to end the practice of creating monopolies in the drugs trade, halt the tendency towards violent or even deadly competition, and at the same time smoothen relationships with government. He did this by setting up *La Corporacion,* or what the Americans eventually called the 'General Motors of Cocaine'. It functioned more like a loose partnership in an industry where entry is not difficult. Its members essentially remained autonomous but pooled their resources together to reduce mutual costs, sold materials and services to each other, shared information, distributed orders, and handled different parts of the business while earning profits according to their contributions.

Perhaps the most important innovation adopted by La Corporacion was to 'piggyback' the illicit drugs trade on the infrastructure and business links created by licit enterprise. In Suarez's case, this meant using not only the assets of his ranch and cattle business (particularly the planes and the airstrips), but also the infrastructure built from the Suarez family's rubber business and exports of quinine. The steam barges that operated from ports on the Mamore River to Guayaramerin, for example, were also used to transport bulk coca leaves for processing. La Corporacion relied on already-existing business infrastructure — letters of credit, bank accounts, procurement lines, warehouses, legal and accounting firms, and so on. Roberto's approach was to transform the 'ant' traffic in coca base into a centrally coordinated corporate enterprise, mainly as suppliers to the Colombian cartels[169]. At its height, Levy recalls, with millions of dollars in

[169] The Colombian cartels operated as centralised, corporate enterprises. Thomas Constantine, chief of the DEA from 1994 to 1999, compared the Cali cartel to a large American company with strong corporate headquarters and many franchises (Sarker, 1996: 304; Crandall, 2002).

cash arriving from Colombia each day, they often quipped that it would be 'easier to drain the Mamore River than to end the flow of money' (Levy, 2012: Chapter 7).

A key investment La Corporacion made was to buy properties on the outskirts of the Madidi National Park near the Yata River to set up a network of laboratories for processing coca base into paste. A fleet of 30 Cessna STOL206 (short take-off and landing) aircraft — typically with their licence numbers muddied to avoid identification and flown by pilots who paid bribes of $10,000 to obtain landing rights — were used to bring in the crude coca base from the Chapare. Levy says they also used bigger aircraft, like Hercules C-130s that belonged to the state company TAM (Transporte Aereo Militar) and Brazilian aircraft. The Bolivian laboratories would process the crude base into cocaine paste sulfate, which was then transported using longer-range turboprop DC-3 aircraft to Colombia for processing into cocaine hydrochloride. The pilots or *maruchos* of these aircraft typically earned $15,000 per flight. A key change Suarez introduced after La Corporacion was created was to increase the sale price to the Colombians of cocaine base sulfate from $1,800 per kg to $9,000 per kg (Levy, 2012: Chapter 7).

Despite their productive ties, there was a key tension between the Colombian and Bolivian traffickers: the chemical formula in the final step of the refining process was known only to the Colombian cocaine 'cooks' or *cocineros*. It was an industrial secret that kept the Bolivians from producing their own cocaine, bypassing the Colombians, and supplying the US market directly. But what appears to have ended the Bolivians' efforts to supply the US directly was a DEA–Bolivian government intervention.

5.4.3 The value of reputation

Suarez's drug operations became the target of a US–Bolivian government sting operation [170] led by DEA special agent Michael Levine. Going undercover and posing as a 'mafia representative' seeking to buy cocaine, Levine 'accepted' an offer by Suarez and his partners to supply 1,000 kg of cocaine a month*,* a 'staggering amount' Levine said because at that time the

[170] Because of the clandestine nature of the drugs trade, the best way to gather evidence for a successful prosecution is to catch the criminal actually committing the crime. Hence, law enforcers often conduct 'sting' operations — a deception or a ruse — where they go undercover, typically posing as buyers who purchase drugs using marked cash or traceable payments.

biggest ever drugs bust in history involved only 220 kg (Levine, 1993: loc. 641).

The sting operation — in which 1,000 pounds (not kgs) of cocaine was delivered and $9 million in cash paid inside a Bolivian bank vault — resulted in the arrest of two of Suarez's partners, Jose Roberto Gasser and Alfredo 'Cutuchi' Gutierrez, who like Suarez were from wealthy elite Bolivian families (both had their own aircraft). They were eventually extradited to the US and indicted. The case was hailed by US media as the biggest drug case in history. However, after the media coverage died down, Gasser was quietly released from jail and the US Attorney's Office in the Southern Judicial District of Miami subsequently dropped all charges. A similar fate awaited Gutierrez, whose bail requirement was lowered from $1 million to $10,000, which he quickly posted and was thereafter released. On his return to Bolivia, Gasser ran full-page ads in the country's largest newspapers with a photo of his unconditional release paper signed by the US Attorney (ibid.: loc. 683).

Levine later found the reason for the release: Gasser and Gutierrez were assets of the CIA. The 1980s were also the period of *La Guerra Sucia* or the 'dirty war' against communism in Latin America, and the CIA was protecting its allies. Erwin Gasser, the father of Jose Roberto and one of Bolivia's biggest industrialists of the period, was a key member of the World Anti-Communist League. It was the elder Gasser, Levine said, who financed the 1971 coup that put General Hugo Banzer in power, which was the beginning of cocaine's rise in the Bolivian economy (ibid.: loc. 1429). Apparently, to Levine's dismay and disillusion, the targets of the war on drugs in Bolivia were deemed by the CIA to be exactly the allies that the US needed in its war against communism.

Though Suarez and La Corporacion survived the sting and continued with business as usual, their reputation was shattered. It was for this reason, Levine believes, that the Bolivians were unable to bypass the Colombians. Thus, as Suarez mused in his biography, the sting did not shut down the business; it only rearranged the actors in the supply chain.

5.4.4 Political connections

Suarez's many political involvements have been reported by James Painter. the BBC's correspondent at that time in Bolivia. Suarez was widely believed to have financed the 1978 campaign of General Juan Pereda, the designated successor of General Banzer. According to Painter, there is also strong evidence to suggest that Suarez financed the brutal 'Cocaine Coup' of 1980 which put General Luis Garcia Meza into power, and ushered in what was perhaps the most violent period in contemporary Bolivia when the country suffered a spate of extra-judicial killings, disappearances and torture, particularly of union leaders and left-wing figures who opposed the coup (Painter, 1994: 58–59). La Corporacion apparently felt more protected by military governments than by elected civilian leaders. And sure enough, on assuming power, Garcia Meza quickly appointed Colonel Luis Arce Gomez as Interior Minister, whose first act was to authorise the release of key drug traffickers from jail (Levine, 1993). Arce is a close relative of Suarez.[171]

However, Suarez deplored the violence and, in Levy's terms, the 'useless murders'. There were over 500 murders and disappearances, and thousands of tortures and imprisonment. At the centre of these atrocities was the mafia-like organisation *Novios dela Muerte* (Lovers of Death) led by the infamous Nazi war criminal Klaus Barbie and Argentine military advisers. The Novios were a group of about 600 mercenaries contracted by Arce to hunt down 140 small and mid-level drug traffickers, apparently to show to the US that Bolivia's new rulers were 'tough' against drugs. In reality, the Novios simply cleared the field of lower-level competitors (Levine, 1993: loc. 1156). Levy confirms that the Novios also did some work for Suarez, mainly to provide protection for the drug shipments to Colombia by ensuring that the Colombians paid first, before off-loading the cargoes. The Novios, she says, were known locally as the *Aguilas Negras* (Black Eagles), on account of the images of those birds on the wings of Suarez's planes. She lists the names of the group's most prominent members and calls them 'a diverse sample of the international extreme right' (Levy, 2012: Chapter 6).

However, the Garcia Meza regime collapsed a year later, hobbled as it was by political instability caused not only by the chaos involving coup-plotting generals, but also by the country's growing economic woes that soon resulted in hyperinflation. To a large degree, argues Painter, it was cocaine dollars that may have prevented the economy's complete collapse.

It is also worth noting that Suarez presented ambitious plans to the Garcia Meza regime for the agro-industrialisation of coca production. The Suarez vision, writes Painter, was based on studies carried out by Spanish and Japanese academics, which called for the establishment of a multinational company capable of transforming Bolivia's excess coca leaf production into medicinal products for a global mass market (Painter, 1994: 1). Since then, suggestions have emerged intermittently calling on Bolivia to develop a licit

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[171] Levine states that Arce was a cousin of Suarez, but Laserna asserts that he was a nephew (Laserna, 1995: 32).

coca industry to export such products as coca tea, shampoo, lotions and creams.

5.4.5 Comparing business models

Two observations can be drawn from Suarez's effective business model. First, it was his legitimate cattle and other businesses that provided the infrastructure for the illicit business. Suarez himself hinted that the export of cocaine to the US only becomes possible by embedding or hiding the contraband in the export of legitimate goods; he estimated that as much as 60% of the value of all export traffic from Bolivia could be illicit. This is one reason, he argued, why the drugs trade could not be eliminated (Levy, 2012: loc. 68–76). This also strongly contradicts the assumption that criminal enterprise happens exclusively underground and can be separated from legal enterprise.

Second, successful criminal enterprise requires a good level of social embeddedness. Suarez sought legitimacy by engaging in 'ostentatious philanthropy', i.e. paying for church repairs, for paved streets in poor villages, or for soccer fields for street urchins. Like Colombia's top drug lord Pablo Escobar, who was the biggest contributor to charitable projects of the Catholic church, Suarez became Bolivia's major charitable donor (*The Economist,* 2000). Most importantly, he sought partnerships with the 'right' people, i.e. those who could provide protection. However, that protection appears to have been contingent on many factors. Suarez may have cut deals with the right people, but the lack of stability made it impossible for his partners in government, including the 'Minister of Cocaine', or the CIA, to give him the protection he needed over the longer term.

Suarez's life story sheds light on the edifice of illicit enterprise. While the kingpin strategy of countries like the US may eliminate the 'big men' with centralised operations, the illicit drug trade is much larger: it has vast production, processing and distribution networks that do not dissolve simply by eliminating those at the top. The kingpin strategy failed because it targeted only the top individuals and left the commodity chains and social networks of the local economies that enable drugs production largely intact. Over the long term, it appears that law enforcement was only able to restructure the trade, not eliminate it — just as Suarez had predicted.

Important comparisons can be drawn in the careers of Suarez, Bashir Noorzai, and Lo Hsing Han. Suarez set up La Corporacion, which is roughly similar to Bashir's Quetta Alliance, a network for mutual benefit that was bound together by social ties. It became critical for collective protection against risks and also minimised damaging competition. Suarez and Bashir were both from upper-class families. Lo on the other hand, was not from an upper-class family, and started his career as a militia leader who did the dirty jobs. Suarez's licit cattle business provided the cover and infrastructure for the illegal trade. Lo took the opposite path: he started in the illegal trade and only when he had accumulated sufficient profits did he branch out into licit business. Suarez courted publicity and made ostentatious displays of charitable gift-giving. Lo was low-key, and believed he was already doing the poor a favour by selling their opium.

There is also a contrast in the stigma attached to their illicit businesses. Opium was heavily stigmatised in the China–Myanmar border areas, largely due to successful eradication programmes, anti-opium mass movements, and public trials and executions in China. In contrast, in Bolivia, there is less stigma attached to cocaine, and the UN-banned coca leaves are regarded as part of the national heritage.

Control of transport resources was important in all cases. Lo started with mule caravans that went through mountain trails; later, he had access to government-controlled highways. Both Lal Jan and Bashir had easy access to highways, while the Noorzais controlled the only highway out of southern Afghanistan into Pakistan's Balochistan province. Suarez, for his part, was able to use planes not only to transport coca base and paste but also to bring drug kingpins like Pablo Escobar and Gonzalo Rodriguez Gacha to lavish parties in his mansions.

A further similarity are the shifting relationships they all face. Lo and Suarez had changing relationships of conflict and accommodation with the military. Suarez funded a military coup, if the accounts of Painter and Laserna are correct, yet ran into problems too with Garcia Meza when the dictator caved in to US pressure. Lo did not go as far as funding, but he did actively support a successful military coup as a combatant, and became its useful counter-insurgency tool.

In July 1988, Suarez was arrested in a raid in El Sujo, one of his ranches in Beni; it was the first time that any major Bolivian trafficker had been captured (Painter, 1994: 27–28). He was sentenced to 15 years in jail. In the end, says the *Economist,* he was a broken and faded man who repented in prison and liked to be photographed in front of a picture of Jesus (*The Economist,* 2000). His cattle herds dwindled to a few hundred. Yet he retained his flamboyance and took pride in the 18 children he fathered in the course of several marriages. He was released from prison in 1996 on account of good behaviour and deteriorating health and died in 2000.

5.5 Colombia: Deciphering the Castaños, 1981 to 2007

The Castaño-Gils[172] were a brood of 12 siblings known as large ranchers in Antioquia and in adjacent Cordoba (*Verdad Abierta,* 2008a). In the early 1980s, three of the brothers — Fidel, Vicente and Carlos[173] — shot to infamy as fearsome paramilitary leaders who used extreme levels of violence and coercion to fight a growing leftist insurgency and, in the process, appear to have contributed significantly to the consolidation of a particular form of local economic order.

5.5.1 The rise of the Castaño brothers

In 1995 after the Medellin and Cali cartels had been eliminated following the sustained counter-narcotics kingpin campaign led by the United States, it became evident that Colombia's scattered illicit drug business was not about to crumble: it had been quickly picked up by criminals and the 'proletariat' of the illicit trade who had the knowledge, skills and connections to carry on. As Crandall notes, the large, visible cartels were simply broken up into a much greater number of smaller, less visible drug producers, who turned into 'boutique' traffickers specialising in certain parts of the overall business (2002: 160). In the middle of this transformation were the Castaño brothers. Since Fidel, the eldest, had been killed in 1994, it fell upon Carlos and Vicente to consolidate their influence and power. They did more than just rebuild the illicit business: they gave it new allies and then built for it an important political platform — the paramilitary network the AUC — which prides itself on being a self-created 'movement' of its members, and not a tool made or instigated by the state (Aranguren, 2001: Chapter 5).[174]

[172] The convention for names in Colombia is to have the father's surname first (Castaño), followed by the mother's (Gil). The family's surname, however, is commonly taken from the father, 'Castaño'.

[173] Fidel was born in 1950, Vicente in 1957, and Carlos in 1965 (McDermott, 2008; *Verdad Abierta*, 2008b, 2009).

[174] The AUC was supported by the military after its creation (see Grajales, 2011; Gutierrez Sanin, 2019).

The eight boys and four girls of the Castaño-Gil family were raised in La Blanquita, an estate in Amalfi, a municipality 143 km northeast of Medellin. Amalfi lies adjacent to the sub-region known as Uraba, which covers northern portions of the provinces of Antioquia and Choco (and the entire land border with Panama) and western portions of Cordoba. Uraba retains its identity, not only because of its long history of racialised colonial violence as the site of Spain's first colonial settlement, and a place where enslaved Africans were sent to mine for gold along the Atrato River (Ballve, 2020: 49), but also because it became a 'drug-trafficking real estate' sitting astride the key drug movement corridors from the centre of Colombia towards departure points on both the Pacific and Atlantic seaboards (McDermott, 2014).

Sometime in July 1979,[175] the family's patriarch, Jesus Antonio, was kidnapped by the left-wing rebel group FARC. This came as a bitter blow for the family, since two brothers, Ramiro and Manuel, socialised with the guerrillas. Their father had also let the rebels camp on their El Hundidor farm. Three ransom notes were sent, and the first two were paid. The third ransom note for 50 million pesos (about $20,000) came on February 1980, but it appears the father already was dead by then. Apparently, Jesus rebelled in captivity, did not eat, and became ill. After a surprise skirmish, the guerrillas suspected a military rescue was afoot and became convinced that their hostage was valuable to the military, so he was shot. A peasant who saw the body before it was retrieved by the guerrillas confirmed to the brothers that their father was dead. His body was never recovered (Aranguren, 2001: 38–40).

'Our revenge lasted two years', Carlos told Aranguren. Fidel and Carlos gathered information and sought out those involved. The first to be found was Conrado Ramirez, seen as one of four who took the father from La Blanquita. Ramirez was arrested by the Army, but a magistrate thought to be sympathetic to the FARC said Fidel's evidence was hearsay, and ordered Ramirez's release. Three days later, as Ramirez emerged from the Fujiyama residences, Fidel shot him dead. It was the 'first extra-judicial execution of the Autodefensas in the name of a genuine justice that does not yet exist in Colombia', claimed Carlos (Aranguren, 2001: 44). In total, the Castaños killed seven FARC members linked to their father's kidnapping.

[175] The date given in a profile on the Castaños by the *Daily Telegraph* is different (McDermott, 2008).

The story about the kidnapping is 'where it all began', said Carlos. Soon, the brothers set up the vigilante group, *Los Tangueros*, named after Fidel's ranch, *Las Tangas*. Before long, the Tangueros were enjoying the backing of local ranchers, businessmen and the army who found them as a force that checked guerrilla activity (McDermott, 2008).[176] The Tangueros, however, were more than just simple providers of protection, and the context in which they emerged offers clues as to the logic and purpose of their violence. A number of cases heard at the Inter-American Court on Human Rights (CorteIDH)[177] provide the details. The Court's 178-page judgment on the Pueblo Bello massacre heard expert testimonies that the location of Fidel's ranches, including Las Tangas, served as a strategic deterrent to guerrilla expansion. Not only were the ranches and their vigilantes situated in a cattle-raising region where guerrillas collected war taxes from businessmen and livestock owners, they were also linked to the road networks that comprised the extremely profitable *Eje Bananero* (banana axis), the centre of which was the highway from Medellin to the port city of Turbo (CorteIDH, 2006: 46–47).

The development of the highway, the Court heard, changed the demographics of the region and consequently created rising social and political tensions. In the 1950s, forested areas were thinned out by logging operations that extended south, drawing in enormous revenues while opening land to more unplanned peasant settlements. But in the 1960s, the largely subsistence peasant agriculture that emerged was displaced by the arrival of *Frutera Sevilla,* the renamed United Fruit Company.[178] The company introduced a banana contract-growing scheme to Uraba landowners, most of whom were raising cattle. The transition was aided by generous loans provided by the *Corporacion Financiera Colombiana de Desarrollo Industrial,* which received US bank credits under the Alliance for Progress, a $20 billion US initiative to provide a 'peaceful, democratic, capitalist alternative to the Cuban

[176] The *Daily Telegraph* journalist Jeremy McDermott tracked the AUC for 11 years and conducted prison interviews with assassins and paramilitaries who worked for the brothers, including Hebert Veloza Garcia, described as the right-hand man and chief assassin of Vicente Castaño. McDermott also interviewed Carlos in January 2002.

[177] CorteIDH is not to be confused with IACHR (Inter-American Commission on Human Rights). Both are authorities created by the American Convention on Human Rights adopted in November 1969. The principal role of IACHR is to monitor compliance with human rights standards, while CorteIDH is the body that adjudicates cases of human rights violations.

[178] The American company UFCO is infamous for its association with the Banana Wars and the creation of the term 'banana republic'.

Revolution'. In the new scheme, Frutera Sevilla did not technically grow its bananas, but bought them from contract growers with an assured minimum price. The company then invested in road, canal- and drainage-building, deepened several streams leading to Rio Leon and the Gulf of Uraba, and acquired barges and tugs that carried the bananas to its ocean-going ships (CorteIDH, 2006: 25–47; *New York Times*, 10 January 1971; US Congressional Record, 30 April 1964).

This period of 'development', however, created a chain of intended and unintended consequences. With land values increasing rapidly, predatory land prospectors and speculators targeted land occupied by the smallholder peasant population. Dispossessed and displaced, many survived by becoming wage workers for the banana contract-growers, typically without the benefit of labour standards and protection. Meanwhile, landowners who did not grow bananas mostly established cattle ranches, which also served as a holding tool for claiming and controlling land while waiting to cash in on expected huge rises in land property values. The conversion of periphery areas to the north and east of the highway for cattle farming created further land conflicts and peasant displacements. Peasant attempts to hold onto land, including 'land invasion' initiatives, were violently repressed by state institutions and private security operations. Eventually, social and political forces emerged that confronted each other: two rebel military fronts, the FARC and the EPL (*Ejercito Popular de Liberacion* or Popular Liberation Army), gradually occupied nearby mountainous areas and supported the peasants, while the government authorised the Army to arm civilian forces that supported the cattle ranchers, banana growers and plantation owners. This became the central element of confrontation in the region (CorteIDH, 2006: 24–26, 45–47).

A 1988 report from DAS (Administrative Department of Security), quoted in the IACHR report on the Currulao massacre, provides the state's description of this central confrontation:

> … the problem started when the EPL stepped up its campaign of kidnapping, murder, and extortion against the [contract-growing and cattle] farmers of the region, who formed self-defense groups to join forces with the army; this led to the polarization of positions and transformed the area into a war zone, generating a power vacuum that encouraged all manner of atrocities. (IACHR, 1994: 3–4)

It was within this context that the Castaño brothers emerged. After their father's death and given the rising tensions with the guerrillas, the brothers sought a new area where they could regroup. They wanted a strategic location near the banana plantations of Uraba, according to Carlos, in order to expand their growing paramilitary network and to ensure access to the sea and the border areas of Cordoba, Antioquia and Choco. They tried San Juan, on the coast, but abandoned the effort after the guerrillas killed 'some of our boys'. Hence, they moved closer to Cordoba where they could better endure guerrilla retaliation, and where many ranches had been abandoned. Eventually they found the 2100-hectare estate Las Tangas, near Monteria the provincial capital, which Fidel purchased from a rancher in 1983.[179] Las Tangas, says Carlos, was the first area that they 'liberated' from the guerrillas and it became a refuge and training ground for the paramilitaries (Aranguren, 2001: 70, 110).

An expert witness in the cases against Fidel told the Court that the paramilitary forces they were building were paid for by drug profits (CorteIDH, 2006: 25–26). As the Castaños expanded their activities into the adjacent municipalities as far as the areas at the Gulf of Morrosquillo — expelling EPL guerrillas in the process — ranchers started returning, Carlos claims. 'If it is a business for the guerrillas to impoverish the regions', he continues, 'Fidel considered it a thriving business to enrich those regions'. Fidel, claims Carlos, was essentially a capitalist (Aranguren, 2001: 113). As such, the Castaños and the Tangueros effectively contributed, whether intentionally or otherwise, to the transformation of the smallholder-led agrarian economy into a supply chain for capitalist, commercial agriculture on one hand, and illicit coca production, on the other. Violence and terror were their tools to destroy opposition.

Between 1988 and 1990, the paramilitaries committed more than 20 massacres, all linked to the social tensions arising from the agricultural commercialisation of the region. Carlos claims that not all of these were their doing: some were done by paramilitaries outside the Castaño network; and some took place even before they had established a presence in central Uraba (Aranguren, 2001: 109). Some examples of the atrocities listed in court records are:

- Currulao (Turbo), 4 March 1998: 17 people, all active members of SINTAGRO (the Union of Agrarian Workers of Antioquia)

[179] In case files against Fidel, the prosecutor charged that Fidel paid the first instalment on the property, but later kidnapped the son of the rancher and 'recovered' his payment. The owners were later murdered. See: https://verdadabierta.com/la-historia-detras-de-la-finca-las-tangas/

murdered to intimidate voters into not voting for the Union Patriotica.[180]

- Buenavista (Cordoba), 3 April 1988: 28 people executed as the Tangueros looked for an EPL leader involved in kidnapping.
- Punta Coquitos (Turbo), 11 April 1988: 27 banana workers murdered, apparently by killers under contract from ACDEGAM (Association of Farmers and Cattlemen of Magdalena Medio).[181]
- Canalete (Cordoba), 30 August 1988: 16 victims killed.
- Pueblo Bello (Cordoba), December 1989: 43 peasants kidnapped, brought to Las Tangas, interrogated and tortured; 37 disappeared and only six bodies were ever found (CorteIDH, 2006: 26, 47–52).

5.5.2 The mutation of the Castaños

Fidel was the family's main entrepreneur; he made money from mining and land speculation, trading in art, and drugs trafficking. He subsequently invested his profits in Las Tangas (*Verdad Abierta,* 2008a). His business network brought him into contact with Pablo Escobar. As the relationship expanded, Fidel was given charge of maintaining a supply chain in Bolivia for what was then the largest cocaine-processing network in the world. Carlos, meanwhile, rose to become a prolific *sicario* (assassin) of the Medellin cartel and the family's chief enforcer. Vicente was deployed to Los Angeles for some time, where he handled the distribution end of the drug business (McDermott, 2008).

When Escobar led the Medellin cartel into war with the Colombian state in 1989, Fidel was among the lieutenants who disagreed with this strategy, apparently because they did not want a deadly confrontation and wanted to make money from the drugs trade, not to use that money for a war that could potentially cripple that trade. In early 1992, when Escobar was in prison in *La Catedral* (under a negotiated surrender), he summoned Fidel, Fernando Galeano and Gerardo Moncada to a meeting. Fidel did not go: Galeano and Moncada ended up dead, believed killed by Escobar himself. It was then that Fidel set up PEPES (People Persecuted by Pablo Escobar).

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[180] See https://www.cidh.oas.org/annualrep/93eng/Colombia.10912.htm , accessed 15 February 2020.

[181] See https://www.elespectador.com/colombia2020/justicia/verdad/punta-coquitos-una-masacre-en-altamar-articulo-857132, accessed 15 February 2020.

Fidel's rebellion was critical to the downfall of Escobar because, as McDermott explains, 'Fidel set about proving he could be even more brutal than Escobar'. With support from Colombia's security forces, and allegedly the DEA itself, Fidel typically set off two bombs for every bomb attributed to Escobar, targeting the Medellin chief's properties. One car bomb narrowly missed killing Escobar's children, partly deafening his daughter Manuela. Fidel also attacked Escobar's accountants, lawyers and supporters, especially after Escobar escaped from prison in July 1992. Finally, a police sniper shot Escobar dead in December 1993 (McDermott, 2008; *Los Angeles Times,* 3 December 1993).

The Castaños thus mutated into criminal entrepreneurs who owned ranches and engaged in illicit drugs but at the same time operated as effective paramilitary vigilantes with a substantial following. By turning themselves into a credible force against leftist guerrillas, they were transformed from hunted gangsters to criminal entrepreneurs serving a useful political purpose. This gave them connections and a powerful ally which provided them with strategic protection — the military. Thus, they became players in their own right, or arbitrageurs on the margins of the state and market (Ahram and King, 2012).

Their emergence as arbitrageurs is illustrated by one case in which businessmen eyeing palm oil plantations approached Vicente and his paramilitaries in the late 1990s to be partners in a project. Bernal-Bermudez writes that the businessmen found the Curbarado and Jiguamiando river basins in Choco to be ideal for palm oil plantations: they had the right climate and soil type, a supply of cheap land and labour, and were located near Pacific trading ports. Vicente's role was to ensure that land and labour would remain available throughout the project. This was significant, explains Bernal-Bermudez, because it was the first case of business taking the initiative to approach the paramilitaries for a partnership, instead of the other way around: typically, it was the paramilitaries who approached businesses offering them security in exchange for financial contributions (Bernal-Bermudez, 2017: 228–229).

On 6 January 1994, however, just a month after Escobar was killed, Fidel was himself shot dead in an accidental clash with EPL guerrillas,[182] which according to Carlos, were already on the point of defeat. But Carlos kept

[182] Most news reports identify the group as FARC guerrillas, but Carlos said they were EPL (Aranguren, 2001: Chapter 1).

Fidel's death a secret, fearing demoralisation among their ranks. He even answered a questionnaire sent by a reporter in May 1994 pretending to be Fidel. Only after the publication of that 'interview' did the family realise Fidel was dead. A twist in this story is that when the identity of Fidel's killer was discovered, the man was already fighting for Carlos against the FARC. He was identified as Commander Sarley (Francisco Morelo Peñata), who never knew the man he shot. Fidel, the founder of paramilitary *autodefensas*, died in anonymity. Carlos forgave Sarley, who rose to become his second in command (Aranguren, 2001: Chapter 1).

After burying Fidel, Carlos took the reins of Los Tangueros, and launched sustained attacks on FARC strongholds in Uraba. Carlos then established, together with Vicente, the *Autodefensas Campesinas de Córdoba y Urabá* or ACCU (Peasant Self-Defence Forces of Cordoba and Uraba), incorporating into their ranks former EPL members and FARC deserters. By terrifying the local population into denying FARC even a glass of water, ACCU expanded and by the end of 1996, 'had done the impossible — it drove FARC rebels out of Uraba' (McDermott, 2008). FARC's defeat in Uraba had far-reaching implications, enabling processes of peasant displacement, land dispossession and land speculation without significant opposition.

5.5.3 The multi-purpose franchise of a paramilitary brand

The creation of the ACCU marked a turning point, notes Jacobo Grajales, because for the first time in Colombia's long history of armed conflict, 'a paramilitary group was endowed with the image of a politico-military organisation, with internal hierarchies, subdivisions and military ranks'. The ACCU defined itself as 'a counter-subversive armed organisation' and a 'civil resistance movement' that justified its armed mobilisation by the need to defend 'national rights and interests'. Carlos then started pushing for closer coordination between the country's paramilitary groups. In 1997, the national network *Autodefensas Unidas de Colombia* or AUC (United Self-Defence Forces of Colombia) was established, with Carlos as its spokesman (Grajales, 2015: 7).

But the two brothers appear to have had different views on AUC's purpose.[183] While Carlos built the AUC into a politico-military force, Vicente

[183] These differences have been suggested in *Verdad Abierta* accounts but could not be confirmed or denied in Aranguren's book which, strangely, has no mention of Vicente at all in its 242 pages. This in itself may be an indication of the brothers' estrangement. However, what is clear is that Carlos agonised over his decision to take drug money to fund 'the cause'. For example, in Aranguren, 2001: Chapter 14, he said he lost sleep over paying for 4,500 rifles

used it as a network for drugs trafficking. Vicente started selling 'franchises' to drug traffickers and other armed groups by highlighting a key 'benefit': an AUC affiliation could change a drug trafficking organisation's status from criminal to legitimate. Because a 'franchise' allowed the buyer the right to use the AUC name and logo, and get an official rank within the organisation, it potentially offered immunity from prosecution or extradition to the US. It turned common mobsters, following payment of a franchise fee, into armed political actors (Grajales, 2015).

The franchise became a way not only to gain some form of legitimacy for criminals but also to provide cover and protection. Among those who purchased an AUC franchise were 'the Twins' (Los Mellizos), the brothers Miguel Angel and Victor Manuel Mejia Munera — two enterprising cocaine traffickers from Cali who were caught in a conflict between competing groups and sought the protection of the Castaños. In 2001, a police raid on one of their apartments in Bogota yielded $35 million in cash. By 2004, they had been named in the list of 12 most-wanted traffickers by the US. By establishing the paramilitary group *Bloque Vencedores de Arauca* and buying a franchise from the AUC, they effectively avoided extradition *(Verdad Abierta,* 2008c).

Thus, a type of actor emerged whose identity was vague and elusive, who could claim to be a political activist but at the same time was neither exclusively a paramilitary nor exclusively a narco-trafficker. Effectively, these figures continue the 17th century tradition identified by Gallant as bandits who became patriots, and vice versa, depending on their relationships with the state (Gallant 1999). Some franchisees called themselves 'transitional armed group', further blurring boundaries. Grajales (2015) makes the important point that, contrary to their common image as 'outlaws' operating outside the state and formal economy, these actors operated very much like politicians and businessmen who invest time and effort in building the legitimacy that enables survival and expansion. Among their various mechanisms, the most useful was the AUC franchise, which shaped the social construction of what constitutes illicit business and criminality in quite unexpected ways.

from Central America with drug money but didn't want to be 'the idealistic commander who lost the war'. It is necessary to bring up this detail, not because it may be truthful, but because it is revealing of the public persona that Carlos desired.

5.5.4 The betrayal of the brothers

In 2001 Carlos married Kenia Gomez Toro, a beauty queen from Cordoba who soon gave birth to a daughter, Rosa Maria. After his departure from the AUC, Carlos consolidated his assets and landholdings under his wife's name and appeared to become absorbed in looking for a cure for their daughter who was born with *cri du chat* (cat's cry) syndrome, a genetic condition in which the child often has a high-pitched cry like that of a cat. According to various accounts, Carlos regarded the illness of his daughter as punishment for his crimes (*Las Dos Orillas*, 2018; *Verdad Abierta,* 2009).

The political differences between Vicente and Carlos are highlighted in the circumstances that led to their deaths. By the end of 2002, Carlos was negotiating with the national government for the demobilisation of the paramilitary structures that he helped create, putting an increasing strain on his relationship with Vicente. AUC paramilitaries, many of them wanted for extradition to the US, worried about what Carlos might tell the Americans and hence wanted him silenced. On 16 April 2004, Carlos was reported killed. Vicente's right-hand man, Jesus Ignacio Roldan, or Monoleche, later confessed to carrying out the assassination under orders from Vicente himself (McDermott, 2008).

By November 2006, over 30,000 paramilitaries had demobilised. Because of considerable political pressure, Vicente himself applied to demobilise but in early 2007 went into hiding with Hernan Hernandez to organise a retaliation against the government. He canvassed support, asking AUC commanders to donate $250,000 each for a war chest, but only received two responses (*Verdad Abierta* 2008b). Hernandez himself was hesitant. On 11 March 2007, four men arrived at one of Vicente's estates, overpowered his guards and killed him. Many believed it was Hernandez himself who orchestrated the killing, but he denied it, triggering rumours that Vicente deliberately organised his own disappearance (*Cambio, 2008;* McDermott, 2008). However, that he was indeed dead was proved by the scramble that ensued among various paramilitaries under Vicente's influence to take possession of the Castaños' houses and accumulated landholdings, including Las Tangas.

Vicente was the last of the Castaños, with the other brothers having died at the hands of the FARC. With the Castaños gone, the AUC ceased to exist. Carlos wanted a political paramilitary that would be the antithesis of the FARC, with whom the AUC battled bitterly. Vicente, on the other hand, want to create the infrastructure for a decentralised capitalist enterprise in illicit drugs. Despite the differences in their intentions, the Castaños can be collectively credited for consolidating a particular form of local economic order in the territories they inhabited.

5.6 Conclusion: Deconstructing and classifying entrepreneurs of the illicit crops trade

'Criminal entrepreneurs' are so called for two reasons: first, they are engaged in activities that are illegal; and second, their illegal activities are not simple criminal acts but are projects or undertakings that may require capital investments, infrastructure and logistics — hence an 'enterprise'. Kidnapping, for example, is more than a simple criminal act because it may stretch on for months, even years, with the victim kept unharmed, sheltered, fed and constantly moved if necessary.

Simple criminal acts like robbery or extortion can be perpetrated by a lone individual robber or bully; while pillaging or raiding may be done within minutes. But criminal enterprise is something else. First, protection plays an important part. As Blok elaborates, the specific conditions of outlawry force the criminal to rely very heavily on other people; if they lack protection, they remain like lone wolves that can be quickly hunted down (Blok, 1972: 497–8). Second, a criminal enterprise may require labour or sub-contractors, which depend on connections and social networks. As I have argued elsewhere in the case of kidnapping, a criminal enterprise may even require 'community participation', for instance when hostages are kept in remote villages for months, and it becomes unclear whether the villagers are unwilling participants or criminal collaborators (Gutierrez, 2013: 125). And thirdly, criminal enterprise may be manipulated for various purposes, creating hidden beneficiaries. David Keen's study on the 'benefits of famine' reveals how a network of government officials, merchants, transport owners and militia members politically profited from Sudan's famine of the late 1980s (Keen, 2008). Similarly, there are actors in the shadows who benefit from criminal enterprise.

The Afghan trafficker at the beginning of this study, who collected 10-year old Khalida as debt payment, is emblematic of the type of criminal entrepreneur examined here. This criminal entrepreneur is firmly located in a rural setting and in relationships of conflict and accommodation within an agrarian context. He is similar to Blok's (1974) mafia, who are violent *peasant* entrepreneurs, but is different from Gambetta's (1993 and 2011) mafia — the violent entrepreneurs focused especially on the industry of protection, of whom little is known about their further engagement with political and social contexts. Khalida's trafficker is also different from Olson's *roving bandit* involved in uncoordinated competitive theft or the *stationary bandit* who has successfully monopolised theft in his domain (1993: 568), because he is in the business of trafficking a global commodity that passes through many borders. While *roving* and *stationary bandits* are useful for explaining why victims may cooperate with a 'preferred' predator, these concepts say little about globalised commodity chains.

Thus, the social origins of the type of criminal entrepreneur in this study are also different from Volkov's 'violent entrepreneur', a concept drawn mostly from urban reality which seeks to explain crime 'as a result of the failure of different social institutions to ensure the proper social integration of individuals and groups' (2002: 17). Rather, the concept of 'criminal entrepreneur' in this study seeks to explain crime as a result of relationships of interdependency — i.e. symbioses, quid pro quos and relationships of conflict and accommodation in changing rural borderlands.

It is also important to point out that the logic of violence of this study's entrepreneur is quite different from that of the drug cartels discussed by Lessing. Lessing differentiates between two types of cartel violence: fighting one another to conquer mutually prized territory and resources; and fighting states to constrain that state's behaviour and influence policy outcomes (2015: 1486). In this chapter, although the violence described overlaps with Lessing's categorisation, the focus has been on how such violence effectively contributes, whether intentionally or unintentionally, to the capitalist penetration of the countryside and the transformation of a smallholder-led agrarian economy.

Different types of criminal entrepreneurs may be regarded as elites, defined simply as those 'who have the organised capacity to make real political trouble' (Burton and Higley, 2001: 182) in order to avoid the 'conceptual and theoretical morass' and multiplicity of definitions associated with the term (Zuckerman, 1977: 325–326). In addition, though having differences, these various types of criminal entrepreneurs can be collectively regarded as local actors propping up their preferred forms of local economic order.

Rural elites in the illicit drug trade defy easy classification. The starting argument of this study is that they are not just predatory actors, nor exceptional criminals, as commonly depicted. Rather, they could also be seen from that historical viewpoint in bandit studies (Hobsbawm, 1959, 2000 [1969]; Blok, 1972; and Gallant 1999) as the antithesis to *social banditry* (the expressions of local resistance to various forms of political and economic predation). Gallant's description is useful to apply: these rural elites are predator-merchants who perform important but curiously unacknowledged roles 'in the spread and global triumph of capitalism'. In examining brigandage and piracy from the 1700–1800s, Gallant demonstrates how illegal networks of armed predators called 'brigands' and 'buccaneers' can transform into 'patriots' and 'defenders of the state' depending on their relationships with the state. Put simply, 'bandits helped make states, and states made bandits' (1999: 25–26).

To probe into the argument that such criminal entrepreneurs are more than just criminals, bandits, or specialists in violence, and are in practice mediators between state and society and promoters of particular forms of local socio-economic order, this chapter evaluated and compared the criminal careers of drug lords in Myanmar, Afghanistan, Bolivia and Colombia. When assessed against and superimposed onto social and political contexts, the critical examination of these life stories provides useful insights into how certain conditions or variables — violence, political protection, peasant and labour displacement — are either *necessary* or *sufficient* to produce that central outcome of illicit drug crops in borderland economies.

The main proposition that emerges is that criminal entrepreneurs survive and thrive because they establish interdependencies as *pioneers* for capital, *intermediaries* in commodity chains, and *arbitrageurs* especially in the dangerous places at the margins of state and market.

As *pioneers* for capital, they can be informal but effective sources of credit, employment and investments in territories typically isolated from market networks, abandoned by the state, or governed differently. Gallant points out that bandits and pirates brought cash into typically marginalised areas, thus enabling those territories to be connected directly to outside markets over time (Gallant, 1999: 37–38). McSweeney et al. reiterate that, rather than being anathema to private investment in the rural sector, narco-entrepreneurs 'create the very conditions for such investments — not everywhere, but importantly in the very landscapes most likely to have been closed off to capital investment prior to the drug traffickers' involvement' (McSweeney et al., 2017: 16). They conclude that drug traffickers are the 'narco-bourgeoisie' who use the vast wealth they capture from an illicit commodity chain to act as neoliberal pioneers, spreading circuits of capital into new territories: communal, reserved and public lands (ibid.).

As *intermediaries* in commodity chains, criminal entrepreneurs can be 'fixers' who use cunning, innovation and violence to enable the flow of products, profit and people along these chains that run across borders. Using their various links, they can open access to government-controlled highways to enable the movement of products and contraband, or to facilitate transfers across a series of borders. They can also be the agents who link coca farms to the legions of seasonal or migrating agricultural workers whose participation transforms coca production from household activity to commercialised industry. In Blok's study, the mafia are the gatekeepers and powerbrokers that decide who become winners or losers in the contestations and competition in local economies (1974).

Finally, as *arbitrageurs*, criminal entrepreneurs are what Ahram and King, quoting Braudel, described as 'creatures of the borderlands, where states and empires had difficulty extending their own power'. They were:

> … uniquely gifted boundary-crossers, conducting both violent and non-violent transactions across political, economic, and cultural dividing lines. Despite the popular image of warlords as sword-swinging barbarians ruling despotically from usurped thrones, the most successful ones turned out to have something that everyone else wanted: the ability to serve as middlemen across uncertain boundaries while, in the process, reaping some of the profits for themselves. (Ahram and King, 2012: 170)

Gutierrez Sanin adds a key attribute of arbitrageurs, arguing in his comprehensive study of Colombian paramilitaries that they were enforcers of *indirect rule*, which primarily means 'non-bureaucratically mediated territorial control and presence of the state'. It is a strategy of rule, especially in borderlands, 'marked by a thin bureaucracy and thick system of partisan networks' (2019: 15).

Further inferences may be drawn and affirmed from these life stories. The set of cases show a variety of criminal entrepreneurs who created interdependencies that reset terms of modern-day political or booty capitalism; consolidated the transformation of supply chains for transnational agriculture; and made possible the business links, legal persons, bank accounts, transport assets, political connections and enterprise partnerships that transformed illicit crop cultivation and processing from backyard activity to commercialised industry.

Lo Hsing Han's rise from militia captain to business tycoon, along with the list of firms and tycoons who emerged from the Shan opium trade (see Table 4.C), fit patterns of an economic model well known in East Asia: cronyism, rebranded as 'close government–business relations'. But in this case, the type of cronyism (where personal connections and political patronage determine who gets access to services, credit and other resources) appears different, because Lo's post-1992 enterprises consolidated and grew despite international sanctions and apparent exclusion from global financial systems. This suggests that sanctions are only additional hurdles that do not fully lock out sanctioned parties from the global circuits of capital and exchange.

However, this also suggests that there may be different forms of insurance protection for illicit enterprises that change the ways in which its actors take risks, or the way that they manipulate those risks so that they become socialised, or borne by the state or others. As Chang points out, the issue of moral hazard is not some abnormality but has been an integral part of capitalism. Capitalism has developed on the basis of the moral hazard built into the institutions that socialise risk (Chang, 2000: 784–785). The growth and expansion of conglomerates capitalised by illicit drugs, like Lo's Asia World, and how they link to the global industry of secrecy services and 'treasure islands' outlined in Chapter 3, would be an important area for further research.

Questions arise as to what drew Roberto Suarez, a rancher who already owned and controlled, by his wife's account, about 250,000 hectares of grazing land, in which were found airstrips servicing a fleet of 30 Cessna STOL planes and other bigger aircraft, into the illicit drugs trade. He moved in Bolivian high society and was a typical example of the *gente buena* (good people) of *blancos* (whites) and mestizos — so why move into drugs production and trafficking? Levy provides the self-serving explanation that her husband had the 'common touch' and 'wanted to help the poor get out of their misery'; Suarez's biography suggests that he became a Bolivian Robin Hood after his entry into the drugs trade (Levy, 2012: Chapter 3). He was seen as a benefactor who bought the produce of poor peasants with no land tenure security, who were often extremely indebted, and had little access to credit, agricultural extension services, or insurance cover, and who lived in remote peripheral locations with poor infrastructure, where the state could not guarantee protection.

Timing may be a factor. The creation of La Corporacion coincided with a 'coca boom' when Bolivia's overall economy was suffering from serious convulsions, and the global prices of its main exports were collapsing. Hence, coca growing became a safety net that absorbed workers displaced from the failing mining and gas industries (Painter, 1994; Laserna, 1995), and a growth industry that Suarez anticipated.

This brings into focus the structural conditions that draw poor and marginalised peasants into illicit crop production. An oft-repeated caricature is that illicit crop growers are criminals and are therefore driven by greed[184]. Yet all the cases in this chapter reveal different stories of coping and survival. In the high mountains of Kokang, the scarcity of water and the lack of infrastructure made opium a most viable cash crop (Lintner, 2015). In Afghanistan's opium heartlands, there is no clear regime for managing land rights, and water rights to the canal systems are politically contested (Wily, 2003). Coca growers in Uraba are those who have been displaced by commercial agriculture and its associated violence (Ballve, 2019). And migration to the coca-growing Chapare in Bolivia was triggered by an economic crisis (Laserna, 1995). Hence, it may be inferred that land tenure problems and overall economic insecurity are key factors stimulating illicit crop production, and the key actors of this chapter built their criminal enterprises in response to such structural conditions. This also answers McSweeney et al.'s questions of 'why do narcos invest in rural land?', 'why there?', and 'why now?' (2017).

A second structural condition highlighted by the cases affirms Ballve's point that 'although often depicted as "ungovernable" or "stateless" spaces, narco-frontiers are wracked by extra-legal regimes of rule in which the state is simply one actor among others' (2019: 211). Hence, as shown in this chapter, the criminal entrepreneurs become key providers of services such as transport, security and credit.

None of the drug lords in this chapter could be classified as 'social bandits' as defined by Hobsbawm — i.e. those who resort to extortion, robbery and other forms of violence to simultaneously challenge the economic, social and political order and those who claim power, law and control of resources. While some of them tried to establish Robin Hood reputations or became generous donors to charitable causes, none of them challenged or attempted to reform the de facto distribution and control of land in their spheres of influence. Numerous judicial cases show the Castaños using violence and intimidation to expand their landholdings. Suarez was perhaps Bolivia's biggest landowner. In the case of Lal Jan and Bashir, although this chapter was not able to get evidence of direct involvement, they thrived under conditions where land-grabbing has become central. The ethnic wars in Myanmar have been partly or wholly driven by land grievances. Because lack of access to land is the principal driver of illicit crop cultivation, continuing land dispossession will technically be in these drug lords' economic interests.

[184] The thesis of greed and grievance as drivers of conflict is discussed in Collier, et. al. 2006.

They may have provided some form of protection to subsistence farmers who supply the raw products, but the bottom line is that they can best be described as politically neutral[185] mercenaries fighting to be left alone to get on with business.

The cases in this chapter may be taken as evidence that criminal enterprise is a force that — whether deliberately or inadvertently — prevents any organisational capacity among land-poor peasants from becoming a politically effective force for reform (Blok, 1972). The emergence of drug lords appears to prevent the articulation of peasant interests, and even to deflect concerted peasant action. This is most clearly seen in the case of the Castaños, who terrorised and displaced the peasant base of leftist guerrillas, thereby contributing to Colombia becoming the country with the highest number of internally displaced people after Syria.[186] As Blok states, banditry can be a tool against social protest. Suarez wanted to be portrayed as a champion of the poor and the weak, but his businesses — both licit and illicit — arguably expanded the ranks of the poor and the weak. Lo and the Afghan drugs lords, because of their speedy entry into the ranks of the elite, directly impeded large-scale peasant mobilisation by showing a channel to move up the social hierarchy, thus weakening class solidarity. Blok's other observations are confirmed by the cases. The more successful the criminal entrepreneur is, the greater the protection he enjoys. The more banditry becomes politically oriented — for instance, benefiting from government or agricultural investment policies — the more likely it is to become anti-peasant. Finally, while they may claim to be 'patriots' (Carlos Castaño), fight on the side of government (Lo Hsing Han), be modernisers of commerce (Roberto Suarez), or profess allegiance to movements like the Taliban (Lal Jan Ishaqzai and Bashir Noorzai), it is evident that the drug lords' loyalty is *not* to the peasants (Blok, 1972: 494–496).

Yet it also cannot be denied that these criminal entrepreneurs performed unacknowledged roles in the expansion of commerce and local economies. To enumerate:

- Lo became, as he claims, the sole agent of impoverished Kokang farmers who needed to reach markets to sell their opium crop. He controlled the militia that protected opium caravans, and secured access to government-controlled highways through deals struck with

[185] Note that choosing to be 'politically neutral' means taking a political stance.

[186] UNHCR monitoring reveals that Colombia has 7.67 million internally displaced people, i.e. those who have been forced to flee their homes but have not sought safety in another country. See https://www.unhcr.org/colombia.html, last accessed 19 August 2019.

local military commanders. The caravans brought opium to the border, and on their return, carried consumer items. As his profits accumulated, Lo invested in setting up Asia World, a conglomerate that emerged and became profitable despite the economic sanctions and an international ban on banks and firms from transacting business with the company. In the words of *The Economist,* he was a 'pillar of the economy' (2013).

- Lal Jan Ishaqzai controlled the Sangin district market and developed it to become Helmand's pre-eminent bulk opium bazaar, thus connecting the region's opium growers to its buyers. Furthermore, by setting up drug labs in Sangin, he retained a larger percentage of the profits for local growers and primary traders.
- Bashir Noorzai organised heroin transport routes from Afghanistan through Pakistan and onwards to the US and Europe that contributed to the rise of cash-starved and conflict-affected Afghanistan as the world's principal opium producer. His family's trucking business, as well his own business importing tyres, may have been the infrastructure for heroin exports.
- If Bashir had trucks, Suarez had airstrips in his ranches and owned the largest private fleet of small aircraft in Bolivia that transported coca base and paste to Colombia. In the 1980s, these assets may have played a key role in enabling Bolivia to profit from the coca boom thus creating safety nets that absorbed labour displaced by the collapsed tin and oil and gas industries. In 1988, the year Suarez was arrested, coca-cocaine products accounted for over half of all Bolivian exports.

Nevertheless, it needs to be emphasised that the forms of commerce and capitalism that these drug lords sustained were of the crony capitalist variety, in which markets are rigged in their favour and businesses remain anchored on corruption and political leverage, not on efficiency or productivity. The term *narco-bourgeoisie* indeed applies because the drug lords are a class of capitalists. They own or control territory (either as landlords or land-grabbers), regulate access to resources, shape the division of labour while at the same time influencing the trajectories of state formation. Hence, to restate the conclusion, the cultivation of illicit crops, although providing a coping mechanism and a lifeline to impoverished subsistence farmers with decreasing land and limited livelihood options in marginalised borderlands, is at the same time the mechanism that transforms the narco-bourgeoisie into crony capitalists and creates the working class of the illicit enterprise.

A number of further inferences can be drawn from the cases studied here:

- The common assumption that criminal enterprise is completely underground and can be clearly separated from legal enterprise is wrong. Criminal enterprise in Colombia, as exemplified in the Castaños' case, enjoyed political protection. Lo Hsing Han's opium shipments were given access to government-controlled highways. In Bolivia, Suarez's illicit enterprises were attached to his legitimate businesses. In addition, Chapter 3 lists the role of countries and secrecy services in enabling illicit commerce across borders, using the licit international financial system.
- The 'kingpin approach' of eliminating the big men of the drugs trade does not work in the long run. It fails because it can only target the top individuals, while leaving commodity chains and social networks of the local economies only momentarily disrupted, but largely intact. The atomisation of the illicit trade, or its dispersal, decentralisation and specialisation, can become an effective form of insurance against law enforcement. Over the long term, it appears that law enforcement could only reconfigure the trade, not eliminate it, as Suarez had predicted.
- Protection is contingent on many factors, including regime stability; which US policy (drugs or counter-insurgency) would prevail; the social embeddedness of criminal actors; and relationships of conflict and accommodation between patron and client.
- There are potential solutions, though most may still be works-in-progress. Bolivia's experiences, when contrasted against Colombia's, offer clues and lessons on what may be needed in a transition from war to peace economies. As explained in Mortensen and Gutierrez, a key factor in mitigating violence and criminal activity seems to be 'the usually overlooked intermediation role of strong local self-help, and typically non-state institutions in peasant communities that enables marginalised households to assert their interests in interactions with both state and market structures' (2019: 63). In other words, social movements and their 'political instruments', like Bolivia's sindicatos, can also act as intermediaries and arbitrageurs at the margins of state and market and can deliver substantially different outcomes. This preliminary assessment needs to be expanded and transformed into a wider research agenda.

In conclusion, this chapter has presented case studies that provide a closer look into variations of narco-bourgeoisie participation in violent conflict and criminal enterprise. The elaboration of their personal, family and career backgrounds, as well as the social and political contexts from which they emerged, provide clues not only to the puzzles of resilience in illicit crop economies, but also to the dilemmas and messy politics of criminal enterprise. These are more than just gangsters and racketeers: they are also important local political and economic actors who mediate state, society and market relationships.

6 Illicit Markets and the 'Mystery' of Prices

6.1 Introduction: Unpacking the 'mystery' of prices

Sometime in June 1980, a poor coca farmer named Paulino Vasquez was on his way to Chimore, a municipality in the Chapare, to sell the 100 pounds of coca leaves he carried on his back.[187] He was worried because farm-gate prices had been wildly fluctuating. In February, he received 6,000 pesos for a 100-pound load (about $240).[188] But in April and May, the prices had gone down to just about 1,500 pesos ($60). At least, Paulino assured himself, coca *always* had buyers, unlike his other crops. Moments later, a truck driver stopped and paid 16,000 pesos ($640) to a surprised and happy Paulino. The unanticipated coca price rise and Paulino's windfall was the beginning of what economist Roberto Laserna described as the Bolivian 'coca boom' of the 1980s (Laserna, 1995: 1–18).

The impact of high coca prices reverberated throughout the country. According to the largest data series consulted by Laserna, not only were the greatest relative increases in coca production volumes recorded (ibid.: 15); more importantly, migration to the coca-growing Chapare accelerated. Population records show that in 1975, Chapare's population growth rate was only 3.48%. In the year of the coca price rises, the growth rate rose dramatically to 29.25%. As the coca boom tapered off in 1987, the rate fell back to 9.38%, and settled at 1.2% in 1991 (ibid.: 19). It was evident that Bolivia's economy was undergoing a restructuring, led by coca production.

Though the sudden rise in coca prices may have been due, as price theory suggests, to an expansion in demand, it cannot be fully understood without considering the serious crises that were engulfing the country at that time. First,

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[187] This story draws from the PhD Dissertation of Bolivian economist Roberto Laserna, published in 1995. Laserna had interviewed Vasquez and other coca farmers in the Chapare during his fieldwork.

[188] According to the US Treasury Reporting on Rates of Exchange as of 31 March 1980, one US dollar was equivalent to 24.97 Bolivian pesos.

Bolivia's formal economy was at risk of imminent collapse in 1980 and its productive apparatus had started to become paralysed. Due to a sharp decline in the global prices of its main exports, Bolivia's mining and gas industries were critically contracting. Official unemployment had jumped to 5.8% in 1980, increasing to 21% by 1985. With the scarcity of foreign currency, a balance of payments crisis was triggered. By 1984, almost half the value of exports (47.7%) went to servicing debt payments. As the fiscal crisis deepened, inflation started to spiral out of control and exceeded 8,000% by 1985 (Laserna, 1995: 40–45). In addition, a sustained drought in 1983–94 further exacerbated conditions in central and southern parts of the country. Painter argues there was a virtual collapse of the formal economy throughout the whole country (Painter, 1994: 6–7).

On top of the economic convulsions were political crises.[189] Between 1978 and 1982, 'there were three general elections and ten presidential changes — four by military coup, three by legitimate processes through Congress, and three by internal disputes in the Armed Forces' (Laserna, 1995: 31). On 17 July 1980, General Luis Garcia Meza took over as president, and appointed Colonel Luis Arce Gomez as Minister of the Interior. Arce, as the new regime's strongman, unleashed a fresh wave of violence and killings that brought Bolivia into the throes of a 'perfect storm', with poverty, corruption, criminality and violence merging to drive and reinforce each other. But the regime did not last long. In August 1981, Garcia was deposed by commanding officers who collectively assumed presidential responsibility, and then turned government over to the head of the Army, Celso Torrelio. Before the year ended, Torrelio was forced by public protests to resign, leaving the post to another general, Guido Vildoso. Within three months, Vildoso was also forced to resign. Eventually the authority of the Congress elected in 1980 was recognised. In October 1982, Congress installed Hernan Siles Suazo as president (ibid.: 31–33).

As crisis after crisis overwhelmed the country, coca production, intriguingly, was expanding. In the graph reproduced below, Laserna sketches a broad outline of the coca boom to plot midpoints in the wide discrepancies in estimates (represented by the vertical lines). Coca production had indeed significantly increased, peaking in 1986–87. The coca boom, according to Painter, 'clearly acted as a huge social safety net, absorbing labour from the collapsed mining and

[189] Note though that some authors characterised these 'crises' as a democratic wave sweeping then through authoritarian regimes. See for example Klein (2007: 142).

industrial sectors, and replacing large portions of dollars previously generated by minerals, gas and other exports' (Painter, 1994: 54).

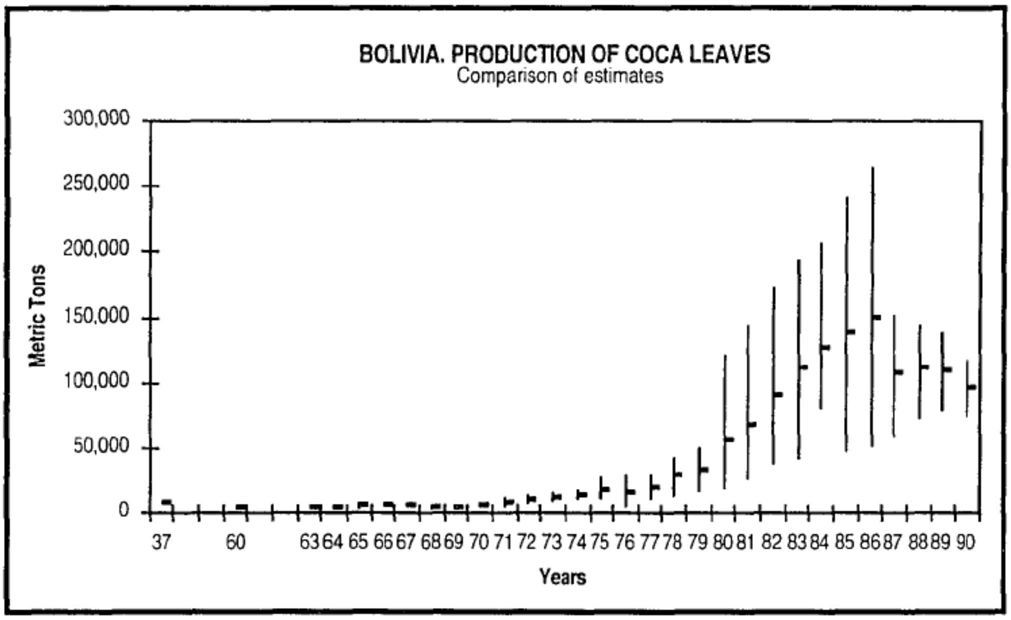

Figure 6.1: Laserna's graph on coca production from 1937 to 1990 (1995: 14).

Laserna's account serves to unpack the 'mystery' of prices. Although demand from cocaine consumers played a role, it was the crisis conditions, he contends, that primarily stimulated and initiated the coca boom, pointing out that 'whether they were effectively protected, or they simply knew that the possibility of repression was minimal, the illegal purchasers of coca and coca paste *exerted tremendous pressure on the coca market*, forcing prices to rise rapidly and thus initiating the coca boom' (1995: 31, italics added). But more significant was the contention that the structural adjustment programme implemented to stabilise and control the economy by 1985 'rested in part on the clandestine coca economy'. Painter argues that 'coca and cocaine production provided critical, and perhaps decisive, support for the success of the stabilization programme' (1994: 54), a point Laserna supports. In other words, structural adjustment would have not succeeded without the clandestine coca economy that absorbed the newly unemployed sections of the working class.

A number of observations emerge in this cursory review of the coca price rises of June–July 1980. First, illicit or clandestine markets are real, and can generate productivity levels that — as shown in the case of Bolivia — have the capacity to restructure a convulsing labour market, generate foreign currency, and give to campesinos like Paulino Vasquez the economic windfalls that rarely come their way. Illicit economic activities are woven into the everyday activities of survival and development.

Second, it is ultimately prohibition that creates illicit markets. Remove prohibition, and Paulino's transaction with the truck driver would be like exchanging pesos for coffee or tobacco. This is ironic because while the goal of prohibition, as mandated by the three UN treaties, is to ostensibly 'remove universal threats to development, prevent the erosion of social and human capital, and reverse corruption, governance failures, crime and violence' (Ban, 2012), illicit enterprise may actually be a real solution to the problems with which poor peasants grapple. As shown above, it may also provide the means to tame crises or relieve pressures — not always but at least sometimes — to allow national economies in crisis to restructure and recover.

Third, Paulino Vasquez grew coca not primarily because of so-called price signals, which are unpredictable at the best of times, but because of the assurance that there will always be buyers of coca, unlike his other crops. For poor farmers whose survival depends on selling their harvest in time, coca therefore provides more predictability. Most of its plant species are hardy and when mature can be harvested every 2–3 months. It stores much longer and better than food crops, especially when transformed via rudimentary means into coca base, which is also easier to transport given its more favourable volume-to-weight ratio. With these qualities and the secure knowledge that there will always be buyers, coca growing becomes a risk-reduction strategy. Thus, despite being categorised as underground and illegal, the illicit coca trade ironically provided more predictability and reliability than Bolivia's main exports of tin, gas, and other licit agricultural products that were subject to the vagaries of globalisation.

This chapter examines the third and final configuration in this PhD study — prices. It contends that prices are neither 'stand-alones' nor givens put in place by an 'invisible hand': they are shaped and moved by a host of conditions that need to be made as visible, like the reasons why that truck driver bought Paulino's coca at that price on that day in June 1980. Much of this chapter is therefore about unpacking the conditions that affect prices; to underscore, this chapter is not an econometric analysis of illicit crop prices. The approach adopted is inspired by Laserna's (1995) study — that the best way to examine prices and their movements is to situate them within their political and economic contexts. Prices are indeed important factors that signal information, shape incentives and behaviours, and structure the relationships between market actors. Yet, in isolation, prices are far too crude a measure for analysing the political economy. Prices may be a useful point of departure but should not on their own structure analysis.

This chapter continues the examination of how the typically invisible markets in the commodity chains of illicit opium and coca are identified and measured, by probing further into the reasons for their emergence. It elaborates on the price theory on illicit crops and drugs, and then proceeds to critically analyse that theory's application via a simple method: it selects an important historical turning point (similar to the June–July 1980 start of the coca boom in Bolivia) in each of the four countries in this study, and then presents straightforward *before* and *after* comparative analyses of each turning point. The turning points are:

- Myanmar: the 1989 signing of ceasefire agreements with insurgent ethnic armies in Shan State that marked the beginning of the expansion of opium cultivation in the Golden Triangle.
- Colombia: the September 1996 cocalero uprising in Colombia that attempted to reverse the exclusion and marginalisation of the country's mainly coca-growing southern provinces.
- Afghanistan: the 2001 enforcement of a complete opium ban by the Taliban that led to a drastic depletion of opium and heroin stocks.
- Bolivia: the December 2005 election of the head of the cocalero federations to the presidency.

The before-and-after analyses include the overall conditions (of prices, migration, land issues and violence) before and after each historical turning point, as well as general explanations of the conditions and their changes (or lack thereof). As in the previous two chapters, inferences are then drawn from the discussion.

Having made before and after comparisons, this chapter reviews some of the most common assumptions on prices inherent in the official narratives on illicit drug economies. It will track assumptions on how prices move, provide critical reviews, and then draw an outline for an alternative model for understanding prices. The conclusion consolidates this chapter's attempt to unpack the 'mystery' of prices.

6.2 Price theory and its limits

In 2010, the US National Research Council (NRC) published the 122-page report *Understanding the Demand for Illegal Drugs* that elaborated on a basic supply-and-demand model which 'provides a specific language and framework to interpret available data on observed prices and quantities of illegal substances in particular markets' (Reuter, 2010: 18). Although it begins with a caution that the implicit features of many legal markets in modern economies — such as quality certification and mechanisms against fraud — are absent from illegal drug markets, and that many key variables and complex features of illegal drug markets are difficult to observe and to incorporate into simple models, it asserts that the supply-and-demand model can still provide the basic economic framework for drug policy.

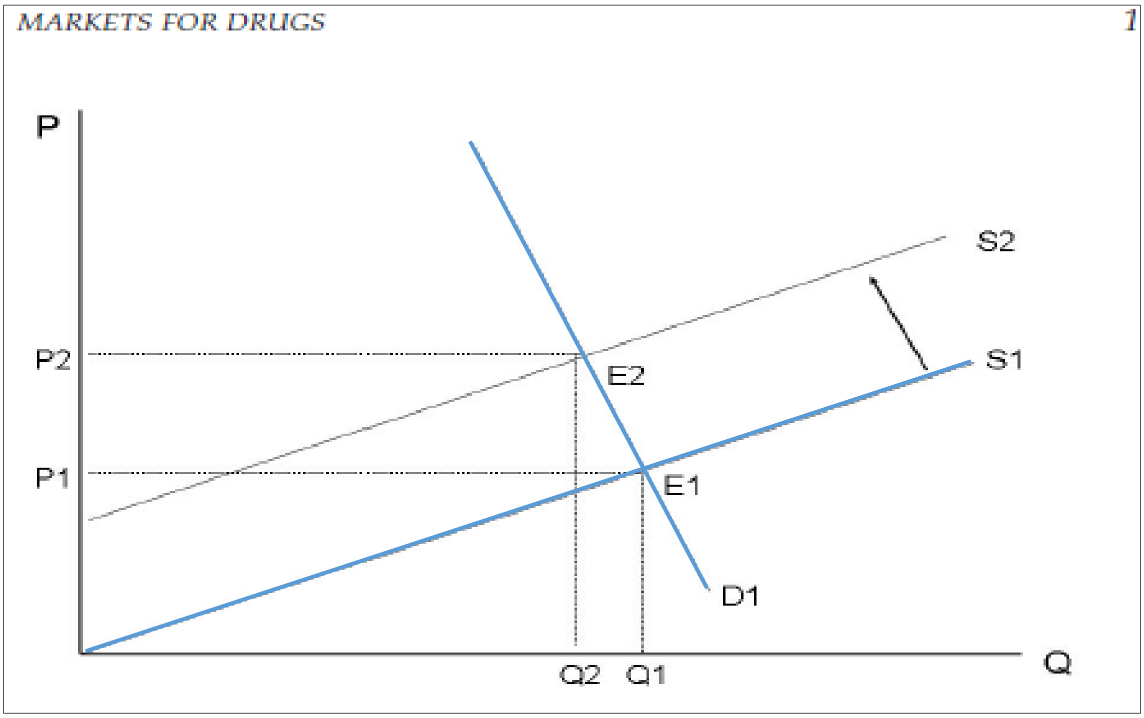

Figure 6.2: Impact of a supply-side enforcement with a steep demand curve. Source: Reuter (2010: 19)

The model presents a downward-sloping demand curve **D1**, meaning that at higher prices users in the aggregate will purchase a lower quantity of the drug (see blue lines in Figure 6.2). The model notes that addiction may affect the nature of responses in this demand curve — for example, higher prices will not necessarily result in automatic reductions in long-run consumption because of addiction.

Super-imposed on D1 is the upward-sloping supply curve **S1**, meaning that at higher prices, the supply network is willing to provide more drugs to the market. This implies that at higher prices current suppliers are incentivised to expand the size of their drug-dealing business, or else draw in new entrants who provide new sources of supply. The point at which the demand and supply curves meet is **E1** — the 'equilibrium' which corresponds to a price level **P1** and volume of production **Q1**.

The value of this model for policy-making is that it provides a dichotomy with which to assess impacts of policy. This dichotomy is in fact institutionalised in the structure of the White House's Office of National Drug Control Policy, which is headed by a director presiding over two deputy directors — one for Demand Reduction, and another for Supply Reduction.

There could be separate demand-side and supply-side interventions that move the D1 and S1 curves accordingly. Suppose the government cracks down and confiscates sizeable amounts of an illicit drug. This would reduce the quantity of that drug available in the market from Q1 to **Q2**, which corresponds to a new and higher price **P2** on the D1 curve. This means that the supply curve S1 has shifted up or leftwards to become **S2**, creating a new equilibrium point **E2**. This shift, the model states, 'captures the idea that to compensate for the extra risks and costs created by policy intervention, suppliers require a higher price to bring any given quantity of drugs to the market' (Reuter, 2010: 19). Thus, the NRC report claims that the supply-and-demand model 'yields the fundamental insight that a supply-side intervention (like a war on drugs) should produce higher prices' (ibid.).

The authors of the model recognise that there are many other indicators at work that influence movement in the demand and supply curves, and hence call for more careful interpretation of the market price. Nevertheless, they argue that the market price still contains substantial information. Among the factors to consider is the steepness of the demand curve, or the relative price elasticity of demand (i.e. the responsiveness of the quantity demanded when price changes). The steeper the demand curve, the higher prices will be in relation to reductions in the supply curve. But price elasticity, they state, varies across drugs (heroin, cocaine, marijuana); types of users (heavy, occasional), and time (users are more sensitive to time over the long term). There are also many market factors other than price that can cause demand to shift — i.e. price is the most important empirical demand influence *if and only if* all other influences are constant. There are therefore potential demand curve shifters (e.g. public policies, changing attitudes, or changing incomes or employment) as well as supply curve shifters (e.g. better law enforcement, weather patterns). The role for policy, this model implies, is to be able to arrive at the right balance of interventions on the demand and supply curves.

It must be stressed that the model is an analytical tool for unpacking reality and is not in any way an actual representation of reality. Nevertheless, problems emerge in the implicit assumptions it generates. For example, the model predicts that when there is better enforcement and therefore a higher chance of traffickers being caught, and consequently more quantities of drugs being seized, suppliers will require a higher price to bring any given quantity of drugs to the market. But that is not necessarily true. First, when there is stronger enforcement, suppliers will not always require a higher price because putting up the mark up price does not necessarily solve the problem. However, paying bribes, changing schedules, or moving smuggling routes may solve that problem, and they may or may not raise prices as a consequence. The bottom line is that for the traffickers, the problem to solve is stronger enforcement, and solving that problem does not automatically require higher prices[190]. Second, UN authorities themselves have noted how traffickers often respond to stronger enforcement, citing that 'in the short term especially, the drug markets react to changes in supply by adjusting purity rather than price' (WDR 2002: 33).

A quick look at the trend in the prices of cocaine in a 14-year stretch from 1984 to 1997, published in WDR 1999, affirms this contention. In Figure 6.3, for example, there is a generally declining trend in wholesale prices in the two principal markets of Western Europe and the United States, despite stronger enforcement measures. When the US launched its intensified war on drugs from 1989 to 1994 — which saw Noriega of Panama arrested, Arce of Bolivia extradited, Escobar of Medellin killed, and the Cali cartel neutralised — prices did not increase as the model predicts, but generally declined. More importantly, cocaine prices were falling steeply in the US from 1988 to 1989, and saw similar sharp reductions between 1990 and 1991, and between 1992 and 1993 in Western Europe. Thus, prices appear not to have been substantially affected by stronger enforcement, as predicted by the model's assumption.

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[190] The INCSR 1986, for example, mentioned that drug traffickers' interest in politics focuses primarily on how to keep the system off their backs, or better, compliant, through bribes and other influence peddling (1986: 56).

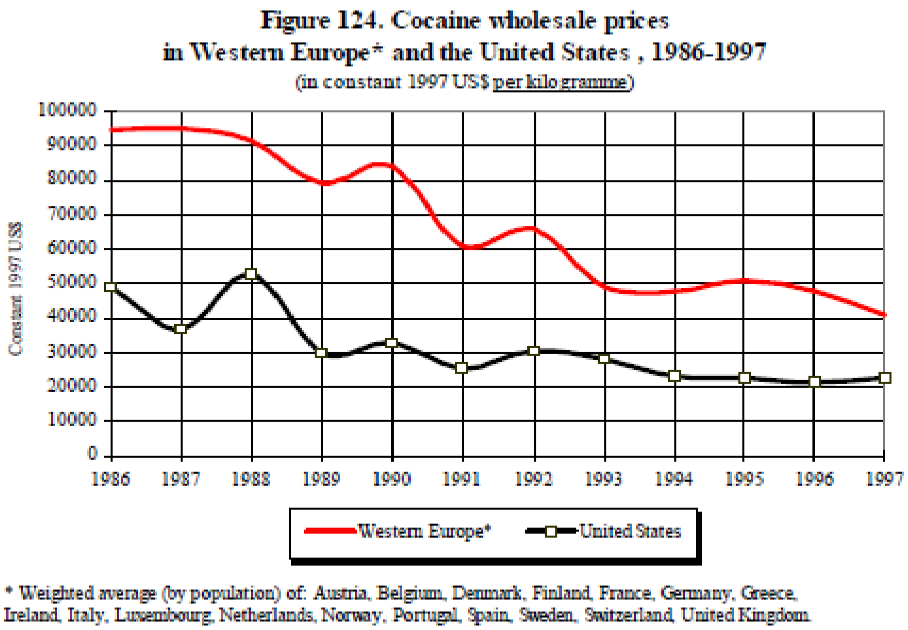
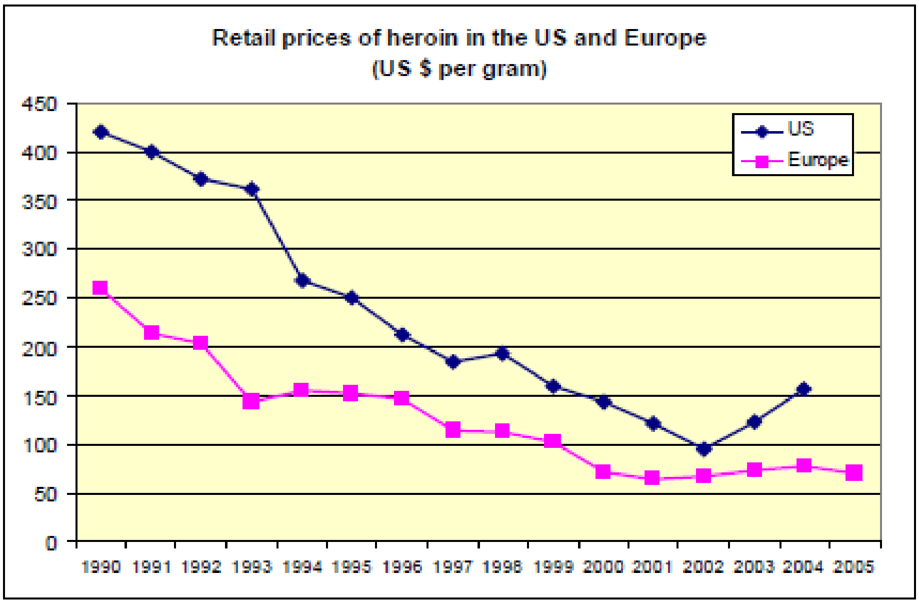


Figure 6.3 Cocaine wholesales pricesSource: WDR 1999: 89

It is not clear why the NRC report (Reuter, 2010) ignored the evidence that price theory does not work or is at least inapplicable to illicit drugs. In fact, an earlier paper published in 2009 by the *International Journal of Drug Policy*[191] — clearly points this out. Economists Claudia Costa Storti and Paul de Grauwe call attention to the spectacular decline in the prices of well-known hard drugs — a remarkable empirical puzzle of a 50% to 80% drop since 1990 (2009: 495) — as reflected in the two charts in Figure 6.4.

[191] A pre-publication version of this journal article was already available in May 2007, from the Centre for Economic Studies (CESifo) Working Paper No. 1990, see https://www.ifo.de/DocDL/cesifo1_wp1990.pdf.



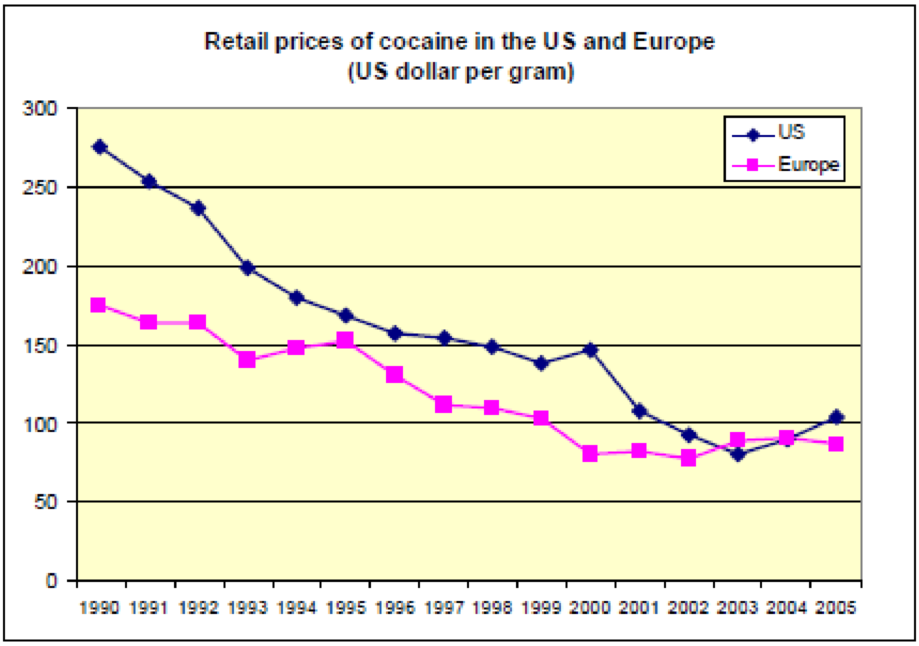


Figure 6.4: Consistently declining prices. From Storti and de Grauwe (2009) using WDR 2006 data.

Storti and de Grauwe then revised their basic model to make an important change: they included a distinction between the retail supply curve (the S1) and what they called the 'farmer supply curve' by including an 'intermediation margin' – the margin between the wholesale price in the importing country (US or Europe) and the price paid to producers in the exporting countries (e.g. Afghanistan or Colombia). A basic illustration of the intermediation margin is shown in Figure 6.5 below.

Storti and de Grauwe then proceeded to list two factors affecting the intermediation margin. First is the *risk premium* or the assumption that suppliers will only engage in illegal activities if they can obtain a premium for the risks that they take. Given the illegality of drugs, the risk premium is likely to be high. Second is the *efficiency of intermediation* — i.e. with more open borders and more efficient stock management, transportation and distribution, there will be less need for intermediaries, hence costs will be lower. The authors find that the decline in the retail prices of drugs is related to the strong decline in intermediation, and conclude, therefore, that globalisation is the main driving force behind this phenomenon. In other words, globalisation more than policy intervention (or the lack of it) is the reason for the 'spectacular decline' in prices shown in Figure 6.4. Globalisation, Storti and de Grauwe conclude, makes transportation and communications cheaper; enables more efficient transactions and payments across borders; and reduces the need for layers and layers of intermediaries. Hence the historical reduction in prices in the US and Europe.

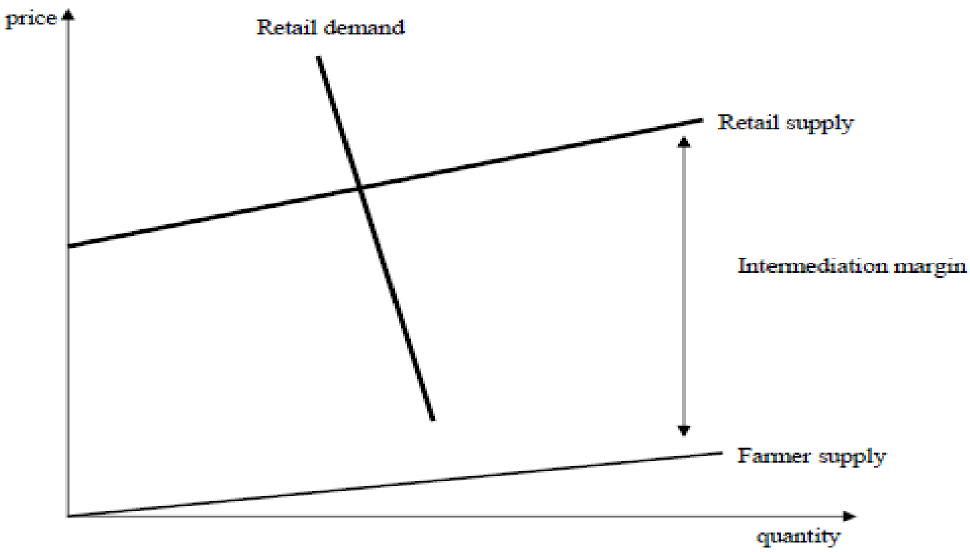


Figure 6.5: Storti and de Grauwe's revised price model (figure from 2007 CESifo paper)

Storti and de Grauwe's explanations are better suited for price analysis, especially the demonstration in their revised model that the farmer supply curve does not intersect with the demand curve, which implies that demand can go up and down, without necessarily having an impact on farm-gate prices and the farmer supply curve. Their idea of an intermediation margin is also compelling, and useful for policy analysis.

But the revised model is still based on assumptions of price theory. My main critique is that price theory is insufficient and far too crude: the equilibrium price and quantity are theoretical, not material constructs, and could not be a function *only* of demand and supply curves, even when an intermediation margin comprised of risk premiums and efficiency of intermediation are factored in. Therefore, to rely on price theory alone and to assume that an 'equilibrium price' exists, strips the analysis of its context. Price theory will not apply to criminal entrepreneurs of illicit drug crops who can be extremely uncompetitive, inefficient, and unproductive, because they control political and other forms of leverage, including relationships of various kinds with the state, to capture profits.

The basic price model (Reuter and colleagues) and its revised version (Storti and de Grauwe) both have their uses, but their limitations in terms of understanding illicit markets and market segments need to be clarified. Without such clarification, faulty assumptions become the framework for faulty understanding, as will be elaborated in the next section.

6.3 Comparing farm-gate price changes across market contexts

This section proceeds to examine some of the ways that farm-gate prices emerge and are shaped in illicit opium and coca markets, by using the *before* and *after* comparison already mentioned, taking a relevant historical turning point in each of the four producer countries in this study. The use of a simple before and after comparison is justified by a number of factors. First, knowledge of what is known about the consumer markets (as elaborated in Chapter 3) has inconsistencies and limitations — e.g. estimates of market size (number of individual users) do not tally with estimates of volume of production.[192] This makes it impossible to track and evaluate the real effects of prices. In addition, price theory only works when prices and production volumes are stable, and all other factors remain constant — which do not happen in the real world. Given these difficulties, a before and after comparison becomes a practical alternative means for analysis. Second, prices are neither self-contained 'stand-alones' nor givens put in place by an 'invisible hand', as demonstrated by the discussion in Sections 3.4 and 3.5 — there exists a very visible hand in the production and trafficking of illicit plant drugs that shapes outcomes and market behaviour. That 'visible hand' is essentially embedded in the historical turning point and creates the before and after scenarios. In other words, this section continues the examination of prices in the context of the visible hand of social and political relationships wherein actors arrange and rearrange themselves in conditions of conflict and accommodation.

6.3.1 Myanmar: Before and after the 1989 ceasefire agreements

In 1989, Myanmar was the largest producer of illicit opium and the largest exporter of narcotics in the world. According to the INCSR, combatting narcotics was a top Burmese priority from 1974 to 1988 because narcotics provided the financial means for the insurgent groups in the country's borderlands to survive and to purchase weapons. But after the 1988 mass demonstrations against 26 years of one-party rule, and the subsequent military takeover, fighting narcotics was deprioritised. Instead, the military regime focused on pursuing a policy of détente to maintain some form of control in insurgent-controlled territories, where most of the opium crop was grown. This realignment of priorities, states the INCSR, led to pressure on Myanmar's trafficking groups to be almost totally relaxed, resulting in the US decertification of Burma in 1989 (INCSR 1990: 271–272).

The deprioritisation of counter-narcotic activities by the Myanmar government was in many ways a consequence of the economic crises and dilemmas it faced. Over the years, a thriving cross-border black market had expanded in response to poorly conceived and executed economic reforms that crippled the country's foreign trade and disrupted the consumer economy. In Shan State, opium smugglers carried opium to Thailand, and on their return, smuggled back consumer goods, from transistor radios, motorbikes, watches and toothpaste, to weapons and ammunition (McCoy, 2003: 367). In other words,

[192] To put it crudely, if the estimated number of users consumed the estimated volume produced, they would all die from overdoses.

Myanmar's illicit economy was made up not only of its thriving opium trade, but also of the parallel symbiotic expansion in the smuggling of consumer items and other commodities.

As the smuggling of consumer items expanded, General Ne Win in 1988 attempted to bankrupt the black marketeers by demonetising the kyat, the country's currency, particularly by removing key currency notes from circulation. The move ignited widespread protests not only because it pushed inflation to around 30%, but more importantly because life savings were wiped out (Meehan, 2011: 385). In July 1988, as the regime started to lose control, General Ne Win was forced to step down, and a new military junta led by General Saw Maung, known as the State Law and Order Restoration Council (SLORC), assumed power. The elections held in 1990, which were won by the Aung San Su Kyi's National League for Democracy (NLD), were not recognised by SLORC. This was the political context when more international economic sanctions were imposed on Myanmar, further isolating its economy and pushing it to the brink of collapse. The US wanted Myanmar to continue fighting narcotics, but this clearly was not a priority of the military rulers who wanted diffuse threats confronting them and prioritised the pacification of violence in the borderlands.

The deprioritisation of counter-narcotics was also enabled by the removal of the major security threat to the central government by the breakup in 1989 of the Communist Party of Burma, the largest insurgent group (INCSR 1990: 272). The CPB divided into four separate armies along ethnic lines: the United Wa State Army (UWSA) located in the Wa Hills; the Myanmar National Democratic Alliance Army (MNDAA) which controlled the Kokang region; the Shan State Army–East (SSA-East); and the New Democratic Army–Kachin (NDA-K) further north in Kachin State (Meehan, 2011: 382). These separate armies all controlled opium cropland. The Burmese military moved quickly and signed successive local ceasefire agreements with the MNDAA faction based in Laukkai in March 1989; with the UWSA based in Panhsan in May 1989; with the MNDAA faction based in Mongla in June 1989; with the Shan State Army of the Shan State Progress Party in Seinkyawt in September 1989; and with the NDA-K in Panwa in December 1989 (Meehan, 2011: 388). By 1997, 22 ceasefire agreements have been signed with various armies and splinters from the main insurgent groups.

The overall production conditions during the years when ceasefires were being signed are reflected in Figures 3.6 and 3.11 above. The area under opium cultivation and the production of opium started to increase sharply from 1987, just before the ceasefires. They reached historic highs and plateaued from 1989 to 1997, and started to decrease from 1997. The question this section investigates is whether there were significant changes in the farm-gate prices of opium before and after the ceasefires.

There is some difficulty in ascertaining exact opium prices because conflicting figures are reported by the official sources. Table 6A shows four different official reports which give different sets of prices. All these reports were published by the predecessors of the UNODC.

Table 6A: Different farm-gate prices of opium in Myanmar, 1986–2000 (in $ per kg)

	Statistics and Analysis, UN IDCP, 1996: p. 36 (in constant 1996 prices)	WDR 1999: p. 77 (base year used for $ is 1998)	WDR 2001: p. 73 (base year (base year for $ is 2000)	WDR 2002: p. 62 (base year for $ is 2001)
1986	103	220		
1987	126	249		
1988	143	260		
1989	146	243		
1990	267	249	242	
1991	123	170	165	185
1992	92	120	116	130
1993	100	123	119	134
1994	153	178	173	194
1995	252	277	269	302
1996	206	214	208	233
1997		279	124	139
1998			64	196
1999			128	213
2000			142	261
2001				222

The explanations for the differences in prices include the following. First, the UNIDCP 1996 statistical table (second column) was based on US surveys which relied on representative samples. Second, different base years have been used in the conversion to US dollar equivalents (with different adjustments for inflation or currency exchange rate changes). When the figures from Table 6.A are plotted onto a graph, the result is as shown in Figure 6.6.

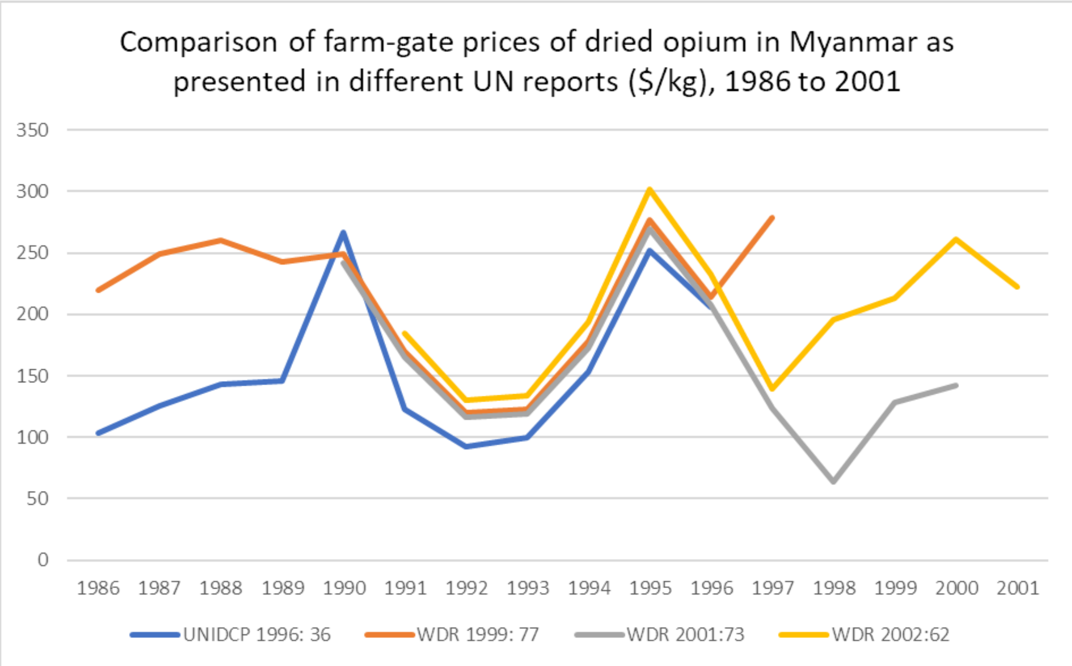


Figure 6.6: Comparison of different farm-gate prices reported

Figure 6.6 shows clear divergences between the lines for some years – between the blue and orange lines from 1986 to 1989, or between the yelloand grey lines from 1998 to 2000. These differences show that monitoring and reportage on prices are largely inconsistent. However, there are similarities too. From 1990 to 1996, all four reports had virtually parallel tracks; the differences in the prices reported could be attributed to different base years used in calculating the $ equivalent of the farm-gate prices of opium. In other words, we can say — without either implying or ruling out causality — that opium farm-gate prices went down from 1990 to 1992, as ceasefire agreements were signed in the opium-producing areas. Prices went up from 1993 to 1995, and then started to dip from 1995 to 1997.

The decline in farm-gate prices of opium in Myanmar from 1990 to 1992, right after ceasefire agreements were signed in 1989 in the most important opium croplands, coincides with declining wholesale heroin prices in the two most important markets of Europe and the US (see Storti and de Grauwe's graphs in Figure 6.4 above). Hence, it is not clear whether it was the ceasefire agreements, or the decline in US and European consumer prices, that created the downward pressure on farm-gate opium prices in Myanmar from 1990 to 1992.

A number of key events took place in Myanmar during the period when farm-gate prices started to rise from 1993 to 1995, despite wholesale heroin prices going down in Europe and the US. In December 1993, 79 members of the Shan State National Congress convened in Homong to proclaim independence, and selected the main warlord and drug trafficker of that period, Khun Sa, as their leader. This marked Khun Sa's success in uniting various Shan nationalists and Yunnan-Chinese armed groups into the 20,000-strong Mong Tai Army. However, as pointed out by McCoy, this move also drew Yangon, Bangkok, Beijing and Washington into an ad hoc but powerful alliance against Khun Sa. In early 1994, Burma's army, re-equipped with arms from China, mobilised 10,000 troops for three massive dry-season offensives against Khun Sa. By early 1996, Khun Sa had buckled to the pressure. As thousands of his soldiers surrendered in batches, in ceremonies covered by national television, Khun Sa appeared to have struck a deal, as he and his aides were welcomed to Yangon by the SLORC junta as 'our own blood brethren'. He was subsequently installed as a retired warlord in a luxurious lakeside villa beside that of retired General Ne Win (McCoy, 2003: 435–439).

An outraged US government demanded that SLORC turn over Khun Sa so he could be tried as a drug lord, but their demand was rejected by the Burmese generals. Instead, the regime advocated forgiveness for Khun Sa. Meanwhile, the impact of the White House Executive Order 12978 passed in October 1995, which created the Specially Designated Narcotics Traffickers (SDNT) list started to be felt. The list paved the way for the imposition of further economic sanctions on drug lords, including Khun Sa, and made it illegal for US banks, firms and nationals to transact business with Myanmar unless authorised under a special licence from the US Treasury. But Khun Sa's deal with the generals remained intact, and he stayed in his villa until he died of old age in 2007.

What emerges from this discussion are indications, but not conclusive proof, of what may have affected the prices of opium during the period 1989 to 1997, when Myanmar was the world's leading exporter of opium. Farm-gate prices went down from 1990 to 1993 after the ceasefires started, but then went up again as the offensives against Khun Sa began, even as retail prices for heroin in its main consumer markets were in a historical decline, due to, according to Storti and de Grauwe, globalisation reducing the intermediation margins. After farm-gate prices peaked in 1995, they also fell steadily, coinciding with Khun Sa's surrender process. Because of inconsistencies in the reported farm-gate prices, as reflected in the four official reports cited in Table 6.A, it will be difficult to conclusively state what affected prices before and after the ceasefires. However, one conclusion that can be drawn is that farm-gate prices are a consequence of the arrangements and re-arrangements in relationships between various actors, rather than the result of an 'invisible hand' that structures behaviour in the markets. Farm-gate prices emerge less as signals for market decision-making, and more as indicators of impact of the political and social context.

6.3.2 Colombia: Before and after the 1996 Cocalero Uprising in the Amazonias

The area known as the Amazonias — comprising the departments of Amazonas, Caqueta, Guaviare, Putumayo and Vaupes — is the southern region that makes up more than a third of Colombia's territory. Historically, these have been the most sparsely-populated areas with little state presence; they are also seen as the receiving region for a great number of peasants who have been expelled or displaced from other territories due to factors ranging from market pressure because of agribusiness expansion, to violent conflict and political persecution (Salgado, 2012: 2–3). The displaced migrant farmers who moved to the Amazonias are therefore called *colonos,* roughly translated as 'peasant settlers of the frontier'.

Anthropologist Henry Salgado emphasises that the 'colonised' frontier territories are not 'spontaneous settlements' that result from 'normal' growth or expansion of the economy, as sometimes argued in Colombia. Rather, these are territories defined by a principle of identification, where marginalised peasants forcibly uprooted from elsewhere find refuge and rebuild livelihoods. This logic of peasant appropriation of territory, continues Salgado, is starkly different from territorial appropriation by capital and agricultural entrepreneurs, which is based on possession, the alienation and disposal of property, and wealth accumulation and concentration (ibid.).

Having no legal titles, and often settled in remote forest reserves that are officially off-limits to farming and human settlement, the colonos survived the conditions of what Salgado calls a 'rearguard economy' — no protection coming from state institutions; little or no access to public services like health, education, electricity or water; located far away from market centres; vulnerable to commodity price decreases and with no access to bank credit for the crops (plantain, corn, or rice) that they were used to growing; and generally excluded from commercial and consumer networks. It was against this background that coca farming came to these areas in the 1970s: indeed, coca as an agricultural product was ideally suited for such conditions (ibid.). It is a hardy plant that thrives in the uplands; can be harvested between four and six times each year, depending on variety, and is therefore a useful cash source; requires less maintenance than other crops and can be grown and harvested successfully with household labour; and once transformed via rudimentary means into coca paste (which does require hired labour) will last longer and becomes easier to transport.

According to anthropologist Maria Clemencia Ramirez, it was drug traffickers who provided the colonos of Amazonias with the coca seeds and the chemicals needed to process the coca leaf into paste. The traffickers then bought the paste, often bartering goods such as food and clothing at good prices (Ramirez, 2011: loc. 880). This brought added convenience for the colonos, saving them the prohibitive costs of transporting their products to the markets, and at the same time giving them easy access to the food and other consumer necessities they needed. In other words, it was through the coca trade that communities, excluded from markets and commercial networks, were reconnected back to those markets and networks. As Salgado notes, with coca, the peasant colono began to be a farmer who is part of an extractive economy linked to capital (Salgado, 2012: 3).

Over time, Colombia grew to become the world's leading producer of coca leaves and cocaine and, as Ramirez explains, nuances emerged in the peasant identity. Ramirez distinguishes: (a) campesinos who identify as residents of Amazonia, with roots in the region, without regard to origin; (b) campesino colonos who identify as peasant settlers; and (c) campesino cocaleros, peasants whose livelihoods depend on the coca plant (Ramirez 2011: loc. 765).

The transformation of Colombia as the main producer is compared to the other two coca- and cocaine-producing countries (Bolivia and Peru) in Figure 3.10. In 1986, Colombia had the lowest hectarage under coca production of the three countries, and lagged behind Peru and Bolivia in the harvesting of coca leaves. By 1997, Colombia had become the world's top producer, and remained so for the succeeding years.

The rise in Colombia's area under cultivation from 1995 to 2001 coincided with the consolidation of the paramilitaries, and the handing out of franchises by Vicente Castaño that transformed criminal groups, for a fee, into armed paramilitary actors (see Section 5.5.3). In addition, 2001 (when areas under cultivation started to decline — see Figures 3.7 and 3.12) was the year that rifts emerged among the paramilitaries, including Carlos Castaño's rejection of Plan Birmania and his very public split from the AUC in May 2001. These may be coincidental but they could be suggestive (although not conclusive proof) of a key factor that affects coca cultivation in Colombia: the intermediation of paramilitary and criminal entrepreneurs in the trade.

It should be noted that Colombia's rise to be the top producer of coca leaves and cocaine took place against the long-term decline in the wholesale price of cocaine in US and Europe (Figure 6.4). While production was declining in Peru from 1990 to 1991, and while Bolivia remained fairly static, Colombia's area under cultivation and coca leaf production were increasing. According to the basic price model, the supply curve S1 should move downwards or to the right when prices in the demand curve D1 decrease. This appears to be sustained by the figures on Colombia: hectarage and coca leaf production increased when prices were decreasing in its main markets. This predicted movement is based on an assumption in sequencing: first, supply will increase (as what was happening in Colombia); then, demand in proportion to supply will drop, resulting in a decline in prices. Yet it is not at all clear what triggered what; and it therefore seems unreasonable to accept the assumption. The efficiency gains in Storti and de Grauwe's intermediation margin may be an explanation, yet what cannot be explained — and this remains a central puzzle — is that the period in question was also the time when the war on drugs was intensified and the risks to growers and traffickers multiplied. Since consumer prices were falling, the risk premiums that traffickers should expect to see rising in order to continue supplying, following the model, are nowhere to be seen.

From 1988 to 1996, the pressure on Colombia for eradication was intensified. Yet the area under cultivation and production volumes, as monitored in the official reports, were still slightly increasing — proof that eradication policies were failing. The 1990 INCSR reported that 'the operations of the country's cocaine mafias have been thrown into disarray'; that 'a number of major traffickers are on the run'; and that the 'Barco administration has rejected any formal settlement with the traffickers'. Yet the eradication pressures barely made a dent. In the statistical tables (INCSR 1990: 132), the area under coca cultivation in 1989 and 1990 showed no change at all (identical at 42,500 hectares), following a nearly 60% increase from the 25,000 hectares estimated in 1986. However, harvesting of leaf dipped a little — from 41,859 tonnes in 1989 to 41,700 tonnes in 1990 — probably owing to eradication policies. Yet coca base production still increased, from 58 tonnes in 1989 to 65 tonnes in 1990 (INCSR 1990: 123–125). While it is possible that without the eradication pressures, production volume would have greatly expanded, it is also possible that eradication overall was simply not working.

In 1994, the Colombian Congress ratified the 1988 UN Convention, but with reservations and statements on the treaty's provisions on extradition, asset forfeiture, and maritime interdiction. Nevertheless, the convention entered into force in Colombia on September 1994, which made drug trafficking formally a criminal offence, allowed the confiscation of proceeds from drugs offences, and enabled the seizure of bank, financial and commercial records. This provided the legal basis for the escalation of the war on drugs. In 1995, after US Executive Order 12978 was passed, the US and Colombian governments immediately seized the Cali cartel-owned *Drogas de Rebaja* drugstore chain (a legal enterprise with stores in 28 of the country's 32 provinces and over 4,200 employees). Congress also approved the aerial application of the herbicide glyphosate, and by November 1994, the Colombian national police was conducting aerial spraying in known coca-producing areas. At the same time, the Samper administration hosted a hemispheric convention on money laundering, which at that time was not yet a crime in Colombia (INCSR 1996, 1997).

Despite the intensification of eradication throughout 1995, the US was not sufficiently convinced that Colombia was doing enough. This led to President Clinton decertifying or designating Colombia in his 1 March 1996 report to the US Congress (*New York Times,* 2 March 1996). Apparently, this punishment of Colombia was a registration of US displeasure with President Ernesto Samper, who was elected in 1994 and subsequently accused of, and investigated by the Colombian Congress for knowingly taking millions in contributions from the parts of the Cali cartel. According to Assistant Secretary of State Robert S. Gelbard, US assistance to Bogota 'consists almost entirely of counter-narcotics programs, which will continue' despite decertification (ibid.). But American business executives investing in Colombia would no longer qualify for credits from the Import-Export Bank or the Overseas Private Investment Corporation. The US would also vote against any loans requested by Colombia from six development banks, including the International Monetary Fund, the World Bank, and the Inter-American Development Bank. This could affect between $750 million and $1 billion in Import-Export Bank commitments, and $50 million in loans and $540 million in insurance from the Overseas Private Investment Corporation (ibid.).

In response, President Samper hardened his stance and intensified drug eradication efforts. In particular, aerial fumigation was expanded and made more intensive in the Amazonias, along with the tightening of controls on the sale of cement and gasoline which are used for processing coca leaf into paste. This triggered what Ramirez called the 'Cocalero Uprising', when up to 200,000 cocaleros in the departments of Putumayo, Caqueta and Guaviare, including women, children and indigenous people, marched in July–August 1996 from their farms to the nearest towns and department capitals to protest the heightened threats to their livelihoods (2011: loc. 229). Riots ensued, with up to seven farmers killed in clashes between protesters and security forces in the capital towns. FARC launched offensives in September that resulted in at least 130 Colombians dead, and half the country paralysed as overland transport was halted (*Los Angeles Times,* 22 September 1996).

The *Los Angeles Times* report reveals how some of the farmers tried to negotiate a solution with the government, mainly by offering to voluntarily eradicate their own coca crops for a fee (and thereby avoid the more harmful aerial fumigation) and by asking for price guarantees on alternative crops they might grow instead. The government refused, so farmers continued to grow coca, while FARC declared its open support for the cocaleros (ibid.).

Two related questions may be asked in relation to this critical period. First, were there noticeable changes in the farm-gate prices of coca leaves that may be related to the 1996 cocalero uprising? Second, to what extent did these farm-gate prices, as well as eradication pressure during that period, have an impact on Colombia's production volumes of coca leaf and cocaine? In the example which introduced this chapter — the case of Paulino Vasquez in Bolivia in June 1980 — there appears to be a relationship between higher farm-gate prices and an expansion in coca production, particularly in the Chapare, as reported by Laserna. Table 6B attempts to answer these questions.

Table 6B: Different coca base prices in Colombia in equivalent $ per kg, 1986–2001

	WDR 1999: p.81	WDR 2001: p. 73	WDR 2002: p. 62
1986	2984		
1987	1773		
1988	1152		
1989	893		
1990	658	638	
1991	662	642	721
1992	612	594	666
1993	883	857	962
1994	1432	1389	1560
1995	609	591	664
1996	831	807	906
1997	1127	779	874
1998	1139	757	849
1999		938	1012
2000		880	906
2001			880

Table 6.B illustrates once again that there are different prices reported by official sources, showing the limitations and real research problems faced in monitoring prices of illicit drugs. The corresponding graph, however, shows more uniformity – there are differences, but overall the lines are close and parallel to each other (Figure 6.7). The WDR 2001 and 2002 reports (grey and yellow lines) are practically identical, and the slight differences may be explained by the different base year used in converting the local currency to US dollars. The WDR 1999 report (orange line) also largely accords with the two other reports, and only diverges slightly in 1997 and 1998.

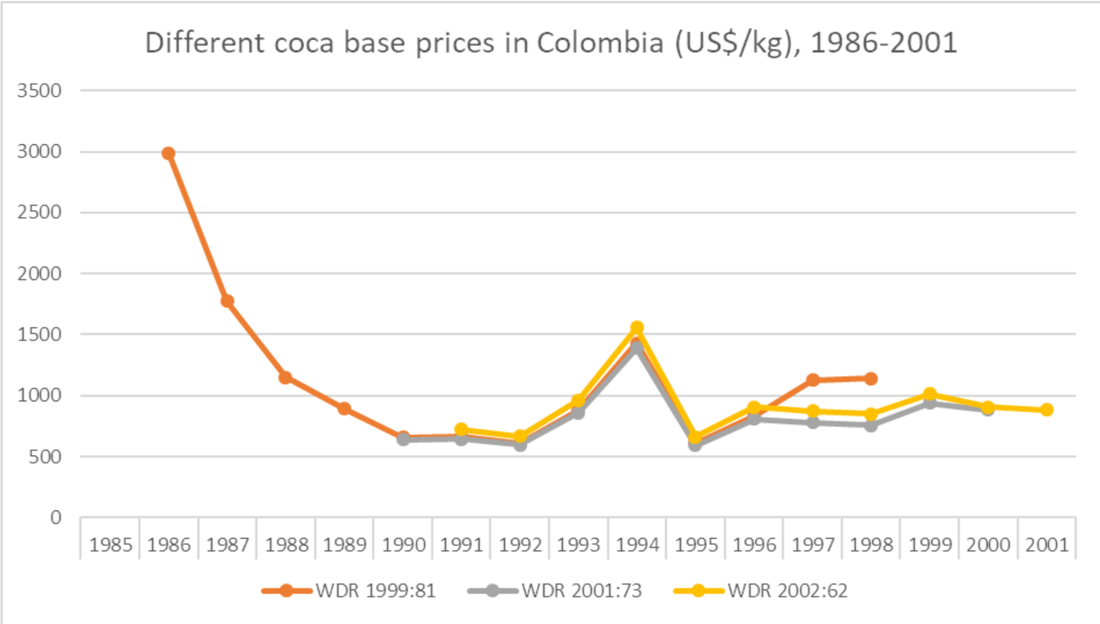


Figure 6.7: Differences in coca base prices in Colombia

A number of observations can be made:

- Coca production was generally rising from 1986 to 1990, yet coca base prices in Colombia were generally falling. This again shows how the basic price model does not seem to apply to real situations (assuming the official reports are a more or less accurate representation of reality).
- All three reports in Figure 6.7 show that prices peaked in 1994, fell sharply to their lowest levels in 1995, and then increased slightly in 1996. During this period, the area under coca cultivation was expanding (Section 3.6.4) and coca leaf production was increasing (Section 3.6.6). Yet as the narratives in this study reveal, 1989 to 1995 was also the period in which the two main drug cartels in Medellin and Cali were effectively dismantled, and when the big men of Colombia's lucrative illicit drugs trade were killed, captured, or sent into hiding. In other words, the area under cultivation and production were both increasing during the period when sustained offensives against illicit drugs were launched. This is evidence of the failure of the war on drugs approach to dismantle the vast edifice and networks of the illicit coca markets.

- Political theatre is what appears to have triggered the cocalero uprising of 1996. President Samper needed to display his counter-narcotics credentials after the US decertified Colombia, and the surge in law enforcement was applied to the most vulnerable: poor displaced peasants in Amazonia relying on coca cultivation for survival, who could barely defend themselves. The use of aerial fumigation in particular, a 'shotgun' approach the creates collateral damage to all forms of agricultural livelihoods, was intensified in order to please and convince US decision-makers. It appears to have worked because in 1997, though Colombia was still decertified, President Clinton applied a waiver that made the country eligible once again for US funding and support.

To conclude this sub-section, there appear to be no noticeable and significant changes in the metrics of Colombia's coca-cocaine industry — prices, area under cultivation, and production — before and after the September 1996 cocalero uprising in Amazonia.

6.3.3 Afghanistan: Before and after the 2000–2001 Taliban opium ban

On 13 December 2000, Michael A. Sheehan, the US State Department's Coordinator for Counter-terrorism, testified before the House Judiciary Committee that the Taliban was responsible for Afghanistan's emergence as the world's leading producer of opium. 'Narcotics-linked income', said Sheehan, 'strengthens the Taliban's capacity to provide support for international terrorism, buy weapons, fight opposition groups, and maintain control of territory where training camps are located'.[193]

Richard B. Scott, a retired engineer who had overseen a desilting project on the main canal of Helmand's irrigation system under Taliban authorisation just two years earlier, was incredulous. There was an ongoing opium ban imposed by the Taliban from July 2000, which from all indications appeared to be working, and Sheehan was ignoring it. Scott, a former USAID social analyst who had lived in Helmand from 1971 to 1978, wrote an angry but polite email. He stated that the US had had the opportunity to address the opium production issue for at least the past five years, 'but for whatever reason ignored the obvious needed action'. Scott argued that the solution was to fully rehabilitate the irrigation system, so that farmers could return to their pre-war double-cropping system

[193] Sheehan's statement was downloaded from http://judiciary.house.gov/legacy/shee1213.htm in October 2013.

with cotton. But not only did the US ignore the advice; worse, US bombings caused further damage to the main canal (Scott, 17 December 2000).

Scott also provided a rare insight into Mullah Omer,[194] the head of the Taliban, who issued the *fatwa* (religious decree) that opium production violated fundamental Islamic tradition. Scott believed that the Mullah had taken a historically significant initiative to eradicate opium despite the real risks that it could turn the local population against the Taliban. Yet 'no one, no organization, no government is doing anything to support the opium poppy ban'.[195] Scott charged that 'this is a major mistake, unless this inaction relates to a self-fulfilling prophecy'. Scott wrote similar letters and emails to Karl F. Inderfurth, Assistant Secretary of State for South Asia (31 January 2000); Richard Adams of the Bureau of International Narcotics and Law Enforcement Affairs (3 February 2001); Alan Eastham, Assistant Secretary of State for South Asia (10 February 2001); Steven Casteel, chief of intelligence at the Drug Enforcement Administration (21 February 2001); and Elisabeth Kvitashvili of USAID (20 December 2001). Scott's pleadings were ignored.

The inaction and ambivalence of the American officials stemmed from a dilemma: while the Taliban could indeed be allies in the war on drugs, they were the targets of the war on terror. Different wars cancelling each other out has been a recurring theme that bedevils US policy. In Laos and Thailand, the hill tribes that were US allies in the war on communism were at the same time the main producers and suppliers of opium and heroin from the Golden Triangle (McCoy, 2003). In Bolivia, the top drug lords of the 1980s extradited to the US had to be released from jail because they turned out to be assets of the CIA in the *Guerra Sucia* (Dirty War) against communists (Levine, 1993). In Afghanistan, the choice was apparently easier to make given that the US was hardwired against any form of rapprochement with the Taliban. For example, Casteel initially acknowledged the opium ban to be a success,[196] but then eventually played a key role in the denial that the Taliban were serious in their drug eradication efforts. In a speech in December 2001, he said that the 'Taliban were a drug-trafficking

[194] I am using here the spelling used by Scott. In most other reports the Emir of the Taliban is referred to as Mullah Omar.

[195] Note that a similar ban enforced by American allies in South America would have quickly opened the gates to development and military aid.

[196] In a May 2001 New York Times report, Casteel confirmed that US counter-narcotics agents sent to investigate had reported that the ban had wiped out the world's largest opium crop in less than a year. For more, see http://www.nytimes.com/2001/05/20/world/taliban-s-ban-on-poppy-a-success-us-aides-say.html

group, it's as clear as it can be'. Casteel's interpretation was that the Taliban imposed the ban because it was good public relations; it cut off supply to quickly drive up the price of the heroin they had stockpiled; and that they wanted to increase their already dominant control of the heroin market (DEA, 5 December 2001).

Scott's endorsement of the Taliban opium ban was due in large part to its success. Indeed, the ban was so successful that a 2004 evaluation published in the *International Journal of Drug Policy* reported 'a 99% reduction in opium poppy farming in Taliban-controlled areas' (Farrell and Thorne, 2004: 81). The evaluators checked if perhaps drought, migration, or changes in the global opium market may be contributing factors for the reduction. The evidence and conclusions were clear: the reduction was entirely due to enforcement action by the Taliban. The ban therefore, said the authors, 'may have been the most effective drug control action of modern times' (ibid.). Others said it had 'the most profound impact on opium and heroin supply in modern history' and was a 'rare historical moment that allowed almost absolute compliance in the south of the country, with hardly any direct enforcement or punishment required' (Jelsma, 2005: 98–99).

Figures supplied in Sections 3.6.3 and 3.6.5 validate the impact of the ban, showing how hectares under opium cultivation and estimates of dry opium production dropped close to zero in 2001, only to bounce back in 2002. By 2003 Afghanistan had more land under opium cultivation, and more opium production than Myanmar, and that has remained the position ever since.

Yet there was also disagreement, even from the UNODC, on how to interpret the ban. UNODC officials who implemented a 'foot in the door' policy that encouraged the Taliban to enforce the ban by offering international recognition and development aid, naturally regarded the outcome as a significant contribution (Farrell and Thorne, 2004: 84). But Sandeep Chawla, head of UNODC's research, had also said that 'in drug control terms it was an unprecedented success, but in humanitarian terms a major disaster' (Jelsma, 2005: 98).

Jelsma points out that one of the most dramatic consequences of the ban was the breakdown of the informal credit system based on opium upon which many poor farmers relied for survival. Many indebted farmers who were unable to live through that winter, and defaulted on their loans as a result of the ban, became refugees who had to move to Iran or Pakistan. And it was accumulated debt, Jelsma continued, that became the major driving force for the return of opium poppy cultivation with a vengeance in the subsequent years. The depletion of opium and heroin stocks also forced users to try low-quality or dangerous drugs, leading to deaths and incapacitation. The dangers of simplistic supply-side interventions were on full display, Jelsma concludes, arguing that the short-lived drug control 'success story' can also enter history 'as one of the most blatant examples of a humanitarian crisis being consciously aggravated under the guidance of a UN agency' (Jelsma, 2005: 98).

One of the common interpretations, as voiced by Casteel above, was that the ban led to sharp reductions in supply that quickly drove prices up, resulting in large windfalls for those who maintained stockpiles. Indeed, the price rises after the ban's enforcement are captured in UNODC's monthly monitoring of dry opium traders' prices in Nangarhar and Helmand, the two key markets, and presented as representative of the average for the entire country, from March 1997 to December 2002 (see Figure 6.8). The price rises, according to Farrell and Thorne, were 'dramatic', but they also rebutted claims of large windfalls, pointing out that significant price increases would have not occurred had there been major stockpiles (2004: 88). In other words, there was no evidence of extraordinary stockpiling made in anticipation of future price rises, as Casteel had claimed.

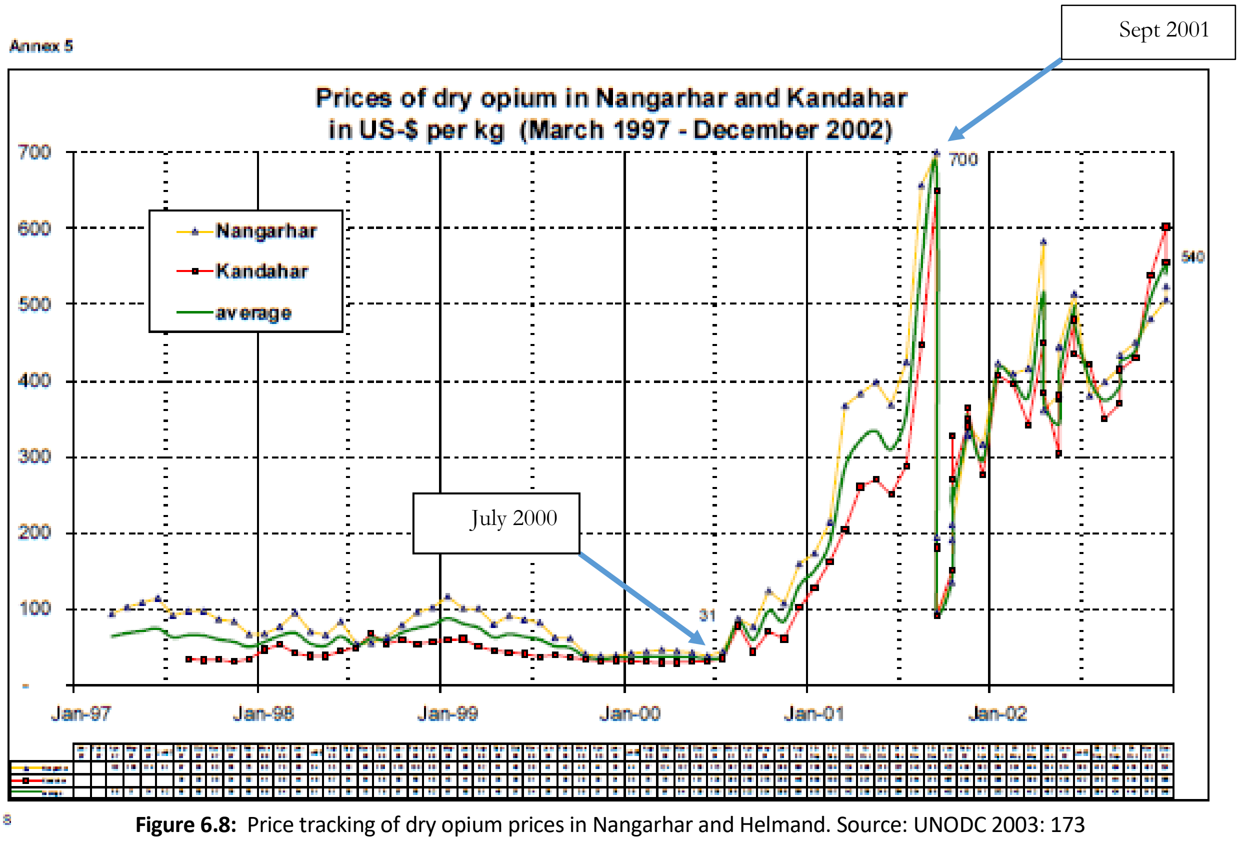


Figure 6.8: Price tracking of dry opium prices in Nangarhar and Helmand. Source: UNODC 2003: 173

But there is something else in the monthly tracking data presented in Figure 6.8. At this level of detail, some important observations emerge. At the end of June 2000, prices were at $31/kg. They started to rise in July 2000, when Mullah Omar issued the *fatwa*. Given that opium is a typically a winter crop, it is not plausible that overall supply would have already reduced — actual depletions in supply that trigger price rises would have come only after the March 2001 harvest season. Yet there were already price increases starting from July. If the only reason for price rises are reductions in supply, it could be that from July 2000 to March 2001 existing stocks were being removed from the markets as the ban took effect, or that the movement of stocks from homes to bazaars slowed down, or that stocks were being hoarded in anticipation of forthcoming price increases, as Casteel alleges.

But the possible existence of stockpiles that were typically kept ‘to buffer against short-term opium shortages due to bad weather or other causes of poor harvests' somehow contradicts the price rises. If by March 2001 little opium had been grown and harvested as a result of the ban, then as pointed out by Farrell and Thorne, those stockpiles would have been brought out for sale and used up (2004: 88). If that were so, what explains the price rises then, and especially the steep price increases from July 2001 to September 2001, as shown in the graph?

One explanation is that the price rises were reactions not to supply availability in the market but to political signals, including that Taliban authorities were enforcing a ban. What is most interesting is that dry opium prices peaked at \$700/kg by September, at about the time of the infamous 9/11 attacks in New York. Immediately after, prices went on a steep drop to below \$100/kg, even though the market was not being flooded with opium, as the price model would suggest. Clearly, the dramatic fall in prices in September–October 2001 was the opium traders' reaction to a dramatic political signal — the 9/11 attacks — and not to actual increase or depletion in the supply. Thus, short-term price movements appear to be shaped more by political developments, and less by the law of supply, demand and intermediation, as suggested by the price model. Before the year ended, prices went up again and generally stayed high, but still below the peak achieved in September 2001.

A different picture emerges when the price movements are aggregated and averaged into a single figure for a year, and the trend in long-term prices is plotted over years. This is presented in Figure 6.9. Although it is reported in Figure 6.8 that the price peaked at \$700/kg in September 2001, when averaged over the entire year of 2001, the resulting price is only \$301/kg. The sharp increase of prices to \$700/kg and their decrease to \$100/kg within the year is then hidden inside a single figure of \$301/kg. When the average annual prices are plotted yearly from 1986 to 2018, what may be observed is that prices before 2001 rarely went higher than \$70/kg and were in fact lowest at a weighted national average of \$30/kg in 2000. Prices increased tenfold to an average of \$301/kg in 2001; peaked at \$425/kg in 2003; and then made a sharp drop to \$142/kg in 2004.

Drawing together the observations from Figures 6.8 and 6.9, a conclusion is that supply availability offers a limited explanation for price changes; political signals and developments are also important drivers of price changes. Having said this, the Taliban opium ban appears to have effected an increase in dry opium prices, but it would shorth-sighted to measure the impact of the ban only in terms of a shift in the so-called supply curve. Rather, the impact should also be measured in terms of the humanitarian crisis that it triggered, whose characteristics are listed by Jelsma: (a) the breakdown of the informal credit system based on opium upon which poor farmers relied; (b) their increased indebtedness to the point of being forced to become refugees; (c) the switch to more dangerous drug alternatives by users; and, most importantly, (c) the further entrenchment of dependence on illicit crops in the local economy (Jelsma, 2005).

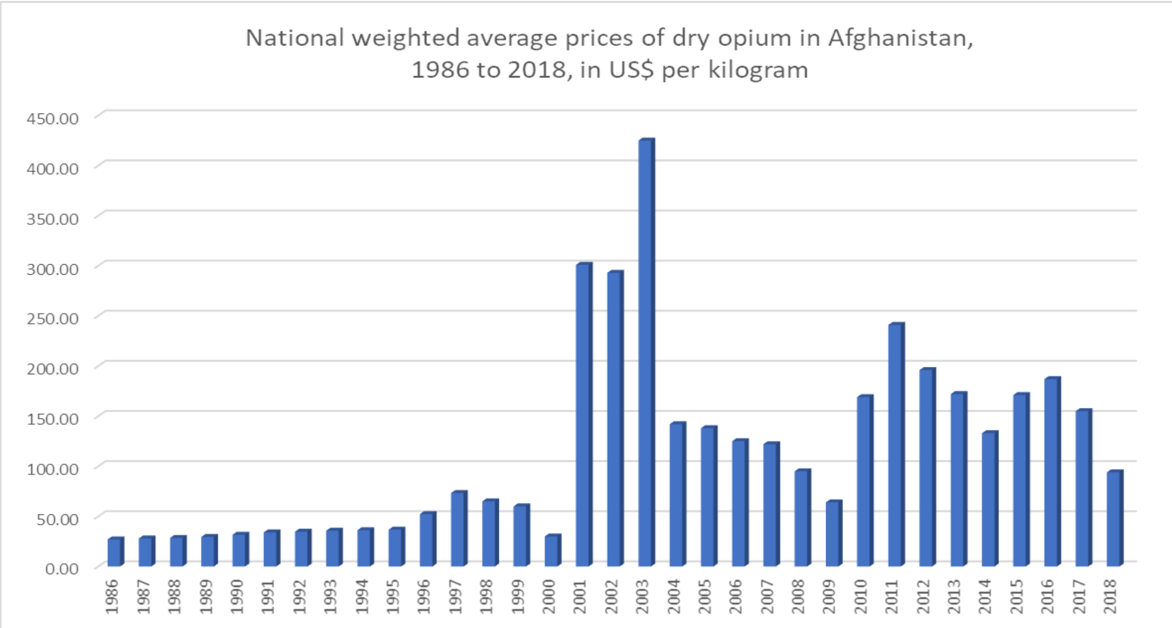


Figure 6.9: National weighted average long-term prices of dried opium in Afghanistan. Sources: Various WDRs from 1996 to 2019, see Annex for full list.

6.3.4 Bolivia: before and after the 2006 election of cocalero Evo Morales

As discussed at the beginning of this chapter, in June 1980 the price of dried coca leaves in Bolivia suddenly posted a huge increase, bringing windfalls to small coca growers like Paulino Vasquez. The price increases ushered an increase in production volumes and appear to have also triggered migration to the coca-growing Chapare area by workers displaced from the collapsing mining, gas and manufacturing sectors. Coca growing, in the process, may have not only provided a huge social safety net, but also resuscitated a collapsing national economy and restructured its division of labour (Laserna, 1995; Painter, 1994).

However, it is important to situate coca's part in the revival of the national economy in a larger comparative context. Healy, for example, argues that coca's resuscitation of Bolivia's economy was possible only because of its relative weight to the rest of that economy. It worked in Bolivia because, first, 'cocaine revenues represent 75% of Bolivia's legal exports, whereas in Colombia and Peru, these figures are 13% and 14% respectively'. Second, the percentage of the Bolivian labour force involved in the clandestine economy is significantly higher, estimated at between 5% and 11%. In other words, coca plays a more dominant economic role in Bolivia, compared to Colombia and Peru (Healy, 1988: 106), so this relative weight needs to be considered in evaluating impact. Healy's point underscores once again that prices on their own present only a partial picture for analysis. Prices need to be unpacked in their larger contexts.

This sub-section investigates if Evo Morales' ascendance to power in 2005 affected coca leaf farm-gate prices. Morales' election victory was a dramatic event that marked the transformation of cocaleros in Bolivia into wielders of state power, despite their continuing marginalisation and stigmatisation. What changed in the Bolivian context when Morales assumed the presidency, and did it have any noticeable impact on the farm-gate prices of coca leaves? Note that the focus is on coca leaf farm-gate prices, and not on coca base, coca paste, or cocaine. This is because it is farm-gate prices that matter most to growers like Paulino Vasquez.

There are, however, considerable limitations in the official data available. For example, in the 1980s and 1990s, farm-gate prices of coca leaves were not systematically monitored and reported in the INCSRs (at least as far as this research covered), compared to cultivation, production and seizures, for which longitudinal data tables are supplied. There are sporadic details reported in the INCSRs, such as in 1999 when the sharp rise in coca prices was attributed to new trafficking routes and alternative ways of transport to external markets (INCSR 1999: 84). But by and large, monitoring farm-gate prices was an afterthought, and it was only in later years that more systematic tracking was conducted. Nevertheless, by 2003 the first nationwide coca cultivation survey conducted by the Bolivian government and UNODC came out. Hence, using exclusively UNODC data, the farm-gate prices of dried coca leaves are shown in Figure 6.10.

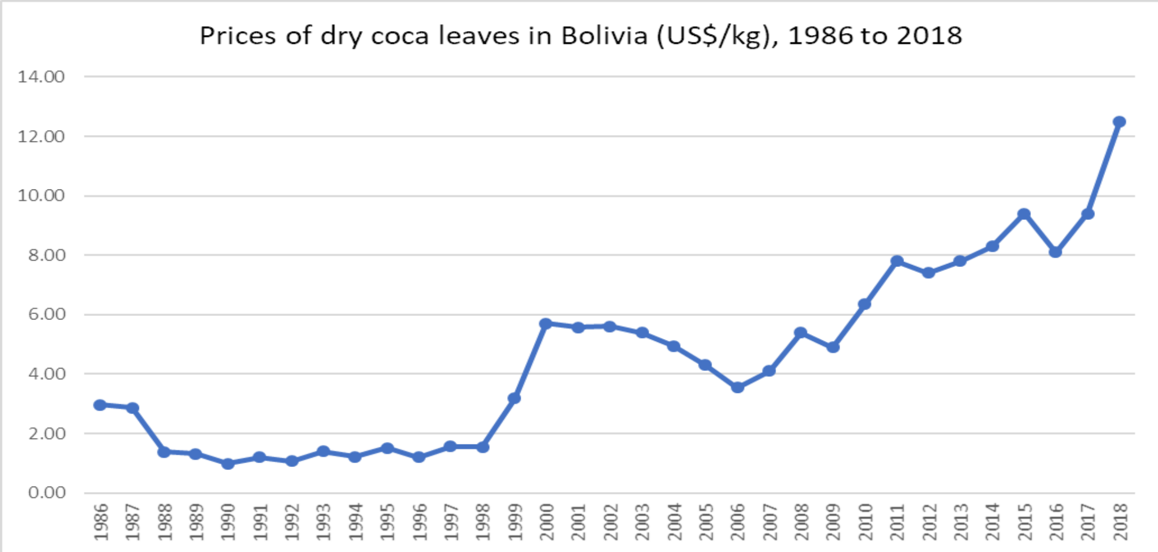


Figure 6.10: Prices of dry coca leaves in Bolivia

It is unfortunate that data from 1980 to 1987 — the duration of Bolivia's 'coca boom' — could not be found, as it would have presented a fuller picture of price trends. Nevertheless, we know that in June 1980, Paulino Vasquez received 16,000 pesos for a 100-pound load of coca leaves. Converting the figures using the exchange rate at that time, this translates into around $14/kg, which would put it on top of the graph. We can therefore say that from 1980 when a historic peak was reached, coca leaf prices may have progressively declined in the next eight years, reaching $1.38/kg in 1988, and a historic low of $0.99/kg in 1990. From 1991 to 1998, prices hovered between $1.07/kg to $1.55/kg. However, in 1999 prices bounced back and doubled to $3.18/kg and to $5.71/kg in 2000, then gradually decreased down to $3.56 in 2006. However, from 2006, the year Evo Morales took power, prices were overall increasing, with a few bumps, until they reached a high of $12.50/kg in 2018.

Some explanations can be offered, along with a very partial reconstruction of the political context that accompanied this price trajectory. As the coca boom that started in 1980 tapered off by 1987, coca leaf prices stayed at very low levels for over ten years. One possible explanation is over-supply: because there was too much coca leaf in the market, generated by the coca boom, there was downward pressure on prices. As the structural adjustment programmes imposed on Bolivia took hold, macroeconomic stability was slowly regained, but coca prices remained at low levels until 1998.

However, it is likely that the low coca prices triggered political agitation among cocalero-campesinos, which spilled out into social movement building — i.e. the establishment of the sindicatos (coca workers unions) and the creation of the 'instruments' for political participation especially among the cocalero communities in Cochabamba, particularly the Chapare, as elaborated by Durand-Ochoa (2012), Grisaffi (2015) and Prest (2015). By 1998 when these instruments were strong enough, the political party *Movimiento al Socialismo* (MAS) was established, which started winning elections to local government offices, a critical number of which were in Cochabamba. Perhaps coincidentally, by 1999, coca prices had doubled to $3.18/kg, and started their general ascent to 2018 levels of $12.50/kg.

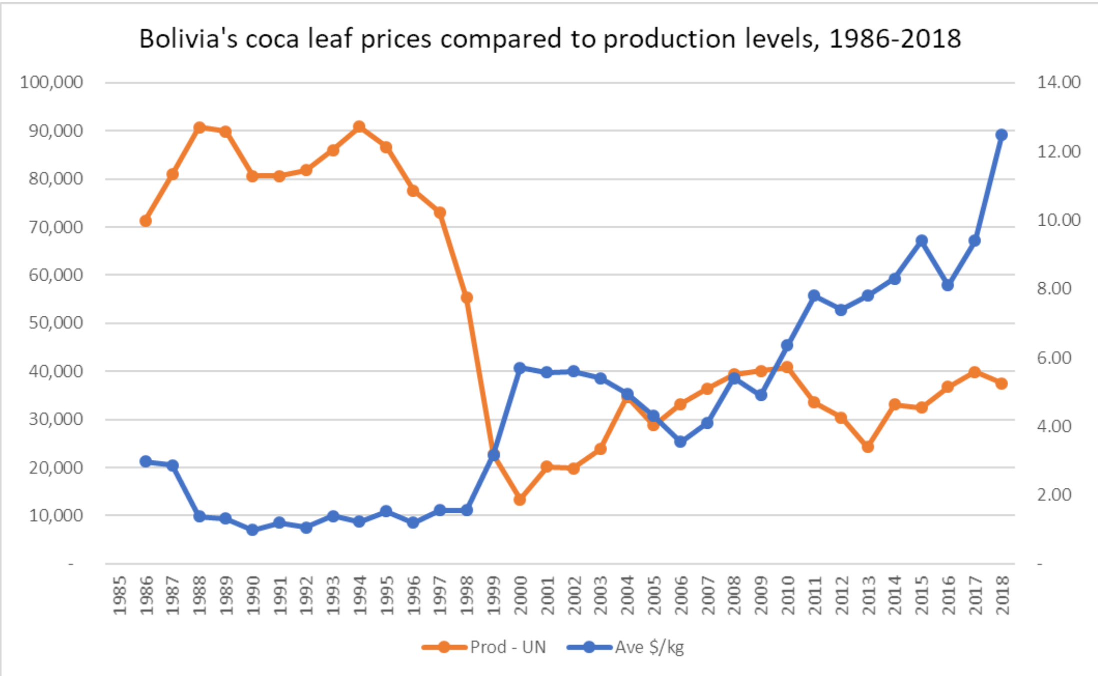


Figure 6.11 (Data and sources supplied in Annex)

To reiterate, this analysis is partial and limited: there is no suggestion of causality, only parallels in price levels and political context. Hence, it may be useful to explore the data further to dig deeper. Figure 6.11 compares the price curve ($/kg) with the production figures (tonnes) over the years. This comparison roughly shows that from 1986 to 1998, production levels were high and prices low. From 1998 forward, there were some years when prices went up while production was low. Still, it is difficult to determine causality and show what affected what, or to discover a sequence, e.g. prices changes preceding changes in production levels, or vice versa.

To conclude the case of Bolivia, while direct causality could not be proved or disproved, relationships between prices and political context could not be ruled out.

6.4 Conclusion: Demystifying the allure of price theory

In a 2011 paper, Gutierrez et al. emphasise that quantitative measurement and its indices 'are not reality: they are a radical simplification of it for the purposes of abstraction and data manipulation' (Gutierrez et al., 2011: 9). Therefore, criticisms that such tools overly simplify reality are dubious, because simplification is precisely the job that these tools are supposed to do. Variables are created to isolate and simplify patterns and outcomes, which has significant benefits for analysis. Indices and quantification could not be expected to describe the context or tell the whole story. Because the numbers are simple and context-free, they may be used for some aggregation and generalisation — but any such aggregations must remain aware that indices and quantifications are extreme simplifications of reality (Gutierrez et al., 2011).

The problem with the use of the price model is that its analytical contributions are routinely exaggerated. For example, the WDR 1999 states that prices are among the most complex indicators of markets, reflecting not only an interaction of supply and demand but also various other factors relating to quality (purity), competition, risk (ibid.: 77). In the price theory on illicit drugs published by the US National Research Council, prices and their movement are ascribed certain predictive qualities — movements in the supply and demand curves result in an equilibrium price level and volume of production. Prices, state World Bank advisers Byrd and Jonglez in a case study on Afghanistan, 'are a critical determinant of the overall level of opium/opiate revenues in the Afghan economy, and of the distribution of revenues within the drug industry'. Prices provide market-based signals to producers, traders, other actors and consumers which influence their decisions. Thus, they state that an analysis of data on prices of opiates would allow for weaknesses and vulnerabilities in the market and structure of the opium economy to be identified and exploited, and thus contribute to shaping a more effective counter-narcotics strategy (Byrd and Jonglez, 2006).

This chapter has questioned the analytical allure of prices for a number of reasons. First, while price levels are accepted in the theory as the outcome of the interaction between supply and demand, it may not be clear whether prices are the cause or consequence of changes in the supply and demand curves — the typical chicken-and-egg problem. If prices, as the theory states, provide signals for decision-making, they become a cause of outcomes rather than the outcome itself. Second, data weaknesses and limitations when analysing prices are the norm rather than the deviation. Especially for illicit markets — as elaborated in Chapter 3 on the consumer, intermediary (trafficking) and producer markets in illicit drugs crops — normally functioning markets where certain variables can be held constant remain almost as an impossibility. Price theory applied to illicit cocaine and heroin consumer markets, while a useful tool, provides little predictive value because the size of markets and estimates of expenditures have limitations. Hence, as this study argues, analysing 'the invisible hand' may be an exercise in futility.

As this chapter has shown, there are some assumptions on prices in the official narratives that need to be unpacked and examined. For example, the term 'cartel' is often used in referring to drug-trafficking organisations. A cartel, technically, is a collusion of economic actors to manipulate prices to maximise profit, but as some of the drug price experts themselves point out, 'drug cartels' could hardly exercise control over the volume of production of drug crops, even with the systematic use of violence. In addition, growers are too small, fragmented and dispersed to coordinate their decisions or to have any collective power in bargaining (Reuter and Trautmann, 2009: 11).

Another common assumption is that rising prices will stimulate illicit crop cultivation. Thus, when prices rise, there will be a resultant increase in production levels, as what happened in 1980–1981 in Bolivia. Correspondingly, when prices fall, cultivation will slow down. Different permutations of the assumption emerge, such as that a depletion in the supply will cause prices to rise; and an over-supply will cause prices to fall. Price rises therefore can be a consequence of deliberate disruptions. When crops are destroyed by eradication, or when armed encounters flare up in crop-growing areas, supply will diminish, and prices are expected to rise. When governments limit street availability of drugs with more seizures and arrests, prices are understood to consequently increase. If drug dealers hold on to their stocks to avoid the crackdown in order to sell at a future time, then prices will rise further. Rising prices can therefore be seen, following these assumptions, as an indicator of successful clampdowns.

However, it also holds true that when prices rise, this negates the achievements of eradication or the disruptions of conflict. Rising prices will 'incentivise' growers and producers to devise more ingenious ways to avoid detection; the cycle simply repeats, and production continues. Further assumptions emerge. For example, if there are low prices in, say, Hong Kong, traffickers would re-route their stocks and sell to Australia or other markets instead, where they can get better prices. If prices fall in Bangkok, Thai growers may send their crop instead to Burmese refineries that may give them a better price. The bottom line is that as long as high-priced and inflated consumer demand remains, prices will move to stimulate production in the illicit-crop-producing areas.

Another assumption has to do with weather. For example, back in 1980 a survey conducted by Thailand's Office of the Narcotics Control Board (ONCB) suggested that production variations over the previous five years resulted primarily from variations in weather and price (INCSR 1986: 222–223). There are at least two main issues with this assumption. First is that prices are typically lumped together as a single, unified phenomenon and divorced from the contexts in which they can be either cause or consequence. Little or no distinction is made between the price to the grower at the farm-gate, or the price to the trafficker as the products are smuggled, which are two different things. For example, following the 1980 ONCB survey, opium prices did climb rapidly after the drought of 1979 and 1980 that affected both Burmese and Thai production, pushing opium prices up to as much as $500 per kg, more than ten times its lowest rate in previous years. This in turn produced significant production increases in 1981 (INCSR 1986: 228). The question that needs to be asked is whether $500 per kg is the price paid to farmers, or whether it is the price at which middlemen passed it on further to customers or wholesalers/retailers downstream.

There is evidence in the INCSR 1986 that the prices paid to growers of opium poppy remained stable, and low, in relation to wildly fluctuating prices that the middlemen worked with. Opium, it is observed, is not a lucrative crop to its growers. In the highlands of the Golden Triangle, opium is mostly grown as a dry season crop to supplement the rainy season's upland rice crop. It is grown because of opium's small bulk, storability and, most importantly, stability of value. As reported by the INCSR and by authors such as Lintner and McCoy, it is for these reasons that to farmers, opium has served as a medium of exchange, and 'money under the mattress' that can be drawn on in times of need (INCSR 1986: 218). Thus, it does not matter if the price of opium on the Thai border climbs to $500/kg, or if dry opium fetches between $6,000 and $8,000 per kg, and heroin is sold for $90 to $125 per gram in Egypt's bazaars (ibid.: 271). These are not the prices paid to opium's primary growers.

The inference is that production is not solely controlled by the 'invisible hand' of prices as the theory would suggest. Rather, production in the Thai and Burmese highlands in the 1980s has been more dependent on the 'visible hand' of middlemen, mostly ethnic Chinese, who procured the opium from the farmers and then supplied them with trade goods — cooking oil, sugar, pots and pans — in exchange. Traffickers and warlords too used the visible hand of economic and physical coercion to ensure that enough opium was cultivated to meet demand (ibid.: 218). This is similar to what Laserna observed in Bolivia in June–July 1980 — that it was the illegal purchasers who exerted tremendous pressure that forced prices to rise. The supply-side analysis of prices is incomplete and does not tell the full story. Assumptions about the relationships between volume and prices need to be reconsidered. Weather and eradication impacts, for example, may change production volumes but prices will remain static if the pressure from the illegal purchasers remains constant. The decisive factor that moved prices in the Thai and Burmese highlands, as well as in Bolivia, was the collective weight of the decisions of the illegal purchasers.

In Afghanistan, official explanations of price and profitability in opium poppy cultivation have been 'economical with the truth', says Mansfield (2007: 213–234). All too often, he states, opium cultivation is seen merely as a function of price. For example, commentators have looked at the opium price of $400 per kg in 2004, and compared it with the price of other crops, including onions, tomatoes and wheat and assumed that opium will be grown because it commands the higher prices. Yet households, Mansfield points out, decide on how much land to dedicate to wheat not because of market prices but based on estimates of the availability of water. If water is expected to be sufficient, wheat will be planted; if water will be scarce, land is better allocated to grow opium instead. Other fieldwork has suggested that even if opium prices were high, households would still favour wheat cultivation if they feared they would not be able to purchase wheat on the open market. Indeed, price theory was disproved in the 2002–2003 growing season in Afghanistan. Wheat cultivation expanded significantly (32%) even when prices were stable, while opium cultivation remained static, even when opium prices hit their highest levels for a decade (ibid.: 221).

This goes to show that while illegal purchasers can exert pressure to drive prices up, there are other considerations — such as water availability for food production or access to food supply in the open market — that influence the volume of production. Going back to the Bolivian example and the words of Laserna, it was the economic and political crises that stimulated the coca boom. In other words, the statement that rising prices stimulate illicit crop production is incomplete. There is always the possibility of other factors at work. It may even be likely, under certain conditions, that a movement in prices is more the consequence, and less the cause of the expansion or contraction of illicit crop production.

A further issue with assumptions on prices is that they flatten the phenomenon of income into a single story. As has been shown across the cases presented in this PhD study, income has many faces, and it is possible to have cashless income in the local economies where illicit crops are grown. Poor farming households in Afghanistan and Myanmar regard opium as 'money under the mattress'; they barter with it, which means exchanging it for something else without cash changing hands. Coca paste or base have been used as payment for labour in the cash-starved and infrastructure-scarce coca-growing areas of southern Colombia. Credit is also a form of income. In section 4.2 it was shown that land-poor households in south-western Afghanistan who would otherwise have been unqualified got credit by growing opium, and paid their loans with opium, not cash. To land-poor households, therefore, growing opium or coca is substantially different from growing onions, tomatoes or other crops. Growing illicit crops is not simply about earning incomes brought by high prices. Growing illicit crops is a way to minimise risks, preserve the value of labour, or access credit. Because illicit crop cultivation takes place mostly in marginalised and excluded local economies, tying its benefits solely to income realised through cash and measured by prices precludes an understanding of how and why it becomes a coping and survival mechanism.

Given these critiques, an alternative way of understanding prices is presented in the next section.

6.5 Annex: An alternative model for understanding prices

It is possible to create a basic but rather more class-based schema of prices. The first step is to consider that demand and supply considerations change according to one's position in the commodity chain. Hence what emerges are different layers of demand and supply rather than a single demand-supply curve for a single commodity; each set of actors in the chain responds to different sets of contexts. This is shown in Table 6.1 (to read the table, start at the bottom when looking at supply, and start from the top when looking at demand).

Table 6.1: Demand and supply in a commodity chain

Phases in the commodity chain	Who is typically involved	Supply curves are segmented	Demand curves are segmented
Retail	Small-scale neighbourhood drug dealers		Creates demand pressure on wholesalers
Wholesale	Narcotics distributors and traffickers	Provides supply to retailers	Creates demand pressure on intermediaries
Intermediaries	Traffickers, smugglers and criminal entrepreneurs	Provides supply to wholesalers and retailers	Creates demand pressure on processors and growers
Refining into derivatives	Small-scale entrepreneurs plus agricultural workers	Provides supply to intermediaries	Creates demand pressure on processors and growers
Coca paste and opium gum	Landless seasonal or migrating agricultural workers, plus peasant growers and their households	Provides supply to intermediaries	Creates demand pressure on growers
Coca or opium poppy cultivation	Peasant households typically displaced or excluded from markets	Provides supply to processors	

The impacts of policy can be better located using this model of multi-layered drivers of demand and supply. For example, a crop eradication campaign will target supply provided by cultivators but is unlikely to change the demand pressure from the upper layers in the table. A sustained interdiction and seizure campaign may reduce supply at the wholesale and trafficking levels but may not reduce supply from the primary producers and refiners at the bottom levels of the chain. And so on. Unpacking the impact of policy on segments in the chain may enable better targeting and design.

The next steps borrow heavily from Laserna's 'general structure' of the drug industry (1995: 4). Typically, official narratives represent prices as an inverted triangle. This can be put into the table, as shown in Figure 6.12. At the farm-gate level, the prices of coca leaf and opium gum are very small in relation to the prices of cocaine and heroin in their main consumer markets. For example, in the report by Reuter and Trautmann (2009), the farm-gate price for coca leaf in Colombia was $650 per kg, while opium in Afghanistan was priced at $550 per kg. Once refined, smuggled and ultimately retailed, cocaine was priced at $120,000 per kg in Chicago, while heroin commanded a price of $135,000 per kg in London.

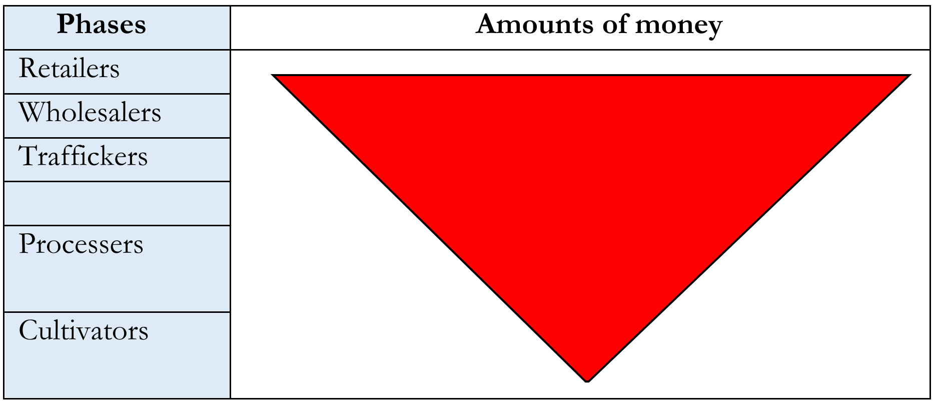


Figure 6.12: Amounts of money generated

However, the inverted triangle in Figure 6.12 does not tell the whole story. Hence, Laserna introduced another figure on the number of economic units — whether individuals or households — that participate in each phase. There are more people involved in cultivation; this narrows down to a few in trafficking and smuggling and widens again on the distribution side. This is represented by the two triangles (on top of each other) in Figure 6.13.

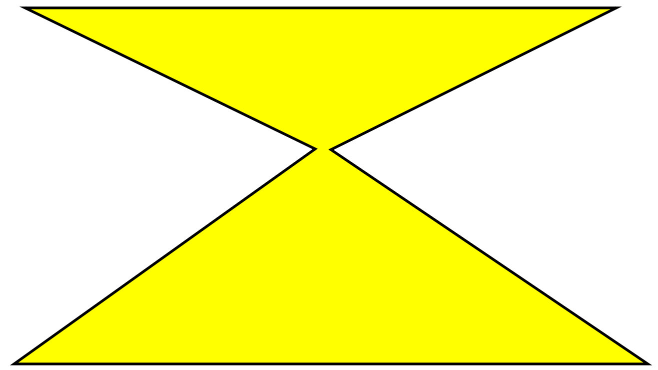
Phases	Economic units
Retailers	
Wholesalers	
Traffickers	
Refiners	
Processors	
Cultivators	

Figure 6.13: Number of economic units at each level

This Figure can be useful in classifying and assessing the impact of law enforcement efforts. For example, the top inverted triangle is roughly representative of the demand side of the illicit drugs economy, while the bottom triangle is the supply side. Traditionally, most law enforcement efforts, such as the anti-kingpin campaigns, deal with actors in the middle. Thus, though Escobar and the other kingpins in Colombia were eliminated by 1995, this barely dented the overall infrastructure, because those at the top (consumers) and bottom (cultivators) remained largely intact, and able to fill whatever gaps emerged in the middle. When law enforcement shifted to target people at the cultivation phase (for example by aerial spraying), where more are affected, it triggered the cocalero uprising of 1996. Further elaborations can be made using Figure 6.13, which could be the theme of subsequent policy research.

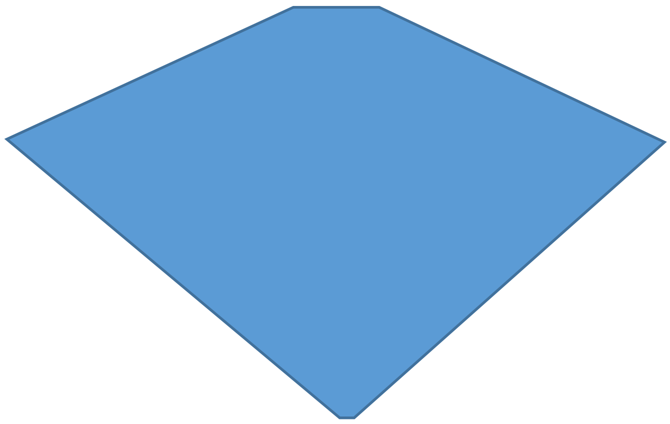
Phases	**Returns**
Retailers	
Wholesalers	
Traffickers	
Refiners	
Processors	
Cultivators	

Figure 6.14: Returns in the drug industry

Laserna introduced a third figure (reproduced here as Figure 6.14) to represent returns or benefits. Because there are more economic units involved at the cultivation phase, returns at this stage will be lower. But returns multiply exponentially as we move up the commodity chain to the trafficking and smuggling phase, before reducing just as quickly, but not quite as much, as we reach the retail phase. It is worth noting that the shape of Figure 6.14 is representative not only of returns but also of the levels of protection required at the different stages.

What emerge from these Figures are the multiple stories of prices. Prices cannot be represented solely by Figure 6.12: this picture is incomplete because it strips from consideration the number of economic actors involved (Figure 6.13), and the returns that are accrued (Figure 6.14). Figure 6.15 presents a summary.

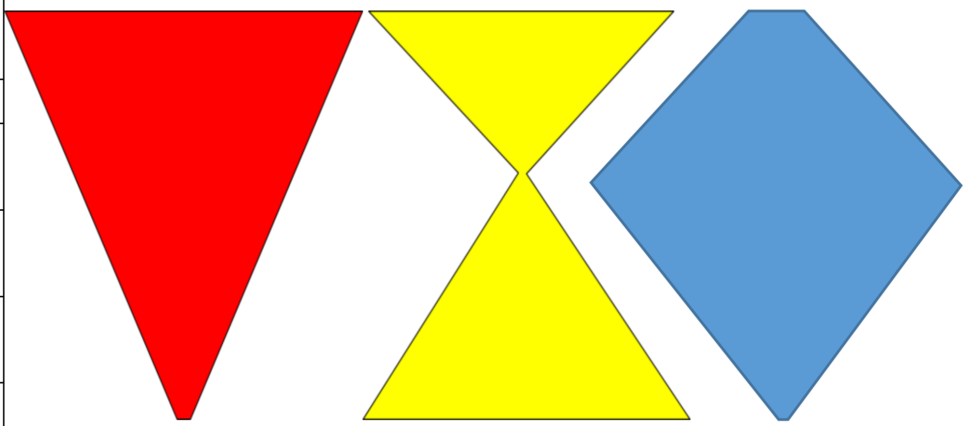
Phases	**Amounts of Money, Economic Units, and Returns**
Retailers	
Wholesalers	
Traffickers	
Refiners	
Processors	
Cultivators	

Figure 6.15: Summary of structure of drug industry

Hence, to conclude:

- Profitability is not where the prices are highest, because there are more economic units dividing the profits among themselves. Profitability (returns) is more concentrated towards the middle of the chain.
- The blue figure is representative not just of returns but also of the levels of protection required.

7 Conclusion: The Messy Politics and Governance Challenges of Illicit Crop Economies

How do criminal entrepreneurs shape, and are in turn shaped by, the resilience of the illicit production of the crops opium and coca, and what are the implications of their enterprise on the governance over the livelihoods of poor rural households they affect?

This was the question posed by this research. The quick answer is that criminal entrepreneurs shape the resilience of the illicit production of opium and coca, and consequently the governance of the livelihoods of these crops' mostly impoverished growers, by assuming the following roles in the rural economies they inhabit:

(a) pioneers of capital, or a narco-bourgeoisie, who create, whether deliberately or inadvertently, certain conditions for large-scale agrarian transformation;

(b) intermediaries or brokers, who mediate between peasants on one hand, and the state and market on the other;

(c) arbitrageurs, or implementers of indirect rule by the state, i.e. 'non-bureaucratically mediated territorial control'.

7.1 Steps to the conclusion

In arriving at the above conclusion, a rather circuitous route has been taken. This is largely the result of the challenges of doing research on illicit drug crop enterprises, which have been routinely represented in policy debates with simplifying fictions and single story narratives; of which knowledge and information are incomplete, piecemeal, uneven or often hidden; and where ethical and practical issues for ethnography and the collection of data abound.

The first key step taken was to recast the role of criminal entrepreneurs as a force for change, whether good or bad, or as a source of both order and disorder, especially in borderlands or the margins of state and markets. This step was consolidated with the adoption of Anton Blok's framework on violent peasant entrepreneurs, thus firmly locating the criminal entrepreneurs in this study within agrarian settings. This is essential since mafia is often examined in its urban or at least non-rural contexts.

The next step was to disprove or disestablish certain key assumptions of the *senso commune,* or the held-in-common conceptions, 'popular science', 'spontaneous philosophy', or popular opinion (Gramsci, 1971) on illicit drug enterprise that have become normalised and, furthermore, legally, institutionally and ideologically embedded in a *blocco storico* or the global complex that rises out of the monitoring and reporting mechanisms of the UNODC and the ONDCP. This is often difficult because of the essentially contested nature of many of these conceptions. Hence, it was necessary to use the illustration of cocaleros who were historically regarded as criminals by the UN and the US, but who went on to win elections in Bolivia. Attitudes, behaviours and understanding of the crops now considered illicit were historicised to show that these are products of historical development and change. For this purpose, a periodisation of this history was introduced.

Disestablishing conventional conceptions is a step similar to McCoy's effort to shift the analysis of criminal syndicates and illicit commerce away from criminology, 'where it is grounded in the specificity of law or survey research', and towards the realm of politics and history 'where it shares similarities with more amorphous concepts such as legitimacy or sovereignty' (2019: 17). It is also in line with McSweeney et al.'s critique of orthodox development economics, where criminal activities 'are typically understood to hinder forms of capital investment required to develop rural areas', when the narco-bourgeoisie in reality 'create the very conditions for it' (2017: 15–16).

A further step taken to test the *senso commune* was to check the internal validity of the official tracking and monitoring reports on illicit drug markets. This study found that official estimates of the size of illicit markets are not consistent with estimates on volume of production, while assumed average consumption and users' expenditures on cocaine and heroin remain far too high to be realistic. These checks do not necessarily belittle or undermine the importance of the policies intended to tackle the harms and deaths being attributed to drug abuse, but they do raise the possibility that the political agenda of enforcing prohibition is shaping the data and the 'popular science', and not the other way around, as it should be.

Before getting to the main research operations, however, it became clear that an important disconnect exists between development policy and drug policy. This was therefore flagged, highlighting how the UNODC, the foremost drug policy agency, was not using data from the World Bank, a foremost development policy agency — and vice versa. This served to introduce the 'paradox of illicit economies', a discussion that provided a critical examination of further common assumptions while introducing elements from area-focused research that explained contexts in the four countries in which resilience *against* prohibition and resilience *for* survival emerged.

Finally, the core research step was taken: a comparison of life stories of selected criminal entrepreneurs from the four countries. It is from this part of the study that most of the conclusions above have been drawn and developed. The research validated Blok's framework that mafia are more than just outlaws or men of violence but are key local economic and political actors that shape outcomes of rural transformation.

However, in anticipation of possible commentary that life stories may not be sufficient for making conclusions on the role of criminal entrepreneurs in rural transformation because 'market forces' may be equally or more decisive, a final step was taken, to analyse prices and the impact of price changes on illicit crop production and distribution. Though similar gaps and unevenness in the data were again encountered, this part of the study offers a non-econometric examination that calls into question the analytical allure of prices.

7.2 Expanding the conclusion

This research was prompted by a realisation that there are other explanations — beyond development aid or protection from governments — for how poor and marginalised communities in difficult and dangerous areas survive violence, poverty and disasters. Somehow, these survivors find ways to make a living, no matter how precarious; they manage to negotiate some form of protection, no matter the violence they endure and trade-offs they make; and they secure assets needed for coping and subsistence, no matter how much has been taken away from them.

But the riddle is that few policy-makers and development actors seem to be paying sustained and systematic attention to the peculiar conditions and challenges these survivors face, the trade-offs to which they surrender, and the agency by which they build their resilience. Despite the commitment declared by governments and the United Nations to 'Leave No One Behind' (Agenda 2030, the Sustainable Development Goals), the survivors are actually being left behind for two key reasons. First, they live in, or are displaced into, areas that are far too dangerous for UN, development agency or NGO staff to visit or which can only be reached by state institutions when accompanied by military protection. Second, they are silently deprioritised because of stigmas that have been imposed, for instance that they are complicit in criminality, even terrorism, because they make money from the production of illicit crops or other similar illicit activities.

The core approach used by this study was to analyse the role of criminal entrepreneurs in shaping that context, from which the following conclusions have been developed.

7.2.1 Pioneers of capital

Criminal entrepreneurs shape development and governance outcomes because they are pioneers of capital, or as explained by Richani (2012) and expanded by McSweeney et al. (2017), they are the *narco-bourgeoisie* who assume distinct roles in production relations in rural areas. Although *bourgeoisie* typically denotes town dwellers or a class of small property owners who displace old elites through profits of trade (Scruton, 1982: 43), the narco-bourgeoisie in this study are firmly rooted in their rural contexts. They link displaced peasantries to market circuits, provide them with credit, sell their products, and are the force that enables the local rural economy to specialise in illicit crops. In other words, they are the principal enforcers of a model of local capitalist accumulation in a rural setting.

Lo Hsing Han, though not necessarily a property owner when he started in his career, played a key role in linking a displaced peasantry to regional and international markets by transporting opium, the most viable crop that could be grown under conditions of conflict and instability. Lal Jan Ishaqzai, as the principal khan and landowner in Sangin until he was ousted by US troops and tribal enemies, was the gatekeeper managing access to land, water and the district bazaar. Bashir Noorzai and Roberto Suarez were archetypical landed elites who diversified their economic interests and, most importantly, controlled the transport necessary for moving illicit crops and products. The Castaños were not only the enforcers of violence, they were among the narco land grabbers (Ballve, 2012; Gutierrez Sanin, 2019) who collectively, aggressively and violently acquired between 4.4 million and 6 million hectares of land mostly dedicated to cattle ranching in Colombia (Richani, 2012: 60).

Certain patterns observed in this study on the narco-bourgeoisie's role in transforming rural areas are affirmed in McSweeney et al.'s synoptic review (2017). For example, the Castaños' acquisition of the 2,100-hectare Las Tangas estate, as well as the location of their other ranches, appear to have been designed to prevent territorial encroachment by FARC and the EPL; to control territory necessary for drugs processing and movement with minimal interruption; and to provide refuge and training sites for paramilitary expansion. Control of rural assets and access to rural communities provide opportunities for off-loading and laundering cash. The growth of 'boomtowns' in Bajo Putumayo in Colombia, near the Ruili–Muse crossing on the China–Myanmar border, and in Spin Boldak on the Afghan–Pakistani border, affirm the prevalence of cash-based exchange and economic transactions that are rarely traceable. In sum, as McSweeney et al. point out, rural areas are not only spaces for moving drugs; they also provide accessible, multiple and integrated laundering opportunities in land, labour, livestock and processing facilities (2017: 12).

A further pattern observed is the direct role of criminal entrepreneurs in the specialisation of local economies, and the consequent social reorganisation that follows. In the Amazonias, for example, peasants displaced from elsewhere by conflict and agricultural commercialisation were supplied with coca seeds to start the growing cycle, and with chemicals to process coca leaf into paste, by drug traffickers. But most importantly, the traffickers themselves bought the coca paste being produced by bartering it for food or clothing, at good prices (Ramirez, 2011). In the 1960s–1970s, Shan smugglers brought opium to the Thai border, and returned with consumer goods (McCoy, 2003) that effectively reconnected remote upland opium-growing communities to larger markets. In other words, the 'services' criminal entrepreneurs provided paved the way for the specialisation of such areas in illicit crop cultivation.

A related role that emerges is the criminal entrepreneurs' facilitation of a supply of hired hands or seasonal migrant workers who can be called upon during the labour-intensive harvesting weeks of the planting cycle, and in the case of coca, the processing of the leaves into paste. The macro picture is that peasant displacement creates the pool of recruits for this agricultural workforce. But drug traffickers themselves are often the recruiters who do the hiring, with the best example being Suarez's operations in Bolivia. Vicente Castaño himself was asked to ensure land and labour supply for a palm oil project in Choco.

It bears repeating that specialisations are not the result of free exchange but are outcomes of practices exploiting a destitute peasantry. It is likely that there was little choice in the selection of crop grown. Seeds or credit may not be provided if the peasant household chooses to grow some other crop. In Uraba, it was seen that land speculation was a key reason for the subsequent violent confrontation between social and political forces in the region. As Richani emphasises, drug traffickers convert lands to pasture or export monoculture despite risks and low economic returns, because they are more interested in the expected returns of speculation (2012: 53).

7.2.2 Intermediaries

As seen in the preceding discussion, criminal entrepreneurs are more than just intermediaries and brokers, or middlemen in economic transactions. But it is important to retain this categorisation because it is as intermediaries that they display the remarkable ability to switch status — for example, from feared outlaw to a beloved patron; or from greedy exploiter to generous investor. Analysts like Cockayne and Pfister argue that criminal enterprise cannot anymore be reduced 'to a simple, binary opposition between legitimate state organisations and illegitimate criminal organisations'. Such analysis, they point out, 'is particularly problematic where a state exists in name only, is fragile, or engages in behaviour which calls its own legitimacy into question at the international or local level'. In many cases, it may even be hard to distinguish on the ground between what is legal and what is criminal because 'government entities and criminal organisations come to resemble each other, providing similar services — especially protection — financed by similar rents and taxation arrangements' (Cockayne and Pfister, 2008: 14).

What emerges is a picture of illicit trade that is inextricably linked to legitimate commerce, best exemplified in this study by the operations of Suarez, in which his illicit enterprise is 'piggy-backed' on legal assets. As a result, there is a blurring of boundaries not only between state and criminal organisations, but also between legitimate and criminal business, the end result of which is criminal networks possessing an unprecedented degree of political and economic influence. In the middle, acting as intermediator, is the criminal entrepreneur.

Simply put, organised crime and illicit economies are no longer completely underground as conventionally assumed; they quite often normalise or become the standard where they operate. Such normalisation is a typical result of their persistence and resilience. They occupy a unique location between what is legal and illegal, connecting the licit and illicit. Hence, they derive benefits from being legal and illegal, licit and illicit, at the same time. It is from this 'location' that they begin to accumulate more formal legitimacy, for example as successful criminal entrepreneurs diversifying and investing into legitimate business. As reported by the UNODC, not all profits made from crime are re-invested back into the core criminal enterprise.[197] Once laundered, the money becomes indistinguishable from that earned through legitimate business.

Mobility is a key attribute. The drug lords in this study were all well-travelled, operating from different locations, and spatially nimble. In addition, they were also legally and financially mobile, in the sense that they had the legitimate fronts or mechanisms that are needed to open bank accounts, apply for permits and licences to bring legal (and illegal) goods across borders, acquire transport assets, rent warehouses and offices and, in the case of Lo, bid for and win government contracts and Chinese aid spending. This mobility is important and shows that criminal entrepreneurs are not holed up somewhere fearing arrest or avoiding capture but are effective mobile brokers who can carry on with business.

7.2.3 Arbitrageurs

A third role played by criminal entrepreneurs in shaping the resilience of illicit crop enterprise to prohibition, and the governance of the livelihoods of producers, is that of arbitrageurs who manage politics and order at the margins of state and market (Ahram and King, 2012). Arbitrageurs can also be thought of as those who take the place of state apparatuses in extending control to peripheral areas, or what Gutierrez Sanin describes as *indirect rule* — the primarily non-bureaucratically mediated territorial control and presence of the state, 'through a thin bureaucracy and a thick system of partisan networks, which regulate the transactions between territories and central decision-making structures' (2019: 15). This confirms Gallant's point that 'states made bandits and bandits helped make states' (1999: 25), as well as Blok's assertion that mafia should be viewed 'as a vast system of personal relationships whose ramifying threads connect various levels of socio-cultural integration, rather than as an appendix-like criminal association to society' (1969: 155).

[197] This was reported in the minutes of discussions at the UNODC meetings in April 2012. See http://www.unodc.org/unodc/en/frontpage/2012/April/21-st-session-of-the-commission-on-crime-prevention-and-criminal-justice-to-be-held-in-vienna.html?ref=fs1 accessed 28 June 2019.

The cases covered in this study show that for typically subsistence growers of illicit crops, it is difficult to distinguish whether it is the state (which is typically behind the eradication of their crops) that is behaving like a criminal; or is it the criminals (who provide them with seeds and credit and often buy their product at their doorstep) who are behaving like the state?

7.3 Further explanations for the resilience of illicit crop enterprise

A question asked by this study is why even when armed with all the information generated by the INCSRs, US and global drug policies remain unable to break away from prohibition, even in light of its continuing failure. Why keep repeating a failed policy? This study has shown some answers on why prohibition fails. First, there exists a global 'army' of illicit crop producers, mostly poor and impoverished peasants who are 'orphans of development', that could not be wished away by prohibition. Second, drug policies attempt to ban illicit crops for which demand exists, and for which social structures and the divisions of labour have been reorganised; and which delivers profit and power for the capitalists, intermediaries and arbitrageurs operating between the producers and consumers in global commodity chains. Hence, bans only deliver temporary outcomes. In other words, prohibition, despite its aggressiveness and the instruments of coercion at its disposal, barely touches the institutions of capitalism — the various forms of accumulation, capital flows, the production of chemicals, the provision of cheaper transport and communication, and the movement of people — that are used to enable illicit enterprise. Is the reason for the repetition of failed policy then the continuing over-estimation by policy-makers of the power and capability of the state vis. the criminals without borders?

This study began with a discussion of how two of the world's largest economies, the United States and China, attempted to eliminate drugs kingpins, close down smuggling routes, and eradicate drug crop production in the late 1980s and the 1990s — and failed, dramatically. This failure, more than anything else, shows that the underlying, well-embedded labour and production networks of illicit crop enterprise could not be brought down by state action alone. The elimination of kingpins, the closing down of smuggling routes and financial networks, or the aerial spraying of illicit cropland at best bring only short-term disruption. Such campaigns, even when driven by the full force of the state, do not remove the commodity chain; the licit infrastructure upon which illicit activities can piggyback; the licit industries that sustain illicit enterprise by providing what it needs; and the financial systems, whether formal or informal, that facilitate transactions. Wars on drugs can only reconfigure the business, as demonstrated by the material presented in this study.

Chinese authorities themselves have coined a phrase to explain why illicit crop growing and processing in marginalised and excluded borderland economies display such extraordinary resilience: they call it the 'ants-moving-house' method (Chin and Zhang, 2015), or the atomisation of illicit enterprise from large centralised 'cartels' to a much greater number of smaller and more flexible producers and traffickers, like ants that are dispersed when their anthill is ruined. As Roberto Suarez himself said, cartels like La Corporacion transform the ant traffic in coca base into a centrally coordinated corporate enterprise. Though such centralised organisations can be removed, this does not mean that the underlying 'ant traffic' can be automatically eliminated. The 'ants' are the criminals-without-borders who, through informalisation via dispersal, decentralisation and differentiation — or the adaptive division of labour — make criminal enterprise resilient to prohibition.

This dissertation has presented local contexts and life stories of a set of criminal entrepreneurs who engaged in what has become a strategic form of commerce that not only shapes particular forms of capital accumulation, but also structures the nature of state formation. The Castaños and their vigilantes were not just cattle ranchers and fearsome killers — they emerged in a context of rising social and political tensions as global capital penetrated the Colombian countryside. To reiterate, they effectively contributed, whether intentionally or otherwise, to the transformation of a smallholder-led agrarian economy into a supply chain for capitalist commercial agriculture on one hand, and illicit coca production, on the other. Lo Hsing Han was no simple warlord making money from opium, nor was he just an honourable middleman, as he claimed, who helped the poor people of Kokang find a way to sell their product. Lo not only contributed significantly to the consolidation of military control in Myanmar's restive ethnic homelands. He had a huge impact too in the commercialisation and monetisation of borderland economies where opium became the ideal crop to grow, as he contributed to the creation of conditions for the diffusion of capital into these borderland areas.

There are plenty of parallels between the Quetta Alliance on the Afghan–Pakistani border and Bolivia's La Corporacion. They were more than just the 'drug cartels' that the DEA labelled them to be. They were also engaged in profitable legal enterprise that moved vehicles, tyres, rubber, or meat across borders — legitimate business that made investments, paid for services and goods purchases, and hired workers. In many ways, they were mutual aid associations similar to the British East India Company, 'bodies of merchants who came together to reduce risks and internecine competition'. To pigeon-hole them into the sole status of criminals obscures the larger economic roles they played that ultimately explain the resilience of their illicit enterprise. All the criminal entrepreneurs examined in this study demonstrate, in one way or another, their role as agents of capitalism and state formation.

The illicit enterprises examined in this study are resilient not just because of the innovation and cunning of their entrepreneurs but, more importantly, because they continue to be incubators for capitalism, enabling the generation of huge cash flows for wealth accumulation. While this wealth accumulation distributes relatively little to its peasant producers, what it generates is nevertheless sufficient for coping and survival in conditions of marginalisation and exclusion. The resilience also comes from a global system of intermediaries that enables the massive social reorganisations necessary for the reproduction of the illicit enterprise.

The social reorganisations that have taken place deserve special focus, because they are not reversed by drug policy and prohibition. A few elements of these reorganisations have been discussed in the different chapters.

- Land and territory in borderland regions that had little or no infrastructure and were typically excluded from circuits of commerce and exchange, were repurposed by the displaced and dispossessed peasants they absorbed. These peasants grew what was most viable under such conditions: crops like opium and coca whose products were easy to process, high value, low weight, and not easily spoilt. Most importantly, these were crops and products that will always have buyers — a critical consideration for subsistence producers. These crops and products are also often collected right at the farm gate, thus saving farmers the prohibitive costs and logistical problems of bringing their products to the markets or bazaars.
- Poor peasants with few or no productive assets, surviving in infrastructure-poor and far-flung areas, and previously considered un-creditworthy, were able to access loans, for example to construct tube wells or purchase donkeys, if they planted opium and coca. The opium- or coca-funded assets were then used for other income-generating activities. The impact of such loans can be significant. The Bolivian coca farmer Paulino Vasquez, who received windfalls from the coca boom, dreamt of buying his own land. The land-poor

sharecroppers in Helmand transformed deserts into agricultural land. Per capita bank deposits increased fivefold during a period of coca-led growth in Putumayo. Opium transforms into a local currency used by poor households in Myanmar and Afghanistan, to be sold in possible future emergencies.

- Over time, illicit crop economies bring in investments, and enable boomtowns to emerge, like those on the China–Myanmar border and Putumayo. They also change ways in which labour is appropriated, by tapping into streams of seasonal migrant workers or those displaced from elsewhere by conflict. In Bolivia in the 1980s, coca growing became a huge safety net that absorbed recently unemployed workers in the country's collapsing gas and mining sectors.

While these reorganisations strengthen the foundations of capitalism in marginalised and excluded borderlands, it must be reiterated that they are not benign changes — they are often coercive in nature. Key examples include the emergence of opium brides, when daughters are used to pay for loans in a system of cruel and unregulated capitalism; and the plight of migrant workers in coca-processing jungle labs who labour under slave conditions and are paid in coca paste, not cash.

7.4 Theoretical and policy implications

The cases presented in this dissertation on resilience (Chapter 4), careers (Chapter 5) and prices (Chapter 6), and particularly the depiction of the consumer, intermediary and producer markets in illicit drugs (Chapter 3) validate many of the theoretical constructs elaborated in Chapter 1. Across these narratives, the notion of interdependency has been the glue.

Markets are not based on free exchange. Rather, the primary building blocks of a market, whether licit or illicit, are the social and economic relationships that emerge from interdependent actors, typically guided by the visible hand of power. The so-called 'invisible hand' of market exchange is actually a form of coordination that emerges from organic solidarity, the absence of which would cause the price system to collapse. Illicit enterprise disproves notions that profit maximisation can only be delivered via economic efficiencies. A new form of economics takes shape — one that moves away from prices and the invisible hand and converges instead on political entrepreneurship and the visible hand.

The cases of the Castaños and Lo Hsing Han show how the reproduction of criminal entrepreneurs is in many ways a social consequence of the disruptions created by agrarian change and capital accumulation: both were able to easily recruit young men of violence into the ranks of their paramilitary militias because there were ready pools of displaced labour with nowhere to go, who had been uprooted and displaced from the smallholder peasant economy. It is when the demand for the services of men of violence becomes recurrent — and can be met — that an enterprise in violence emerges.

Illicit enterprise and actors also normalise. Lo Hsing Han successfully transitioned from militia leader to drug lord to a tycoon of licit business, described by no less than *The Economist* as a 'pillar of the economy'. Carlos Castaño's attempt to transform paramilitaries into a political movement, and the subsequent sale of AUC franchises by Vicente, normalised their presence and roles to a certain degree. Most importantly, Chapter 3 expounded at length on how illicit enterprise, like its licit counterparts, could expand with ease across borders, accumulate capital, create employment, make investments, and generate chains of economic activity.

The question that remains therefore is how all these factors impact on governance over the livelihoods of poor subsistence peasants drawn to illicit crops to survive. This dissertation states that there is governance over livelihoods when subsistence producers are able to use their agency to negotiate the terms of development with state and/or market institutions on:

- Restraining violence and enjoying protection of their property, assets and rights (or, at a minimum, avoiding criminalisation and stigmatisation);
- Accessing the economic means to reproduce themselves (or avoid displacement and dispossession); and
- Accessing justice, even in its non-formal and unorthodox configurations.

The cases in this dissertation, particularly in Chapter 4 (resilience), show a duality. Criminal entrepreneurs can both practise and restrain violence as well as both threaten and protect rights. They can destroy or cut off access to the economic means for reproduction, while simultaneously becoming the source of investments and employment that can save moribund rural economies from collapsing. They can cause injustice in much the same way that they can provide privatised justice, which can often be more effective than the justice that the state provides. In other words, as Goodhand (2009) and De Danieli (2015) note, they can be a source of both order and disorder.

It is important to reiterate the conclusion of Chapter 4: that although illicit economies and their actors may enable excluded and marginalised communities to cope and survive, there are costs involved that cannot be brushed aside. Behind the enterprises, commodity chains and social networks that make up illicit economies lies a form of capitalism that is by nature cruel, criminal, unregulated and exploitative.

How then may the governance challenges be addressed? Yashar (2018) points out that policy approaches adopted by countries for tackling violence related to drug trafficking and gangs are not normatively or politically ideal choices. Some countries respond with policy avoidance or equivocation, which contributes to a permissive environment for illicit actors. Others pursue punitive approaches, such as the aggressive, authoritarian *mano dura* or kingpin strategies. As has been shown in this study, such approaches historically deliver only short-term disruptions in illicit enterprises and may even, in certain cases, impede longer-term solutions. A third approach entails engaging in direct negotiations, leading to both formal and informal agreements. A fourth policy approach is a combination of rule-of-law accountability and social prevention and rehabilitation; this is the approach which, Yashar argues, holds democratic promise (2018: loc. 13463–13561).

Some additional approaches may also be examined. First, it is worth considering whether Bolivia's experience of 'rough peace' and sindicato governance may be replicated. Indeed, Bolivia provides an important contrast to Colombia: it is a main producer of coca and cocaine paste, yet it has no active insurgencies or criminal cartels in its illicit-crop-producing areas. A number of scholars have investigated why this should be. Ursula Durand-Ochoa suggests that the construction of a cocalero-campesino identity among Bolivia's displaced and dispossessed underclass played a role. Cocaleros — a mix of indigenous communities, peasants displaced by agricultural commercialisation, and unemployed workers from the collapsed mining and gas industries — constructed a wider and more inclusive political identity by raising issues beyond coca. They represented the voice of the excluded, and deliberately 'accentuated, attenuated, and redefined' that identity in strategic calculations to promote unity and attract support. In other words, they were able to build a social movement that was not only strong enough to defend itself against violence from rural elites but was also sophisticated enough to accumulate political power, to the extent that they were able to elect one of their own, Evo Morales, as President of Bolivia in historic elections in December 2005 (Durand-Ochoa, 2012: 196).

Stewart Prest, who did fieldwork in the coca-producing Chapare, coined the term 'rough peace' to describe Bolivia's avoidance of armed conflict in a contentious political context. He argues that certain forms of locally embedded non-state governance institutions — such as the sindicatos or the coca workers unions that assumed governance functions — can play an important role in resolving collective action problems, and hence mitigate the likelihood of armed violence (Prest, 2015). As such, how can the usually overlooked 'intermediation role of strong local, self-help, and typically non-state institutions in peasant communities' be better enabled so marginalised households can assert their interests vis. the state and market forces (Mortensen and Gutierrez, 2019: 63)?

Second, attention ought to be focused too on how protection enjoyed by criminal entrepreneurs may be better identified, managed and progressively reduced. The mafia may be providers of protection, but they also need protection in order to survive and thrive in the long run, a situation best captured by the notion of interdependence. The Castaños, despite their demonstrated capacity for viciousness, still needed allies locally and nationally. They were sustained by their links to local ranchers, businessmen and banana contract growers, groups like ACDEGAM, and most importantly, the military. Suarez himself theorised about protection: it was his belief that profitability would not last without protection, and that it was necessary to keep the right partners and allies to continue in the illicit trade. Lal Jan Ishaqzai lived openly in Kandahar under the protection of Wali Karzai until the president's half-brother was assassinated. How could such arrangements be better addressed?

Finally, it is necessary to cast a critical eye on the role of the US, which has used its vast powers to compel producer countries to criminalise and pursue a hard-line approach to illicit drugs. This needs to be re-evaluated. The US government sits on a wealth of data with which to rethink this long-standing approach that continually fails to deliver on its promises. What also clearly emerges is the inconsistency of US policy, with protection being extended to their allies in the war against communism, even if those allies were the targets of its war on drugs.

In sum, the single stories, simplifying fictions, and the *senso comune* of conventional policy understanding need to be replaced by a readiness to tackle the messy politics and governance challenges of criminals-without-borders and their enterprise.

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8 Annexes: Data Notes and Tables

The following annexes provide the datasets and tables from which the graphs and charts in Chapters 3 and 6 of this study were drawn.

Figure 3.6 data and sources

Areas (hectares) under illicit opium cultivation in **Afghanistan** and **Myanmar**, 1986–2018

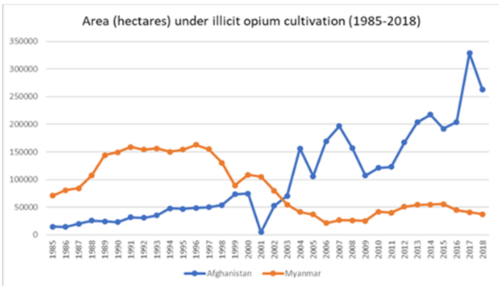


Figure 2.6 Area (hectares) under illicit opium cultivation in Afghanistan and Myanmar. Data from INSCRs and World Drug Reports/Illicit Crop Monitoring Surveys, various years, supplied in Annex

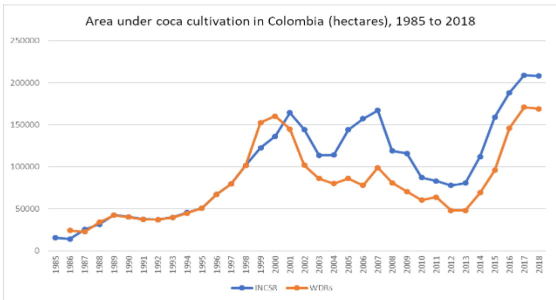
Year	Afgh	Myan	Notes and Sources (list of source documents)
1985	15000	71000	INCSR 1986: pages 234 (Afghanistan); 179 (Myanmar); 66 (Bolivia) and 91 (Colombia)
1986	14250	80785	INCSR 1986: pages 234 (Afghanistan); 179 (Myanmar); 66 (Bolivia) and 91 (Colombia); WDR 1999: 23 and 42.
1987	20125	84161	INCSR 1989:15; INCSR 1998 Cultivation; and INCSR 2002: ii-22 (Afghanistan, Myanmar, Bolivia, Colombia); WDR 1999: pages 23 (Afghanistan and Myanmar); 42 (Bolivia and Colombia)
1988	25571	107771	INCSR 1989: 15; INCSR 1990: 19; INCSR 1998 Cultivation; WDR 1999: 23; WDR 2001: 60; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23 (Afghanistan, Myanmar, Bolivia and Colombia)
1989	24519	144394	INCSR 1990: 19; INCSR 1998 Cultivation; INCSR 1991:21; WDR 1999: 23 and 42; WDR 2001:60; WDR 2002: 47; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23

1990	23219	149215	INCSR 1991: 21; INCSR 1995: 26; INCSR 1998 Cultivation; WDR 1999: 23 and 42; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23
1991	31594	158889	INCSR 1995: 26; INCSR 1998 Cultivation; WDR 1999: 23 and 42; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23
1992	30656	153970	INCSR 1995: 26; INCSR 1998 Cultivation; WDR 1999: 23 and 42; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23
1993	35038	156338	INCSR 1995: 26; INCSR 1998 Cultivation; WDR 1999: 23 and 42; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23
1994	47976	150292	INCSR 1995: 26; INCRS 1998 Cultivation; WDR 1999: 23 and 42; WDR 2000: 160; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23; INCSR 2007: 29
1995	47084	154070	INCRS 1998 Cultivation; WDR 1999: 23 and 42; WDR 2000: 160; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138
1996	48658	163044	INCRS 1998 Cultivation; WDR 1999: 23 and 42; WDR 2000: 160; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138
1997	49853	155150	INCRS 1998 Cultivation; WDR 1999: 23 and 42; WDR 2000: 160; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138
1998	53910	130267	INCRS 1998 Cultivation; WDR 1999: 23 and 42; WDR 2000: 160; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138
1999	73243	89500	INCSR 1999: 21; WDR 2000: 160; WDR 2001: 60; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138
2000	74551	108700	WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138

2001	4646	105000	WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138
2002	52425	79700	INCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138; WDR 2014: vi
2003	70500	54665	NCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138; WDR 2014: vi
2004	156233	41467	INCSR 2007: 29; WDR 2010: 137 and 138; WDR 2014: vi
2005	106040	37120	INCSR 2007: 29; WDR 2010: 137 and 138; INCSR 2010, VOL. 1: 23; WDR 2014: vi; INCSR 2014, VOL. 1: 25
2006	169560	21200	INCSR 2007: 29; WDR 2010: 137 and 138; INCSR 2010, VOL. 1: 23; WDR 2014: vi; INCSR 2014, VOL. 1: 25
2007	196600	26360	INCSR 2007: 29; WDR 2010: 137 and 138; INCSR 2010, VOL. 1: 23; WDR 2014: vi; INCSR 2014, VOL. 1: 25
2008	157000	26100	INCSR 2007: 29; WDR 2010: 137 and 138; INCSR 2010, VOL. 1: 23; WDR 2014: vi; INCSR 2014, VOL. 1: 25
2009	107350	25017	INCSR 2007: 29; WDR 2010: 137 and 138; INCSR 2010, VOL. 1: 23; WDR 2014: vi; INCSR 2014, VOL. 1: 25
2010	121000	41800	WDR 2014: vi; INCSR 2014, VOL. 1: 25; WDR 2019: 62 and 67; INCSR 2019, VOL. 1: 23 and 25
2011	123000	40050	WDR 2014: vi; INCSR 2014, VOL. 1: 25; WDR 2019: 62 and 67; INCSR 2019, VOL. 1: 23 and 25
2012	167000	51000	WDR 2014: vi; INCSR 2014, VOL. 1: 25; WDR 2019: 62 and 67; INCSR 2019, VOL. 1: 23 and 25
2013	203500	54400	WDR 2014: vi; INCSR 2014, VOL. 1: 25; WDR 2019: 62 and 67; INCSR 2019, VOL. 1: 23 and 25
2014	217500	54800	WDR 2019b: 62 and 67; INCSR 2019, VOL. 1: 23 and 25
2015	192000	55500	WDR 2019b: 62 and 67; INCSR 2019, VOL. 1: 23 and 25
2016	204000	44800	WDR 2019b: 62 and 67; INCSR 2019, VOL. 1: 23 and 25
2017	328500	41000	WDR 2019b: 62 and 67; INCSR 2019, VOL. 1: 23 and 25
2018	263000	37300	WDR 2019b: 62 and 67

Figure 3.7 data and sources

Area (hectares) in coca cultivation, **Colombia**, 1985–2018, as estimated in INCSR and WDR.



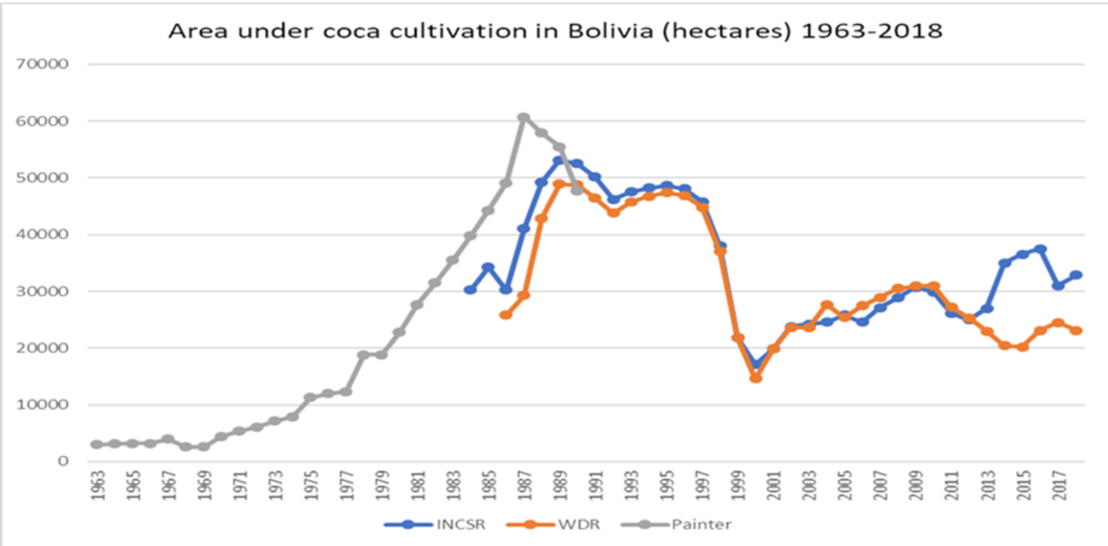
Year	INCSR - Colombia	WDRs - Colombia
1985	15500	
1986	14000	24240
1987	25450	22500
1988	31743	34000
1989	42523	42400
1990	40400	40100
1991	37662	37500
1992	37237	37100
1993	39799	39700
1994	45501	44700
1995	50900	50900
1996	67200	67200
1997	79491	79414
1998	101800	101800
1999	122500	152584
2000	136200	160286
2001	164200	144801
2002	144450	102000
2003	113838	86000
2004	114050	80000
2005	144000	86000
2006	157100	78000
2007	167000	99000
2008	119000	81000
2009	116000	70500
2010	87143	60333
2011	83000	64000
Year	INCSR - Colombia	WDRs - Colombia
2012	78000	48000
2013	80500	48000
2014	112000	69000
2015	159000	96000
2016	188000	146000
2017	209000	171000
2018	208000	169000

INCSR sources: INCSR 1986: 91; INCSR 1989: 15; INCSR 1990: 19; INCSR 1991: 21; INCSR 1995: 26; INCSR 1998: pdf; INCSR 1999: 76; INCSR 2000: 63; INCSR 2001: 99; INCSR 2002 II-2; INCSR 2004 Table; INCSR 2007: 29; INCSR 2008: 129; INCSR 2009; INCSR 2010, VOL. 1: 23; INCSR 2011, VOL. 1: 201; INCSR 2012, VOL. 1: 25; INCSR 2013, VOL. 1: 103; INCSR 2014, VOL. 1: 25; INCSR 2015, VOL. 1: 29; INCSR 2016, VOL. 1: 30; INCSR 2018, VOL. 1: 26; INCSR 2019, VOL. 1: 25; INCSR 2020, VOL. 1: 23

WDR sources: WDR 1999: 41; WDR 2000: 160; WDR 2001: 67; WDR 2001: 67b; WDR 2002: 55; WDR 2003: 23; WDR 2004, VOL. 1: 95; WDR2005: 207; WDR 2006 VOL. 1: 81; WDR 2007: 64; WDR 2010: 161; WDR 2012: 35; WDR 2015 Annex: iii; WDR 2018b: 52; UNODC 2019b: 12

Figure 3.8 data and sources

Area (hectares) in coca cultivation, **Bolivia**, 1985–2018, as estimated in INCSR and WDR. However, Painter's data on area under cultivation from 1963–1990 have also been included in the table, to provide continuity and contrast to the INCSR and WDR data. Note that Painter's data have not been discussed at all in the text of Chapter 3. If Painter's data are included in Figure 3.8, the graph would look like this:



Year	INCSR	WDR	Painter
1963			3000
1964			3100
1965			3197
1966			3189
1967			3980
1968			2600
1969			2600
1970			4450
1971			5340
1972			6140
1973			7160
1974			7900
1975			11285
1976			12000
1977			12300
1978			18860
1979			18860
1980			22788
1981			27704
1982			31459
1983			35475
1984	30254		39750
1985	34250		44286
1986	30254	25800	49082
1987	41050	29300	60710
1988	49259	42900	57890
1989	53104	48900	55450
1990	52500	48800	47644
1991	50184	46400	
1992	46207	43825	
1993	47500	45700	
1994	48232	46767	
1995	48600	47400	
1996	48100	46900	
1997	45800	44820	
1998	38000	37000	
1999	21800	21800	
2000	17100	14600	
2001	19900	19900	
2002	23840	23700	
2003	24250	23600	
2004	24600	27700	
2005	25786	25400	
2006	24571	27500	
2007	27143	28900	
2008	28857	30500	
2009	30714	30900	
2010	29917	31000	
2011	26143	27200	
2012	25000	25300	
2013	27000	23000	
2014	35000	20400	
2015	36500	20200	
2016	37500	23100	
2017	31000	24500	
2018	32900	23100	

INCSR sources: INCSR 1986: 91; INCSR 1989: 15; INCSR 1990: 19; INCSR 1991: 21; INCSR 1995: 26; INCSR 1998: pdf; INCSR 1999: 76; INCSR 2000: 63; INCSR 2001: 99; INCSR 2002 II-2; INCSR 2004 Table; INCSR 2007: 29; INCSR 2008: 129; INCSR 2009; INCSR 2010, VOL. 1: 23; INCSR 2011, VOL. 1, VOL. 1: 201; INCSR 2012, VOL. 1: 25; INCSR 2013, VOL. 1: 103; INCSR 2014, VOL. 1: 25; INCSR 2015, VOL. 1: 29; INCSR 2016, VOL. 1: 30; INCSR 2018, VOL. 1: 26; INCSR 2019, VOL. 1: 25; INCSR 2020, VOL. 1: 23

WDR Sources: WDR 1999: 41; WDR 2000: 160; WDR 2001: 67; WDR 2002: 55; WDR 2003: 23; WDR 2004, VOL. 1: 95; WDR 2005 VOL 2: 207; WDR 2006 VOL. 1: 81; WDR 2007: 64; WDR 2010: 161; WDR 2012: 35; WDR 2015 Annex: iii; WDR 2018 Booklet 2: 52; UNODC July 2017b: 1-3; UNODC August 2019: 13; Painter (1994: 15)

Figure 3.9a and 3.9b data and sources

Comparison of area under cultivation (a) in Bolivia and Colombia (**INCSR sources only**) Figure 3.9a; and (b) in Bolivia and Colombia (**WDR sources only**) Figure 3.9b

Year	Bolivia (INCSR)	Colombia (INCSR)	Bolivia (WDR)	Colombia (WDR)
1984	30254			
1985	34250	15500		
1986	30254	14000	25800	24240
1987	41050	25450	29300	22500
1988	49259	31743	42900	34000
1989	53104	42523	48900	42400
1990	52500	40400	48800	40100
1991	50184	37662	46400	37500
1992	46207	37237	43825	37100
1993	47500	39799	45700	39700
1994	48232	45501	46767	44700
1995	48600	50900	47400	50900
1996	48100	67200	46900	67200
1997	45800	79491	44820	79414
1998	38000	101800	37000	101800
1999	21800	122500	21800	152584
2000	17100	136200	14600	160286
2001	19900	164200	19900	144801
2002	23840	144450	23700	102000
2003	24250	113838	23600	86000

2004	24600	114050	27700	80000
2005	25786	144000	25400	86000
2006	24571	157100	27500	78000
2007	27143	167000	28900	99000
2008	28857	119000	30500	81000
2009	30714	116000	30900	70500
2010	29917	87143	31000	60333
2011	26143	83000	27200	64000
2012	25000	78000	25300	48000
2013	27000	80500	23000	48000
2014	35000	112000	20400	69000
2015	36500	159000	20200	96000
2016	37500	188000	23100	146000
2017	31000	209000	24500	171000
2018	32900	208000	23100	169000

INCSR sources: INCSR 1986: 91; INCSR 1989: 15; INCSR 1990: 19; INCSR 1991: 21; INCSR 1995: 26; INCSR 1998: pdf; INCSR 1999: 76; INCSR 2000: 63; INCSR 2001: 99; INCSR 2002 II-2; INCSR 2004 Table; INCSR 2007: 29; INCSR 2008: 129; INCSR 2009; INCSR 2010, VOL. 1: 23; INCSR 2011, VOL. 1: 201; INCSR 2012, VOL. 1: 25; INCSR 2013, VOL. 1: 103; INCSR 2014, VOL. 1: 25; INCSR 2015, VOL. 1: 29; INCSR 2016, VOL. 1: 30; INCSR 2018, VOL. 1: 26; INCSR 2019, VOL. 1: 25; INCSR 2020, VOL. 1:23

WDR Sources: WDR 1999: 41; WDR 2000: 160; WDR 2001: 67; WDR 2002: 55; WDR 2003: 23; WDR 2004, VOL. 1: 95; WDR 2005 VOL 2: 207; WDR 2006 VOL. 1: 81; WDR 2007: 64; WDR 2010: 161; WDR 2012: 35; WDR 2015 Annex: iii; WDR 2018 Booklet 2: 52; UNODC July 2017b: 1-3; UNODC August 2019a:13; UNODC August 2019b: 12

Figure 3.10 data and source

Comparison of changes in area under cultivation and coca leaf production in Colombia, Peru and Bolivia.

	Cultivation hectares			Production tonnes		
Year	Bolivia	Colombia	Peru	Bolivia	Colombia	Peru
1986	25800	24240	150400	71311	18422	150400
1987	29300	22500	167000	80985	17100	167000
1988	36900	34000	190000	101992	25480	190000
1989	40900	42400	200000	113048	32224	200000
1990	38300	40100	210000	105861	42257	210000
1991	35900	37500	161300	99228	45172	242000
1992	33500	37100	120000	92594	44930	240000
1993	35200	39700	129000	97293	45422	223900
1994	36100	44700	108800	99780	71958	162000
1995	36600	50900	106500	101162	80706	159800
1996	36100	67200	75000	99780	108910	131000
1997	36000	79436	72262	99504	129481	130200
1998	28000	101800	51000	77392	165934	95600

Source: WDR 1999: 42

Figure 3.11 data and sources

Estimated production of dried opium (tonnes) in Afghanistan and Myanmar (all sources are the same as in Figure 3.6)

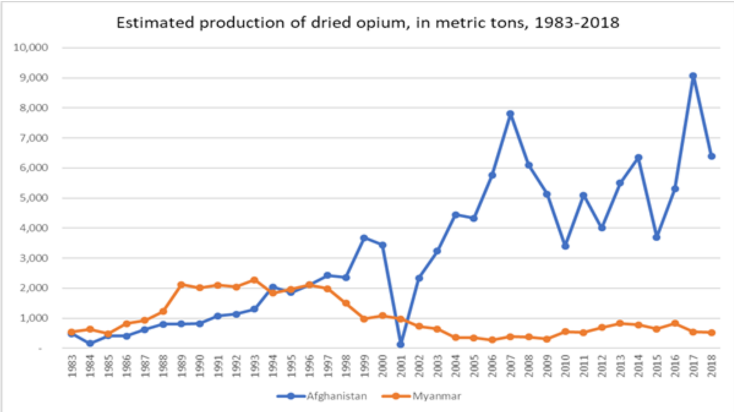


Figure 3.11 Estimated production of dried opium (metric tons) in Afghanistan and Myanmar

	Afghanistan	Myanmar	Sources
1983	488	550	INCSR 1986: pages 234 (Afghanistan); 179 (Myanmar); 66 (Bolivia) and 91 (Colombia)
1984	160	637	INCSR 1986: pages 234 (Afghanistan); 179 (Myanmar); 66 (Bolivia) and 91 (Colombia)
1985	417	490	INCSR 1986: pages 234 (Afghanistan); 179 (Myanmar); 66 (Bolivia) and 91 (Colombia)
1986	405	817	INCSR 1986: pages 234 (Afghanistan); 179 (Myanmar); 66 (Bolivia) and 91 (Colombia); WDR 1999: 23 and 42.
1987	621	931	INCSR 1989:15; INCSR 1998 Cultivation; and INCSR 2002: ii-22 (Afghanistan, Myanmar, Bolivia, Colombia); WDR 1999: pages 23 (Afghanistan and Myanmar); 42 (Bolivia and Colombia)

1988	799	1221	INCSR 1989: 15; INCSR 1990: 19; INCSR 1998 Cultivation; WDR 1999: 23; WDR 2001: 60; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23 (Afghanistan, Myanmar, Bolivia and Colombia)
1989	808	2122	INCSR 1990: 19; INCSR 1998 Cultivation; INCSR 1991:21; WDR 1999: 23 and 42; WDR 2001:60; WDR 2002: 47; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23
1990	826	2017	INCSR 1991: 21; INCSR 1995: 26; INCSR 1998 Cultivation; WDR 1999: 23 and 42; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23
1991	1078	2104	INCSR 1995: 26; INCSR 1998 Cultivation; WDR 1999: 23 and 42; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23
1992	1139	2048	INCSR 1995: 26; INCSR 1998 Cultivation; WDR 1999: 23 and 42; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23
1993	1302	2281	INCSR 1995: 26; INCSR 1998 Cultivation; WDR 1999: 23 and 42; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23
1994	2046	1831	INCSR 1995: 26; INCRS 1998 Cultivation; WDR 1999: 23 and 42; WDR 2000: 160; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23; INCSR 2007: 29
1995	1853	1964	INCRS 1998 Cultivation; WDR 1999: 23 and 42; WDR 2000: 160; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138
1996	2110	2116	INCRS 1998 Cultivation; WDR 1999: 23 and 42; WDR 2000: 160; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22;

			and INCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138
1997	2426	1982	INCRS 1998 Cultivation; WDR 1999: 23 and 42; WDR 2000: 160; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138
1998	2360	1502	INCRS 1998 Cultivation; WDR 1999: 23 and 42; WDR 2000: 160; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138
1999	3675	982	INCSR 1999: 21; WDR 2000: 160; WDR 2001: 60; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138
2000	3439	1086	WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138
2001	130	981	WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138
2002	2339	729	INCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138; WDR 2014: vi
2003	3233	647	NCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138; WDR 2014: vi
2004	4450	357	INCSR 2007: 29; WDR 2010: 137 and 138; WDR 2014: vi
2005	4325	353	INCSR 2007: 29; WDR 2010: 137 and 138; INCSR 2010, VOL. 1: 23; WDR 2014: vi; INCSR 2014, VOL. 1: 25
2006	5758	281	INCSR 2007: 29; WDR 2010: 137 and 138; INCSR 2010, VOL. 1: 23; WDR 2014: vi; INCSR 2014, VOL. 1: 25
2007	7800	384	INCSR 2007: 29; WDR 2010: 137 and 138; INCSR 2010, VOL. 1: 23; WDR 2014: vi; INCSR 2014, VOL. 1: 25

2008	6100	382	INCSR 2007: 29; WDR 2010: 137 and 138; INCSR 2010, VOL. 1: 23; WDR 2014: vi; INCSR 2014, VOL. 1: 25
2009	5133	308	INCSR 2007: 29; WDR 2010: 137 and 138; INCSR 2010, VOL. 1: 23; WDR 2014: vi; INCSR 2014, VOL. 1: 25
2010	3400	555	WDR 2014: vi; INCSR 2014, VOL. 1: 25; WDR 2019: 62 and 67; INCSR 2019, VOL. 1: 23 and 25
2011	5100	530	WDR 2014: vi; INCSR 2014, VOL. 1: 25; WDR 2019: 62 and 67; INCSR 2019, VOL. 1: 23 and 25
2012	4000	690	WDR 2014: vi; INCSR 2014, VOL. 1: 25; WDR 2019: 62 and 67; INCSR 2019, VOL. 1: 23 and 25
2013	5500	833	WDR 2014: vi; INCSR 2014, VOL. 1: 25; WDR 2019: 62 and 67; INCSR 2019, VOL. 1: 23 and 25
2014	6350	785	WDR 2019: 62 and 67; INCSR 2019, VOL. 1: 23 and 25
2015	3700	647	WDR 2019: 62 and 67; INCSR 2019, VOL. 1: 23 and 25
2016	5300	834	WDR 2019: 62 and 67; INCSR 2019, VOL. 1: 23 and 25
2017	9070	550	WDR 2019: 62 and 67; INCSR 2019, VOL. 1: 23 and 25
2018	6400	529	WDR 2019: 62 and 67

Figure 3.12 and 3.13 data and sources

Two different stories on coca production in Colombia

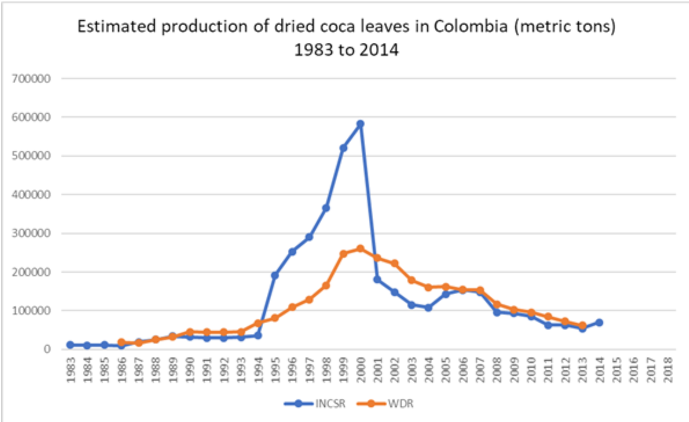


Figure 3.12: Two different stories on coca production

Comparison of production estimates in Bolivia

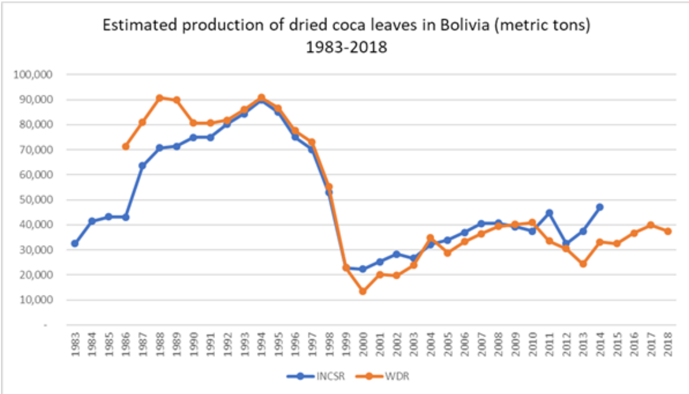


Figure 3.13 Comparison of production estimates in Bolivia

	Bolivia	Colombia	Sources
1983	32500	11,215	INCSR 1986: pages 234 (Afghanistan); 179 (Myanmar); 66 (Bolivia) and 91 (Colombia)
1984	41377	11,080	INCSR 1986: pages 234 (Afghanistan); 179 (Myanmar); 66 (Bolivia) and 91 (Colombia)
1985	43150	11,867	INCSR 1986: pages 234 (Afghanistan); 179 (Myanmar); 66 (Bolivia) and 91 (Colombia)
1986	50119	11,806	INCSR 1986: pages 234 (Afghanistan); 179 (Myanmar); 66 (Bolivia) and 91 (Colombia); WDR 1999: 23 and 42.
1987	66481	18,688	INCSR 1989:15; INCSR 1998 Cultivation; and INCSR 2002: ii-22 (Afghanistan, Myanmar, Bolivia, Colombia); WDR 1999: pages 23 (Afghanistan and Myanmar); 42 (Bolivia and Colombia)
1988	75127	25,267	INCSR 1989: 15; INCSR 1990: 19; INCSR 1998 Cultivation; WDR 1999: 23; WDR 2001: 60; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23 (Afghanistan, Myanmar, Bolivia and Colombia)
1989	78309	33,484	INCSR 1990: 19; INCSR 1998 Cultivation; INCSR 1991:21; WDR 1999: 23 and 42; WDR 2001:60;

			WDR 2002: 47; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23
1990	79033	36,495	INCSR 1991: 21; INCSR 1995: 26; INCSR 1998 Cultivation; WDR 1999: 23 and 42; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23
1991	77966	35,130	INCSR 1995: 26; INCSR 1998 Cultivation; WDR 1999: 23 and 42; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23
1992	81837	34,701	INCSR 1995: 26; INCSR 1998 Cultivation; WDR 1999: 23 and 42; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23
1993	86012	36,238	INCSR 1995: 26; INCSR 1998 Cultivation; WDR 1999: 23 and 42; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23
1994	90920	48,925	INCSR 1995: 26; INCRS 1998 Cultivation; WDR 1999: 23 and 42; WDR 2000: 160; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23; INCSR 2007: 29
1995	86796	137,140	INCRS 1998 Cultivation; WDR 1999: 23 and 42; WDR 2000: 160; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138
1996	77842	180,980	INCRS 1998 Cultivation; WDR 1999: 23 and 42; WDR 2000: 160; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138
1997	73367	209,902	INCRS 1998 Cultivation; WDR 1999: 23 and 42; WDR 2000: 160; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138

1998	55621	266,144	INCRS 1998 Cultivation; WDR 1999: 23 and 42; WDR 2000: 160; WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138
1999	22800	362,066	INCSR 1999: 21; WDR 2000: 160; WDR 2001: 60; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138
2000	20100	395,360	WDR 2001: 60 and 67; WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138
2001	22560	308,925	WDR 2002: 47 and 55; INCSR 2002: ii-22; and INCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138
2002	24867	185,009	INCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138; WDR 2014: vi
2003	26003	150,775	NCSR 2004 Part 1: 23; INCSR 2007: 29; WDR 2010: 137 and 138; WDR 2014: vi
2004	20400	136,154	INCSR 2007: 29; WDR 2010: 137 and 138; WDR 2014: vi
2005	32880	152,272	INCSR 2007: 29; WDR 2010: 137 and 138; INCSR 2010, VOL. 1: 23; WDR 2014: vi; INCSR 2014, VOL. 1: 25
2006	35480	153,315	INCSR 2007: 29; WDR 2010: 137 and 138; INCSR 2010, VOL. 1: 23; WDR 2014: vi; INCSR 2014, VOL. 1: 25
2007	37450	148,000	INCSR 2007: 29; WDR 2010: 137 and 138; INCSR 2010, VOL. 1: 23; WDR 2014: vi; INCSR 2014, VOL. 1: 25
2008	39700	100,950	INCSR 2007: 29; WDR 2010: 137 and 138; INCSR 2010, VOL. 1: 23; WDR 2014: vi; INCSR 2014, VOL. 1: 25
2009	38600	165,100	INCSR 2007: 29; WDR 2010: 137 and 138; INCSR 2010, VOL. 1: 23; WDR 2014: vi; INCSR 2014, VOL. 1: 25
2010	37450	165,333	WDR 2014: vi; INCSR 2014, VOL. 1: 25; WDR 2019: 62 and 67; INCSR 2019, VOL. 1: 23 and 25

2011	36500	137,800	WDR 2014: vi; INCSR 2014, VOL. 1: 25; WDR 2019: 62 and 67; INCSR 2019, VOL. 1: 23 and 25
2012	31450	150,050	WDR 2014: vi; INCSR 2014, VOL. 1: 25; WDR 2019: 62 and 67; INCSR 2019, VOL. 1: 23 and 25
2013	24300	208,200	WDR 2014: vi; INCSR 2014, VOL. 1: 25; WDR 2019: 62 and 67; INCSR 2019, VOL. 1: 23 and 25
2014	33100	308,500	WDR 2019: 62 and 67; INCSR 2019, VOL. 1: 23 and 25
2015	32500	454,000	WDR 2019: 62 and 67; INCSR 2019, VOL. 1: 23 and 25
2016	38000	606,100	WDR 2019: 62 and 67; INCSR 2019, VOL. 1: 23 and 25
2017	39850	930,900	WDR 2019: 62 and 67; INCSR 2019, VOL. 1: 23 and 25
2018	37500	977,400	WDR 2019: 62 and 67

Figure 6.6 data and sources

Comparison of farm-gate prices ($/kg) of dried opium in Myanmar as presented in different UN reports 1986 to 2001

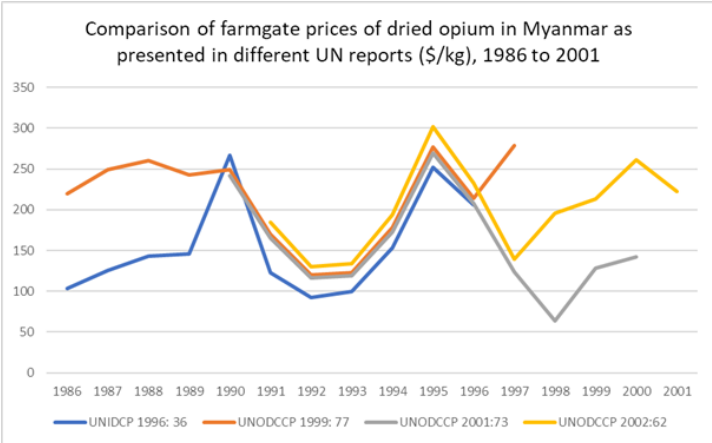
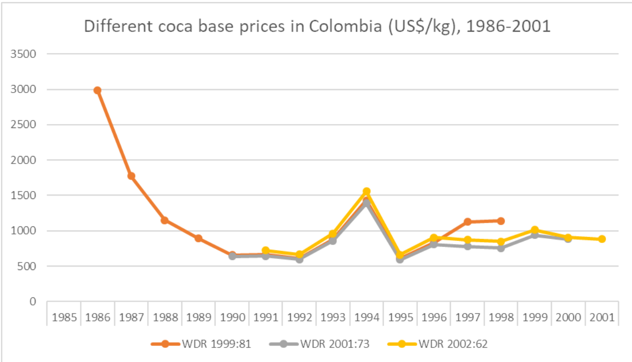


Figure 6.6: Comparison of different farmgate prices reported

Opium farm-gate prices MYANMAR in $ per kg				
Year	WDR 1996: 36	WDR 1999: 77	WDR 2001: 73	WDR 2002: 62
1986	103	220		
1987	126	249		
1988	143	260		
1989	146	243		
1990	267	249	242	
1991	123	170	165	185
1992	92	120	116	130
1993	100	123	119	134

1994	153	178	173	194
1995	252	277	269	302
1996	206	214	208	233
1997		279	124	139
1998			64	196
1999			128	213
2000			142	261
2001				222

Figure 6.7 data and sources



	Coca Base	Coca Base	Coca Base
Year	WDR 1999: 81	WDR 2001: 73	WDR 2002: 62
1985			
1986	2984		
1987	1773		
1988	1152		
1989	893		
1990	658	638	
1991	662	642	721
1992	612	594	666
1993	883	857	962
1994	1432	1389	1560

1995	609	591	664
1996	831	807	906
1997	1127	779	874
1998	1139	757	849
1999		938	1012
2000		880	906
2001			880

Figure 6.9 data and sources

National weighted average prices of dried opium in Afghanistan, 1986 to 2018 in $/kg

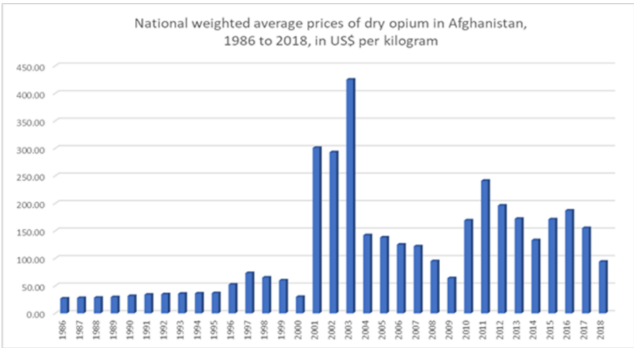


Figure 6.9 National weighted average long-term prices of dried opium in Afghanistan

Opium farm-gate prices AFGHANISTAN in $ per kg	
Year	US$/kg
1985	
1986	27.00
1987	28.00
1988	28.50
1989	29.50
1990	31.67
1991	34.00
1992	34.75
1993	35.75
1994	36.25
1995	36.75
1996	52.25
1997	73.33
1998	65.00
1999	60.00
2000	30.00
2001	301.00
2002	293.00
2003	425.00
2004	142.00
2005	138.00
2006	125.00
2007	122.00
2008	95.00
2009	64.00
2010	169.00
2011	241.00
2012	196.00
2013	172.00
2014	133.00
2015	171.00
2016	187.00
2017	155.00
2018	94.00

Sources: WDR 1996 Statistical Analysis: 36; WDR 1999: 77; WDR 2001: 73; WDR 2002: 62; UNODC 2003; WDR 2003: 174; WDR 2004, VOL. 1: 74; WDR 2005 VOL 2: 15; WDR 2007: 201; UN Drug Statistics 2008: 30; WDR 2009: 193; WDR 2014: vi; and WDR 2019: 62-67.

Figure 6.10 data and sources

Prices of dry coca leaves in Bolivia

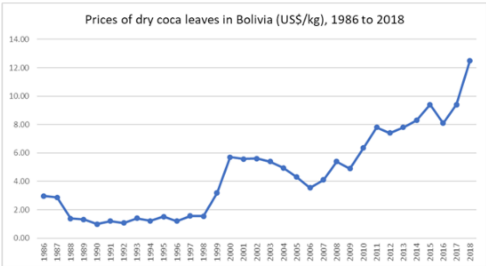


Figure 6:10: Prices of dry coca leaves in Bolivia

Year	**Ave $/kg**	**Source**
1986	2.97	WDR 1999: 81
1987	2.87	WDR 1999: 81
1988	1.38	WDR 1999: 81
1989	1.31	WDR 1999: 81
1990	0.99	WDR 1999: 81; WDR 2001: 73; and WDR 2004, Vol.2: 49
1991	1.20	WDR 1999: p. 81; WDR 2001: 73; WDR 2002: 62; WDR 2003: 202 and WDR 2004 Vol. 2: 243
1992	1.07	WDR 1999: p. 81; WDR 2001: 73; WDR 2002: 62; WDR 2003: 202 and WDR 2004 VOL 1: 243
1993	1.39	WDR 1999: p. 81; WDR 2001: 73; WDR 2002: 62; WDR 2003: 202 and WDR 2004 VOL 1: 243

1994	1.22	WDR 1999: p. 81; WDR 2001: 73; WDR 2002: 62; WDR 2003: 202 and WDR 2004 VOL 1: 243
1995	1.52	WDR 1999: p. 81; WDR 2001: 73; WDR 2002: 62; WDR 2003: 202 and WDR 2004 VOL 1: 243
1996	1.20	WDR 1999: p. 81; WDR 2001: 73; WDR 2002: 62; WDR 2003: 202 and WDR 2004 VOL 1: 243
1997	1.56	WDR 1999: p. 81; WDR 2001: 73; WDR 2002: 62; WDR 2003: 202 and WDR 2004 VOL 1: 243
1998	1.55	WDR 1999: p. 81; WDR 2001: 73; WDR 2002: 62; WDR 2003: 202 and WDR 2004 VOL 1: 243
1999	3.18	WDR 2001: 73; WDR 2002: 62; WDR 2003: 202 and WDR 2004 VOL 1: 243
2000	5.71	WDR 2001: 73; WDR 2002: 62; WDR 2003: 202 and WDR 2004 VOL 1: 243
2001	5.58	WDR 2002: 62; WDR 2003: 202 and WDR 2004 VOL 1: 243
2002	5.60	WDR 2003: 202 and WDR 2004 VOL 1: 243
2003	5.40	WDR 2004 VOL 1: 243
2004	4.95	WDR 2005 VOL 2 Vol 2: 225
2005	4.30	WDR 2006 Vol 2: 253
2006	3.55	WDR 2007: 201; WDR 2008:233
2007	4.10	WDR 2008:233; WDR 2009: 194
2008	5.40	WDR 2009: 194; WDR 2010: 259
2009	4.90	WDR 2011: 244; UNODC September 2011: 4
2010	6.35	UNODC September 2011: 4; UNODC September 2012: 5
2011	7.80	UNODC September 2012: 5
2012	7.40	UNODC June 2014a: 1

2013	7.80	UNODC June 2014a: 1
2014	8.30	UNODC July 2016: 14
2015	9.40	UNODC July 2016: 14: UNODC July 2017a: 14
2016	8.10	UNODC July 2017a: 14; UNODC August 2019
2017	9.40	UNODC August 2019
2018	12.50	UNODC August 2019: vi

Figure 6.11 data and sources

Bolivia's coca leaf prices compared to production levels

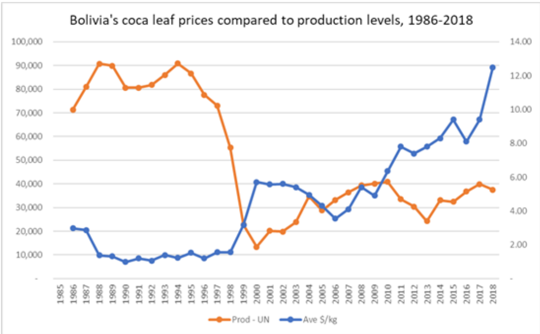


Figure 6.11 (Data and sources supplied in Annex)

Year	Tonnes	Sources
1986	71311	WDR, 1999: 41
1987	80985	WDR, 1999: 41
1988	90741	WDR, 1999: 41; WDR 2001: 67;
1989	89883	WDR, 1999: 41; WDR 2001: 67; WDR, 2002: 55
1990	80608	WDR, 1999: 41; WDR 2001: 67; WDR, 2002: 55; WDR 2004: 95
1991	80654	WDR, 1999: 41; WDR 2001: 67; WDR, 2002: 55; WDR 2004: 95
1992	81837	WDR, 1999: 41: WDR 2001: 67; WDR, 2002: 55; WDR 2004: 95
1993	86012	WDR, 1999: 41: WDR 2001: 67; WDR, 2002: 55; WDR 2004: 95
1994	90909	WDR, 1999: 41: WDR 2001: 67; WDR 2000: 160; WDR, 2002: 55; WDR 2004: 95

1995	86616	WDR, 1999: 41: WDR 2001: 67; WDR 2000: 160; WDR, 2002: 55; WDR 2004: 95
1996	77568	WDR, 1999: 41; WDR 2001: 67; WDR 2000: 160; WDR, 2002: 55; WDR 2004: 95
1997	73040	WDR, 1999: 41: WDR 2001: 67; WDR 2000: 160: WDR, 2002: 55; WDR 2004: 95
1998	55349	WDR, 1999: 41: WDR 2001: 67; WDR 2000: 160: WDR, 2002: 55 WDR 2004: 95
1999	22800	WDR 2000: 160; WDR, 2002: 55; WDR 2004: 95
2000	13400	WDR, 2002: 55; WDR 2004: 95; WDR 2005 VOL 2: 207
2001	20200	WDR, 2002: 55; WDR 2004: 95; WDR 2005 VOL 2: 207
2002	19800	WDR 2004: 95; WDR 2005 VOL 2: 207
2003	23800	WDR 2004: 95; WDR 2005 VOL 2: 207
2004	34750	WDR 2005 VOL 2: 207; WDR 2006 VOL. 1: 81; DR 2007: 64
2005	28740	WDR 2006: 81; DR 2007: 64; WDR 2010: 161
2006	33200	WDR 2006 VOL. 1: 81; DR 2007: 64; WDR 2010: 161
2007	36400	WDR 2010: 161; WDR 2012: 35
2008	39400	WDR 2010: 161; WDR 2012: 35
2009	40133	WDR 2010: 161; WDR 2012: 35
2010	40900	WDR 2012: 35; WDR 2015 Annex: iii
2011	33500	WDR 2015 Annex: iii
2012	30400	WDR 2015 Annex: iii
2013	24300	WDR 2015 Annex: iii
2014	33100	UNODC July 2016: 14

2015	32500	UNODC July 2016: 14
2016	36750	UNODC July 2017a
2017	39850	UNODC July 2017a; UNODC August 2019: vi
2018	37500	UNODC August 2019: vi

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- **End -**

Short Curriculum Vitae – October 2020

Eric Dante U. Gutierrez

Born and raised in the Philippines

Lived and worked in the United Kingdom, Malawi, Mozambique, Zambia, and South Africa

Currently a resident of Paderborn, Germany

Seasoned public policy analyst and advocacy professional, with over 21 years of working with international NGOs in conducting development research and policy advocacy with national and local governments, donor organisations, and multilateral agencies such as the UN and the World Bank.

Multi-awarded investigator and outstanding researcher, pioneered anti-corruption databases and political clan mapping in the Philippines; received awards for investigative journalism; known for meticulous attention to detail; supervised and edited various multi-country reports for international publication.

Tough but level critical thinker with a passion for justice, consistently challenged technocratic, depoliticised, and risk-averse responses to problems of development and governance.

Affiliations

- Research Associate, **International Centre on Human Rights and Drug Policy,** an academic partner of the Human Rights Centre, University of Essex
- Network of Experts, **Global Initiative Against Transnational Organised Crime.**
- Member of the Management Team, **Drugs and (dis)order Project,** led by SOAS, University of London.

Formal Education

- PhD candidate in Development Studies, **Erasmus University Rotterdam - International Institute of Social Studies,** 2014 to 2020
- MSc in Social and Political Theory, **University of London – Birkbeck College,** 2000 to 2002. Dissertation entitled *Beyond the Market and the State: A Sociological Analysis of the Privatisation of Water*
- Undergraduate studies at the **University of the Philippines Diliman**

Professional history

Christian Aid – Senior Adviser on Tackling Violence and Building Peace (2014 to September 2020), based in London and Dublin. Supported policy research of partners in fragile, conflict, and violence-affected areas. Led in Christian Aid's ground-breaking work on illicit economies.

Christian Aid – Senior Adviser on Accountable Governance (2010 to 2014) based in London. Monitored and advised on governance and anti-corruption policy and advocacy work in country programmes. Member of the steering groups of the UNCAC Coalition and BOND Anti-Corruption Group.

ActionAid – International Policy Coordinator (2006 to 2008), based in Johannesburg, South Africa. Coordinated research and advocacy on World Bank-IMF policies. Provided editorial and research support to partners and country programmes. Tracked the policy debates on economic growth at the Growth Commission.

WaterAid – Research and Advocacy Adviser Southern Africa (2003 to 2006), based in Malawi, Zambia and Mozambique. Coordinated water equity mapping work, coordinated the development of water policy in the Policy Reduction Strategy Papers (PRSPs). Conducted field research and supervised partners' training on qualitative and quantitative methods.

WaterAid – Research and Policy Officer (1999 to 2002), based in London, among others, led the production of a 14-country report on the impact of water services privatisation on poor communities.

Institute for Popular Democracy – Deputy Director and Head of Research (1992-1998), based in Manila. Concurrently, a contributor at the **Philippine Center for Investigative Journalism**.

Awards received

Three Jaime V. Ongpin awards for investigative journalism, including best report in 1994 for a series investigating conflicts of interests in the Ninth House of Representatives in the Philippines. Wrote the chapter "Sulu: In the Battlefields of Warlords" in *Boss,* winner of the 1995 Philippine National Book Award; and the chapter "Public Purse" in in *Pork and Other Perks: Corruption and Governance in the Philippines,* winner of the 1998 Philippine National Book Award.

Key published work

- "The Paradox of Illicit Economies" (Feb 2020). *https://doi.org/10.1080/14747731.2020.1718825*
- "Mitigating Crime and Violence in Coca-Growing Areas" (January 2019), co-written with Thomas Mortensen. *https://jied.lse.ac.uk/articles/10.31389/jied.11/*
- "Bandits, Villains and Bosses: Kidnappers of the Southern Philippines" (2013). International Alert.
- "Delivering Pro-Poor Water and Sanitation Services: The Technical and Political Challenges in Malawi and Zambia" in *Geoforum,* Vol. 38, Issue 5.

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- "From Ilaga to Abu Sayyaf: New Entrepreneurs in Violence and their Impact on Local Politics in Mindanao", (2003) https://doi.org/10.1080/01154451.2003.9754250
- Lead author, *Rebels, Warlords and Ulama: A Reader on Muslim Separatism and the War in Southern Philippine* (Institute for Popular Democracy, Quezon City, 2000)
- Author, *The Ties That Bind: A Guide to Family, Business, and Other Interests in the Ninth House of Representatives* (Philippine Center for Investigative Journalism and Institute for Popular Democracy, 1995).
- Lead author, *All in the Family: A Study of Socioeconomic Elites in the Philippines* (Institute for Popular Democracy, Quezon City, 1989)

Languages

Mother-tongue proficiency in Tagalog and English; basic working knowledge of German and Spanish.

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