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Illicit drugs are a main catalyst for conflicts

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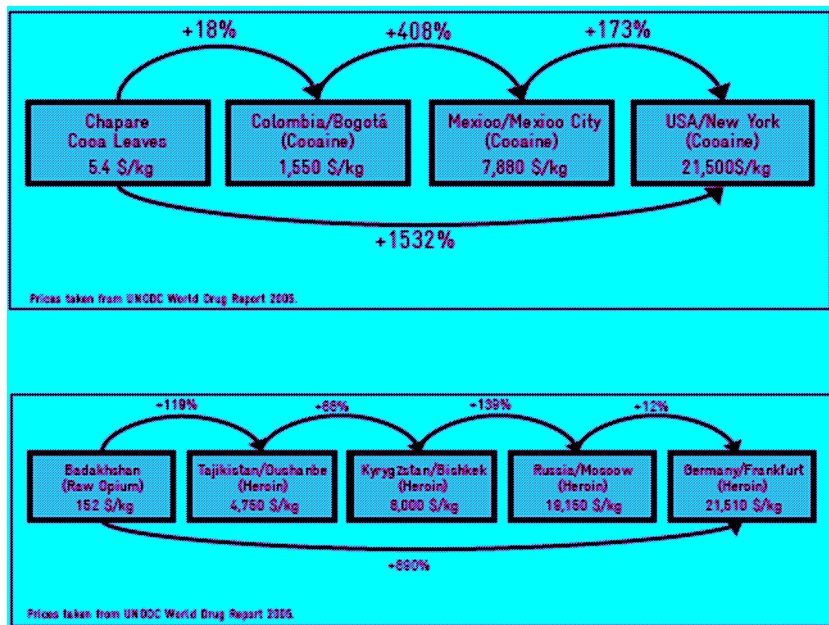
1. The economy of illicit drugs

Very few businesses today can compete with the massive profits of the drugs industry. While it is difficult to estimate the scale of these profits, the United Nations Office on Drugs and Crime (UNODC) estimates that for the year 2003 the global market value of illicit drugs was US\$ 427 billion: with a retail value of US\$320 billion; US\$94 billion traded at the wholesale level; and US\$13 billion generated through production.

The sheer significance of these numbers becomes clear when you place them in context. The global retail value of drugs is higher than the gross domestic product of about 88% of the countries in the world and represents about three-quarters of the combined GDP for all of Sub-Saharan Africa - 439 billion dollars. The industry is also equivalent to 14% of the global agricultural trade, and to 12% of the global trade in chemicals.

Taking these figures as a reference, and taking into account that production of both opium and coca are highly concentrated geographically, some studies suggest that drug trafficking has a huge impact on the economies of producing countries. In many cases, findings are inflated as they do not take into account the value added in the later stages of the production process.

The following graph shows the appropriation of profits from the drugs trade in each of its stages, from production through to the final distribution.



The majority of the value is generated at the level of international trafficking and distribution. Thus, cultivation and processing have a lesser value within the business.

2. The economic approach in the study of conflict

For many years, academics have focused on the explanation and understanding of violent conflicts from a political and social perspective. Political Scientists have attributed the onset of conflicts to ideological and ethnic differences, which in its struggle for the establishment have been transformed into violence. However, the reasons for some actors taking this path of violence as opposed to that of the rule of law taken by others, are not yet very clear, these differences and conflicts in other regions have not necessarily led to violence.

While political motivations can explain the initial development of conflicts, economic reasoning can explain how actors within the conflict are able to organize to exert violence. From an economic perspective, the academic literature suggests that many conflicts are now motivated more by economic factors than by socio-political factors. This approach focuses on the economic opportunities which become available to insurgents or guerrillas during wartime.

Armed conflicts usually generate major economic and material losses, but this does not affect all people in equal measure. Some actors benefit from the disorder and the conflict itself represents an alternative system for generating new wealth and power structures.

Different studies have shown that economic incentives are not linked directly to the initiation of a violent conflict, but that they have a clear impact on the duration of the

violence. In this context, the term 'economic incentives' refers mainly to gains associated with the exploitation of natural resources, conflict diamonds being the most publicized in the field.

Like diamonds, illicit drugs are a major economic incentive in conflict scenarios: they are commodities which are relatively easy to produce and do not require major infrastructure. The illegality of this trade creates a distortion in prices that translates into huge profits and earnings for those involved.

3. The drugs and conflicts connection

Looking at the areas of greatest cultivation of illicit crops. It seems clear that these crops are cultivated in areas characterized by violent conflict, weak government control and strong social instability. But the relationship between the production of these crops and the conflict is even more profound than this.

There is a high correlation between drugs and conflict: production and trafficking of drugs are favoured in situations of crisis and violent conflict. At the same time, by undermining the formal and informal institutions that provide peace and stability, the illicit cultivation of drug crops, and trafficking create favourable conditions for violent conflicts.

In scenes of conflict, and particularly in rural areas where the conflict is often more intense, men are conscripted for war and forced to abandon their traditional agricultural economy to increase the ranks of insurgent groups. In Myanmar, for instance, families suffering the consequences of war who have moved from the conflict-stricken areas to the mountains in search of refuge, have found the cultivation of drugs to be the only alternative to ensure their food security. Thus, the socio-economic consequences of war have driven peasants to enter into the production of illicit drug crops.

In Afghanistan opium cultivation has been present for hundreds of years. However, after the Russian invasion in the late 70's the cultivation of illicit crops gained a unique importance. Opium became a source of resources to finance the fight against the communist government as well as developing a livelihood for many peasant families who lost their traditional crops in the course of the war.

With the end of the confrontation, the flow of money that had been arriving from the U.S. and USSR decreased significantly, forcing local commanders to seek new sources of funding. This resulted in the burden of heavy taxes and duties for the people. These heavy financial demands could only be reached by volunteering young men for war or through the cultivation of drugs.

It is also important to note that conflicts arising initially from ethnic or ideological differences change over time. The causes that originally sparked the conflict take on different nuances due to the conflict itself, and after a while, the reasons for continuing are likely not to be the same than those from which the conflict originated. The duration of a conflict is determined by the economic interests of its stakeholders. The market for violence and the continuation of hostilities become necessary for its very existence.

The illicit drugs economy serves as the main source of funding for many conflicts around the world: the cases of Colombia and Afghanistan are to date the best evidence of this vicious cycle.

4. Drugs and conflict in Colombia

Colombia's recent history has been marred by the scourge of drug trafficking. The sheer volume of money derived from drugs permeates national commerce and the Colombian Government at all levels. Drug trafficking has bought consciences all over the country, infiltrating political parties, police, justice systems and high-level government officials. It has also ventured into the real sector of the economy by creating business facades to facilitate money laundering.

The origin of drug trafficking in Colombia stems from the 1970's when the country became the main supplier of marijuana to the United States. Years later, as the coca business emerged and proved to be even more profitable, this led to the organization of large drug cartels: the Medellin Cartel and the Cali Cartel. In the beginning the big cartels were importing coca base from Peru and Bolivia to transform it into cocaine and send it to the United States and then on to Europe.

After increasing border controls in the south of Colombia to restrict the entry of coca paste, cartels began to promote coca cultivation in the country. At this time, FARC guerrillas had their first contact with the coca business and made the first agreements with the Medellin cartel by the year 1980 to protect crops in exchange for a tax - between 10 and 15% - for each kilogram of coca paste produced in their areas of control.

This alliance did not last long, and the cartels were forced to find a new ally in paramilitary groups. The cartels played a key role in the rise of many paramilitary groups, financing and equipping them in different regions of the country. One example was the establishment of MAS in 1981 (Death to Hijackers) and the Autodefensas del Magdalena Medio which laid the foundations for the emergence of the Autodefensas Unidas de Colombia (AUC).

In the 1990s, the struggle against drug trafficking by the government of Colombia and the United States led to the large cartels being dismantled, but the fundamental issues of the drugs industry were not addressed. Large cartels were dissolved and many low profile, small cartels emerged. At the same time, armed groups (FARC and AUC) became increasingly involved in the business.

The FARC began to broaden its tax base to include growers and coca field workers, and later also taxed the illegal airfields used by airplanes delivering chemicals and carrying cocaine. At the end of the 90's, the FARC put an end to the old tax system and introduced fixed prices for coca base, forcing all farmers to sell only to local fronts of the FARC.

The FARC began to store large quantities of coca, which they then used to negotiate with representatives of small cartels. At the end of the 90s, FARC experienced an unprecedented expansion, by then controlling a considerable part of the economy through coca producing regions.

According to the Colombian government, of the 110 operating units of FARC, 65 actively participate in the drug industry. In certain regions such as in Caqueta, Guaviare and parts of Putumayo and Narino Catatumbo, the FARC completely control the cultivation and initial stages of processing and refinement of cocaine either through providing security to the laboratories of drug traffickers or operating their own facilities.

Different military operations and information from the Colombian government have revealed links between the FARC and Mexican and Brazilian drug traffickers. However, it is difficult to establish if FARC have the capabilities and connections needed to handle international routes and exporting drugs to other countries.

It is argued that the AUC came to be in the wake of drug trafficking and that in light of the peace negotiations with the Colombian government, sought political legitimacy. Since 1996, the AUC began its expansion process fighting the FARC mostly in areas of illicit crops. UNODC estimates that the paramilitaries are present in 86 of the 162 municipalities where coca is grown.

The AUC is strongly connected with the drug industry. Paramilitary Units control key routes to access cocaine, and certain blocks specialize more in transport than in cultivation. It also controls access to ports, coastal areas (Uraba and Nariño) and border areas (Catatumbo with Venezuela).

Different studies have attempted to calculate the revenues generated by the FARC and the AUC in the drug business. But any results can only be approximations. According to UNODC estimates, the potential production in Colombia for 2003 was 440 tons of cocaine, with an average price of US\$ 1,550 per kilogram for the same year. Based on these figures the total value of production would be a figure close to US\$680 million. Adding the income from heroin brings the total to \$ 700 million.

According to the 2003 Human Development Report by UNDP, FARC have an average income of US\$342 million per year, of which US\$204 million dollars is generated by drugs. For the AUC the estimate was US\$ 286 million annually, of which US\$190 million can be traced to the drugs trade.

Experts claim that the cost of an armed fighter is approximately US\$3 per day. Taking this as a reference value, it could be estimated that the cost of maintaining a group like the FARC is close to \$ 20 million a year. With even more conservative estimates- US\$ 100 millions income each- the FARC and the AUC would have an estimated savings of US\$ 1000 million dollars each during the last decade, enough money to keep the war in Colombia alive for many years to come.

The main source of illegal armament of the armed groups in Colombia is the black market, both national and international. A large part of the earnings of armed groups is

invested in armament, ammunition, and explosives. In 2003, ammunition and grenades accounted for 35% of FARC's total expenses. In contrast, only 5% of the organization's total expenses went to purchase arms in the same year.

The FARC use two main modalities to pay for arms: firstly, the traditional form in which armament is paid by means of transfer of funds, or a combination of cash and fund transfers; and secondly, a modality which is typical of the Colombian armed organizations, is to pay for the arms with cocaine or heroin. It is a common practice to use the same means of transportation through which the arms are delivered to Colombian territory, to load the drugs and ship them back as payment to arms traffickers.

5. Good practices to face the drug-conflict nexus

During the 28 years of my civil service in the developing world, I have witnessed tens of man made disasters, civil wars, humanitarian crisis. I have lived close to the worst horrors of humankind and I have observed the protagonists. Capitals, crimes and conflicts were always closely associated. Never one of them was missing or not prominent.

The world today demand that consensus be revitalized on key challenges and priorities and converted into collective action. The guiding light in doing so must be the needs and hopes of people everywhere. The world must advance the causes of security, development and human rights together otherwise none will succeed. Humanity will not enjoy security without development, it will not enjoy development without security, and it will not enjoy either without respect for human rights.

The protection and promotion of the universal values of the rule of law, human rights and democracy are ends in themselves. They are also essential for a world of justice, opportunity and stability. No security agenda and no drive for development will be successful unless they are based on the sure foundation of respect for human dignity.

Today's challenges to development require effective solutions. Development strategies built upon the concepts of economic, environmental and socio-political sustainability should be implemented with the active participation of the people. Public participation in decision-making is a fundamental prerequisite for achieving sustainable development.

The threats to peace and security in the twenty-first century include not just international war and conflict but civil violence, organized crime, terrorism and weapons of mass destruction. They also include poverty, deadly infectious disease and environmental degradation since these can have equally catastrophic consequences. All of these threats can cause death or lessen life chances on a large scale. All of them can undermine States as the basic unit of the international system.

In a world of inter-connected threats and opportunities, it is in each country's self-interest that all of these challenges are addressed effectively. Hence, the cause of larger freedom can only be advanced by broad, deep and sustained global cooperation

among States. The world needs strong and capable States, effective partnerships with civil society and the private sector, and agile and effective regional and global intergovernmental institutions to mobilize and coordinate collective action.

The work of the United Nations should put the world closer to the day when all people are free to choose the life they want to live, have access to resources that will make those choices meaningful and have security to enable them to enjoy them in peace.

Thank you.