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TRANSNATIONAL DRUG ENTERPRISES: THREATS TO GLOBAL STABILITY AND U.S. NATIONAL SECURITY FROM SOUTHWEST ASIA, LATIN AMERICA, AND WEST AFRICA

HEARING

BEFORE THE

SUBCOMMITTEE ON NATIONAL SECURITY AND FOREIGN AFFAIRS

OF THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

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TRANSNATIONAL DRUG ENTERPRISES: THREATS TO GLOBAL STABILITY AND U.S. NATIONAL SECURITY FROM SOUTHWEST ASIA, LATIN AMERICA, AND WEST AFRICA

THURSDAY, OCTOBER 1, 2009

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON NATIONAL SECURITY AND FOREIGN AFFAIRS,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2154, Rayburn House Office Building, Hon. John F. Tierney (chairman of the subcommittee) presiding.

Present: Representatives Tierney, Flake, Murphy, Welch, Quigley, and Luetkemeyer.

Staff present: Adam Hodge, deputy press secretary, full committee; Andy Wright, staff director; Elliot Gillerman, clerk; Talia Dubovi, counsel; Brendan Culley and Steven Gale, fellows; Rachel Charlesworth and Jesse Schwartz, interns; Adam Fromm, minority chief clerk and Member liaison, Mitchell Kominsky, minority counsel; Christopher Bright, minority senior professional staff member; and Glenn Sanders, minority Defense fellow.

Mr. TIERNEY. Good morning. A quorum now being present, the Subcommittee on National Security and Foreign Affairs' hearing entitled, "Transnational Drug Enterprises: Threats to Global Stability and U.S. National Security from Southwest Asia, Latin America, and West Africa," will come to order.

I ask unanimous consent that only the chairman and ranking member of the subcommittee be allowed to make opening statements. Without objection, that is so ordered.

I ask unanimous consent that the hearing record be kept open for 5 business days so that all members of the subcommittee will be allowed to submit a written statement for the record. Without objection, that is so ordered.

Today, the Subcommittee on National Security and Foreign Affairs turns its attention to a longstanding and growing threat to U.S. national security, the transnational illicit drug trade.

Illicit drugs from Mexico, Latin America, and the Caribbean are no strangers to our shores. The issue of illicit drugs is also no stranger to this House and Congress. In March of this year, we held a hearing on Money, Guns, and Drugs to examine whether U.S. inputs were fueling drug-related violence on the U.S.-Mexico border. This subcommittee has also held numerous hearings on Af-

ghanistan, producer of 95 percent of the world's poppy crop that forms the basis of the heroin trade.

Today's hearing builds on that record. It raises a central question about the relationship between the global illicit drug enterprises and their collective threat to our national security. The United States has had a geographic or country-specific drug control strategy ranging widely from the Balkan States of Eastern Europe to Colombia, Guatemala and Mexico, and more recently to West Africa. While each country's conditions dictate a unique drug control strategy, today's hearing examines some of the underlying trends and the related implications for U.S. national security.

There is compelling evidence that illicit drugs create enormous financial power that allows traffickers to corrode government institutions. Bribes undermine confidence in the very institutions we rely on to protect us as corruption reaches judges, prosecutors, police, and correctional officers. When bribes fail, traffickers use ruthless violence and unrelenting intimidation to expand their illegal enterprises.

Over time, bribes, violence, and intimidation take their toll, especially in weak states. The net effect of these assaults is to undermine a nation's rule of law, cripple its civic institutions, and reinforce the public's view that government is ineffective. The downward spiral of drug money, violence, and intimidation, once it has begun, is difficult to reverse in weak states.

But this is just half the story. With a degraded or weakened rule of law environment, non-drug actors from the criminal world and their transnational counterparts step in and further exploit an already unstable situation. While drug trafficking may be the most lucrative component of transnational crime, it is hardly the only line of business. Money laundering, weapons trafficking, commercial espionage, human trafficking, smuggling, and piracy all flourish alongside illicit drug enterprises. Further declines in the rule of law, public confidence, and national governance are the consequence.

The magnitude of money from illicit drugs probably cannot be underestimated. The United Nations Office on Drugs and Crimes estimates that the global proceeds from illicit drugs range between $100 billion to more than $1 trillion per year. Illicit drug money flows have been estimated to be the largest segment of the Afghan GDP, just over 50 percent in 2007. In West Africa's Guinea-Bissau, it has been reported that drugs and drug-related money is the single biggest slice of their gross domestic product, and growing.

Drug trafficking, wherever it thrives, presents a serious threat to the national sovereignty of the afflicted state. But it is the intersection of drugs with other illegal transnational threats, especially terrorism, that makes it so treacherous. This so-called drug-terror nexus links the monetary proceeds from drugs with filling the coffers of terrorist organizations like the FARC in Colombia, the Taliban in Afghanistan, and Al Qaeda in the Islamic Maghreb.

According to the latest U.S. intelligence, terrorist groups in more than a dozen countries across three continents are significantly bankrolled by illicit drug moneys. According to the Drug Enforcement Administration, 19 of the 43 groups the United States des-

ignated as Foreign Terrorist Organizations in 2007 were involved in the drug trade or other criminal activities.

In addition, drug trafficking organizations' efforts to weaken or topple local governments significantly undermines our ability to achieve vital diplomatic, development, and economic assistance goals overseas. Threats from these groups not only test state stability, but also undermine the goals of regional political bodies like the Organization of American States and boldly challenge international institutions like the United Nations.

At today's hearing we will learn from experts about the linkages between illicit drugs, weak states, and the U.S. national security in the context of Latin America, Afghanistan, and West Africa. The subcommittee plans to hold a second hearing with the relevant government agencies and departments to examine the U.S. national drug control strategy and the planned use of the nearly $15 billion that has been requested for that purpose this year.

With that, I turn to Mr. Flake for his opening remarks.

Mr. FLAKE. I thank the chairman. He made the point that it is the intersection of drugs and money that it garners for terrorist activities and other things that are most concerning to us. I am particularly interested in illicit drugs in Mexico affecting the border region like Arizona—I am sure Mr. Olson will have some things to say about that—and also the situation in Afghanistan, obviously, with narcoterrorism there.

So I welcome the witnesses. Thank you for taking the time to come here, and look forward to the hearing.

Mr. TIERNEY. Thank you.

This morning we will receive testimony from the witnesses, but before they begin, I would just like to give a brief introduction of each, starting from my left.

Mr. Eric Olson serves as a senior advisor on security at the Mexico Institute of the Woodrow Wilson International Center for Scholars. He has specialized in the America's region, but he has also worked on human rights issues in Africa, Asia, and the Middle East. From 2006 to 2007, he served as a senior specialist at the Organization of American States, and from 2002 to 2006 as Amnesty International's Advocacy Director for the Americas. He holds an M.A. from American University.

Mr. David Mansfield is a fellow with the Carr Center for Human Rights at Harvard University's Kennedy School of Government. He also works as an independent consultant for a range of organizations, including the United Kingdom Government, the World Bank, and various non-governmental organizations on policy and operational issues with regard to illicit drugs in Afghanistan and on alternative livelihoods. He has previously worked on overseas drug and development issues in each of the major drug producing regions in South and Southeast Asia and Latin America.

Mr. Douglas Farah is a senior fellow at the International Assessment and Strategy Center. In 2004, he worked for 9 months with the Consortium for the Study of Intelligence, studying armed groups and intelligence reform. For the two decades before that, he was a foreign correspondence and investigative reporter for the Washington Post and other publications covering Latin America and West Africa. From 2000 to 2004, he was the Washington Post

West African bureau chief based in the Ivory Coast. He holds a B.A. and a B.S. from the University of Kansas.

Dr. Vanda Felbab-Brown serves as a fellow at the 21st Century Defense Initiative at the Brookings Institution, where she specializes in the interactions between illicit economies and military conflict. Dr. Felbab-Brown also serves as an adjunct professor in the Security Studies Program at Georgetown University's Walsh School of Foreign Service, where she was an Assistant Professor prior to assuming her current position at Brookings. She holds a B.A. from Harvard University and a Ph.D. from the Massachusetts Institute of Technology.

So I want to thank all of you for bringing your substantial credentials and your experience here before the committee today. It is the policy of the committee to swear witnesses in before they testify, so I ask that you please stand and raise your right hands.

[Witnesses sworn.]

Mr. TIERNEY. I ask that the record reflect that all of the witnesses answered in the affirmative.

As I mentioned to you before the hearing, your written remarks will be placed in the record, and I will share with Mr. Flake that I read the remarks, as you have, and I think, if they were to give them here today, it would be about 35 minutes each. So I have asked everybody to condense that as close to 5 minutes as possible, and then we will have some questions and answers from our members of the panel here.

So, Mr. Olson, can we begin with you, please?

STATEMENTS OF ERIC L. OLSON, SENIOR ADVISOR, SECURITY INITIATIVE, MEXICO INSTITUTE, WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS; DAVID MANSFIELD, RESEARCH FELLOW, CARR CENTER FOR HUMAN RIGHTS, JOHN F. KENNEDY SCHOOL OF GOVERNMENT, HARVARD UNIVERSITY; DOUGLAS FARAH, SENIOR FELLOW, INTERNATIONAL ASSESSMENT AND STRATEGY CENTER; AND VANDA FELBAB–BROWN, FELLOW, 21ST CENTURY DEFENSE INITIATIVE, BROOKINGS INSTITUTE

STATEMENT OF ERIC L. OLSON

Mr. OLSON. Thank you, Chairman Tierney and Ranking Member Flake. It is my pleasure to appear before you today and the distinguished members of the subcommittee on behalf of the Mexico Institute at the Woodrow Wilson International Center for Scholars.

Established by an act of Congress in 1968, the Wilson Center is our Nation's official living memorial to President Woodrow Wilson. As both a distinguished scholar, the only American President with a Ph.D., and a national leader, President Wilson felt strongly that the scholar and the policymaker were "engaged in a common enterprise." I hope I can represent successfully President Wilson's vision of bringing together the scholarly and the policy dimensions today.

As you have noted already, the tragic and disturbing headlines about drug violence in Mexico have horrified and alarmed Americans about what is happening to our neighbor and strategic partner to the south. It raises real questions about the safety of Americans traveling and for the safety and security of the United States. And

given the proximity of the violence, the fact that it spills into the United States, and that organized crime groups in Latin America have formed strategic partnerships with organized crime in the United States, the decision to hold this hearing is not only timely, but essential.

In the brief time that I have, I would like to talk about three things: the dimension of the problem of organized crime and transnational drug trafficking in Latin America, why and how organized crime is able to take root and prosper in the region, and, finally, a policy framework the United States and governments of Latin America may want to consider in addressing this problem.

First let me describe the problem a bit. We know that the United States is still the world's largest market for illegal drugs. This enormously lucrative market results in roughly $35 billion, give or take a billion, in illegal proceeds laundered back to Mexico and Colombia every year. Profit margins are so large, in fact, that according to some drug traffickers they can lose three out of four loads of cocaine and still turn a profit. Beyond that, it is not profitable. If we were to take this as fact, it would mean that drug traffickers could lose 75 percent of their inventory and still turn a profit. Imagine if Ford or GM could do the same.

According to the 2009 International Narcotics Control Strategy Report, all cocaine originates in the Andean countries of Colombia, Bolivia, and Peru. In 2008, the Interagency Assessment of Cocaine Movement estimated that between 500 and 700 metric tons of cocaine departed South America headed to the United States, slightly less than was coming up in 2007.

While there are many different ways cocaine is moved from the Andes to the United States, one method is to employ small private planes to move the loads from Colombia to Central America, where bundles are either dumped in the sea and retrieved or planes land or are purposely crashed on tiny landing strips in remote areas. Whatever the exact route, roughly 90 percent of cocaine entering the U.S. transits through Mexico.

In Mexico, there are at least five major drug trafficking organizations, many more splinter groups that are defending their territories, competing with one another, trying to set up new routes. Some of the recent violence that we have seen in the press is the result of intra-organizational and inter-organizational conflicts and competition, as we see second tier lieutenants, spinoff organizations, and cartels competing with each other as the heads or kingpins of a rival group are arrested or assassinated. So there is a lot of inter-organizational and intra-organizational violence.

A third source of the violence is what one could expect when the government aggressively pursues them and the cartels, the trafficking organizations fight back, and that is, of course, understandable.

In Colombia, where there has been a major weakening of the armed guerilla movements, both the FARC and ELN, there is evidence that both continue to be engaged in drug-related activity. Likewise, the disbanding of the umbrella structure of paramilitary forces—this is the paramilitary demobilization that President Uribe undertook—has atomized the fighting forces. But there are new alliances being formed between local commanders, demobilized

forces, and drug traffickers. In some instances, the FARC is joining with a paramilitary and ex-paramilitary to continue trafficking.

Sadly, despite the formal dismantling of the AUC and the weakening of the guerrilla groups, Colombia still remains the largest cultivator of the coca bush in the hemisphere. Organized crime has been quite agile in establishing new alliances that fit their business model, and they could care less about anyone's particular ideological persuasion, whether communist, leftist, anticommunist, or capitalist. To paraphrase Michael Corleone, it is not ideological, it is strictly business.

Finally, it is important to point out that organized crime in Latin America is not limited to drug trafficking, but involves trafficking in other goods, such as pirated and counterfeit products, autos and auto parts, and cigarettes, to name a few, as well as illegal activities such as kidnapping, human trafficking, and even "legitimate" or quasi-legitimate businesses and enterprises. In many instances—and this is important—the same organizations that traffic in illegal drugs also traffic in products such as weapons or people, or engage in apparently legitimate businesses like real estate and construction.

Bottom line, there is a two-way flow of trafficked goods, money, and humans. Drugs and other pirated goods and human trafficking move north, while money, possibly half of it in cash, weapons, autos, auto parts, cigarettes move south.

Now, let me say a little bit in the time that is remaining.

Mr. TIERNEY. Mr. Olson, you know what I am going to suggest? Because, having read yours, I know you have some good suggestions on where to go with this—we will ask that question when the round comes in, as to where do we go from here. I think you have laid a great groundwork for why we need to attend to this problem.

Mr. OLSON. OK. Sure.

Mr. TIERNEY. And then if it is fine with you, we will, on the question and answer period, get to your suggestions for a strategy going forward.

Mr. OLSON. All right. Good.

Mr. TIERNEY. Thank you, sir.

[The prepared statement of Mr. Olson follows:]

Testimony
Of
Eric L. Olson
Senior Advisor, Security Initiative
Woodrow Wilson International Center for Scholars
Mexico Institute
Subcommittee on National Security and Foreign Affairs
"Transnational Drug Enterprises: Threats to Global Stability and U.S. National Security from Southwest Asia, Latin America, and West Africa."
Thursday, October 1, 2009
2154 Rayburn HOB, 10 a.m

www.wilsoncenter.org/merida

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Chairman Tierney, Ranking Member Flake, distinguished members of the Subcommittee; it is an honor to appear before you this morning on behalf of the Woodrow Wilson International Center for Scholars' Mexico Institute.

Established by an act of Congress in 1968, the Wilson Center is our nation's official living memorial to President Woodrow Wilson. As both a distinguished scholar—the only American President with a Ph.D.—and a national leader, Wilson felt strongly that the scholar and the policymaker were "engaged in a common enterprise."

The tragic and disturbing headlines about drug violence in Mexico have both horrified and alarmed Americans about what is happening to our neighbor and strategic partner to the South. It raises real questions about the safety of Americans traveling to Mexico, and for the safety and security of the United States.

So given the proximity of the violence; the fact that it does spill over into the U.S.; that organized crime groups in Latin America have long tentacles that extend into our country; and that they have formed strategic partnerships with organized crime in the U.S., the decision to hold this hearing not only seems timely but essential. Hopefully it will give us and you an opportunity to think strategically about the best ways to confront this very serious problem that tears at the fabric of democratic societies throughout the hemisphere and directly threatens the national security of the United States.

First, though, it's important to try to get the clearest possible picture of the problem – not an easy task since we are talking about an illegal enterprise. That said, our best estimates are the following:

Roughly $15-35 billion in illegal proceeds are laundered back to Mexico and Colombia each year.

Profit margins are so large that according to some drug traffickers, they can loose 3 out of 4 loads of cocaine and still turn a profit. Beyond that, it's not profitable. If we were to

take this for fact, it would mean that drug traffickers could loose 75% of their inventory and still report a profit. Imagine if Ford or GM could do that.

According to the 2009 International Narcotics Control Strategy Report (INCSR) all cocaine originates in the Andean countries of Colombia, Bolivia, and Peru. The 2008 Interagency Assessment of Cocaine Movement (IACM) estimates that between 500 and 700 metric tons (MT) of cocaine departed South America toward the United States in 2007, slightly less than the previous year's estimate of 510 to 730 metric tons.

We know that the US is still the largest market for illegal drugs, and that roughly 90% of cocaine entering the U.S. transits through Mexico. But there has also been a recent trend toward supplying the European market, via West Africa. I believe fellow panelist Doug Farah will address this question.

For cocaine headed to the United States, a preferred method is to employ small private plans to move the load from Colombia to Central America where bundles are either dumped in the sea or retrieved, or plans land on tiny landing strips or purposefully crashed in remote areas. These are met by fast moving "ground crews" that off-load the drugs and disappear quickly into the forest or mountain sides, and the plane are either abandoned or set ablaze. The drugs are then moved over land or sea up the Caribbean or, more often, the Pacific coast, increasingly in semi-submersible craft.

Its important to point out that organized crime is not limited to drug trafficking but involves trafficking in other goods - such as pirated and counterfeit products, autos and auto parts, and cigarettes, to name a few, as well as illegal activities like kidnapping, human trafficking, and even "legitimate" or quasi legitimate businesses and enterprises. In many instances, the same organizations that traffic in illegal drugs also engage in trafficking of other products such as weapons or people; or engage in apparently legitimate businesses like real estate and construction.

There is a two-way flow of trafficked goods and money. Drugs and other pirated goods and human trafficking move north, while money, possibly half of it in cash, weapons, autos and auto parts, and cigarettes, move south.

In Mexico there are at least five major drug trafficking organizations, and many more splinter groups, that are defending their territories, and competing for new routes. Some of the recent violence is the result of intra-organizational conflicts and competition with second tier lieutenants, or "spin offs," seeking to gain control of the organization when the head is captured or killed. For example, several elements struggled for control of what was once a powerful and much feared Tijuana cartel run by the Arellano Felix family. The arrests and murders of several of the Arellano Felix brothers and their associates has resulted in a much weaker organization that is now reportedly under the control of Fernando Sanchez Arellano, a nephew of the brothers.

Other violence is inter-organizational as one group seeks dominance over another. These turf wars pop up when a rival group sees an opportunity to establish itself in a new

territory, especially when their competitor is weakened by arrests or assassinations. This partly explains the extreme violence that characterized Nuevo Laredo between 2003 and 2006 when the Sinaloa cartel sought to challenge the Gulf cartel for control of its lucrative routes into Texas. When the Gulf cartel's boss, Osiel Cardenas, was arrested in 2003, the Sinaloa cartel saw its chance to seize control of Nuevo Laredo. The result was a brutal and bloody turf war that the Sinaloa cartel appears to have won. .

A third source of violence is what can be expected when the government aggressively confronts organized crime. For example, the Mexican military's deployment in late 2008 temporarily reshuffled the deck, as it were, in Ciudad Juarez pushing the Juarez cartel from its traditional strong holds. Unfortunately, while this had a short term positive impact on violence, more recently the violence as returned as rival organizations, such as the Sinaloa cartel, now battle for position and control of the area. According to the latest information published by the Trans Border Institute and based on information from La Reforma newspaper, there were 1,268 drug related killings in the State of Chihuahua (where Ciudad Juarez is located) in the first eight months of this year. In September, there were an estimated 10 drug related killings per day just in Ciudad Juarez and Juarez will likely surpass the killings from last year despite the significant military and federal law enforcement deployment.

In Colombia, where there has been a major weakening of the armed guerrilla movements – both FARC and ELN – there is evidence that both continue to be engaged in drug-related activity. Likewise, the disbanding of the umbrella structure of the paramilitary forces – the AUC – has atomized the fighting force, but there are new alliances being formed between local commanders, demobilized forces, and drug traffickers. In some instances the FARC is joining up with ex-AUC to continue drug trafficking.

It should be noted that despite the Colombian government's efforts to demobilize the paramilitary forces organized under the umbrella of the United Self Defense Forces of Colombia (AUC in Spanish) there were several regional fronts of the AUC that never entered fully into the process, and there were other paramilitary groups that remained largely outside of the AUC structure. These groups have not "demobilized" and are still very much involved in drug trafficking and other organized crime activities. One notable example is the organization headed by Victor Carranza – the Self Defense Forces of Meta and Vichada (AMV in Spanish) – that were only tangentially part of the AUC structure, did not demobilize, and continue to operate in the emerald mining region of Colombia and trafficking in precious stones as well as illegal drugs.

Sadly, despite the formal dismantling of the AUC and a weakened FARC, Colombia still remains the largest cultivator of coca bush in the hemisphere. Organized crime has been quite agile in establishing new alliances that fit their business model and they could care less about anyone's particular ideological persuasion whether communist, leftist, anti-communist or capitalist. To paraphrase Michael Corleone, "Its not ideological; it's strictly business."

Between Colombia and Mexico is the Caribbean basin with Central America and dozens of island nations and territories. While this area has never played a leading role in the axis of organized crime between the Andes and the United States, they have provided an important link between the two. There are those, for instance, that argue that a Honduran by the name of Juan Ramon Matta Ballesteros engineered the first links between the Colombian cartels and Mexico. With the Medellin and Cali cartels under siege at home, and their traditional Caribbean smuggling routes closing down in the 1980s, the Colombian cartels were desperate to find new routes to the U.S. With his connections to the Colombian cartels and knowledge of organized crime in Mexico, Matta Ballesteros was able to link the two and provide a new outlet for Andean cocaine.

He became such an important player that in April 1988 US Marshalls where sent to whisk him from his home in Tegucigalpa and put him on a plane to the Dominican Republic where he was immediately flown to the U.S to stand trial. In reaction to this and other perceived US interventions in Honduras, as many as 1,000 Honduran students marched to the US Embassy in Honduras to protest and set the Embassy afire. Matta is now serving 12 life sentences in the ADX Florence Super Maximum Security Penitentiary located outside of Pueblo in Florence, Colorado.

And organized crime in Central America is not limited to the northward march of illegal drugs. All countries have had problems of home grown organized crime, especially in Guatemala and Honduras, with El Salvador and Panama experiencing serious problems as well.

Beyond illegal drugs, human trafficking is probably the most serious organized crime problem in Central America. Problems range from internal trafficking for commercial exploitation and forced labor, including agriculture and assembly line labor, to trafficking for sexual tourism and domestic labor. Trafficking also occurs within the region, with women and girls from South America being trafficked to Nicaragua, primarily, and then sent either north or South to Costa Rica. Trafficking of Central American women and girls north to Mexico and ultimately to the United States also occurs. Unfortunately, according to the State Department's *2009 Trafficking in Persons Report* finds that Mexico and Central American countries "...(do) not fully comply with the minimum standards for the elimination of trafficking..." In most cases, efforts are being made to improve enforcement and prosecution, but the report points out that implementation of anti-trafficking laws, and prosecutions for violations often lag way behind.

So what are the implications of this growing, evolving, strengthening web of organized crime for the national security of the United States? And what should the United States do to confront this threat?

There are several potential national security implications, but I would like to focus on one in particular. The risk of weak, in effectual and ultimately failed states for the US national security is considerable.

Organized crime prefers to work outside the reaches of the state, so it operates best where the state is weakest and or non-existent. The absence of the state serves as an incubator for organized crime allowing it to operate freely and strengthen its control in a territory. This was particularly the case in Colombia where the state was absent from vast stretches of the countryside.

When it is not possible to operate outside the reaches of the state, organized crime seeks to co-opt it either by seeking some accommodation with the state, or penetrating governmental institutions to protect its interests.

While this sort of arrangement could potentially lead to the establishment of a so-called "narco" state, in reality organized crime is usually much more practical and focused on controlling specific territories and routes that benefit their business model. They are not particularly interested in controlling the entirety of the state, only those portions of it that are essential to its operations. So, for example, they may be interested in controlling a specific highway and border crossing point and thus seek to control the highway police and customs agents at that port of entry, but they do not, generally, seek to control all police or customs agents.

There are exceptions to this, of course. The United States has tried on two different occasions to create a specialized anti-drug force in Guatemala and on both occasions the force was so penetrated by organized crime that the entire force was disbanded. In other infamous cases, organized crime has managed to penetrate the highest echelons of government and law enforcement as it notoriously did in 1997 in the case of General Jesus Gutierrez Rebollo, appointed to head Mexico's top-anti narcotics unit of the Attorney General's office only to be arrested months later for ties to the Juarez cartel.

The third modus operandi is for organized crime to turn to violence to defend itself against encroachment by other organizations, wrest control of a region or route from ricals, or defend itself against state offensives either via the military or law enforcement or both.

All three of these scenarios are being played out now in the region.

So the existence of a weak or failed state can serve as an incubator for organized crime. It is not a guarantee of the presence of organized crime, but significantly elevates the likelihood that OC will emerge and thrive. And the extent to which organized crime is allowed to fester, grow, and further erode the state's capacities; the national security of every country is at risk including the United States.

The good news is that there are no failed states in Latin America, at least not yet. There are weak states, states that are failing to maintain a state presence in certain areas, and states that have been deeply penetrated by organized crime. But, in my opinion, there are no failed states in the Americas.

The most pressing question is what steps can and should the U.S. and regional governments take to ensure that they are becoming more transparent, more accountable to their citizens, and able to operate with the legitimacy necessary to ensure that organized crime does not have the space to take root and spread. In short, what can the governments of the region do to ensure that states and state institutions do not fail?

Focusing on the institutional, or governance, aspects of combating organized crime is not a panacea. Attention must also be given to reducing demand for illegal drugs, and resolving the underlying economic factors that create incentives for drug trafficking and organized crime; but attention to promoting good governance is an oft overlooked yet essential aspect of a well rounded strategy against organized crime.

Unfortunately, the U.S. does not really have an integrated strategy for combating transnational organized crime. There is a strategy for combating drug trafficking through eradication and disruption of trafficking routes. But these are not comprehensive strategies for dealing with organized crime. They are narrowly focused on eradication, interdiction, and extradition for prosecution – all important but not a comprehensive strategy for confronting organized crime.

Our work has suggested that what is most needed is a long term, multi-faceted, multi-dimensional strategy that will both strengthen the capacity of the state to confront organized crime, and increase its credibility and legitimacy before its citizens. It is difficult to imagine a situation in this hemisphere where a state can succeed in isolating and weakening organized crime when the state itself is penetrated by organized crime, is perceived as corrupt by its citizens, and abuses its citizens with impunity. Can totalitarian states effectively combat organized crime? Sure, but at what cost and is this really in the U.S. interest and good for our hemisphere.

What are the building blocks of a governance strategy? This is what we've learned after numerous working group meetings and study at the Wilson Center's Latin America Program:

Police: Professional police forces that use modern scientific and human investigative techniques, are responsive to public concerns, are rights respecting, and are held accountable for corruption and abuses is an essential ingredient to the strategy. Accountability and professionalization require a long-term strategy that cannot be mastered simply with more equipment or mass firings. It requires a dedication to better training, improved recruiting and vetting, objective standards for performance and promotions within a professional career track, strong and functioning internal affairs divisions, and citizen or community oversight boards to name a few.

Justice: One issue that is often overlooked when governments are facing aggressive and violent organized crime is the importance of strengthening the justice sector. Governments often focus primarily on building a security force capable of matching the firepower of well financed and well armed drug trafficking organizations. This is understandable, and in some ways necessary when the state is in crisis and threatened by

armed actors linked to organized crime. Nevertheless, if the strategy starts and ends with ramping up the firepower of security forces, it will be a stunted and ultimately ineffective strategy.

The findings of recent Mexico Institute meetings and studies are that a more balanced approach between police modernization and justice sector reform is needed. Justice sectors should serve as a check on the power of the police to ensure that abuse is not being tolerated, and that due process is guaranteed. Vigilance in due process ensures that police work is more professional.

Justice sectors must also be subject to public scrutiny and accountability. For this reason the movement from an inquisitorial to an accusatorial system of justice and the increasing use of oral trials is a welcome sign. But other factors such as access to public defenders, and access to justice for all racial, linguistic, and gender groupings is fundamental.

Prisons: Its time to recognize that the sorry state of prisons in Latin America are not just inhumane but are a factor in building and strengthening organized crime networks and drug trafficking organizations. In too many instances prisons have been turned over to the inmates and the guards merely stand watch at the perimeter. This has allowed imprisoned kingpins to continue running their organization from within the prison walls. It has also meant that young people imprisoned for unrelated crimes, sometimes for being a member of a street gang, get caught up in the tentacles of organized crime and are absorbed in the organization in a way they would never have done otherwise.

Financial oversight: The corrosive effects of laundered money and the deleterious impact of black market economies on the legitimate economy are critical areas for action by states. Some improvements have been made, but overall far too much money is making its way south. In the case of the United States and Mexico, nearly half of laundered money is crossing the border as bulk cash.

Without greater transparency in public and private financing, however, any effort by the state to control or limit the effects of laundered money will be limited. Oversight by legislatures, like the work done by this body, and independent comptrollers is largely absent in Latin America, and especially in Central America.

Conclusion: When a state and its people are threatened by organized crime, it is not surprising when governments resort to a strong, aggressive law enforcement strategy. A strategy that rests solely on aggressive law enforcement, however, runs the risk of overlooking other important elements of governance such as justice reform and adequate oversight and accountability for corruption and human rights abuses. The U.S. and regional partners, especially those that face major challenges from organized crime, might consider a broader governance oriented strategy to strengthen the institutions of government that can help close off space organized crime craves to operate successfully.

To undertake this strategy is but one aspect of a multidimensional multilayered strategy that requires patience and a methodical approach over an extended period. It might be a

boring approach but to do otherwise means the state is leaving its flank exposed and could lead to a serious weakening, if not collapse, of state functions in key areas. If allowed to incubate unchallenged organized crime will grow and extend its tentacles in ways that can threaten democracy in the hemisphere and, ultimately, the security of the United States.

Thank you for your attention.

Mr. TIERNEY. Mr. Mansfield.

STATEMENT OF DAVID MANSFIELD

Mr. MANSFIELD. Thank you, Chairman and Ranking Member Flake. You will have to forgive me, this is a bit of a novelty for me in the sense that I find myself in unusual surroundings. I have spent the last 18 years essentially looking at drugs from a rural development perspective. I am far more used to the company of opium farmers and traders in Afghanistan.

Mr. TIERNEY. Well, I hope you find our company almost as good. Could I ask you just to put the mic a little bit more directly in front of your mouth?

Mr. MANSFIELD. Sure.

Mr. TIERNEY. I think that will be helpful. Thank you. Thank you.

Mr. MANSFIELD. For me, it is clear illicit drugs thrive in marginal areas. These are areas that are marginal economically, politically, environmentally. They are areas that are often in conflict with what is essentially a weak state. That conflict can be ethnic, military, and the cultivation takes place in disputed territory, borderlands.

Attempts to address drug production have often involved the government actually penetrating these marginal areas, establishing state presence in all its functions, not just security apparatus, and to provide support to the provision of public goods, roads, education, and health, and create an environment for the private sector to work. In Pakistan, this process saw cultivation move from one area to another as the state extended its writ into these areas, from Brunair to Gaduna Mazi to Deer to Bijour Mamand. This process has also been successful in Southeast Asia.

For me, given my background of 12 years in Afghanistan, Afghanistan is the anomaly. In Afghanistan, the bulk of drugs are grown in areas that are accessible, not remote; it is not the borderlands. These areas have irrigation, fertile soils, and in many cases the cultivation takes place right next to provincial centers. In Afghanistan, it is not, as in other countries, a weak state trying to penetrate marginal areas, but a marginal state trying to move beyond its provincial centers.

In Afghanistan, the impact illegal drugs have on U.S. national security interests are clear, given U.S. strategic interests in Afghanistan and Pakistan, the presence of U.S. troops, and the considerable investment the United States has made in governance and security and development in the area. But the question is how to respond and how to respond in a way that does not worsen the situation. For example, there is no doubt that drugs are "fueling the insurgency."

But this is not as clear cut as much as the current narrative and analysis in the media often suggests. Much of the current discussion focuses on the Taliban and drugs, and the funds that they own from the illegal drugs trade. Estimates range from $70 to $500 million, suggesting there are some calculation issues there. And there are claims of centralized taxation systems around opium.

What I feel is this discussion neglects the decentralized nature of the Taliban; the fact that there is no single insurgency, but a disparate collection of insurgent groups; and, fundamentally, it ne-

glects that in the south of the country there is a widespread view that, whether right or wrong, it is corrupt government officials that are more involved in the drugs trade than the Taliban or groups associated with them. In this case, we have to question how much of the insurgency is a reaction to government. After all, people expect insurgents to fund themselves in whatever way possible; theft, kidnap, drugs. But they don't expect their government to do so, or those in government to do so.

The policy response to the current narrative on the Taliban and drugs funding is to prioritize those traffickers with links to insurgent groups. But does this not potentially increase the market power of those corrupt officials involved in the drugs trade? If so, it seems it would do little to reduce the flow of drugs from Afghanistan and actually reduce the legitimacy of the government of Afghanistan in the eyes of the people.

A further example of policy that can potentially exacerbate the impact of illicit drugs is that of eradication. There have, in the past, been a push for aggressive eradication, and these calls persist. They may even increase if cultivation increases in the 2009–2010 growing season, which seems probable. I believe eradication and the threat of it can play a catalytic role in areas where farmers have viable alternatives. I have seen it work in districts around provincial centers in the east and the north of the country.

But where farmers don't have alternatives—and there are many areas—due to the resource base that they have or insecurity, alternatives simply don't exist. In these areas, eradication leads to economic problems and, in consequence, growing insecurity and provides an entry point for insurgent groups. In these areas, development investments are the priority. And we have to recognize a level of opium cultivation is a reality for some time to come.

Ultimately, there is a need to see illicit drugs in context. We need to recognize the threat they pose, but we need to ensure that the response does not exacerbate that. Thank you.

[The prepared statement of Mr. Mansfield follows:]

Challenging the Rhetoric: Supporting an Evidence Based Counter Narcotics Policy in Afghanistan.

Testimony of David Mansfield,
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Before the Sub Committee on National Security and Foreign Affairs, Committee on Oversight and Government Reform

1 October 2009

1. Introduction

Illicit drugs are typically cultivated in areas that have poor soils, limited irrigation and where access to agricultural inputs is constrained. These areas, in countries such as Bolivia, Colombia, Pakistan, Laos and Thailand, are also characterized by their proximity to international borders, difficult terrain, and poor physical infrastructure, as well as conflict. Government presence, in the form of civic administration, the provision of social services, such as education, health and welfare, and initiatives aimed at promoting economic and social development, is largely nominal or seen as antagonistic by the local population.

These areas are typically isolated from the wider national economy; the state's economic polices fail to penetrate, markets are fragmented, and the price of food items, basic commodities and agricultural inputs are considerably higher than in neighbouring regions. The absence of the rule of law and the potential for violence limits long-term investment by either the public or private sector. The cumulative impact of this socio-economic, political, and administrative isolation is that many households in these areas pursue livelihood strategies that are largely independent of both the nation state and the national economy. Opium and coca, given their illicit nature, their high weight to volume ratio, and their non-perishable products, are commodities whose markets flourish in such an environment.

However, this testimony focuses on Afghanistan – a country that is increasingly seen as anomalous with regard to illicit drug crop cultivation and the illegal drugs trade. In Afghanistan opium poppy is not confined to marginal, mountainous areas on the periphery of the country's borders and far from national or provincial capitals. Instead, in Afghanistan, opium poppy is cultivated in some of the most fertile, well irrigated, and physically accessible areas of the country. Indeed in some parts of the country opium poppy is visible only a few miles from the major cities in the provinces – highlighting the impact that three decades of conflict have had on the economy, governance and the social and cultural fabric of the country and its population.

In fact it is now widely recognised that the illegal drug economy permeates the political and economic fabric of Afghanistan.[i] This is not simply measured by the extent of opium poppy cultivation and estimates of the drugs trade contribution to the national economy but also by the role that the illegal drug business is playing in fuelling the conflict in Afghanistan. Corruption is endemic and Afghan government officials at various levels in the administration are accused of direct involvement in the drugs trade. Some national and international commentators have gone so far as

to suggest that 'drugs are the glue that holds the government together in the south of Afghanistan'[ii] and that a credible counter-narcotics and counter-insurgency strategy would involve the removal of some of the Government's most senior representatives in the south.[iii]

There is also increasing attention on the role that insurgent groups play in taxing those producing and trading opiates, as well as, some argue, their direct involvement in processing and trafficking illegal drugs. Indeed, some assert that the Taliban are more motivated by the profits to be accrued from the drugs trade than ideology – a statement that is typically accompanied by the narrative of the FARC's trajectory in Colombia from political movement to criminal enterprise. It is now widely reported that 'the insurgency' is funded by the proceeds from the illegal drugs trade and there are even suggestions by some that insurgent groups are attempting to manipulate farmgate prices so as to increase the value of their inventory.

While it is important to challenge the evidence behind each of these different claims it is clear that the production and trade in illegal drugs has exacerbated the conflict in Afghanistan. In particular the involvement of government officials in the drugs trade has resulted in increasing scepticism towards those in authority. The drugs trade has also provided funds and political capital for those in armed opposition to both the Afghan government and international military presence. Given the United States of America's strategic interests in Afghanistan, Pakistan and the region, the military forces it has on the ground in Afghanistan, and the level of development funding provided by the United States Government aimed at improving governance, security and rural development in Afghanistan, the production and trade in illegal has clear implications for US national security interests in the region. The question remains as to what is the appropriate response to the illicit drugs problem given the current fragility of the Afghan government and the growing hostility expressed by the rural population to what is increasingly seen as western intrusion in Afghanistan.

I would argue that the first challenge is to disentangle the policy rhetoric from the facts. What remains clear is the debate on both opium production and counter narcotics policy in Afghanistan has consistently been shaped by what sceptics might think were embedded policy positions rather than by the complex reality we face on the ground. Everyone has a view on illicit drugs and views on illicit drug crop cultivation are typically as polarized as they are on other aspects of drugs policy. Some believe farmers are motivated by greed and will continue to cultivate opium poppy or coca until they are compelled to stop. Others argue that illicit drug crop cultivation is a function of poverty and faced with a choice farmers would opt to pursue licit livelihoods. These views are rarely informed by any direct experience with illicit drug growers or traders but are expressed by elite opinion formers - journalists, staff members of international and national organizations, and policy makers - whose exposure to drug crop cultivation is often limited to quick roadside visits or orchestrated trips to project sites. The result is the picture offered of the production and trade in illegal drugs in Afghanistan tends to be limited, partial and largely simplistic - which can have a fundamental impact on policy.

Given the limited time (and space), I will focus on only three themes in the ongoing debate on drugs in Afghanistan and highlight how policy can be found wanting due to the failure to understand, and subsequently build on, the complex realities on the ground. The first is the debate on the profitability of opium poppy in Afghanistan. This is crucial as it shapes peoples perceptions of the rural communities that are either 'the target' or 'the client' of different counter narcotics policies and interventions. The second is what seems to be the most intractable issue in counter narcotics policy in Afghanistan, that of eradication – a policy position that is primarily shaped by

people's perception of motivations and factors that lead to opium poppy cultivation - with those that arguing for the primacy of price and profit adopting the most aggressive position on crop destruction. The third theme to be discussed is the relationship between 'the insurgency' and the drugs trade, an issue that is gaining increasing profile in the media and amongst policy makers and is likely to drive policy in the coming twelve months – possibly in a number of different directions. It is hoped that by drawing on over twelve years indepth fieldwork in rural Afghanistan this testimony will offer the basis for a more evidence-based policy on drugs in Afghanistan.

2. Understanding Farmers: Managing Risk Rather than Maximising Profit

Too often it is claimed that the profits on opium production are unassailable. It is this fundamental assertion that shapes large elements of counter narcotics policy in Afghanistan. For example, it is the view that no other legal crop can compete with opium that justifies a policy of aggressive eradication. It is argued that unless efforts are made to increase the risks (and thereby the costs) associated with opium production farmers will simply not make the decision to abandon opium poppy cultivation and take up 'legal livelihoods'. Similarly, many of the development responses to opium poppy cultivation in Afghanistan emphasise the profitability of opium production and stress the importance of identifying other high value crops - often a single crop - and improving market chains so as to establish a competitive substitute. Even those pressing for drugs reform refer to the insurmountable profitability of illicit drug crops, the inability to produce comparable incomes from legal crops and therefore the ineffectiveness of rural development interventions aimed at improving the well being of opium poppy farmers.

Yet the claim of the insurmountable profits to be earned from opium poppy is inaccurate. It seems to be largely shaped by inappropriate comparisons between the gross returns on wheat and opium poppy – as if wheat is the only legal crop in Afghanistan – and the assumption that the profit on an illegal crop is automatically higher than the profit earned on a legal one. In fact due to the high labour costs associated with opium production there are in fact a range of different crops[iv] that generate higher net returns than opium poppy under the appropriate market and security conditions – including wheat in 1994, 1997, 1999[v] and more recently in 2009.[vi]

However, estimates of the returns on different crops are misleading and fail to capture the complex socio-economic and political environment farmers in rural Afghanistan inhabit. They present a simplistic economic model of human behaviour that fails to reflect the complex nature of human decision making in the western world let alone in a more traditional and conservative environment such as rural Afghanistan. For example, at the most basic level comparisons of either gross or net returns on a crop-by-crop basis imply a simple choice between a range of different crops. These figures do not capture the impact that choice and the decision to cultivate one crop rather than another has on other potential income streams that a household may be able to draw upon or on the rules that govern access to markets and assets, particularly in areas of chronic insecurity such as southern Afghanistan.

The fact is that rural households in Afghanistan pursue a myriad of livelihood strategies that not only include cultivating a range of different crops on their own land (where they own it) but also incorporates the rearing and sale of livestock, as well as the sale of labour locally, in the cities of Afghanistan and perhaps across the border in Pakistan and Iran. For example, a farmer cultivating opium poppy commits land

and labour to the crop over a six-month period. In the southern and eastern regions it is typically planted in November and harvested in May. As such, the opium poppy season can cut across the season for spring crops preventing the cultivation of vegetables such as okra and green bean, as well as cotton in some places. Opium production is also labour intensive requiring 350 person days per hectare and 200 person days during the harvest period compared to a total of only 54 days for wheat, and 75 days for onion. Many households are required to hire labour during the opium harvest that can typically cost between US$5 and US$ 10 per day (plus food, accommodation, and cigarettes) increasing to as much as US$ 20 in areas where the security situation particularly poor and/or labour shortages are acute.

Other crops are not always as labour intensive, take less time to yield (therefore allowing a second crop to be cultivated) and can be intercropped, generating even higher net returns per unit of land.[vii] Some crops such as green bean, okra and leek provide multiple harvests, allowing income to be earned throughout the agricultural season and reducing the need for loans. Those crops that require less labour free family members up for employment or to pursue wage labour opportunities in the bazaar. In contrast, the labour intensive nature of opium poppy can also mean that household labour is too busy and is not in a position to earn income elsewhere. Cultivating opium poppy extensively also leaves less land for fodder crops, as well as for growing wheat for the production of wheat straw. The result is either smaller herds or the purchase of fodder on the market leaving the household vulnerable to price fluctuations. Furthermore, once more than half the total cultivable land is allocated to any one crop, even opium poppy, for a number of seasons, crop rotation suffers and yields are affected. By extending opium poppy cultivation over a certain level the household not only impacts on its capacity to take advantage of other potential income streams (if they are in fact available to them) but also increases its vulnerability to market or crop failure. It is for this reason that opium poppy is rarely monocropped in Afghanistan.

The fact is there are a number of farmers in different parts of Afghanistan - provinces such as Nangarhar in the east, Badakhshan in the north east and even Kandahar in the south - that have abandoned opium poppy and are currently earning a higher income than they were than when they were producing opium three or four years ago. However, these farmers reside in a fairly limited area that is adjacent to the provincial centre and consequently they have access to markets for both the agricultural goods they produce and employment opportunities. Experience in Afghanistan does show that reductions in opium poppy cultivation can be achieved in a relatively short time period in areas with good markets and governance. In these areas, there is greater diversification in cropping systems and a shift to high-value horticultural production. Under these conditions, vegetable traders provide many of the advantages of the opium trade, offering advances, purchasing at the farm gate and absorbing transportation and transaction costs.

In these areas the shift out of opium poppy, which is particularly labour intensive, and into high value horticulture also frees household labour to find work in the city nearby. The proximity of these areas to the provincial centre means that transport costs are minimal and those working in the city can reside in their own household at night, which is preferred by family members from a social perspective and increases their net return on daily wage labour rates. Consequently, the result of crop diversification and a shift out of opium poppy cultivation can be an increase in both the net returns per unit of land as well as non-farm income.

Typically the population in these areas that are adjacent to the provincial centre also see the benefits of being part of the wider Afghan state. They will also be recipients

of public goods such as education, health, physical infrastructure, as well as physical security, thereby improving economic opportunities and extending social contract between the state and community. The improvement of physical infrastructure such as roads and irrigation will have reduced transport costs and improved agricultural productivity. Their proximity to the provincial centre also reduces the number of 'checkposts' where taxes and bribes are demanded. Communities in these areas also believe there is a 'security premium' associated with their location near the provincial centre, enabling longer term investments in high value crops and facilitate the trade of legal goods and services. Eradication is also perceived to be a credible threat in these areas and can act as a catalyst for making the shift from opium poppy to diversifying cropping patterns and income streams. Experience in other former opium poppy growing areas in countries like Thailand and Pakistan illustrate that once these kind of economic, political and security gains are consolidated, farmers are unlikely to return to opium production even when farm-gate prices increase significantly.

However opium poppy cultivating households are diverse and dynamic, and their decision as to how much land to dedicate to opium is as we have seen influenced by a range of different factors – not just price and profitability. The process of moving from illicit to licit livelihoods is likely to be very different in the more remote areas of these very same provinces where agricultural commodity and labour markets remain constrained. In these areas limited natural assets, such as land and water, combined with poor roads and high transportation costs, preclude the shift to high-value vegetable production. There are few wage labour employment opportunities available locally. Insecurity and poor governance stymie the growth of the legal economy.

More often than not the political and financial interests of local powerbrokers reinforce high levels of dependency on opium production and prevent households from making sustainable shifts to legal economic options. Especially in such areas, attempts by the local and provincial authorities to reduce opium poppy cultivation can be viewed negatively and seen as part of a wider attempt by those in power to reinforce their political and economic grip over the area. Counter-narcotics efforts can also impact on the legal economy by reducing disposable income leading to a fall in local sales and employment opportunities. Just such an economic downturn can weaken the relationship between the state and local communities. In the more remote areas where farmers have fewer alternatives to opium poppy, eliminating the crop is likely to take a generation. There are no 'quick fixes' despite interventions that coerce farmers not to plant or to eradicate that would suggest the contrary.

3. Watching the Pendulum Swing: The Continuing Shifts in Eradication Policy

It is important to recognise that those who persist in growing the crop do not do so due to a natural disposition to the crop, an inherent bent towards 'illegality' or unmitigated greed (although there may be some exceptions). For example, in the province of Ghor farmers that continue to cultivate opium poppy do so because they do not have livestock to invest in and increasingly have fewer non-farm income opportunities both within the province and across the border in Iran. In the province of Nangarhar those that have better access to resources, as well as greater proximity to the labour and agricultural commodity markets of Jalalabad and Kabul largely refrain from opium poppy cultivation and it is those that have fewer assets and are a greater distance from markets that continue to cultivate the crop. This would all tend to suggest that despite any claims to the contrary the returns on opium poppy are not

unassailable and that those that cultivate the crop are not necessarily the wealthiest members of the community.

In southern Afghanistan physical insecurity is at its some of its worst levels for over a decade. It is a rare day when there is not a violent incident involving death or injury in the provinces of Kandahar and Helmand. The impact of such high levels of insecurity should not be underestimated. It has led not only to deaths and injuries, but has also limited the potential for economic growth and employment, and reduced access to economic infrastructure and social services in many parts of the region. Much more importantly, the predatory behaviour of corrupt officials and the proliferation of checkpoints and "nuisance taxes" that beset the mujeheddin and fuelled the Taliban's rise to power in the mid 1990s have returned. Consequently, the cost of travelling one kilometre in the south has been as much as three times that of travelling the same distance in the eastern, central or northern regions, making transporting legal agricultural crops to market cost-prohibitive.[viii] For those that choose to travel on the roads, violence, intimidation and extortion from state, anti-state and non-state actors have been the rule not the exception.

Under these circumstances, opium poppy has become the preferred crop — a low risk crop in an exceptionally high-risk environment. It is a high-value, low-weight, non-perishable crop. The crop allows farmers to remain in their villages and sell at the farm rather than risking travel to the district, provincial or regional markets to sell, potentially at a price that does not meet the costs of production. While the Taliban would appear to be actively encouraging cultivation for both political and financial advantages, they would also appear to be "pushing on an open door." The incidence of corruption has not only constrained the functioning of markets for a range of goods and services including crops and labour; it has also increased the impression that opium poppy cultivation is tolerated — if not encouraged — by corrupt government officials.

Where farmers do not have viable alternatives to opium poppy due to resource constraints or due to the local security environment any attempt to destroy the opium crop in the field or to coerce farmers not to plant can prove destabilising. The fact that many farmers in Afghanistan believe that those enforcing a ban on opium and eradicating their crop are actively involved in the trade in opium alienates the population. As does the perception that there is widespread bribery and the belief that eradication often targets the vulnerable and ignores the crops of those with official positions and influence.[ix] In some areas this perception has merely led to a position where parts of the population no longer supports the government, in others communities are beginning to oppose it. Where eradication or a ban on cultivation has been implemented on populations that do not have viable alternatives there are signs of farmers actively looking to oppose the government's and seek the support of the insurgency. Growing levels of insecurity in the province of Nangarhar are in part attributed to the cumulative effect of the ban on opium poppy cultivation in 2008 and 2009.[x]

The Taliban and other anti government forces appear to be exploiting this sentiment and there is evidence that in contrast to the 1990s where the Taliban established a relatively secure environment in which opium could be grown and traded but where they were not promoting the business [xi], by 2006 and 2007 the Taliban were actively encouraging opium poppy cultivation.[xii] Whilst some argue that this policy of encouraging opium poppy cultivation is aimed at securing finances for the insurgency, the greater advantage for the Taliban and other anti government elements is the political support they can gain from those directly involved in the cultivation and trade of opiates. In some areas, the Taliban certainly use opium

poppy cultivation as a rallying cry and a way of eliciting the support of the rural population. They have on occasions positioned themselves as protecting crops against eradication[xiii] – even if this has rarely been necessary or delivered and there is the very real possibility that their strategy of encouraging opium poppy cultivation is aimed at provoking the GoIRA to adopt a more aggressive eradication strategy that would drive a wedge between the rural population, the Government of Afghanistan and the International Community.

While the current United States administration has taken a firm anti-eradication position it is unclear how long this policy will continue. There are still those in the international community that are calling for an aggressive eradication policy. The potential for an increase in cultivation in the 2009/10 growing season will test the current US administrations' resolve - perhaps more so with such acute pressure from Congress and the Senate for a notable improvement in 'the metrics' in Afghanistan over the next twelve months. There is the risk that some might attribute any rise in cultivation to this latest shift in eradication policy and ignore the fact that any increase in cultivation is more likely the response of both the changes in provincial governors that are likely to accompany the formation of a new government in Afghanistan and the fact that wheat prices have fallen by more than 50% in the last twelve months.[xiv]

However, the current policy that would appear to limit eradication only to that planned and undertaken by provincial governors (so called Governor Led Eradication) is not without risks. Eradication (or the threat of it) has proven to be an effective catalyst in areas where farmers have viable alternatives to opium poppy and has contributed to greater diversification of both cropping patterns and off and on-farm income in those areas adjacent to provincial centres. It is for this reason that the GoIRA has a policy of 'targeted eradication' – although in practice the actual area targeted has often been in excess of what is both practicable and desirable. While the current strategy of leaving the task of eradication solely to local Governors could be seen within the context of growing calls for 'Afghanisation', it may reinforce the rural population's experience of the kind of partial and predatory campaigns that they have so often complained of. Moreover, there are already anecdotal reports from the field that farmers believe that it is the drugs traders that are the new priority of US policy and they will be free to cultivate.

There is the real risk that the policy on eradication may once again swing from one extreme to another. If cultivation rises in the next twelve months, those who are less well informed, or those with a particular, perhaps rather ingrained, policy position, will press once again for an aggressive eradication campaign. They may even push for chemical eradication arguing that there is little point in trying to 'win hearts and minds' in the poppy growing provinces of the southern region of Afghanistan as this population has already been 'lost'. What is more, it may also be claimed, that the population in the south occupies the more fertile agricultural areas (wealth is implicit in this statement) and is actively funding the insurgency with opium production. Regardless of the weaknesses of this argument it is well versed and it will not be the first time we have heard it. It is also hard to think it would be the last.

There is a need to be clear: the use of chemical sprays to eradicate opium poppy crops would be incredibly divisive in Afghanistan. Polling by NATO has consistently shown that the rural population opposes such a move. Field evidence collected in November and December 2006, at a time when chemical eradication was being discussed in the media and by officials in the provinces, indicated a hostile response from the rural population.[xv] A campaign of spraying the opium crop with chemicals was typically perceived as an act of hostility against the population and not solely at

the plants. Indeed, many believed that spraying would result in crop failures and sickness and perhaps the death of livestock and people.

Whether or not these fears are well founded, the fact is that chemical spraying is most commonly used in areas of extensive wheat cultivation and there is limited knowledge of it in areas where opium poppy is cultivated most intensively,[xvi] indicating considerable scope for misunderstanding and for exploitation by those who wish to do so. In an environment where child mortality and morbidity rates are so high, where crop failure is common, and where livestock are vulnerable to a variety of diseases, there is considerable potential for the rural population, no doubt encouraged by those opposing the government, across Afghanistan to link such events to chemical eradication should it be implemented.

For the insurgents the use of spraying to destroy opium poppy would represent a major propaganda victory. Many rural communities in the south and east do not actively support the Taliban but are growing increasingly concerned that the Government of Afghanistan cannot guarantee even their physical security – a core function of a legitimate and viable state. They do not wish to return to an 'Islamic Emirate of Afghanistan' but are disillusioned by the number of civilian casualties, the perception of unprecedented levels of corruption, and concerns that the international community is no longer present in Afghanistan to serve the vital interests of the population.

The rural populations in many areas are forced to hedge their bets, hoping that the Government of Afghanistan will deliver the security, governance and economic growth required for the population to prosper whilst recognising it is weak and corrupt, and in some areas will not achieve these objectives. In this context an intensive eradication campaign particularly one that involves spraying chemicals would undoubtedly further damage if not destroy any trust that rural communities might have for their government. While counterinsurgency arguments are sometimes made to support aggressive eradication arguing that it will remove funding for anti-government groups, history shows that successful counterinsurgency requires the support of the local population to marginalize the insurgents – the use of chemical spray can only drive these two groups ever closer together.

3. Deconstructing the Insurgency: Drugs, Funds and Politics

This brings us on to the last theme that needs to be discussed - that of the relationship between 'the insurgency' and illegal drugs in Afghanistan. Here the debate can appear as polemic as that which besets discussions on eradication - and sometimes almost as divorced from the complex realities on the ground. Much of the media discussion has focused on the role that the drugs trade plays in funding and motivating the Taliban in Afghanistan - with continuing debates over the proportion of their total money that is derived from the illegal opium economy and what the appropriate response might be.

Estimates of the revenue generated by the Taliban (although it is often unclear which insurgent groups are included under this 'heading') range from US$ 70 million to US$ 500 million per year suggesting there is a need for further refinement of these calculations. There are now suggestions that 'the Taliban' are directly involved in the production and processing of opiates themselves and have become no more than criminal organisations, discarding their political or religious doctrines in favour of the pursuit of profit and market share. The United Nations Office of Drugs and Crime have suggested that 'the Taliban' are engaged in market manipulation, retaining

stocks of opium so as to prevent further reductions in the price of opium and looking to impose a further ban on opium poppy cultivation to increase the value of their inventories. As such, the Taliban are now increasingly seen as synonymous with drug traffickers and an increasing number of reports use these two terms as if they are one in the same thing. The policy response to these claims has been to target (for kill or capture) those traffickers with links to the insurgency. This has resulted in some high profile arrests, seizures and subsequent destruction of opiates.

Yet, while perhaps attractive to some (and undoubtedly there is some degree of truth to the claims), this image of the Talib as drugs trafficker and the drugs trafficker as Talib is not the one that is most recognisable to the bulk of the Afghan population. In fact there is a growing impression in the south that those working for the government are more actively involved in the trade in narcotics than the Taliban[xvii] and even in other parts of the country accusations are made against senior government officials and are widely believed by Afghans.

Indeed, farmers in some of the most remote rural areas will often claim that it is only those in positions of power in their area that can trade illegal drugs in Afghanistan. These farmers will typically go on to make allegations against specific ministers, as well as provincial and local government officials. Governors that have banned opium production are also accused of market dominance and the manipulation of prices for self-interest. Regardless of the evidence (or lack of) to support any of these claims they are widely believed to be true by the rural population. The implications for the legitimacy of the state and its institutions are clear, and are only exacerbated by allegations of fraud at the recent Presidential election.

Despite what would appear to be attempts to portray the drugs trade as partisan and dominated by either 'the Taliban' or 'the government' (but typically the former), there is a growing acknowledgement amongst policy makers of the role that both insurgents and corrupt government officials play in the drugs trade. There are even questions over the level of cooperation that might exist between state and anti state actors not only in facilitating the movement of drugs from one part of the country to another, but also in engineering a level of instability in a given area so that the production and trade of opium can thrive.

More recently there have also been attempts to provide a disaggregated picture of the insurgency and to differentiate between the various groups within what has all to often been labelled as 'the Taliban'. This is welcome. However, the issue that needs much more attention both in terms of analysis and policy responses is the question of how much the insurgency has become 'demand led', driven in part by the rural populations perception of unparalleled levels of corruption within the Afghan administration.

If this is the case, surely the highest priority should be to improve the quality of governance in Afghanistan and tackle corruption (including involvement in the drugs trade) rather than target traffickers with links to the Taliban per se. In fact a strategy that prioritises the 'kill or capture' of traffickers with links to the insurgency could serve to eliminate the competition and increase the market power of those government officials involved in the trade. It is unlikely that this course of action would achieve much with regard to reducing the flow of opiates out of Afghanistan if those in government were not also pursued. But more importantly such a move is likely to prove counter productive in terms of improving the legitimacy of the Afghan government in the eyes of the local population.

4. Towards a Better Counter Narcotics Policy in Afghanistan

It is clear that as the production and trade of opium impacts on the security of Afghanistan so might hasty and ill-considered attempts to eliminate it. Interventions that are based on assumptions of the Afghan farmer as a profit maximiser, rather than a risk manager are not informed by the situation on the ground. Attempts to pursue dramatic reductions in opium poppy cultivation over a short time frame and without consideration of their impact on the economic well being of the rural population may increase the population's resentment of the GoIRA and offer entry points to insurgent groups. Similarly exclusively targeting those traffickers who are believed to have links to insurgents could serve to increase the market position of corrupt government officials involved in the trade, achieving little in terms of reducing the flow of narcotics out of Afghanistan and possibly further damaging the legitimacy of the GoIRA with the population.

Evidence shows that the solution to opium poppy cultivation in Afghanistan lies with a combination of improved security, governance and economic growth. Where this in place farmers can reduce and subsequently abandon cultivation. However, there has been a tendency for many to see the drugs issue in Afghanistan in a rather limited way. Counter-narcotics efforts are often viewed as synonymous with interdiction, eradication, information campaigns and so called 'alternative livelihoods' interventions — all areas that are action-oriented and specifically labelled counter-narcotics. This limited understanding of what constitutes effective counter-narcotics policy leads to an expectation that such interventions on their own will directly lead to the reduction in the production of opium. They cannot.

What are currently regarded as counter-narcotics activities are necessary — but not sufficient — to reduce the level of opium poppy cultivation in Afghanistan. Isolating counter-narcotics efforts has given some in the drug-control community the illusion of control and the budget and policy lead, it has also given many in the development community the opportunity to avoid involvement in the issue for fear of "contaminating" their programmers. This kind of approach has led those that see their primary aim as reducing opium poppy cultivation in Afghanistan to push for the kind of effects seen in Nangarhar and Balkh in recent years, and risk undermining the longer-term development effort in Afghanistan. Neither the drug-control community nor development actors have benefited from this artificial separation.

The reality is that counter-narcotics success can only come as an outcome of a wider process of state building and economic development. A combination of interventions is required to reduce the livelihood insecurity that led to increasing levels of opium poppy cultivation in the first place. Many of these interventions will be outside what is so often described as counter-narcotics activities or strategy.

Sustained improvements in rural livelihood security require a coordinated effort to deliver physical security and development interventions. Investments in rural development alone cannot deliver these or produce sustained reductions in opium poppy cultivation. For example, interventions aimed at improving access to public goods and services, social protection and diversifying on-farm, off-farm and non-farm income will falter if security and governance are not improved. Corruption, insecurity and ineffective government institutions hamper the functioning of both agricultural commodity and labour markets, which in turn constrains licit livelihood options. The presence of Anti Government Elements can prevent the delivery of all but the most limited development assistance.

Officially the Government of Afghanistan has recognized that the production, trade and consumption of opium and its derivatives pose a significant threat to the country's overall development. It has also recognised that no single project or programme can address the multiple factors that have led to the expansion of opium

poppy cultivation and that a more concerted and comprehensive effort is required. Evidence in other drug-crop-producing countries, as well as in Afghanistan, point to the fact that the combination of security, economic growth and governance is needed to deliver the development impact that will reduce overall dependency on opium poppy cultivation.[xviii]

There are a range of government activities designed to directly tackle the narcotics issue in Afghanistan, including law enforcement efforts, such as support to the Counter Narcotics Police of Afghanistan (CNPA), institutional strengthening for the Ministry for Counter Narcotics (MCN) and demand reduction efforts. All of these, though, require a wider institutional framework and more integrated approach to be both effective and sustainable. For example, interdiction efforts require investments in the judicial system to result in successful prosecution; demand reduction efforts need to operate within a functioning health system to address the underlying causes of drug use while avoiding high rates of recidivism; and the MCN has to operate within a coherent government ministerial structure and a wider programme of public administrative reform to be able to deliver effective leadership on counter-narcotics.

There are also many other interventions not specifically aimed at reducing the production, trade or consumption of illicit drugs in Afghanistan that will nevertheless make significant contributions to delivering drug control outcomes. Many of the interventions that are anticipated to have a less direct effect on the drug-control effort relate to rural livelihoods interventions, programmes in sectors such as transport, public works, and vocational training could also contribute to reducing the threat that narcotics poses to Afghanistan's development.

Within this framework there are few projects or programmes that should be considered discrete, stand-alone counter-narcotics interventions, and none that would result in the elimination of either the production, consumption or trade of illegal drugs. Instead, counter-narcotics needs to be integrated within the wider process of state building and economic development. This is not to suggest that the drug issue can be ignored and considered simply an externality of development. There is a clear need to consider the effect different interventions in each of the main sectors (security, governance and economic growth) have on the cultivation, trade and consumption of illegal drugs and ensure efforts maximise counter-narcotics outcomes.

The foundation for such an integrated approach already exists, although at this stage in aspiration rather than reality, with drugs being recognised as a "cross-cutting issue" in both the Afghanistan National Development Strategy and National Drug Control Strategy (NDCS). [xix] Such an approach is not one that seeks to downgrade or ignore the drug issue: far from it. It attempts to put counter-narcotics at the front and centre of policy and operational planning and give it the recognition required to deliver the improvement in lives and livelihoods that the Afghan population is both desperately seeking and deserves. It is time that this approach was operationalised and less attention was given to the kind of hyperbole and inaccurate narratives that have a tendency to dominate policy discussions and detract from what is actually needed in rural Afghanistan.

About David Mansfield

David Mansfield has been doing indepth fieldwork in rural Afghanistan since June 1997. Primarily this work has examined the role that opium poppy plays in rural livelihood strategies and the dynamics of the farmgate trade in opium. However, given the cross cutting nature of the drugs issue in Afghanistan this work has also charted the different socio-economic, political and environmental factors that explain fluctuations in cultivation and why these differ by location and socio-economic group. The evidence base he has produced has been at the forefront of policy development in Afghanistan and represents an important source of primary data for many policy analysts and academics.

David has worked for a variety of different organisations including the Afghan Research and Evaluation Unit (AREU), the Aga Khan Development Network, and the United Kingdom's Afghan Drugs Interdepartmental Unit. He has also supported the World Bank, Asian Development Bank and the European Commission in integrating the drugs issue into their development programmes in Afghanistan, including their support to the National Priority Programmes.

Prior to his work in Afghanistan David worked in overseas drugs and development issues, working in each of the major drug producing regions of South and South East Asia, and Latin America. His published work has sought to contextualise drugs as a development issue, and in particular has focused on developing pro-poor approaches to development in drug producing areas.

David is currently a fellow in the Afghanistan/Pakistan State Building and Human Rights Programme in the Carr Center at the Kennedy School of Harvard University. Copies of his reports can be found at www.davidmansfield.org

ENDNOTES

[i] "The sheer size and nature of the opium economy means that it infiltrates and seriously affects Afghanistan's economy, state society and politics. The opium economy is a massive source of corruption and gravely undermines the credibility of the government and its local representatives." Christopher Ward, David Mansfield, Peter Oldham and Bill Byrd, "Afghanistan: Economic Incentives and Development Initiatives to Reduce Opium Production," (report for the World Bank and Department for International Development, February 2008), 1.

[ii] Respondents in southern Afghanistan, pers. comm., February and April 2008.

[iii] Ibid.

[iv] For an account of the different crops that competed with opium poppy in the 1990s see Mumtaz, Alternative Cropping Systems for the Development of Agriculture in Qandahar. Report for UNDCP Afghanistan Programme, Islamabad, 1997; and K. Dawlaty and Omar Anwarzay, 'War a Booster of Poppy Cultivation in Afghanistan: Background and Areas for Research'. An Unpublished Report prepared for The Swedish Committee for Afghanistan, Peshawar, Pakistan, 1993; Nicole Potulski, Alternative Crops for Drug Growing Areas in Asia (Pakistan, Afghanistan, Nepal, Thailand). A literature review commissioned by the ODA from the International Centre for Underutilised Crops, Wye College, University of London, 1991. For more recent estimates of the profitability of different legal crops see Mansfield, David (2007) Governance, Security and Economic Growth: The Determinants of Opium Poppy Cultivation in the Districts of Jurm and Baharak in Badakhshan. A Report for the Aga Khan Development Network, February 2007 and . Mansfield, David (2008) Resurgence and Reductions: Explanations for Changing Levels of Opium Poppy Cultivation in Nangarhar and Ghor in 2005-2007. A report for AREU's Applied Thematic Research into Water Management, Livestock and the Opium Economy. AREU, Kabul. May 2008,

[v] See UNDCP, Afghanistan: Assessment Strategy and Programming Mission to Afghanistan, May-July 1995; and UNDCP, Afghanistan Annual Opium Poppy Survey 1997, (Islamabad, UNDCP, p. 11).

[vi] David Manfield (2009) Sustaining the Decline? Understanding the Nature of Change in the Rural Livelihoods of Opium Poppy Growing Households in the 2007/08 Growing Season. A Report for the Afghan Drugs Inter Departmental Unit of the UK Government (May). Page 51.

[vii] Mansfield, David (2008) Resurgence and Reductions: Explanations for Changing Levels of Opium Poppy Cultivation in Nangarhar and Ghor in 2005-2007. A report for AREU's Applied Thematic Research into Water Management, Livestock and the Opium Economy. AREU, Kabul. May 2008, Page 21-26

[viii] Mansfield, "Responding to Risk and Uncertainty."

[ix] William Byrd and Doris Buddenberg in Afghanistan's Drugs Industry: Structure, functioning, dynamics and implications for counter narcotics policy ed by Buddenberg, D. and W. Byrd. UNODC/World Bank. Kabul. November. Page 20 'Beyond the Metrics': Understanding the Nature of Change in the Rural Livelihoods of Opium Poppy Growing Households in the 2006/07 Growing Season. A Report for the Afghan Drugs Inter Departmental Unit of the UK Government (May). Mansfield, David (2006). "Exploring the 'Shades of Grey': An Assessment of the Factors Influencing Decisions to Cultivate Opium Poppy in 2005/06." A Report for the Afghan Drugs Inter Departmental Unit of the UK Government (February).

[x] David Mansfield Fieldwork in Nangarhar 2009 (forthcoming AREU Briefing Paper, February 2010)

[xi] In the 1990s the Taliban provided a level of security in which the trade in opium thrived. At the same time the impact of the conflict and the lack of public and private sector investment provided few alternatives to opium poppy cultivation. This is not to say that elements of the Taliban were not involved in the trade but there was not a consistent national policy that was applied towards the opium economy until the promulgation of the Taliban prohibition on opium until July 2000. UNODC (1999) *The Dynamics of the Farmgate Opium Trade and the Coping Strategies of Opium Traders*. By David Mansfield. UNODC Afghanistan Programme, Strategic Study 2. UNODC: Islamabad.

[xii] 'Beyond the Metrics': Understanding the Nature of Change in the Rural Livelihoods of Opium Poppy Growing Households in the 2006/07 Growing Season. A Report for the Afghan Drugs Inter Departmental Unit of the UK Government (May).

[xiii] Mansfield, David (2006). "Exploring the 'Shades of Grey': An Assessment of the Factors Influencing Decisions to Cultivate Opium Poppy in 2005/06." A Report for the Afghan Drugs Inter Departmental Unit of the UK Government (February).

[xiv] USAID/FEWS Afghanistan Security Update, August 2009. Page 1.

[xv] 'Beyond the Metrics': Understanding the Nature of Change in the Rural Livelihoods of Opium Poppy Growing Households in the 2006/07 Growing Season. A Report for the Afghan Drugs Inter Departmental Unit of the UK Government (May). Page 44-45.

[xvi] Herbicides are used but typically only where there are large landholdings with extensive wheat cultivation. These herbicides are used to control the weeds in light of sub optimal crop rotation. In the east this would be districts like Behsud, Surkhrud, and Kama in Nangarhar and Qarghai in Laghman. In districts where landholdings are smaller, wheat cultivation less extensive, and there is livestock, herbicides are not used as the weeds are used as fodder for livestock. David Mansfield Unpublished fieldwork Nangarhar 2007.

[xvii] Mansfield, "Responding to Risk and Uncertainty."

[xviii] GTZ, "Development in a Drugs Environment: Towards a Strategic Approach to 'Alternative Development.'" (discussion paper, Development-Oriented Drug Control Programme, February 2006), 9–10.

[xix] '*....it is crucial that counter narcotics is fully integrated into the broader national development agenda as set out in the National Development Strategy and the Government Security Sector Reform programmes laid out in the National Security Policy' (Page 7) 'The Government's CN policy must occur within the context of a broader stabilisation process. CN policy must therefore be mainstreamed, that is included, and facilitated in both national and provincial plans and strategies.*' (Page 15) Ministry of Counter-Narcotics. 'National Drug Control Strategy: An Updated Five Year Strategy for Tackling the Illicit Drug Problem'. Kabul, January 2006.

Mr. TIERNEY. Thank you. That was well done. Even if you saw that the trap door didn't open on Mr. Olson, you still managed to finish in 5 minutes, so we appreciate that.

Mr. Farah, please.

STATEMENT OF DOUGLAS FARAH

Mr. FARAH. Chairman Tierney and Ranking Member Flake, thank you for the opportunity to talk about something that I do believe is a true national security threat to the United States, Latin America, and West Africa.

What we are seeing in globalization is the development of flexible criminal and terrorist pipelines, where key facilitators are vital to the operations of both sets of actors and they are highly adaptable and forward-thinking. These pipelines or recombinant chains of actors and commodities now have the ability to move illicit goods around the globe to wherever the environment is most tolerant. The most lucrative commodities, as noted, are cocaine and heroin, but they are the same pipelines that serve weapons traffickers, human smugglers, fraud and contraband.

While the cocaine from the Andean region traditionally moved through Central America, Mexico, and the Caribbean, West Africa has been a new and extremely challenging part of the distribution network. The growth of transcontinental drug trafficking structures in recent years, with the capacity to project their operations from Latin America to West Africa, is a sobering reminder of the wealth and creativity of these structures and their ability to coopt already weak and failing states.

There are several causes of concern for the United States in the emerging cocaine nexus. The first is the presence of Mexican drug trafficking organizations, particularly the Sinaloa cartel in West Africa. The second is the presence of the FARC there. The FARC in the past decade has morphed into one of the world's largest cocaine trafficking syndicates, and both the United States and the European Union have designated it a terrorist organization.

The presence of the Mexican organizations and the FARC in West Africa and that cocaine pipeline mean that these groups can repatriate their profits even if the United States were to make significant progress in reducing the flow of drugs across its own southern border. The market for the drugs may change, but the beneficiaries of these illicit gains largely remain in Mexico, Colombia, and in our hemisphere.

While the FARC has suffered a series of defeats in the past 18 months, its ability to move cocaine to the U.S. market has been severely curtailed. But with the tolerance, if not complicity, of the Venezuelan government, the FARC has managed to significantly reroute its movements from Venezuela to West Africa, with destinations such as Guinea-Bissau, Guinea-Conakry, Sierra Leone, Liberia, and Ghana.

Another important point is that ungoverned spaces of West Africa are providing a meeting ground for criminal and terrorist groups to make new alliances. What I have observed in more than two decades of dealing with drug trafficking transnational and criminal organizations is that when they are able to meet in neutral territory,

they often form alliances that would not be possible under other circumstances.

Already in Guinea-Bissau, Guinea-Conakry, Ghana, and Sierra Leone, we are seeing members of Mexican, Colombian, Venezuelan, Surinamese, and European organizations operating in the same territory and plugging into the same pipeline, often commingling with the Lebanese crime syndicates that control the contraband and blood diamond trade.

Just as the blood diamond trade allowed groups like the Revolutionary United Front in Sierra Leone to purchase advanced weapons to become a more legal force, the influx of cocaine cash will allow the criminal and militia groups in the region to acquire more sophisticated weapons, trainings, and communications. At the same time, the weak host states have severely limited ability to confront these groups.

As noted the U.N. Office of Drugs and Crime conservatively estimates that 40 to 50 tons of cocaine, with an estimated value of $1.8 billion, passed through West Africa in 2007 and this trade is growing rapidly. The Pentagon's Africa Command and other intelligence services estimate the amount of cocaine transiting West Africa to be at least five times that estimate.

Using U.N. figures, the only legal export from the region that would surpass the value of cocaine is coca from the Ivory Coast. If the higher numbers are used, cocaine could dwarf the legal exports of all the region combined and be worth more than the GDP of several of the region's nations.

None of this is happening in a vacuum. The changes across the globe have been swift and dramatic in recent years, with the number of failed states growing from 11 in 1996 to close to 30 today. More than half of those, 18, are in Sub-Saharan Africa. This trend is important because these growing areas that are either stateless or governed by states that are in practice functioning criminal enterprises give rise to hybrid organizations that make the traditional distinctions between terrorism and organized crime, particularly drug trafficking, meaningless.

One of the reasons for the dismal state of governance in West Africa is that since the 1990's the region has suffered a series of conflicts centered on natural resources, such as diamonds, timber, oil, and gold. These resources, while valuable, pale in comparison to the money the cocaine trade generates. For example, at the height of the blood diamond trade in Sierra Leone and Liberia, the total value of diamonds being smuggled out was less than $200 million. The potential to fuel conflicts over the cocaine pipeline, the most lucrative commodity so far, and one whose profits are several order of magnitudes larger than diamonds, is truly frightening.

There is a broader potential danger that must be kept in mind as we assess the emerging trends in West Africa. I mentioned hybrid criminal organizations such as the FARC. In West Africa, it is Hezbollah, the Lebanese-based Shia Muslim organization that has long maintained an operational presence on the ground and has a significant role in the blood diamond trade and other illicit activities. It is inevitable that these organizations and the drug trafficking groups will encounter each other and mutually benefit because each has something the other one wants.

More worrisome on our hemisphere is evidence of Hugo Chavez's direct support for Hezbollah, including the June 18, 2008 OFAC designations of two senior Venezuelan citizens, including a senior diplomat, as Hezbollah supporters. Given Iran's ties to Hezbollah and Venezuela, Hezbollah's ties to Iran and the FARC, and the FARC's history of building alliances with those groups, and the presence of Hezbollah and other armed Islamist groups in Latin America and West Africa, it would be dangerous to dismiss the possibility of an alliance of these actors. The histories of these groups indicate that they will take advantage of the corrupt and weak states in West Africa to get to know each other, work together, learn from each other, and exploit areas of mutual interest. Unfortunately, the primary area of mutual interest is a hatred of the United States.

And I will leave it there.

[The prepared statement of Mr. Farah follows:]

Testimony of Douglas Farah

Senior Fellow
International Assessment and Strategy Center

Before

The House Committee on Oversight and Government Reform
Subcommittee on National Security and Foreign Affairs

"Transnational Drug Enterprises: Threats to Global Stability and U.S. National Security from Southwest Asia, Latin America and West Africa"

Oct. 1, 2009

In March 2000, Farah was named West Africa bureau chief for The Washington Post. Based in Abidjan, Ivory Coast, he traveled and wrote extensively about the brutal civil wars in Sierra Leone and Liberia. He also wrote about the interlocking networks of agents, under the protection of governments across the region, which profited from those conflicts and the diamonds-for-weapons trade. In November 2001 Farah broke the story of al Qaeda's ties to those diamond and weapons networks. Later that month Farah and his family were evacuated from West Africa because of threats against his life, resulting from the diamond stories. He continued to travel there and elsewhere around the world to report on the financial network of bin Laden. In June he joined the investigative staff in Washington. He left the Washington Post in January 2004.

Chairman Tierney, Ranking Member Flake and members of the Subcommittee:

Thank you for the opportunity to testify today on an issue that I believe is a true national security threat to the United States, as well as parts of Latin America and much of West Africa.

What we are seeing in the era of globalization, is that flexible criminal and terrorist pipelines --, where key facilitators are vital to the operations of both sets of actors -- are highly adaptable and forward thinking. These pipelines or recombinant chains of actors and commodities now have the ability to move goods, both licit and illicit, around the globe to wherever the environment is most hospitable and tolerant. While by far the most lucrative commodities in the pipeline are cocaine and heroin, the same pipelines serve weapons traffickers, human smugglers, fraud and contraband.[1]

The links in these chains are individuals, or facilitators, who are able to provide the necessary services--for fees in cash or in kind--to virtually anyone who needs to gain access to the pipeline to move illicit goods. While the cocaine pipelines from the Andean region in Latin America traditionally moved through the Central America/Mexico or Caribbean routes, West Africa has now become a new and extremely challenging part of the distribution network for U.S. and international counter-drug efforts.

The growth of truly transnational and transcontinental drug trafficking organizations and networks in recent years, with the demonstrated capacity to project their operations from Latin America to West Africa, is a sobering reminder of the wealth and creativity of these structures. It is also a reminder of the destructive power of these criminal enterprises and their ability to corrupt and co-opt already weak or failed states in West Africa. The profits of these illicit business ventures flow directly back to criminal and terrorist organizations in the Western Hemisphere, many who directly threaten U.S. national security.

There are several causes of particular concern for the United States in the new Latin America-West Africa cocaine nexus. The first is the documented presence of Mexican drug trafficking organizations, particularly the Sinaloa cartel, in West Africa. The second is the presence of the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia*-FARC), there. The FARC is a Marxist insurgency that has been fighting since 1964, when Lyndon Johnson was president and in the past decade, has morphed into one of the largest cocaine-trafficking syndicates in the world. Both the United States and the European Union have designated the FARC a terrorist organization.

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[1] Amado Philip de Andrés, "Organized Crime, Drug Trafficking, Terrorism: The New Achilles' Hell of West Africa," Commentary, Fundacion Para las Relaciones Internacionales y Dialogo Exterior (FRIDE), Madrid, Spain, May 2008. De Andrés is the deputy regional representative for West and Central Africa, United Nations Office on Drugs and Crime.

The presence of Mexican organizations and the FARC in the West African cocaine pipeline is dangerous because it means these groups can sell the drugs and repatriate their profits even if the United States were to make significant progress in reducing the flow of drugs across its own southern border. The market for the drugs may change, but beneficiaries of those illicit gains largely remain with Mexican, Colombian organizations and their allies in the region. The drugs transiting West Africa are a serious problem for Europe and other expanding markets such as Russia. But the Mexican and Colombian organizations who are using the West African pipeline and repatriating their profits, pose a direct threat to the security of the United States.

Under significant pressure from the Colombian military, the FARC has suffered a series of battlefield and intelligence defeats in the past 18 months, and its ability to move cocaine to the United States market has been severely curtailed. But, with the tolerance, if not complicity of the Venezuelan government, the FARC has managed to significantly reroute its cocaine movements through Venezuela to West African destinations such as Guinea Bissau, Guinea (Conakry), Sierra Leone and Liberia.

The money from the movement of this cocaine, ultimately destined for the lucrative European and Russian markets, has allowed the FARC to maintain a significant revenue stream to continue its war against the Colombian state and its associated campaigns of kidnapping, assassination intimidation. We will examine this in more detail further on.

Because they understand this revenue stream to the FARC and other Colombian and Latin American drug trafficking organizations has lethal consequences in their own countries, the Colombian and Brazilian governments are negotiating to establish their own police presence in West Africa, to work along side the local police forces.

Perhaps no country in the world understands the havoc these organizations can wreak on a society better than Colombia. And no country in Latin America has suffered as much as Brazil for developing into a key transit country, where payment is often made with drugs and not cash, thus creating a local consumption problem. Brazil is now the second largest consumer of cocaine in the world, after the United States.[2]

Another factor that I believe is very important is that ungoverned spaces in West Africa are providing a meeting ground for different criminal and terrorist groups to make new alliances.

What I have observed repeatedly in two decades of following drug trafficking, transnational criminal organizations and non-state armed groups is that when they are able to meet in neutral territory they often form alliances that would not be possible under other circumstances. This is holding true in West Africa.

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[2] 2009 International Narcotics Control Strategy Report (INCSR), Country Report: Brazil, United States Department of State, Feb. 27, 2009.

Already in Guinea Bissau, Guinea, Ghana, Sierra Leone and elsewhere we are seeing members of Mexican, Colombian, Venezuelan, Surinamese and European organizations operating in the same territory and plugging into the same pipeline. These groups are operating in tandem, and greatly strengthening local organized criminal syndicates, and could well be working with terrorist organizations.

Not only do these new actors in Africa bring a huge influx of cash, which can be used to buy or corrupt virtually any state institution. The Latin American cartel operatives also bring a whole new level of violence and sophistication to the illicit pipeline structures. Just as the "blood diamond" trade and illicit timber deals allowed groups like the Revolutionary United Front (RUF) in Sierra Leone to purchase advanced weapons on the international market and become a much more lethal force, the influx of cocaine cash will allow the criminal and militia groups in the region to acquire ever more sophisticated armaments, training and communications. At the same time, the weak host states have severely limited police, judicial or military capacity to confront these groups in any commensurate manner.

In West Africa, the consequences of a new illicit commodity flowing through the region are already devastating, as shown by the new wave of political instability and the creation of the continent's first true "narco-states," such as Guinea Bissau. As the trafficking grows, so will the havoc wreaked on weak states in West Africa--many of which are only now emerging from decades of chaos and unspeakable violence and are ill prepared to face the new challenges.

The United Nations Office of Drugs and Crime (UNODC) conservatively estimates that 40 to 50 tons of cocaine, with an estimated value of $1.8 billion, passed through West Africa in 2007, and the amount is growing.[3]

The Pentagon's Africa Command and other intelligence services estimate the amount of cocaine transiting West Africa is at least five times the UNOCO estimate.[4] Part of the reason for the discrepancy is that the overall amount of cocaine being trafficked through West Africa is unclear. Given the limited law enforcement capacities of many West African states, it is clear that only a small share of the cocaine trafficked through these countries is detected. In fact, the circumstances surrounding the best-documented seizures suggest that most are made by chance rather than resulting from police investigation. For example, in May 2007, the authorities in Noadhibou, Mauritania noticed a group of people unloading a shipment from a small private airplane. When they approached, the plane took off,

[3] Presentation of Antonio L. Mazzitelli, regional representative, United Nations Office of Drugs and Crime, Regional Office for West and Central Africa, at the Woodrow Wilson International Center for Scholars, May 28, 2009.

[4] Presentation of Peter D. Burgess, Counter Narcotics Project Officer, U.S. Africom, , at the Woodrow Wilson International Center for Scholars, May 28, 2009.

leaving behind its load of cocaine. In May 2006, the Ghanaian authorities seized 1.9 tons of cocaine after searching a van during a routine traffic stop. A consignment of around 635 kilos of cocaine was intercepted by the Judicial Police of Guinea-Bissau near the capital Bissau in April 2007. However, the traffickers escaped with the remainder of the consignment (believed to total around 2.5 tons) because police did not have the manpower or vehicles to give chase.[5]

But even using the most conservative estimate, the magnitude of the problem for the region is easy to see. Using UNODC figures, the only legal export from the region that would surpass the value of cocaine is cocoa exports from Cote d'Ivoire. If the higher numbers are used, cocaine would dwarf the legal exports of the region combined, and be worth more than the GDP of several of the region's nations.[6]

As Antonio Maria Costa, the head of the United Nations Office on Drugs and Crime wrote recently in an op-ed in the Washington Post, this epidemic of drugs and drug money flooding Guinea Bissau, Guinea, Sierra Leone and elsewhere has become a security issue. "Drug money is perverting the weak economies of the region...The influence that this buys is rotting fragile states; traffickers are buying favors and protection from candidates in elections."[7]

This staggering influx of illicit new revenue into the region is taking place in a broader and unhealthy context.

The changes across the globe have been swift and dramatic in recent years, as demonstrated in a snap shot drawn from three World Bank studies[8] and a recent survey by *Foreign Policy Magazine* and the Carnegie Endowment for International Peace.[9] Both sets of studies use metrics of economic development, state legitimacy, human rights, demographic pressures, public services and citizen security to determine where countries rank on a global scale.

Those nations at the bottom have become known as "failed states" or "fragile states," terms that have come into vogue to describe the growing areas of the world that lie beyond the control of central governments. In 1996, only 11 states were judged to be failing across the world. By 2003, a scant seven years later, the number had grown to 17, and by 2006 the number was 26. More than half of those, 18, are in

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[5] Andrés, op cit.

[6] Extrapolated by the author from UNODC and Africom data. As Andrés notes, the 2007 GDP of Guinea Bissau ($304 million) is equal to the wholesale value of about 6 tons of cocaine in Europe (p. 3).

[7] Antonio Maria Costa, "Cocaine Finds Africa," The Washington Post, July 29, 2008, p. A17, viewed at: http://www.washingtonpost.com/wp-dyn/content/article/2008/07/28/AR2008072802466.html

[8] "Engaging with Fragile States: An IEG Review of World Bank Support to Low-Income Countries Under Stress," The World Bank, September 2006, Washington, D.C., accessed at http://www.worldbank.org/ieg.

[9] "The Failed State Index 2007," Foreign Policy Magazine, Jul7-August 2007, pp. 54-63.

Sub-Saharan Africa. According to the 2009 Failed States Index of *Foreign Policy Magazine*, 19 of the 25 most fragile states in the world are in Sub-Saharan Africa.[10]

This trend is important because these growing areas that are either stateless or governed by states that are in practice are functioning criminal enterprises give rise to new hybrid organizations which make the traditional distinction between terrorism and organized crime, particularly drug trafficking, meaningless. I believe we will see the emergence of these hybrid organizations in West Africa in the very near future, and indeed they may already exist.

What draws terrorist and criminal organizations together, as overt state sponsorship for terrorism has been curtailed, are the shadow facilitators who understand how to exploit the seams in the international legal and economic structure, and who work with both terrorist and criminal organizations. Both groups use the same pipelines, the same illicit structures, and exploit the same state weaknesses, and are increasingly overlapping. Of the 43 Foreign Terrorist Organizations listed by the State Department, the Drug Enforcement Administration says 19 have clearly established ties to drug trafficking and many more are suspected of having such ties.[11]

One of the reasons for this dismal state of governance in West Africa is that since the early 1990s the region has suffered a series of conflicts centered on natural resources, particularly diamonds, timber, oil, and gold. Profits from these "honey pot" wars fueled the rise of the RUF in Sierra Leone with its child soldiers and unspeakable atrocities; fed the wars sustained by Liberia's Charles Taylor; and contributed to the rampant corruption and weak or failed institutions in almost every country. These natural resources, while valuable, pale in comparison to the money the cocaine trade generates. For example, at the height of the "blood diamond" trade in Sierra Leone and Liberia, the total value of the diamonds being smuggled out was less than $200 million. The potential to fuel conflicts over the cocaine pipeline, the most lucrative commodity so far and one whose profits are several orders of magnitude larger than those of diamonds, is truly chilling.

Terrorist and criminal organizations are masters at exploiting weak or criminal states,[12] and the existence of these regions in West Africa, as well as other macro trends in cocaine trafficking, explain the emergence of West Africa as an important transit area in recent years.

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[10] "The Failed State Index," Foreign Policy Magazine, July 2, 2009.

[11] DEA Chief of Operations Michael Braun at a July 18, 2008 speech to the Washington Institute for Near East Policy, accessible at: http://www.washingtoninstitute.org/templateC07.php?CID=411

[12] For a more detailed look at the criminal/terrorist pipelines and the different functions of failed and criminal states in their exploitation, see: Douglas Farah, "The Criminal-Terrorist Nexus and Its Pipelines," The NEFA Foundation, Jan. 14, 2008.

One of the primary developments is the growth of cocaine consumption in Europe, the former Soviet Union and other new and emerging markets.[13] Drug traffickers, like all good entrepreneurs, are constantly looking to diversify their markets and move to markets that provide greater profitability. While U.S. demand for cocaine has remained steady or declined in recent years, consumption in other parts of the world is growing rapidly. Moving drugs through Africa to Europe, while a circuitous route, is lucrative enough to draw many illicit organizations' involvement.

A second development is the growing ability to move cocaine from the Colombian production sites, largely controlled by the FARC or other non-state armed groups, through Venezuela with impunity. The government of Hugo Chávez in Venezuela has allowed the FARC, with whom Chávez has a deep and personal relationship,[14] to establish routes through his country that greatly lessen the threat and the cost of moving cocaine. According to a July 2009 U.S. Government Accountability Office study, the flow of cocaine through Venezuela has increased fourfold from 2004 to 2007, from about 60 metric tons to 260 metric tons. The number of suspect air flights leaving Venezuelan airspace during the same period increased from 109 to 178.[15]

The closeness of the Venezuelan government to the FARC was demonstrated in September 2008, when the Treasury Department's Office of Foreign Assets Control sanctioned three of Chávez's closest associates, including two intelligence chiefs, for aiding the FARC in the purchase of weapons and drug trafficking.[16] It should be noted that the FARC has a well-established network, including financial handlers, already established in Europe, particularly in Spain, where a good portion of the cocaine enters the European Union.[17]

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[13] According to recent data provided by U.S. agencies, the wholesale value of a kilo of cocaine in the United States is about $30,000, while the value in Europe is $47,000.

[14] The relationship is meticulously documented by the FARC leadership. The documents were captured from the computer of Raul Reyes, the FARC's second in command, on March 1, 2008, when Colombian troops raided Reyes' headquarters established on Ecuadoran soil. For more details, see: Douglas Farah, "What the FARC Papers Show Us About Latin American Terrorism," The NEFA Foundation, April 1, 2008, accessible at: http://www.nefafoundation.org/miscellaneous/FeaturedDocs/nefafarc0408.pdf.

[15] "Drug Control: U.S. Counternarcotics Cooperation with Venezuela Has Declined," Report to the Ranking Member, Committee on Foreign Relations, U.S. Senate, United States Government Accountability Office, July 2009.

[16] The three are Hugo Armando Cavajál, director of military intelligence, described as providing weapons to the FARC; Henry de Jesus Rangél, director of the civilian Directorate of Intelligence and Prevention Services, described as protecting FARC drug shipments; and Ramón Emilio Rodriguez Chacín, who, until a few days before the designation was Venezuela's minster of interior and justice. He is described as the "Venezuelan government's main weapons contact for the FARC." The role of the three in closely collaborating with the FARC is described in some detail in the documents captured in the Reyes documents. See: "Treasury Targets Venezuelan Government Officials Supporting the FARC," Press Room, Department of Treasury, September 12, 2008, viewed at: http://www.treas.gov/press/releases/hp1132.htm.

[17] For details of the FARC European network, see: Douglas Farah, "The FARC's International Relations: A Network of Deception," The NEFA Foundation, Sept. 22, 2008, accessed at: http://www.nefafoundation.org/miscellaneous/FeaturedDocs/nefafarcirnetworkdeception0908.pdf

It is interesting to note that several of the largest cocaine busts in West Africa have come aboard aircraft that departed from Venezuela.[18] Since Chávez expelled the Drug Enforcement Administration from Venezuela in 2006 and has halted all counter-narcotics cooperations, U.S. officials describe Venezuela as a "black hole." Not only does the Venezuelan government's attitude encourage drug trafficking, but Venezuela's geographic proximity to West Africa make it an ideal launching pad. This is true for both maritime operations and the use of aircraft.

A third factor is the success of the Colombian government in dismantling the large cartels, leaving the field open to smaller groups that seek alternative routes and markets. This is particularly true of resurgent drug trafficking organizations in Bolivia and Peru. While the Colombian organizations were for years able to keep the Bolivian and Peruvian structures from participating in any significant manner in the production of cocaine hydrochloride (HCL), or refined cocaine, those restrictions have eased as the Colombian organizations have weakened.

Gen. Oscar Naranjo, commander of the Colombian national police, recently stated that Colombia, due to the weakness of the traditional groups, no longer produces 90 percent of the world's cocaine, as has been the case for most of the past two decades. Rather, he said, Colombia produces about 54 percent of the HCL on the world market "with the rest coming from Peru and Bolivia."[19] He noted that for the first time in two decades or more, there was no single drug trafficking organization that dominates, as the Medellín, Cali, Northern Valley, FARC and the right wing United Self Defense Forces of Colombia (*Autodefensas Unidas de Colombia*-AUC) structures were able to. Rather, the landscape is now divided among many smaller groups, called "*Grupos Emergentes*" or Emerging Groups, such as the Aguilas Negras. These groups, in turn, are often made up of remnants of the former cartels, even ones that were mortal enemies at one time, such as the FARC and the AUC.

At the same time Mexican cartels are under increasing pressure inside Mexico, and U.S. interdiction efforts have raised the cost of doing business in the United States. This pressure has made a diversification to the European market, via West Africa, increasingly attractive.

This has direct consequences for West Africa. There is a consensus among U.S., UN and European monitors that the volume of cocaine flowing through West Africa is accelerating, and that the dramatic rise will not end any time soon. Among the

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[18] Among the largest was the May 1, 2007 seizure of 630 kilograms of cocaine aboard a Cessna aircraft in Nouhabidou, Mauritania. The airplane's GPS showed it had taken off from Venezuelan territory. See: "Cocaine Trafficking in Western Africa: Situation Report," UNODC, October 2007, pg. 9. In July 2008 another aircraft with 600 kilograms of cocaine and using a false Red Cross emblem on its tail, was seized in Sierra Leone.

[19] "Colombia: Amid Signs of Progress, Warning of a Cartel War," Latin American Security & Strategic Review, January 2009.

reasons are the rapid shifts and increasing fluidity within the overall world drug trade.

A significant portion of the Bolivian (and to a lesser degree Peruvian) cocaine shipments move by air to Venezuela, in part because of the alliance and friendship between Bolivian president Evo Morales and Chávez that makes the transportation relatively easy and safe. The cocaine is then often shipped onward to Europe, via Africa. But the majority of the Bolivian and Peruvian product is moved through Brazil, a nation with growing consumption, and then onward to Africa. There are linguistic as well as geographic reasons for this. Angola and Guinea Bissau, two of the most active transshipment hubs, are former Portuguese colonies, and the official languages there is Portuguese, making communication easier for Brazilian traffickers.

This trend is creating the conditions for the convergence of these groups in new and dangerous ways, affording them not only the opportunity to reap enormous profits, but the chance to share "lessons learned," best practices and the latest technology in areas that are largely beyond state control.

There is a broader potential danger that must be kept in mind as we see assess emerging trends in West Africa. I spoke earlier about the "hybrid" criminal-terrorist organization, of which the FARC is a leading example. In West Africa, it is Hezbollah, the Lebanon-based Shiite Islamist group, designated a terrorist organization by the United States, that has long maintained an operational presence and has had a significant role in the blood diamond trade and many other illicit activities. In addition, many in the Lebanese Diaspora community in West Africa, numbering several hundred thousand, pay a portion of their earnings to support Hezbollah in Lebanon, with the knowledge and acquiescence of the host government.[20] The importance of this revenue stream was revealed when a charter flight bound for Beirut from Cotonou, Benin, crashed on takeoff on Dec. 25, 2003. On board was a Hezbollah "foreign relations" official carrying $2 million in contributions raised in the region. The money was said to represent "the regular contributions the party [Hezbollah] receives from wealthy Lebanese nationals in Guinea, Sierra Leone, Liberia, Benin and other African states."[21]

Given the prominence of the Lebanese Diaspora community and its members' control of most of the existing pipeline to import and export illegal commodities, it is inevitable that those organizations and the drug trafficking groups will encounter each other and mutually benefit from each other because each has something the

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[20] See: Edward Harris, "Hezbollah Extorting Funds From West Africa's Diamond Merchants," Associated Press, 29 June 2004.

[21] Hamid Ghiryah, "Hezbullah Officials Carrying Donations Reportedly Killed in Lebanese Plane Crash," al-Siyasah (Kuwait), Dec. 29, 2003. For a broader look at the role of the Lebanese diaspora in West African illicit trade activities, see: Lansana Gberie, *War and Peace in Sierra Leone: Diamonds, Corruption and the Lebanese Connection,* The Diamond and Human Security Project, Occasional Paper 6, January 2003.

other wants and needs. The Lebanese networks control the decades-old contraband networks and routes to Europe, while the drug traffickers offer a new and lucrative product for the existing pipeline. Violent clashes may take place, but the history of both groups indicates they will cooperate where useful.

Given Hezbollah's long-established presence on the ground in the region and the closeness of its operatives to that community, it is also reasonable to assume that Hezbollah and the drug traffickers, operating in the same permissive environment, will cross paths. It is precisely this type of environment that allows for the otherwise unthinkable alliances to emerge. Most are short-lived, centering on specific opportunities and operations that can benefit both groups, but others are longer lasting and more dangerous.

Figure 1: Hezbollah Office in Freetown, Sierra Leone

There is a long history of outside terrorist actors, particularly Hezbollah, being active in Latin America. The most egregious documented cases of Hezbollah and Iran's direct involvement in terrorist activities are the 1992 bombing of the Israeli embassy in Buenos Aires and the 1994 bombing of the AMIA Jewish center the same city.

But there are other instances that merit mentioning. The FARC has a long history of reaching out to other terrorist groups, notably the Provisional Irish Republican Army (P-IRA) and the ETA Basque separatists, for training and exchanges. There are documented visits in the late 1990s to the Tri-Border Area by Hezbollah's chief of logistics Immad Mugnyiah (now deceased), and Khalid Sheikh Mohammed, the

architect of the 9/11 attacks on New York and Washington, currently held in Guantanamo. [22] There is the possible presence of Osama bin Laden in the region in 1995, as reported by the Brazilian, French and U.S. media.[23] Given the security with which these senior operatives would have to move it is unlikely they would visit the region unless there were adequate security arrangements and infrastructure to allow them to operate. It is also unlikely they would travel there if there were no compelling reason to do so.

More worrisome is the recent evidence of Chávez's direct support for Hezbollah, including the June 18, 2008 OFAC designations of two Venezuelan citizens, including a senior diplomat, as terrorist supporters for working with the armed group. Several businesses also were sanctioned. Among the things the two are alleged to have been conducting on behalf of Hezbollah were coordinating possible terrorist attacks and building Hezbollah-sponsored community centers in Venezuela.[24]

Given Iran's ties to Hezbollah and Venezuela, Venezuela's ties Iran and the FARC, the FARC's history of building alliances with other armed groups, and the presence of Hezbollah and other armed Islamist groups in Latin America and on the ground in West Africa, it would be dangerous and imprudent to dismiss the possibility of an alliance of these actors. The history of these groups indicates that they will take advantage of the ungoverned spaces and corrupt and weak states of West Africa to get to know each other, work together, learn from each other and exploit areas of mutual interest. Unfortunately, the primary area of mutual interest is a hatred of the United States.

Given that most of the cocaine passing through West Africa is destined for Europe, and given the limited resources of the United States for protecting its strategic interests around the world, one might ask why any of this of pressing concern for us on a strategic level.

There are multiple reasons. The first is that the West Africa cocaine trail directly strengthens drug cartels that exercise great power and pose a direct threat to the

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[22] For a comprehensive look at possible radical Islamist activities in the region, see: Rex Hudson, "Terrorist and Organized Crime Groups in the Tri-Border (TBA) of South America," Federal Research Division, Library of Congress, July 2003. For more recent Hezbollah ties, as related by Colombia authorities, see: "Colombia Ties Drug Ring to Hezbollah," *Reuters* News Agency, as appeared in the *New York Times*, Oct. 22, 2008.

[23] "El Esteve no Brazil," *Veja* on-line, no. 1,794, March 19, 2003; "Bin Laden Reportedly Spent Time in Brazil in '95," *Washington Post*, March 18, 2003, p. A24.

[24] One of those designated, Ghazi Nasr al Din, who served as the charge d'affaires of Venezuelan embassy in Damascus, and then served in the Venezuelan embassy in London. The OFAC statement said that in late January 2006, al Din facilitated the travel of two Hezbollah representatives of the Lebanese parliament to solicit donation and announce the opening of a Hezbollah-sponsored community center and office in Venezuela. The second individual, Fawzi Kan'an is described as a Venezuela-based Hezbollah supporter and a "significant provider of financial support to Hizbollah." He met with senior Hezbollah officials in Lebanon to discuss operational issues, including possible kidnapping and terrorist attacks. The OFAC statement can be accessed at: http://www.treas.gov/press/releases/hp1036.htm

United States and its allies in the Western Hemisphere. The money generated by the cocaine trade largely flows back to the drug trafficking organizations in Mexico, Colombia, Bolivia, Brazil and Peru, greatly increasing the power of non-state criminal organizations to challenge the state.

We see daily the threats posed by the transnational Mexican drug organizations on and across our borders. We have spent significant resources to aid Colombia in its costly wars against the drug cartels and the FARC in recognition that these groups posed a direct challenge to our national security and the stability of areas of vital strategic interest in our hemisphere. The movement of drugs through West Africa to Europe produces enormous revenues for these groups, allowing them to survive, morph, reconfigure and continue to wreak havoc.

Just as importantly, the drug trafficking in West Africa also directly strengthens those who seek not only to harm the United States but also to strangle the struggling liberal democracies in Latin America. These include Hugo Chávez in Venezuela, his allies in Iran, the FARC and Hezbollah. As noted above, the circumstances in West Africa are ideal for allowing many of these non-state criminal and terrorist organizations to greatly expand their cooperation. The money raised from the cocaine on the West Africa route brings all these threats closer to the United States.

A second reason to engage on this threat is that the infusion of drugs and drug revenue into West Africa--one of the poorest and most corrupt regions of world with a history of violent conflict centered on commodities and resources--will inevitably bring a new wave of violence and instability to the region. Apart from the very legitimate humanitarian concerns, about 18 percent of the oil[25] and 14 percent of the natural gas (LNG) imported by the United States each year comes from the region,[26] and these amounts are estimated to rise significantly in coming years. By 2015, Sub-Saharan Africa is projected to supply about 25 percent of U.S. oil and LNG imports, the vast majority of that from West Africa.[27] Africa remains one of the most promising regions of the world for future oil production. Proven reserves increased by 56 percent between 1996 and 2006, compared to 12 percent for the rest of the world.

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[25] Statement of John R. Brodman, deputy assistant secretary for international energy policy, office of policy and international affairs, U.S. Department of Energy, before the Subcommittee on International Economic Policy, Export and Trade Promotion, Senate Committee on Foreign Relations, July 15, 2004

[26] Statistics from the U.S. Department of Energy: http://tonto.eia.doe.gov/dnav/pet/pet_move_impcus_a2_nus_ep00_im0_mbbl_a.htm. Nigeria is the fifth-largest source of oil for the United States, produces some 2.5 million barrels a day, and supplied the United States with a total of 413 million barrels of oil in 2007. Angola was next, with a total of 185 million barrels of oil sold to the United States, followed by Chad (28.4 million barrels), and Cameroon (10.8 million barrels).

[27] National Intelligence Council, "Global Trends 2015: A Dialogue About the Future with Nongovernment Experts," December 2000, accessed at: http://www.dni.gov/nic/NIC_globaltrend2015.html#link13e

A third reason is that we have already witnessed--and I have spent considerable time in the war zones of Sierra Leone, Liberia and Guinea documenting--the horrendous human tragedies of resource wars in West Africa. These range from the campaigns of mass amputation and systematic rape by the RUF and the brutality of the Taylor regime to the millions of displaced refugees and the destruction of civil society across the region. The revenue stream derived from cocaine will make past wars pale in comparison to what will come. In addition, if history is any guide, the traffickers will work to create internal consumption markets in the countries where they operate. Having seen first hand the damage done by child soldiers in drug-induced hazes already, it is clear that easier access to cocaine will give rise to a whole new level of violence.

The United States has already taken important steps to engage in this theater. Africom, the DEA and State Department each are devoting considerably more resources to drug issues in West Africa than they were a year or two ago. But by any measure it is not enough, and certainly has not slowed the flow of cocaine through the region. Compartmentalization, stove-piping of information, and the continued focus on delimited geographic territories, continue to hamper the effectiveness of counter drug programs. It is no longer a useful model to look at the old, static model of Latin American drug trafficking organizations because the new organizations operate on multiple continents rather than a single country or region. Hence, information sharing across regions and across U.S. government agencies is vital to beginning to significantly improve the situation.

As the DEA knows well, the key to identifying, mapping and dismantling drug trafficking organizations is human intelligence. The DEA is working to identify and target "shadow facilitators," or those individuals who service a variety of organizations, both criminal and terrorist. A prime example of this type of individual was Viktor Bout, the Russian weapons merchant who is currently in prison in Thailand, awaiting a ruling on whether he can be extradited to the United States to stand trial.[28]

However, U.S. agencies cannot work effectively in the region without local allies. One of the keys to success in Colombia and elsewhere has been the establishment of effective vetted units within a local police or military force, where information can be exchanged with less fear of leaks or compromise. Given the linguistic and cultural complications across West Africa, and the fact that they vary from country to country, the ability to work in some fashion with at least a segment of the national law enforcement community is vital.

Finally, our European allies, particularly the French, British and Belgians, must be brought into the process in a much more robust way. This is true not only because

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[28] For a more complete look at Bout and his transnational operations see: Douglas Farah and Stephen Braun, Merchant of Death: Money, Guns, Planes and the Man Who Makes War Possible, John Wiley and Sons, New York, 2007.

most of the cocaine ends up in Europe. These countries have deep colonial histories in various countries in the region, and have a much deeper historic knowledge of the traditional criminal and smuggling networks that operate. For example, the Belgians have followed the blood diamond trade for decades and understand and have mapped the Lebanese family and clan networks involved in the trade. This type of information and understanding would take years for U.S. agencies to develop, but can be put to good use in combating drug trafficking in the region. These nations also have many more levers of "soft power," through trade and aid, than the United States does, and hence have more tools with which to engage the region on this issue.

I am not optimistic about the possibility of avoiding a wholesale disaster in West Africa that will have direct spillover effects in Latin America and the United States. The cancer of cocaine trafficking is far advanced in a host body that is weak and unable to fight back without a great deal of help and significant structural changes. Al Qaeda, Hezbollah, Hamas and other terrorist organizations have an operational presence across Sub-Saharan Africa. They are increasingly using the same pipelines and facilitators as transnational criminal groups. These pipelines will grow and spread with the infusion of cocaine and drug money, accelerating the corrosion of already weak states. But the consequences of allowing the cancer to spread unabated --and the direct threat that will pose to the United States -- means we have no choice but to increase our efforts to stem the tide.

Mr. TIERNEY. Thank you, sir. Thank you very much for those remarks.

Doctor.

STATEMENT OF VANDA FELBAB–BROWN

Ms. FELBAB-BROWN. Mr. Chairman, members of the committee, I am honored to have this opportunity to address the committee on this important issue. I will focus my comments on some general dynamics of the drug conflict nexus and then provide a comparative assessment of the significance of these manifestations of the drug conflict nexus to U.S. national security. And, if time permits, I will conclude with some recommendations for U.S. policy.

The penetration of illicit economies by terrorist or insurgent groups provides an especially potent threat to states and regional stability, since, unlike crime organizations, belligerent groups usually tend to have bigger goals, including to completely eliminate the existing state's presence in particular locales or countries.

Illicit economies provide for belligerent groups the opportunity to increase their power along multiple dimensions, not simply in terms of financial profits. Financial profits are very important because with increased financial profits belligerent groups can increase their fighting capabilities, hire a greater number of better paid combatants, buy better weapons, and simplify their logistical and supply chains; all critical for the conduct of violent opposition to a state.

But crucially and frequently neglected in policy considerations, belligerents who participate in illicit economies frequently also obtain what I call political capital, namely, legitimacy with and support from local populations who are dependent on the illicit economy for basic livelihood. And they obtain this political capital by protecting the populations from government efforts to repress the illicit economy in the absence of legal livelihoods.

They also provide a variety of other protection and regulatory services. With this political capital and the ability to provide these regulatory services and protection services, they have the capacity to transform themselves from mere violent actors to violent actors that take on the functions of a protostate.

Although the political capital that belligerents obtain is frequently very thin, it is nonetheless sufficient to motivate the population not to provide intelligence on the belligerents to government, and this is critical. Such human actionable intelligence is critical for the success of counterinsurgency and counterterrorism efforts, as well as for the effectiveness of law enforcement.

Several factors influence the size of the political capital, but, in a nutshell, it is strongest in areas where the country is poor, the illicit economy is labor intensive and, hence, can provide employment opportunity for hundreds of thousands, if not millions, of people, thuggish traffickers are present, and the government is suppressing the illicit economy in the absence of legal livelihoods.

Policies that focus on degrading the belligerents' physical resource, such as stopping their financial flows, are frequently ineffective because it is extraordinarily difficult to attempt to bankrupt belligerent groups through eradication or interdiction measures.

Yet, they are also counterproductive if they target the wider population dependent on the illicit economy.

Counternarcotics policies need to be weighed very carefully with a clear eye toward the counterinsurgency and counterterrorism implications. Seemingly quick fixes, such as blanket eradication, in the absence of alternative livelihoods, but only strengthen the insurgency, not accomplish the goal of bankrupting the insurgency, while compromised state building and ultimately counternarcotics efforts themselves.

Nowhere is the nexus of drugs and insurgency so vital and so counterproductive for U.S. national primary security interests as is in Afghanistan. We have already heard that drugs are fueling the Taliban. They are also corrupting the government and undermining the legitimacy of the Afghan government. But the seriousness of the threat and the strategic importance of the stakes do not necessarily imply that aggressive counternarcotics suppression policies in Afghanistan today are inappropriate policies. Indeed, premature eradication will only make matters worse, as it has already. So the Obama administration's new policy for counternarcotics in Afghanistan gives hope that the deficiency of the existing policies will be redressed.

Moreover, success in suppressing poppy in Afghanistan may well increase threats to your security in other ways. Given the persistent global demand and, in fact, increasing global demand for opiates, the illicit economy will simply shift elsewhere. There is a very good chance and a worrisome chance that poppy will shift back to Pakistan to the areas that Mr. Mansfield already mentioned, but also possibly to Kashmir and even parts of Punjab.

In that case, Jihadi groups of the greatest danger would not only have the capacity to increase their profits, but, most dangerously, increase their political capital. Right now, all they can afford the local populations is ideological succor. If the poppy economy shifts to Pakistan, they will be able to provide real-time benefits and greatly strengthen the struggle against the state.

Thank you.

[The prepared statement of Ms. Felbab-Brown follows:]

STATEMENT OF VANDA FELBAB-BROWN
FELLOW IN FOREIGN POLICY AT THE BROOKINGS INSTITUTION
To
SUBCOMMITTEE ON NATIONAL SECURITY AND FOREIGN RELATIONS,
HOUSE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
OCTOBER 1, 2009

Mr. Chairman and Members of the Committee:

I am honored to have this opportunity to address the Subcommittee on the important issue of how drug enterprises affect U.S. national security and global stability. Illicit economies, organized crime, and their impacts on U.S. and local security issues around the world are the domain of my work, the subject of my forthcoming book, *Shooting Up: Counterinsurgency and the War on Drugs,* and I have conducted fieldwork on these issues in Latin America, Asia, and Africa. I will focus my comments on the general dynamics of the drug-violent conflict nexus and the role of belligerent actors and crime groups and then provide a survey of how the manifestations of these dynamics in particular locales affect U.S. national security. I will conclude with some recommendations for U.S. policies for dealing with the problem.

Dynamics of the Drug-Insecurity Nexus

A variety of actors have penetrated various illicit economies, including the drug trade, usually considered the most lucrative of illicit economies and estimated to generate revenues on the order of hundreds of billions of dollars a year. Actors that participate in illicit economies include the populations that produce the illicit commodities and services; crime groups, such as drug trafficking organizations and mafias; belligerent actors, such as terrorist, insurgent, and paramilitary groups; and corrupt government and law enforcement officials. The penetration of the illicit economies by terrorist or insurgent groups provides an especially potent threat to states and regional stability since, unlike crime organizations that usually have more limited aims, such belligerent groups typically seek to completely eliminate the existing state's presence in particular locales or countries.

Burgeoning and unconstrained drug production and other illicit economies thus have profound negative consequences for states and local stability. Most fundamentally, illicit economies provide an opportunity for belligerent groups to increase their power along multiple dimensions, not simply by gaining control of physical resources, but also by obtaining support from local populations. Such belligerents hence pose a serious security threat to local governments and, depending on the objectives of the group, to regional and global security and U.S. interests as well. With large financial profits, the belligerent groups improve their fighting capabilities by increasing their physical resources, hiring greater numbers of better paid combatants, providing them with better weapons, and simplifying their logistical and procurement chains.

Crucially, and frequently neglected in policy considerations, such belligerents derive significant political capital – legitimacy with and support from local populations - from their sponsorship the drug economy. They do so by protecting the local population's reliable (and frequently sole source of) livelihood from the efforts of the government to repress the illicit economy. They also derive political capital by protecting the farmers from brutal and unreliable traffickers, by bargaining with traffickers for better prices on behalf of the farmers, by

mobilizing the revenues from the illicit economies to provide otherwise absent social services, such as clinics and infrastructure, as well as other public goods, and by being able to claim nationalist credit if a foreign power threatens the local illicit economy. In short, sponsorship of illicit economies allows nonstate armed groups to function as security providers and economic and political regulators. They are thus able to transform themselves from mere violent actors to actors that take on protostate functions.

Although the political capital such belligerents obtain is frequently thin, it is nonetheless sufficient to motivate the local population to withhold intelligence on the belligerent group from the government if the government attempts to suppress the illicit economy. Accurate and actionable human intelligence is vital for success in counterterrorist and counterinsurgency efforts as well as law enforcement efforts against crime groups.

Four factors determine the size of the political capital which belligerent groups obtain from their sponsorship of illicit economy: the state of the overall economy; the character of the illicit economy; the presence (or absence) of thuggish traffickers; and the government response to the illicit economy.

- The state of the overall economy – poor or rich -- determines the availability of alternative sources of income and the number of people in a region who depend on the illicit economy for their basic livelihood.
- The character of the illicit economy – labor-intensive or not – determines the extent to which the illicit economy provides employment for the local population. The cultivation of illicit crops, such as poppy and coca, such as in Afghanistan and Colombia, is very labor-intensive and provides employment to hundreds of thousands to millions in a particular country. Production of methampethamines, such as sponsored by the United Wa State Army in Myanmar, on the other hand, is not labor-intensive, and provides livelihoods to many fewer people.
- The presence (or absence) of thuggish traffickers and the government response to the illicit economy (which can range from suppression to laissez-faire to rural development) determine the extent to which the population depends on the belligerents to preserve and regulate the illicit economy.

In a nutshell, supporting the illicit economy will generate the most political capital for belligerents when the state of the overall economy is poor, the illicit economy is labor-intensive, thuggish traffickers are active in the illicit economy, and the government has adopted a harsh strategy, such as eradication, in the absence of legal livelihoods in place.

But that does not mean that sponsorship of labor-non-intensive illicit economies brings the anti-government belligerents no political capital. If a labor-non-intensive illicit economy, such as drug smuggling in Sinaloa, Mexico, generates strong positive spillover effects for the overall economy in that locale, by boosting demands for durables, nondurables, and services that would otherwise be absent, and hence indirectly providing livelihoods to and improved economic well-being of poor populations, it too can be a source of important political capital. In the Sinaloa, example, the drug trade is estimated to account for 20% of the state's GDP, and for some of Mexico's southern states, the number may be higher.[1] Consequently, the political capital of the sponsors of the drug trade there, such as the Sinaloa cartel, is hardly negligible.

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[1] Work by Mexican economist Guillermo Ibara cited in Manuel Roig-Franzia, "Mexico's Drug Trafficking Organizations Take Barbarous Turn: Targeting Bystanders," *Washington Post*, July 30,2008, p. A9.

Moreover, unlike their ideologies, that rarely motivate the wider population to support the belligerents, sponsorship of illicit economies allows belligerent groups to deliver concrete material improvements to lives of marginalized populations in real time. Even when ideology wanes and the brutality of belligerent groups alienates the wider population and other sources of support evaporate, this ability to deliver material benefits to the population frequently will preserve the belligerents' political capital.

For this reason, even crime groups without ideology can have strong political capital. This will be especially the case if crime groups couple their distribution of material benefits to poor populations also with the provision of otherwise absent order and minimal security. By being able to outcompete the state in provision of governance, organized crime groups can pose significant threats to states in areas or domains where the government's writ is weak and its presence limited. Consequently, discussions of whether a group is a crime group or a political one or whether belligerents are motivated by profit, ideology, or grievances are frequently overstated in their significance for devising policy responses.

Policies that focus on degrading the belligerents' physical resources by attempting to destroy the illicit economy are frequently ineffective with respect to the objective of drying up the belligerents' resources. In the case of labor-intensive illicit economies where there are no legal economic alternatives in place, such policies are especially counterproductive with respect to securing intelligence and weaning the population away from the terrorists and insurgents. Eradication of illicit crops has dubious effects on the financial profits of belligerents. Even when carried out effectively, it might not bring great, if any, financial losses to the belligerents since effective suppression of the production of the illicit commodity may actually increase the international market price for the commodity. Given continuing demand for the commodity, the final revenues may be even greater. This was, for example, the outcome of the Taliban ban on poppy cultivation in Afghanistan in 2000: after production was suppressed by ninety percent, the value of the Taliban opium and heroin stocks increased ten times.

Moreover, the extent of the financial losses of the belligerents also depends on the ability of the belligerents, traffickers, and farmers to store drugs, replant after eradication, increase number of plants per acre, shift production to areas that are not subject to eradication, or use high-yield, high-resistance crops. Belligerents also have the opportunity to switch to other kinds of illicit economies – synthetic drugs, illicit logging, gems, illicit trade in wildlife, or fundraising among wealthy sympathetic populations. There has not been one case when eradication bankrupted the belligerent organization to the point of defeating it.

Yet although the desired impact of eradication -- to substantial curtail belligerents' financial resources -- is far from certain and is likely to take place only under the most favorable circumstances, eradication will definitely increase the political capital of the belligerents since the local population will all the more strongly support the belligerents and not provide the government with intelligence.

Policies to interdict drug shipments or anti-money laundering measures are less counterproductive in terms of antagonizing the local populations from the government, but they are extraordinarily difficult to carry out effectively. Most belligerent groups maintain highly diversified revenue portfolios. Attempts to turn off their income are highly intelligence- and resource-intensive. With the exception of some tactical successes in Colombia, such efforts have yet to weaken any significant belligerent group.

Counternarcotics policies hence have to be weighed very carefully, with a clear eye as to their impact on counterinsurgency and counterterrorism. Seemingly quick fixes, such as blanket

eradication in the absence of alternative livelihoods, will only strengthen the insurgency and compromise state-building and ultimately counternarcotics efforts themselves.

It is also important to note that some illicit economies and new smuggling methods to which belligerents are pushed as result of suppression efforts against the original illicit economy can have far more dangerous repercussions for the global security and the United States than the original illicit economy did. Such alternative sources of financing could involve, for example, obtaining radioactive materials for resale on the black market. Reports that the leftist Colombian guerrilla group, the FARC (*Fuerzas Armadas Revolucionarias de Colombia* – Revolutionary Armed Forces of Colombia), acquired uranium for resale in order to offset the temporary fall in its revenues as a result of eradication during early phases of Plan Colombia before coca cultivation there rebounded, is an example of how the unintended policy effects in this field can be even more pernicious that the problem they are attempting to address. The FARC's switch to semisubmersibles for transportation of drugs and their proliferation provides another worrisome example of unintended consequences of a policy, this time intensified air and maritime interdiction. The more widespread such transportation technologies are among non-state belligerent actors, the greater the likelihood that global terrorist groups will attempt to exploit them for attacks against U.S. assets or homeland.

Similarly, in the absence of a reduction of global demand for narcotics, suppression of a narcotics economy in one locale will only displace production to a different locale where threats to U.S. and global security interests may be even greater. Considerations of such second and third-degree effects need to be built into policy.

Apart from strengthening belligerent groups and even crime groups in a multifaceted way, large-scale illicit economies also threaten the security and stability of the state indirectly. Politically, they provide an avenue for criminal organizations to enter the political space, corrupting and undermining the democratic and legitimate process. These actors, who enjoy the financial resources and political capital generated by sponsoring the illicit economy, frequently experience great success in politics. They are able to secure official positions of power as well as wield influence from behind the scenes. The problem perpetuates itself as successful politicians bankrolled with illicit money make it more difficult for other actors to resist participating in the illicit economy, leading to endemic corruption at both the local and national levels. Afghanistan, Guatemala, and El Salvador are cases in point.

Large illicit economies dominated by powerful traffickers also have pernicious effects on a country's law enforcement and judicial systems. As the illicit economy grows, the investigative capacity of the law enforcement and judicial systems diminishes. Impunity for criminal activity increases, undermining the credibility of law enforcement, the judicial system, and the authority of the government. Powerful traffickers frequently turn to violent means to deter and avoid prosecution, killing off or bribing prosecutors, judges, and witnesses. Colombia in the late 1980s and Mexico today are powerful reminders of the corruption and paralysis of law enforcement as a result of extensive criminal networks and the devastating effects of high levels of violent criminality on the judicial system.

In addition, illicit economies have large economic effects. Drug cultivation and processing, for example, on the one hand generate employment for the poor rural populations and may even facilitate upward mobility. As mentioned before, they can also have powerful marcoeconomic spillover effects in terms of boosting overall economic activity. But a burgeoning drug economy also contributes to inflation and can hence harm legitimate, export-oriented, import-substituting industries. It encourages real estate speculation and undermines

currency stability. It also displaces legitimate production. Since the drug economy is more profitable than legal production, requires less security and infrastructure, and imposes smaller sunk and transaction costs, the local population is frequently uninterested in, or unable to, participate in other (legal) kinds of economic activity. The illicit economy can thus lead to a form of so-called Dutch disease where a boom in an isolated sector of the economy causes or is accompanied by stagnation in other core sectors since it gives rise to appreciation of land and labor costs.

Effects of Regional Manifestations of the Drug-Conflict Nexus on U.S. Security

Even though the drug-violent-conflict nexus follows these general dynamics irrespective of the locale, how acute a threat to U.S. security interests it presents depends on the strategic significance of the state weakened by such connections and the orientation of the belligerent group toward the United States.

Perhaps nowhere in the world does the presence of a large-scaled illicit economy threaten U.S. primary security interests as much in Afghanistan. There, the anti-American Taliban strengthens its insurgency campaign by deriving both vast financial profits and great political capital from sponsoring the illicit economy. The strengthened insurgency in turn threatens the vital U.S. objectives of counterterrorism and Afghanistan's stability plus the lives of U.S. soldiers and civilians deployed there to promote these objectives. The large-scale opium poppy economy also undermines these goals by fueling widespread corruption of Afghanistan government and law enforcement, especially the police forces.

A failure to prevail against the insurgency will result in the likely collapse of the national government and Taliban domination of Afghanistan's south, possibly coupled with civil war. A failure to stabilize Afghanistan will in turn further destabilize Pakistan, emboldening the jihadists in Pakistan and weakening the resolve of Pakistan's military and intelligence services to take on the jihadists. Pakistan may likely once again calculate that it needs to cultivate its jihadi assets to counter India's influence in Afghanistan – perceived or actual.

But the seriousness of the threat and the strategic importance of the stakes do not imply that aggressive counternarcotics suppression measures today will enhance U.S. objectives and global stability. Indeed, just the opposite. Premature measures, such as extensive eradication before legal livelihoods are in place, will simply cement the bonds between the rural population dependent on poppy for basic livelihood and the Taliban, limit intelligence flows to Afghan and NATO forces, and further discredit the Afghan government and tribal elites sponsoring eradication. Nor, given the Taliban's large sources of other income, will eradication bankrupt the Taliban. In fact, eradication so far has failed to accomplish that while already generating the above mentioned counterproductive outcomes.

After years of such inappropriate focus on eradication of the poppy crop, the new Obama counternarcotics strategy for Afghanistan, announced in summer 2009, promises to mesh well with the counterinsurgency and state-building effort. By scaling back eradication and emphasizing interdiction and development, it will help separate the population from the Taliban. A well-designed counternarcotics policy is not on its own sufficient for success in Afghanistan. But it is indispensible. Counterinsurgent forces can prevail against belligerents profiting from the drug trade when they increase their own counterinsurgency resources and improve the strategy.

Moreover, "success" in suppressing poppy in Afghanistan may well increase threats to U.S. security in other ways. Given existing global demand, poppy cultivation will shift elsewhere. There are many countries where poppy can be grown; but Burma, which used to be

the number one producer for many years, Central Asia, and Pakistan are likely candidates. A shift to Pakistan would be by far the most worrisome. In that case, Pakistani jihadi groups would not only be able to increase their profits, but also, and most dangerously, their political capital. Today, they have little to offer but ideological succor to the dissatisfied populations in the Federally Administered Tribal Areas, the Northwest Frontier Province, and wider Pakistan. If widespread poppy cultivation shifted to these areas, Kashmir, and possibly even parts of Punjab, the jihadist belligerents would be much strengthened by providing real-time economic benefits to marginalized populations.

Drug trafficking organizations in Mexico pose perhaps the second greatest threat to U.S. security on the part of today's actors involved in the global drug trade. Unlike jihadi terrorist groups in Afghanistan and Pakistan, they do not seek to target the U.S. homeland or intend to conduct a deadly terrorism campaign against the United States. Nor do they have the capacity or interest to overthrow the Mexican government. Mexico is not a failing state. But any spillover of the drug war from Mexico could threaten public safety in certain U.S. localities, including with substantial increases in murder rates, kidnapping, and other violent crime.

In Mexico, the drug violence has already undermined not only Mexican citizens' human security and overall public safety, but also resulted in suppressed economic activity, including tourism. The provision of public safety is an inescapable and irreducible responsibility of the state, and Mexico is clearly struggling in its delivery. While the political capital of Mexican drug trafficking organizations is limited by their brutality and the fact that the dominant aspect of the drug trade there is labor-non-intensive trafficking, they do have political capital that the Mexican government has so far not attempted to counter, focusing instead on narrow interdiction. In Mexico, this political capital comes from the aforementioned spillovers from the illicit economy, the cartels' sponsorship of labor-intensive poppy and cannabis cultivation, and the fact that the cartels now dominate not simply illegal economies, but also informal economies in Mexico, such as street sales of CDs in the *zócalo*. Consequently, Mexico's law enforcement strategy needs to be complemented by socio-economic efforts to break the bonds between Mexico's extensive poor and marginalized population and the crime groups.

In Colombia and Africa, the threats to U.S. national security and global stability are comparatively lower. Colombia is a close U.S. ally, and the United States has committed over $6 billion to help Colombia achieve security, promote human rights and justice, and reduce the cultivation of illicit crops. While coca in Colombia today remains at levels comparable or greater to those before intensified aerial spraying began under Plan Colombia, the FARC today is clearly much weakened as a result of U.S. resources, training, and intelligence provision to the Colombian military. Even though the case of the so-called false positives (civilians shot by the Colombian military and dressed up as guerrillas to show a greater bodycount) raises serious questions about the military campaign and its successes, security is undeniably better. The demobilization of Colombia's paramilitaries greatly enhanced security and reduced kidnapping in Colombia, even though new paramilitary groups – sometimes referred to as *bandas criminales* or *grupos emergentes* – are emerging and once again threaten local security. The FARC's popularity today is smaller than ever, but unfortunately, forced eradication without legal alternatives in place still assures that many *cocaleros* reject the Colombian state, are willing to put up with the FARC, and are even willing to join the FARC.

Clearly, the United States has an interest in Colombia's enhanced security, prosperity, and human rights promotion. But its violent armed groups have not greatly threatened U.S. security interests beyond the FARC's shooting at spraying planes and oil pipelines belonging to

U.S. companies. The three U.S. contractors held by the FARC went through a terrible ordeal and their rescue last year was a joyful moment. But overall, neither the FARC nor the other leftist guerrilla group, the ELN (National Liberation Army - *Ejército de Liberación Nacional*), have sought to conduct a terrorist campaign against U.S. citizens and major U.S. assets or attack the U.S. homeland. Allegations of al Qaeda, Hamas, and Hezbollah contacts with the FARC or these groups' penetration of the Latin American drug trade have not proven robust.

Similarly, the resurgent Shining Path in Peru is once again profiting from the drug trade there and once again mobilizing *cocaleros* alienated from the state as a result of eradication. But the group is still comparatively weak and internally oriented.

In Africa, the drug trade clearly threatens the weak states there. But once again, while highly undesirable, this threat has not yet affected U.S. security interests or global stability. There is always the possibility that global terrorist groups will seek to exploit African drug trade opportunities for financing and other gains. But terrorist groups can equally seek to exploit legal sources of revenue. Interestingly enough, Somalia's jihadi al Shabab, while to some extent tapping into pirates' profits, has not sought to exploit the qat trade between Kenya, Somalia, and the greater Horn of Africa. Instead, al Shabab has prohibited both qat consumption and trade, thus alienating many Somalis and antagonizing key business interests and powerbrokers. So far, however, this has not hampered the group's ability to spread through the country and to threaten the very survival of the government.

Overall Recommendations

In conclusion, I can offer several broad policy recommendations:

- Counterinsurgency should not rely on suppression of illicit economies to defeat or even substantially weaken belligerents. Military forces, whether domestic or international, should focus on directly defeating the belligerents and protecting the population. Efforts to limit the belligerents' resources should focus on mechanisms that do not harm the wider population directly, even though such discriminate efforts are difficult to undertake effectively because of their resource intensiveness.
- When dealing with labor-intensive illicit economies in poor countries, governments should undertake suppression efforts that affect the wider population only after military conflict has been brought to an end. Even after the conflict has ended, eradication of illicit crops should be undertaken only when the population has access to effective alternative livelihood programs. Efforts to provide legal alternative livelihoods to marginalized poor populations, as painstaking and long-term as they are, should lie at the core of U.S. counternarcotics efforts abroad.
- Interdiction efforts should be designed to limit the coercive and corruptive power of criminal groups rather than simply and predominantly focus on suppressing the supply of an illicit commodity.
- Governments and international organizations need to consider where the illicit economy is likely to reemerge if suppression efforts in a particular country or region are effective and what the resulting national security and global stability implications are. Governments and international organizations also need to consider the possibility that other illicit economies will replace the current one if suppression succeeds and to consider their resulting security implications.
- Governments and their international partners must address the demand for illicit drugs. Such focus on demand reduction in the United States and abroad will not only greatly

enhance the U.S. goal of reducing drug consumption, but also best mitigate the dangerous security consequences of the drug-terrorism and drug-insurgency nexus.

Mr. TIERNEY. Thank you very much.

We definitely want to get into all the other things that were in your written remarks, and, if we don't by the end, we are going to give you an opportunity to go back and cover anything that you think we should have questioned about and may not have hit on.

Now, we are going into a section of the hearing where we will do 5 minutes of questioning per Member. Since there are only about five or six of us here, I think we may do several rounds on that, if it is OK with the witnesses.

Let me start by noting, Mr. Olson, you indicate that these people can lose 75 percent of all their inventory and still report a significant profit.

Dr. Felbab-Brown, you say that there is not a single case where eradication has ever bankrupted a belligerent into defeat, and that attempts to turn off income through other systems are highly intelligence and resource intensive.

Mr. Farah, you talk about revenue from drugs far exceeding natural resources like that from diamonds and timber and things, and indicated that in Colombia it went from 95 percent of the coca produced to 54 percent, but that just meant that Peru and Bolivia picked up.

So we seem to have this cyclical thing going here. How are we going to take the profit out of this? Nobody mentioned what I think is the 800 pound guerilla in the room, which is decriminalization or legalization of this, just take the profit out of this thing. How do we take the profit out of this enterprise if we are not going to do that?

And I will just start with whoever wants to go first on that. Doctor.

Ms. FELBAB-BROWN. Mr. Chairman, it is absolutely critical that we address global demand for narcotics. This has been the most under-emphasized component of U.S. counternarcotics policy for many decades. Although nominally it is on the books, it is always the most under-resourced, least privileged policy; this applies to both treatment and prevention. The Obama administration has committed itself to addressing demand a key priority. We have yet not seen it in the current budget, but perhaps as the next budget will be drafted the shift in balances will take place.

It is also vital that we help other countries around the world address demand. Our supply side policies, as important as they are, and there is a definite role for law enforcement, including for eradication if it is sequenced well, must also focus much more on global demand and demand increases. In fact, we have seen many new markets emerging, perhaps not as high as the U.S. market, but are nonetheless very significant—Russia, China is back, Brazil, other parts of Asia—and yet our supply side policies do very little, if nothing, on helping countries growing demand.

Mr. TIERNEY. I guess I hear what you are saying, but it gets me back to my question. Demand reduction would probably take a significant amount of time, it is not going to happen overnight, certainly not in a couple years. Our supply side policies have been fairly ineffective, and they are effective incidentally, case-by-case, but certainly they haven't reduced the amount of drugs on the street and the amount being produced. As you said, there are new

areas developing all the time, whether it is Russia or Brazil or somewhere else. So I go back to my question. How do we really and dramatically take the profit out of this to make a serious impact?

Mr. Farah.

Mr. FARAH. Well, I do think that we have a 40 year or longer record in the war on drugs, and I spent 25 years covering it fairly closely, and every new strategy that comes along has some success and then eventually the traffickers are able to adapt around it or fairly quickly. I am not sure that the country is ready for a debate on decriminalization and other aspects, but I think it is clear, if you look at—I mean, the fact is, as Eric said, you can lose 75 percent or you can move your coke from Latin America to Africa, and then north, indicates that the profit margins are huge.

So I do think we have to come at it I think, as Vanda said, when we reduced our oil consumption by 3 or 4 percent, the price of oil dropped from $140, $150 a barrel to $40 a barrel. And I am not sure, when you are getting at decriminalization or other things, that is any more quick, any quicker a solution than focusing very heavily on the consumption side, because that is clearly the way, if you are selling less, you are going to lose less money.

One could debate decriminalization, but I think it would be a long and drawn out debate in the country right now. I don't think there is any consensus on which way to go on that. So I would second what Vanda said about the need to really focus on the use reduction, because that is what is going to make them able to sell less and give them less money. It is the quickest thing we can do efficiently now.

Mr. TIERNEY. Mr. Olson.

Mr. OLSON. Well, the Woodrow Wilson Center hasn't taken a position or wouldn't take a position on decriminalization or legalization or harm reduction. I do note that three countries, three major countries in Latin America now are experimenting, if you will, with the idea of decriminalization. Argentina, Chile, and Mexico have recently taken steps that dramatically reduce criminal penalties. We will see if that helps in any way. All those countries, especially Mexico, have a growing consumption problem, so if that is what it takes—personally, I think it has to be a combination of efforts.

There is no magic bullet here. I think Doug was right. We try new things, they work for a little while, then they fall apart. I think having a consistent multi-dimensional, multi-faceted approach that looks at decriminalization as an option, but also looks at raising the cost of doing business for traffickers and does some things in terms of international cooperation—I don't think any of them by themselves will solve this problem, but we have to hit them on all fronts, if you will, and that is, I think, the best we can hope for.

Mr. TIERNEY. Thank you.

Mr. Flake.

Mr. FLAKE. Thank you and thank you to all the witnesses.

Mr. Olson, you mentioned the inter- and intra-party cartel battle that is going on in Mexico, and certainly we have seen that going on for a while. Has that caused a realignment yet of these cartels? Have we seen much change? We are often told in Arizona that we haven't seen really a spike in violence; this is a necessary thing be-

cause Calderon has finally gone after the cartels. Have you seen an improvement between Mexico's ability, the government's ability to control these cartels given what has gone on over the past several months?

Mr. OLSON. You know, I think the Mexican government is doing some things well. I was there a little over a month ago and they are clearly investing a lot in building a national police force that is modern, strong, professional, and capable. There are aspects of their policy that are lagging behind, and what has happened in, say, particularly the case of Ciudad Juarez, right on the U.S.-Texas border, El Paso, is that you have had the military and police move in and somewhat scatter the Juarez cartel to other parts south, and then as that happens, the Sinaloa cartel in particular has tried to take advantage of a weakened Juarez cartel. So what we have seen over the last 6 months is a spike in violence, then a decline in violence as the Juarez cartel was scattered, and now an upward tick, a quite serious upward tick in violence.

So, you know, I don't think we have seen the end of it yet. They haven't gotten to somewhere where the cartels themselves are so weakened that they can't carry out incredibly violent operations. There are exceptions like the Familia Michoacana, which is another animal altogether, but cartels in general don't like to engage in this outrageous violence; they are more interested in the business aspect of it. But they do, I think, engage in that kind of violence when they are competing for territory and routes amongst themselves.

Mr. FLAKE. Thank you.

Mr. Mansfield, you mentioned, in Afghanistan, that the marginal state is, I guess is how you put it, moving beyond its boundaries, suggesting that some of these drug organizations have had free reign up to now. What is the effect of having a policy of eradication for a while? We seem to have backed off from that now; will likely be back to it a while later. What does that for the long term and is that—obviously, it seems to be problematic if we can't decide on a policy.

You and others have mentioned that there are other products that can be produced economically, but we have not really seen that, whether it is pomegranate or whatever else. The government certainly hasn't pursued a policy that would replace those crops. I guess I am wondering what is the net effect of moving toward an eradication policy and then backing away from it and then possibly back to it again?

Mr. MANSFIELD. Thank you. I think the debate on eradication is often a little simplistic, and I do see this pendulum swing that is taking place, and I have some reservations about it. I think too often we neglect the fact that there are areas in Afghanistan that do have viable alternatives, where—I can cite them, introduce you to farmers who have moved out of poppy cultivation. They weren't dependent on it; they have a range of other crops they can produce. They are near the provincial center; they have markets for their crops. They are growing maybe five crops on one unit of land instead of opium poppy.

And if you look at the net returns on those crops, they are more attractive than opium poppy. Opium poppy is incredibly labor in-

tensive. Once you start importing labor to grow this crop, it cuts your profit margins. These other crops, five crops for one is attractive, one unit of land rotated. Some of them have multiple harvests; gives you a steady income flow. They give you different season, different harvest at different points; again, steady income flow. And because there is a market, traders are turning up at the farm gate and they are buying them; they are reducing the transaction costs of moving goods to market, they are reducing the transportation costs, not unlike opium used to be in these areas.

So where you have the kind of security governance and economic growth taking place, farmers are moving out and, as a consequence of growing other crops, they free up their labor. These aren't as labor intensive as opium poppy. So then members of the family go off and work in the city. So the combination of the inter-cropping, multiple crops, and then, subsequently, the labor means that the returns are higher than poppy. So in those areas the threat of eradication or eradication is credible and it actually acts as a catalyst.

The problem has been that we have had too much of an idea of a comprehensive eradication; let's eradicate everyone, let's wipe out all the poppy in Nangahar, all the poppy in Afghanistan. Now, some areas can cope, they can actually thrive. Some areas do not cope because they just don't have those facilities; they are not near the markets, they are inaccessible, they are remote. Every time they travel down the road, they are asked for bakshish, they are asked for a bribe from the police moving their tomatoes to market.

Mr. FLAKE. So you are not opposed to eradication specifically, in certain areas or as part of the program, but not as just a general policy.

Mr. MANSFIELD. No. For me, I have written on this many times. It is under what conditions it works and under what conditions it is counterproductive. The danger I think we have is there is a real potential for poppy cultivation to go up this year, as a function of a whole range of different things. The price of wheat and poppy is significantly changed. Over the last 2 years, wheat has actually been an attractive crop because the global wheat price was so high, and opium price has been low. It has made more sense in many areas to grow wheat on your land, because you get more wheat from doing that, than to grow opium poppy on your land. The terms of trade were different. That has changed now. We are back to a situation where opium poppy is once again attractive. So that factor is in place, meaning people will go back to poppy in many areas.

The other side is the politics. Certain Governors will be rewarded or punished in relation to the election; they will be moved on, as they say, to a better place or worse; and they have been quite active in reducing poppy. So the politics is shifting, the economics is shifting, and there is a danger that because there is a perception that there is no eradication this year, that gets blamed for this shift. That shift was set in place some time ago.

So then we end up with more poppy, it is due to the fact there is no eradication, we need aggressive eradication again. So it comes around again. And I think we need to stop dealing with poppy farmers as if they were a homogenous entity. I am sure wheat

farmers in the United States are not a homogenous entity; some have small land, some have large land, some have combines. It is too simplistic, some of this discussion.

Mr. FLAKE. Thank you.

Mr. TIERNEY. Mr. Quigley, you are recognized for 5 minutes.

Mr. QUIGLEY. Thank you, Mr. Chairman.

The gentleman from Arizona touched on the issues in Mexico, but it is something that is interesting in reading your written testimony and, Mr. Mansfield, some of your oral testimony. It is often described as a weak state issue. While not a world power, clearly, as compared to the other countries we are talking about, Mexico is much different. What does it suggest, as it relates to an issue of whether or not we are dealing with weak powers here, that Mexico seems to thrive so much?

Mr. OLSON. I am sorry——

Mr. QUIGLEY. I don't think Mexico can be described as a weak state as compared to the others, yet it seems to thrive in much the same way. What am I missing or what can we learn from that?

Mr. OLSON. Well, I think you are absolutely right, you can't overgeneralize. You can't compare Mexico to Haiti, for instance, or Mexico to Honduras. Mexico is much wealthier, and has great resources. The issue in Mexico, however, is that it is a much more complex problem. You have, for instance, in the case of Mexico, a federal police force that is roughly 30,000 persons, and they have authority or control over about 8 percent of the crime. The vast majority of the crime happens at the local level, and these organized crime groups will operate at the local level; and the local police, the state, municipal police, especially in states like Chihuahua, are ineffective, are weak, basically.

So I am not making a broad generalization about weakness of the Mexican state, it is more the fact that in particular areas of the government, of the country, in particular states, in particular localities, organized crime has found a foothold and has been able to penetrate the municipal governments, even the state governments in a way that it can't probably at a federal level, and that has allowed that cancer, if you will, to grow and expand over a period of time.

I would never say that Mexico, as a whole, is at risk of failure or is a particular weak state, but certainly at localities it is, and that is what they are battling with right now.

Mr. QUIGLEY. Doctor.

Ms. FELBAB-BROWN. To followup Mr. Olson's comments, Mexico is also a democratizing state and in many ways an under-institutionalized state. Law enforcement apparatus, for example, is deeply flawed in Mexico. And although Mexico is finally taking important policy reforms, in fact, Mexico has attempted to undertake these policy reforms at least since the late 1980's to little effect, and though there are some encouraging signs today, Mexico is still really struggling in the provision of public safety and law enforcement, not simply in relationship to organized crime, although that is absolutely vital, but also with respect to street crime. And as long as Mexico's police forces cannot assure its citizens that safety and governance presence will be effective, susceptibility to mobilization by armed actors, by crime groups will be high.

Mexico is unaltered, in many ways, from the discussion that we were having because the major aspect of the illegal economy is not labor intensive, it is mainly trafficking, and that, fortunately, greatly limits the power that crime groups can acquire in Mexico, along with the very high brutality. Yet, at the same time, the cartels' ability to penetrate informal economies in Mexico—sales of DVDs that Eric mentioned, for example—allows them still to function as providers of both employment, as well as at least minimal security in the absence of the state.

We also have to realize that despite Mexico's status as at least a middle income country and impressive wealth, at least 40 percent of its population still exists in condition of poverty that is actually increasing. Many of these marginalized people, both in rural areas as well as in urban settings, have access to only minimum public goods provided by the state.

So it is vital that Mexico reconceptualizes its approach to the cartels from thinking about them simply as NARCO-drug enterprises that can be eliminated through limited interdiction actions toward thinking about them as much more than that, for providing these various social functions for the populations and, hence, try to develop socioeconomic component of the policies in addition to interdiction, in addition to police reform, in addition to intelligence capacity building, to sever the link between the population and the cartels. Then intelligence flows will improve greatly and the effectiveness of law enforcement will be far greater than we have seen so far.

Mr. QUIGLEY. Thank you, Mr. Chairman.

Mr. TIERNEY. Thank you, Mr. Quigley.

The gentleman from Missouri, Mr. Luetkemeyer.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

I am very interested in Mr. Mansfield's comments from the standpoint that my State and my area where I come from just sent over the second group of National Guardsmen to work with the Afghan farmers to try and train them on how to grow other crops other than poppy, so it would appear to me that if Afghanistan, if I am not mistaken, is 95 percent of the world's heroin come from there, is that right? So if we could do something there to transfer them from growing that to other beneficial crops.

It seems to me that in order to be able to grow beneficial crops, they have to have viable markets for the products that they sell, and I was interested in your remarks there when you said something about that, that they were trying to do that and it was based on profit whether they actually did it or not. So I assume from that, as well—I am kind of rambling here, but I want to try and get in enough questions here that I can get my 5 minutes in.

But it would appear that the farmers actually grow their own crops, that they are not grown by the drug folks themselves, and then they sell the crop, I guess, to the drug folks, is that correct? And then if they own their own crop, they can make the decision what to grow. So I assume from that, then, that the drug folks actually don't grow the crops themselves.

So if you could just kind of elaborate on the ability of us to impact the growth of something besides poppies over there, as well

as just sort of a little quick primer on how the drug trade actually operates over there, if you would, please.

Mr. MANSFIELD. I should have brought my neshtar and rumbai to explain the opium poppy cultivation process, but I suspect I wouldn't be here, I might be in some kind of prison if I tried to enter the country with that.

Again, we need to be clear on what farming looks like in Afghanistan. We have a picture here of a farmer standing within his poppy field, but what we don't see there is also the area of land that is grown with wheat, which he needs to consume. We don't see his family plot of vegetables that they grow to feed the family. Some might be sold, depending on circumstance.

So it is this particular narrative of the poppy farmer we see. Most farmers in Afghanistan grow a range of different crops, and it is a question of the distribution of crops that they grow, the proportion of land that would be poppy. So part of this is about raising the risks associated with poppy and reducing the risks associated with engaging in an illegal economy. Many of the goods they produce simply don't have a market; they grow them to consume. And when they try and take them to market, if they are in a remote area, they get hit with checkpoints asking for money. In some cases we have had commanders, officials of the government commandeering that crop, buying it at a low price.

Mr. LUETKEMEYER. If I could interrupt just for a second. Is there an effort to try and develop these markets, though, so that if they produce a crop in excess? Could there be an incentive for them to produce more and therefore change over from poppy crops? And I guess the second part of the question is is it realistic to believe that we can eradicate poppy growing in that area or is that just a pipe dream?

Mr. MANSFIELD. Sure, there are a lot of investments in this, but the question is: where does the market lie? The market of Kabul, the market of Jalalabad, they are big. But the markets of Lashkigar and Helmand are limited. If you are growing poppy, if you are growing a range of different crops in Helmand, you are not selling it in Lashkigar.

Mr. LUETKEMEYER. Is there an effort, though, to increase these markets or develop markets for these folks so that there is an incentive to do that?

Mr. MANSFIELD. Part of it is there are those efforts, but part of it is the security environment. If I can't get down the road—I have farmers who grow onion in Nawa who we have been interviewing for a number of years. It is very near Lashkigar, but they know the market for onions in Lashkigar is limited; Kandahar is the real market. But he knows that if he moves his onions to Kandahar, he has 14 checkpoints along that road who are going to ask for money. He knows that the hauler who moves that crop wants extra money because it is a dangerous road to drive down. So the markets don't function.

And the great thing about opium poppy for these farmers is it functions. I don't have to take the physical risk of traveling down the road and I don't have to take the economic risk of getting to market and being a price taker and finding that I can't sell my onion at a profit. I have farmers who basically have grown onion,

realize they can't make a profit, have basically taken what they need, offer the fellow villagers what they need, and then left the rest to rot.

So one issue is the security side. On the market side, as I say, you have finite markets, size of markets, so one of the big questions is the issue of local procurement. How do we stimulate the market? We keep looking for export markets, these miracle crops; pomegranates, apricots, saffron, mint, one thing after another. Most of those crops have foreign markets.

But actually there is a foreign market within Afghanistan, which is the international community. Actually stimulating the market for legal goods by us, the international community, buying more local produce would be a major advantage. I think also not only economically, but politically the whole issue of we eat the same food. I mean, I have sat in some PRTs, one in Orzgo, and you are constantly thinking where is the market for the goods. They grow fantastic apricots and almonds and these other things. Where is the market? We have to get it to Kandahar. The road is dangerous; they have just sort of got rid of the highway police. Instead of robbing people officially, they are now robbing people unofficially. So where is the market? The PRT. We sat among 6,000 soldiers. We are part of that market.

Mr. LUETKEMEYER. Thank you.

Thank you, Mr. Chairman.

Mr. TIERNEY. Thank you, sir.

Gentleman from Vermont, Mr. Welch.

Mr. WELCH. Thank you, Mr. Chairman.

Mr. Olson, what factors, in your view, are at play in spurring the big rapid growth of cocaine in West Africa?

Mr. OLSON. I probably should defer here to Doug.

Mr. WELCH. Well, we will defer to Doug if you want us to .

Mr. FARAH. The factors in Mexican trafficking moving their product to West Africa, sir?

Mr. WELCH. Right.

Mr. FARAH. Well, part of it is that U.S. interdiction efforts have been very good. It is harder for the Colombians to get their product from Colombia through Central America to Mexico. And I think the opening of the Venezuelan avenue for moving products from Colombia via Venezuela to the west or to the east is now much more attractive than it was before, particularly the FARC with its relationship with Chavez, is able to take advantage of that, as are the Bolivians. What you saw for many years was that the Bolivian traffickers growing coca were not allowed to produce ACL, the final product, because the Colombians wanted that for themselves. They are no longer able to control the Bolivians or the Peruvians.

Mr. OLSON. If I might, I would add a couple more things.

Mr. WELCH. Yes, go ahead.

Mr. OLSON. Which is when we saw a spike in trafficking to Europe through West Africa, it also coincided with a very favorable exchange rate in Europe. In other words, by exporting and as the exchange rate improved for the consumer. In other words, it got cheaper, consumption went way up. So it is a market and they move in that direction. Then the possibility of shipping it to Europe

opened up, as Mr. Farah said, because Western Africa was a very weak open area that they could exploit as a transshipment.

Mr. FARAH. One final thing is that Brazil has become a very big market and a lot of the Bolivian and other stuff moves through Brazil to the Portuguese speaking parts of West Africa, where they have a language advantage, particularly Guinea Bissau and Angola. So you have a language—and if you look geographically, they are quite close. Brazil has become a very large consumption market and the Bolivians and Peruvians find it much easier, in some cases, to go through Brazil out to West Africa, where, again, the Brazilian ability with language particularly is a very useful thing to have.

Mr. WELCH. OK. Are there links that have been established between some of the terrorist organizations and Africa, Al Qaeda and the Islamic Maghreb in criminal drug trafficking elements?

Mr. FARAH. I think what you are seeing in terms of the small shipments that move toward the Tuareg smuggling networks and things from West Africa through the transit hill region, going up north, is that you are seeing an increasing amount of small cocaine shipments, but not the major shipments going through that route. And what you see is the Tuaregs and other groups that will have to have a relationship with Al Qaeda and Islamic Maghreb now buying a lot of Chinese weapons with that money, so they are much better armed and they are much more lethal than they were before, which can rebound to the benefit of Al Qaeda and Islamic Maghreb.

But sort of official ties, I don't think we have seen that yet. I think that you are seeing 1 and 2 and 3 kilo loads moving that way; they still prefer cigarettes, gasoline, other things that they can smuggle, they know how to smuggle. But I think the potential you are in an ungoverned space, where groups will need the same facilitation with their product, I don't think it is irrational to assume that will at some point take place.

Mr. WELCH. Thank you.

Doctor.

Ms. FELBAB-BROWN. Thank you for the question. It brings into focus the larger issue of how terrorist groups, belligerent groups penetrate illicit economies, and we frequently fall into the idea that the illicit economy becomes altogether captured or dominates by the belligerent group. Take for example Al Qaeda and Islamic Maghreb and some of the known participation in the Moroccan drug trade. Well, it is true, but it would be incorrect to imagine that the entire Moroccan marijuana hashish trade is dominated by Al Qaeda and Islamic Maghreb. In fact, I would posit that their size of the trade is very small.

Similarly, in Afghanistan, although the Taliban is profiting and benefiting in multiple ways, very many other actors also participate in the drug trade, and it is far from the province of the Taliban. In Colombia, yes, the FARC is part of the drug trade, as is the ELN, but to a much larger extent former paramilitary groups that in many cases were essentially identical to drug trafficking groups dominated the trade more, and there still today are very many independent traffickers and independent trading organizations.

In fact, it would be very rare and quite unusual for a belligerent group to have the capacity to completely dominate the entire illicit economy, especially in the case of extensive labor intensive economies.

The flip side of that is the belligerent groups rarely rely on simply one illicit economy for their funding. The case of Taliban, FARC, many others, Al Qaeda, are certainly prominent, where they have highly diversified portfolios with much money coming from ordinary fundraising, from donations, from participation in other illicit economies, from taxation of legal products in areas where they function; and it is this diversification and multiple sources and the ease with which they can move from one funding to another that makes efforts to suppress the money by targeting the illicit economy or by trying to undertake antimoney laundering measures so very difficult.

Mr. TIERNEY. Thank you very much.

Thank you, Mr. Welch.

Mr. Murphy, you are recognized for 5 minutes.

Mr. MURPHY. Thank you very much, Mr. Chairman. Those buzzers indicate that we have votes on the floor, so I will be brief, but I wanted to followup on Mr. Welch's line of questioning.

To Mr. Farah, specifically to the issue of Hezbollah's presence in West Africa. In your testimony you spend a decent amount of time talking about their presence there, the amount of money moving from West Africa back to the Middle East, and I just want to sort of ask the question that Mr. Welch asked specific to Hezbollah. What are the prospects, moving forward, for there to be a greater degree of reliance potentially in West Africa upon the drug trade to potentially add to the money going back. So let me just ask that question. What do you see as the current nexus between Hezbollah specifically and the growing drug trade in West Africa and what do we worry about in terms of trends going forward?

Mr. FARAH. Well, I think that is a very important question to which I don't think we actually know the answer. Hezbollah is on the ground there, but let's say the blood diamond dealers that I dealt with there, they weren't organically Hezbollah. Hezbollah would tax them and take part of their money, as I believe the same is true in tri-border area in Latin America and other parts. Hezbollah doesn't run the trade; Hezbollah profits mightily from the trade by the taxation ability in providing protection, but they are not organically linked to Hezbollah.

I think that as the Colombian and Brazilian and other organizations move into West Africa, they are either going to have to cut a deal with the traditional Lebanese crime families that dominate or it is going to get very bloody, and it has not gotten bloody, which to me indicates—if you have product that you want to move from West Africa to Europe, you almost have to go through the Lebanese networks, because that is the pipeline that exists and they know how to move stuff.

When Al Qaeda wanted to move its diamond profits, it didn't set up its own thing in West Africa, it went to the Hezbollah network and moved diamonds that way. And I think that is what is happening with the drug trade. I think it is going to strengthen the Hezbollah folks because they are going to profit from providing pro-

tection and movement for those particular products. Whether that becomes organically linked to Hezbollah, I doubt it will because that is not the way Hezbollah tends to operate, but I think that it will strengthen all the criminal networks because cocaine is a product that is useful to the pipeline and the pipeline is useful to cocaine traffickers, so there is a symbiosis that has to take place; and if it doesn't get really bloody, which it hasn't, then I would say that indicates a level of cooperation that is growing.

Mr. MURPHY. Then let me ask this followup, which is part of the comments, especially from Dr. Felbab-Brown, was about the fact that even if we were to do something to try to prevent a growing reliance or a growing connection between the drug trade and terrorist networks—I am probably oversimplifying what you said, but that it may not matter because they will be able to go other places.

So my question is to the extent that we do have a worry that the networks become much more interdependent and interlinked, what are our strategies as a Nation to try to prevent—I mean, we obviously want to do something about drug trafficking on its own, but what are our strategies that we take to try to prevent those connections from being made in the future relative to Hezbollah or relative to other operations in Africa specifically?

Mr. FARAH. Well, I think it is very difficult because as we have all said, you have pipelines that will move almost any given product you put into it from one point to another, be it human trafficking, drugs, weapons, or money moving either way; and Hezbollah, particularly in West Africa, has perfected the art of bringing down all kinds of illicit stuff into the region to sell that would normally be licit, but they move it in illicit fashions.

So I think our strategy has been largely fairly simplistic. I think we have been looking at drug trafficking, terrorists, sort of organized crime as different entities and not at the overlap and interconnectedness of it. I think our presence on the ground in places like West Africa is so slim that we are really flying blind there.

I think that our ability and I say in my testimony—at the end of the day, our only real option, is twofold: One is to develop vetted units that can work on the ground there with the Colombians, the Brazilians and the other thing is to get Europe to engage much more robustly, because, it is their market that is being penetrated by the drugs. They have the long history and they know—I have dealt with the Belgians extensively on this—the Lebanese criminal networks very well, much better than we will ever know.

The French know the criminal networks that go into France. And yet they also are viewing this in sort of piecemeal fashion. So the Europeans will have to engage in a much more robust fashion to look at how these groups overlap, because they know these groups much better than we do and than we will in the next 20 years.

Ms. FELBAB-BROWN. If I can add. It is very important that we seek to prevent dangerous belligerent groups from penetrating illicit economies, and we have to ask ourselves in each case several questions: What illicit economies do they have access to? Do they have accessible labor intensive illicit economies? And this is especially where we should try to prevent them from accessing, because if they do so they get much more than money, they get support from the population. This has not yet happened in the case of West

Africa, where the trade is mainly traffic, not labor intensive; it is not cultivation. And we should make an effort to see that cultivation doesn't relocate there, for example.

The second question we need to ask, if our goal is to dry up the money by targeting the illicit economy, is that likely going to switch the belligerent group to try to develop another illicit economy or penetrate another illicit economy that might be ultimately even more harmful for our interest? The case of FARC is important. While I do not believe that eradication did decrease ultimately in the long term financial resources of the FARC, although the FARC is beaten, I think it is largely irrespective or despite eradication.

At least for a while we have seen decreases in cultivation and limits on funding. And one of the resulting effects was that the FARC has tried to acquire enriched uranium or uranium, I should say, as a way to resell and make money. This is an illicit economy far more dangerous to the United States than the continuing cultivation of coca.

And the third question we need to ask in policy is if we suppress the illicit economy, where is it going to shift? If we suppress poppy in Afghanistan, are we going to sell wholesale transfer to Pakistan and going to set up even more dangerous problem for U.S. national security interests?

Mr. TIERNEY. Thank you very much. I want to thank all of our witnesses. It is very untimely to have these floor votes at this particular point. We don't have control over that, although I wish we did. I am going to ask you this. Mr. Flake and others have hearings that, if we were going to go straight through, we would be able to finish on that, but given the fact that these votes are going to take a half hour or more, maybe 45 minutes or an hour, they have other classified briefings they have to go to. May we submit to you some questions that we didn't get to today in this hearing and give you homework, if you don't mind, to submit back?

I do want to explore some of the priorities. We talked about strategies of reducing demand, of eradication or disruption in some areas, and resolving underlying economic factors, governance and all those issues. I want to ask is there a priority for that? Is one approach more important than another?

I want to talk more about Mr. Mansfield's response to illicit drugs in Afghanistan when they think the government may be as involved as other parties; the prospects of what is going on in Venezuela, can we get Venezuela's cooperation with our country as opposed to the FARC and others? What is happening in Guinea Bissau on that basis, how failed is that; and, what is the role of human intelligence?

I know that is a serious matter. Are we farming the same problems there in terms of language and other setbacks that we have in other areas; and how do we engage the international community. Doctor, you mentioned India in some of your remarks. Why aren't they more engaged or are they engaged? What is their role there? The Belgians and others too?

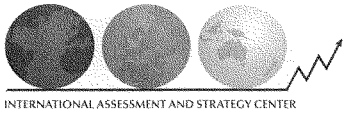
So, with your permission, we will submit those records and ask for any other comments you want to make on what we ought to be doing on that. As I said, we have another hearing coming up with

government agency witnesses and we would love to be able to have that information to get their response to it.

Can I just say thank you for coming in and for giving us your expertise and taking your time and energy, as well, to do that? We appreciate it a great deal. Thank you.

[Whereupon, at 11:20 a.m., the subcommittee was adjourned.]

[Additional information submitted for the hearing record follows:]



Oct. 6, 2009

Hon. John F. Tierney
Chairman
Subcommittee on National Security and Foreign Affairs
Committee on Oversight and Government Reform

Dear Rep. Tierney:

Enclosed please find my response to the written questions you submitted for the record following the hearing "Transnational Drug Enterprises: Threats to Global Stability and U.S. National Security From Southwest Asia, Latin America and West Africa." Thank you for the opportunity to participate in this important hearing.

1. In your written testimony, you highlighted the role that "flexible criminal and terrorist pipelines" play in the trafficking of goods, both licit and illicit.

In your view, how important is the trafficking of illicit drugs to the feasibility and profitability of these pipelines?

Response: While the pipelines would still exist and still be profitable, there is no question that illegal drugs are orders of magnitude more profitable than anything else in the criminal world at this time. Without the drug profits the pipelines would be far less dangerous and far less transnational.

2. You testified that in West Africa, the profits from the sale of diamonds, timber, oil, and gold are insignificant in comparison to the profits that can be realized from the trafficking and sale of illicit drugs via "global pipelines". Even if we were able to dramatically reduce the profits from the illicit drug trade, would other illicit and licit commodities simply replace drugs in the pipeline?

Response: Other products certainly enter the pipelines, and they would not disappear. The blood diamond wars of Sierra Leone, Liberia, Democratic Republic of Congo (DRC) and Angola clearly demonstrate that. But illicit drug profits add a significantly higher level of profitability to the pipeline exchanges, and therefore provide a great deal more money for corruption, weapons, and arming of non-state armed groups.

3. In your written testimony, you noted that "the government of Hugo Chavez in Venezuela has allowed the FARC, with whom Chavez has a deep and personal relationship, to establish routes through his country that greatly lessen the threat and cost of moving cocaine."

Are there diplomatic and/or economic strategies that could be employed to discourage or hinder this cooperation?

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Response: President Chávez has been unwilling to cut his ties to the FARC, despite repeated requests from Colombia, Peru, the United States and the European Union. Given the current political realities in Latin America, the United States should be working more aggressively with partners in the region to increase pressure on Chávez to cut those ties. Of particular interest is Brazil, which is not only seeing the impact of increased FARC activities on its own borders, but is also a major consumer of cocaine. Other nations that are feeling the direct impact of the FARC presence are Surinam, Guyana and Ecuador. All of these nations as well as Colombia (and with the possible exception of Ecuador) could present a strong diplomatic bloc, especially if this regional effort were wedded to efforts to get the European Union to become more direct in its response to the situation.

On the economic front, traditional sanctions are unlikely to generate much support or be particularly effective. However, given that half of Venezuela's oil can only be refined in the United States and that there is an global oil surplus at the present time, one ideal that has been discussed is declaring the Venezuelan state oil company, PdVSA, a state sponsor of terror. There is ample evidence of PdVSA's support for the FARC, and the consequences of cutting of Venezuela's oil refining capacity, without inflicting an embargo on the general population or the broader government, would be worth exploring.

What prospects do you see for improved U.S.-Venezuelan cooperation on curbing drug trafficking?

Response: Very little. Venezuela has shown no interest in resuming cooperation of any sort. Until that changes, the cooperation will remain extremely low.

4. In your written testimony, you noted that "our European allies, particularly the French, British and Belgians, must be brought into the counternarcotics process in a much more robust way." In your view, why are European countries not fully engaged in counternarcotics efforts in West Africa when the vast majority of the cocaine being shipped from Colombia travels via West Africa to Europe? Are there strategies that the U.S. could employ to better engage these allies?

Response: I believe that Europe, like the United States, finds itself faced with multiple challenges that drive the situation in West Africa to a low level of priority. Europe also has traditionally not taken the same interest in the interdiction of illicit drugs as the United States has. That being said, I think there are European police and intelligence agencies that are deeply alarmed by this trend and are seeking to become much more pro-active. The biggest thing the United States could do is to put the issue on the common agenda, something that has not yet happened at a senior level.

5. In your written testimony, you suggested that the U.S. Africa Command (AFRICOM) could be doing more to stem drug trafficking in its command area.

What do you believe is the appropriate role for AFRICOM in combating drug trafficking?

Response: That is a complex question. Ideally AFRICOM would not have the lead role, and indeed the DEA is taking a much more aggressive role in the region in the past year than it had previously. The reality is that the military has the resources on the ground to do things civilian and law enforcement agencies cannot. Given the resource allocation, it is perhaps better to have AFRICOM doing something than to have no one doing anything. However, military-to-military relationships in counter-narcotics efforts have a long and decidedly mixed history. If civilian agencies, particularly the DEA, could be given the resources to play a leading role, I think that would be much more effective, both for drug interdiction and building civilian police capacity.

6. In your written testimony, you wrote that "the key to identifying, mapping and dismantling drug trafficking organizations is human intelligence." How extensive are the U.S. Government's human intelligence networks in West Africa?

Are there particular challenges to establishing an effective human intelligence

network in West Africa?

What strategies can the U.S. employ to overcome those challenges?

Response: The United States has very little human intelligence gathering capacity in West Africa. The capabilities were greatly diminished during the 1990s, and in the wake of the 9/11 attacks, other areas have taken priority. One CIA station chief described himself as a one-armed paper hanger barely hanging on.

There are particular challenges, both cultural and linguistic. Given the number of languages spoken, the fact that most people in any of the countries do not speak either French or English as a first language (and very often not at all or as a third or fourth language) is a huge barrier. Also, the ethnic rivalries and ethnic norms make understanding clan and family networks very difficult and time consuming. The colonial history of Britain, France and Belgium in these countries and their pool of knowledge and access to native speakers of the main languages is one of the primary reasons they must engage in this effort. The United States simply will not have the time, resources and interest to develop the capacity that already exists among our allies.

Please do not hesitate to contact me if you have further questions.

Sincerely,
Douglas Farah
Senior Fellow

RESPONSE TO QUESTIONS FOR THE RECORD
From Subcommittee on National Security and Foreign Relations, House Committee on Oversight and Government Reform

By VANDA FELBAB-BROWN, Fellow in Foreign Policy at the Brookings Institution

October 10, 2009

Dear Mr. Chairman and Members of the Committee:

I am glad to be able to further address the Committee through my written response below to questions for the record submitted to me and elaborate on the effects of drug enterprises on U.S. national security and global stability.

1. In your written testimony, you noted that "nowhere in the world does the presence of a large-scale illicit economy threaten U.S. primary security interests" as it does in Afghanistan. Do you believe this would still be the case if U.S. troops were withdrawn?

The presence of U.S. troops and civilian personnel in Afghanistan does augment the threat that the illicit drug economy there poses to U.S. national security because the Taliban's ability to exploit the illicit economy in a multifaceted way poses direct threats to U.S. personnel in Afghanistan. However, even without the presence of U.S. troops, the great dangers to U.S. national security and regional stability emanating from the dangerous mix of the drug economy and jihadi violence in the region would persist. Moreover, by withdrawing U.S. forces and civilian personnel before a stable Afghan government is in place and can provide for its people security and essential public goods, such as minimal economic development, the United States would deprive itself of means to sustainably and effectively mitigate the illicit economy and contribute to violence reduction.

Ending insecurity is a critical prerequisite for effectively and sustainably reducing illicit economies, such as drug cultivation. Without security, rural development is hampered and frequently grounded. Without security, even strong suppression measures, such as forced eradication, are not effective in sustainably reducing the illicit economy, which finds ways to adapt to suppression and reconstitute itself or shift within regions of the country. Without a stable government in place in Afghanistan and in the absence of security and comprehensive rural development, the many structural drivers of the illicit drug economy in Afghanistan will persist and perpetuate its existence.

In such a case, both the Taliban and other actors, such as tribes, crime groups, Afghan government members and powerbrokers linked to the government, will continue both deriving financial profits from the illicit economy and increasing their military capabilities. Crucially, they will also continue deriving important political capital from sponsoring the drug economy which continues to be one of the principal sources of individual income and national revenue and is the economic engine underlying many other forms of economic activity in Afghanistan. Even in the absence of foreign troops in Afghanistan, sponsorship of the illicit economy would provide the Taliban with a key source of public support, all the more so if either the remaining Afghan

governing entity or the international community resorted to strong suppression measures, such as intense manual eradication or aerial spraying.

If the United States determines that the stakes and outcomes in Afghanistan do not warrant a further continuation of U.S. military presence in the country while a stable Afghan government is lacking, the United States policy options for dealing with the nexus of drugs and violence will be limited, but the United States still will have some capacity to influence the nexus and its effects. At a minimum, the United States will still be in a position to choose between aerial eradication and a hands-off approach toward the drug economy in Afghanistan while concentrating on interdiction measures further along supply routes. Perhaps the most dangerous policy at that point will be one of strong eradication: this policy will result in a multifaceted strengthening of the Taliban and facilitate its takeover of large parts of the country. Similarly, without security and alternative livelihoods in place, any U.S. pressure on the Afghan government to eradicate will only further undermine the meager legitimacy of the Afghan government and thus strengthen the Taliban. On the other hand, U.S. encouragement of rural development by the Afghan government, while appropriate, would likely be compromised by the lack of security and the lack of capacity of the Afghan government.

Most dangerously, should any suppression measures actually succeed in driving down poppy cultivation in Afghanistan, any resulting shift of cultivation to Pakistan would have severe negative consequences for U.S. national security and regional stability. Such a relocation would allow anti-Pakistani-government and anti-Western jihadi groups in Pakistan to generate not only substantial physical resources by sponsoring the illicit economy in Pakistan, but it would also provide such groups with the ability to strengthen their appeal to local populations by providing real-time economic improvements to the lives of marginalized populations in the Federally Administered Tribal Areas, the Northwest Frontier Province, Kashmir, and perhaps even southern Punjab. The threats from such groups to the Pakistani state and U.S. security would be greatly augmented and the efforts to bring development to those areas, sponsored by U.S. economic aid to Pakistan, would be compromised.

In the absence of an effective state on both sides of the Afghanistan-Pakistan border, the illicit drug economy will further intensify jihadi threats to the region and the United States. The best way to mitigate the drug-conflict nexus and the geostrategic threats to the United States is to help the two countries to develop states that provide for the elemental needs of their people by delivering security, economic development, and rule of law. Counternarcotics measures need to be carefully calibrated with such state-strengthening efforts and cognizant of the complex human security needs of local populations. Otherwise, counternarcotics efforts will not be effective in reducing the drug economy while even being counterproductive with respect to countering the dangerous jihadi groups.

2. We received testimony that "the government of Hugo Chavez in Venezuela has allowed the FARC, with whom Chavez has a deep and personal relationship, to establish routes through his country that greatly lessen the threat and cost of moving cocaine." Are there diplomatic and/or economic strategies that could be employed to discourage or hinder this cooperation? What prospects do you see for improved U.S.-Venezuelan cooperation on curbing drug trafficking?

The emergence of important trafficking routes through the territory of Venezuela is due to both the compliance and connivance of the Venezuelan government as well as to limits on the capacity of its military and law enforcement forces.

Clearly, in reaction to increasing tension between the United States and Venezuela, President Chávez halted Venezuela's cooperation with the United States in counternarcotics efforts with the goal of imposing costs on the United States that it deeply cares about. The move was also calculated to have a populist appeal in Venezuela and give a boost to Chavez's socialist ideological project, *Bolivarismo.* U.S. counternarcotics efforts in Latin America are frequently seen by local populations as a foreign imposition that does not take into account the needs of underprivileged populations. By standing up to the United States and doing so particularly on the issue of counternarcotics, President Chávez was clearly hoping to increase the appeal of his policies.

The move also benefits the FARC drug smuggling activities, but it would be an overstatement to argue that such help was President Chávez's principal motivation in ending counternarcotics cooperation with the United States. Even reemergent Colombian paramilitary groups, for whom he has no affinity, use Venezuela's territory for smuggling drugs. In fact, much of the persisting fighting between the FARC and the new paramilitary groups in northern Colombia along the border with Venezuela, such as around the city of Cucúta, is precisely over access to Venezuelan smuggling routes. Venezeualan law enforcement and military forces, whose members are frequently corrupt and receive bribes from drug traffickers, have limited capacity to interdict smuggling, regardless of which group conducts it.

In the absence of an overall improvement in U.S.-Venezuelan relations, which would require a fundamental change in President Chávez's behavior, the United States has two principal mechanisms for influencing Venezuela's counternarcotics policies and mitigating their counterproductive effects: Venezuela's oil revenues and the fact that it supplies a large segment of U.S. fossil fuel market shield Venezuela to a great extent from U.S. economic pressure. U.S. direct diplomatic pressure is also limited. Indeed, the more the United States emphasizes counternarnarcotics in its bilateral relationship with Venezuela, the more it may make President Chávez intransigent on the issue and give him a cause célèbre on which to oppose the United States.

However, President Chávez has shown himself concerned and susceptible to international opinion and pressure. At various moments, such as after reports of the difficult conditions of hostages held by the FARC or revelations of Venezuela's cooperation with the FARC from computers captured from the FARC, President Chávez has distanced himself, even if temporarily, from the FARC. The negative perceptions of Venezuela's government in Europe and elsewhere in Latin America are particularly noted by Caracas. The United States should seek to foster an opprobrium of Venezuela's lack of cooperation in counternarcotics efforts elsewhere in Latin America, such as by Brazil, Argentina, and Chile, and in Europe and mobilize international pressure on Venezuela to resume cooperation against narcotics trafficking. By multilateralizing the pressure and not necessarily being at the forefront of the diplomacy, the United States may ultimately gain far more traction with Venezuela than through direct threats.

Second, the United States should emphasize, far more than it has in its counternarcotics policies, rural and socio-economic development of areas where illicit crop cultivation takes place. By being able to show that U.S. policies are cognizant of the human security needs of the marginalized population and to facilitate a more benevolent and multifaceted state presence, the U.S. would increase the effectiveness of its counternarcotics policies, enhance the ability of national governments in Latin America to cooperate with U.S. counternarcotics policies, deprive belligerent groups, such as the FARC, of their ability to derive political capital from sponsoring illicit economies, and reduce the appeal of President Chávez's Bolivarismo and efforts to oppose the United States.

3. We received testimony that "our European allies, particularly the French, British and Belgians, must be brought into the process in a much more robust way."
Why is it, in your view, that Europeans are not fully engaged in counternarcotics efforts in West Africa when the vast majority of the cocaine being shipped from Colombia via West Africa is destined for Europe? Are there strategies that the U.S. could employ to better engage these allies?

The European approach to the emergence of narcotics smuggling through Western Africa is emblematic of an overall different paradigm of counternarcotics policies. While historically, the United States has emphasized supply side policies, particularly strong suppression measures, such as eradication and interdiction, European counternarcotics policies have been far more internally-oriented and have emphasized domestic policies. In some cases, such in the case of the Netherlands, Switzerland, and the United Kingdom, their domestic policies have emphasized harm-reduction approaches and treatment and prevention, whereas in other cases, such in France until the 1990s and in Sweden, the domestic counternarcotics policies were highly punitive and geared toward incarceration or forced treatment. To the extent that supply-side measures have been emphasized, they have focused primarily on interdiction measures close to or within Europe and on rural development in source countries. Indeed, European alternative development efforts in both Asia and Latin America have been some of the most effective.

In developing a more productive relationship with Europe on narcotics in Western Africa, the United States should emphasize a far more systematic need in Europe to address demand reduction – both prevention and treatment. Emphasizing the need to counter the substantial increase in demand for cocaine in Europe may well be a productive way to do so. There is need for a far more systematic analysis of what kind of prevention programs and messaging approaches are effective: Colombia's current effort, for example, to stress the negative ecological consequences of coca cultivation and the fact that coca feeds terrorism has not swayed Europe's users. Prevention programs and messaging need to be geared to specific social groups of users. Montana's campaign to reduce demand for methamphetamines serves as one example of effective messaging.

At the governmental level, the United States should emphasize common threats from an emergent nexus of drugs and terrorism in Western Africa and deepen joint intelligence and counterterrorism efforts. Such emphasis will both address the most serious threat from drug smuggling in Western Africa as well as better resonate with the approaches and perceptions of our European allies.

The United States also needs to calibrate its own counternarcotics interventions in Western Africa very carefully. Given the pervasive weakness of state capacity in the region, including law enforcement, and the enormity of resources it would take to make substantial improvements, the United States needs to consider the chance that its help will be diverted to actually facilitate drug trafficking. In the context of weak and corrupt law enforcement, for example, simply training a few special units poses a substantial danger that such units will defect to traffickers and even more compromise U.S. law enforcement and counternarcotics objectives. The Zetas in Mexico, now among the most violent hitmen and drug traffickers there, for example, were originally trained as a select counternarcotics unit. Instances of such capture of law enforcement by criminals are ubiquitous. In providing any assistance to Western Africa for countering the drug trade there, the United States needs to focus on oversight, monitoring, and accountability mechanisms to prevent such diversion. More broadly, the United States should engage with the region by facilitating a multifaceted strengthening of the state there.

4. We heard testimony that the U.S. should adopt a multi-dimensional approach to counternarcotics strategy. Of the available counternarcotics and law enforcement tools, which should the U.S. prioritize for funding purposes? Of the available counternarcotics and law enforcement tools, which should the U.S. prioritize in terms of order and timing?

In determining the prioritization and sequencing of countercotics policies, it is necessary to stop viewing counternarcotics policies in isolation and instead understand them in the broader context of state-building, security, and development. Well designed and appropriately sequenced counternarcotics policies will enhance all three while also being effective in suppressing illicit economies and crime. An understanding of local conditions is essential in devising effective policies.

Security is an essential prerequisite for the effectiveness of counternarcotics policies. When contemplating the design of counternarcotics policies in countries that suffer a lack of security or are caught up in violent conflict, U.S. assistance to strengthen security may be the most effective measure to advance counternarcotics objectives. In countries, where security is sufficiently provided, more direct mechanisms to advance law enforcement, such as interdiction efforts and police reform can be emphasized. Interdiction efforts need to focus far more on reducing the coercive corruption power of crime groups and not singularly on stopping illicit flows.

But security is not sufficient. In countries with labor-intensive illicit economies that employ substantial segments of the population that otherwise lack legal livelihood opportunities, a focus on expanding such legal economic opportunities and broad socio-economic development is critical. Without them, counternarcotics efforts are likely to be unsustainable in the absence of extensive political repression that contradicts U.S. values and interests, as well as ineffective. Undertaking such socio-economic development is a long, painstaking process, and one that is frequently the most underemphasized and least funded as well as designed too narrowly as crop substitution programs, instead of broad development. Clearly, U.S. source-country policies need to emphasize such development much more than they have done, but with the correct expectation that such an effort will require considerable time and resources.

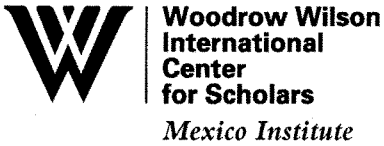
When legal alternatives are in place for populations participating in illicit economies,

enforcement measures such as eradication and interdiction may well be the needed catalysts for the abandonment of illicit crop cultivation, the effective suppression of illicit economies, and consolidation of rule of law. The United States should not, for example, shy away from suppressing marijuana cultivation in U.S. national parks and on other public lands. But where such legal economic resources are not in place, suppression measures are not only unlikely to result in a suppression of the illicit economy, but they are in fact likely to generate political instability, dangerous social protest, and even increase the power of terrorist and insurgent groups in the region.

In short, source-country counternarcotics policies need to be comprehended as multifaceted state-building efforts and calibrated with a clear eye toward security, development, and local institutional capacity.

Crucially, the U.S. counternarcotics policy needs to emphasize and resource demand-reduction measures far more than it has done so far. Such efforts to prevent use and provide treatment for addicts need to be at the core of U.S. domestic counternarcotics policies. But the U.S. government should also promote such measures abroad. The lack of emphasis on and funding for demand reduction measures has resulted in their limited effectiveness until now. Knowledge-based development of new programs and careful evaluation of what works and what does not in demand reduction efforts need to become of a central part U.S. counternarcotics policies. As in the case of supply suppression measures, taking into careful account local institutional and cultural settings will critically influence the effectiveness of such programs.

By reducing U.S. and global demand for narcotics, the United States will not only accomplish its goal of reducing drug use, but it will also facilitate its supply side policies – both suppression measures and socio-economic development – and most effectively counter the dangerous mix of drugs and terrorism.



October 13, 2009

Rep. John F. Tierney, Chairman
Subcommittee on National Security and Foreign Affairs
Committee on Oversight and Government Reform
United States House of Representatives
Washington, DC 20515

Dear Chairman Tierney:

Thank you for the opportunity to appear before your Subcommittee on October 1 and for the chance to respond to further questions for the record. Responses to your questions follow:

1. You testified that trafficking in illicit drugs is so profitable that interdicting drug shipments by 75% would not be sufficient to eliminate profits.
If that is the case, what impact can U.S. interdiction efforts realistically have on the illicit drug trade?

Interdiction is but one of many tools the United States government has at its disposal to address the problem of drug trafficking. Studies have shown that by itself interdiction is not a very effective tool because traffickers are quite agile at developing new routes and methods for moving their illegal product. Likewise, when examined in isolation, seizure rates for illegal drugs are considered a poor indicator of long-term success in stemming the supply of drugs. Large seizures, even at historic levels, usually do not reach the levels that would seriously affect the profits of the drug trafficking organizations. For example, disruption of the air bridge between Colombia and Mexico has slowed large scale air lifts of cocaine to Mexico, but drugs are still being transported in smaller plans; they are landing more often in Central America than Mexico; and more drugs are moving over land and via the sea as a result.

2. You testified that the U.S. should adopt a multi-dimensional approach to counternarcotics strategy. In your written testimony, you point out that building up a country's institutional and governance components helps deter drug trafficking organizations, but is "not a panacea."
Of the available counternarcotics and law enforcement strategies, which should the U.S. prioritize for funding purposes?

A landmark 1994 study by C. Peter Rydell and Susan Everingham for RAND's Drug Policy Research Center found that increases in funding for supply control efforts had less

impact on overall consumption of cocaine than did similar funding increases for treatment programs for heavy users. Investments in treatment and prevention programs are, thus, generally considered to be more cost effective – producing better results for the money invested – than efforts to control the supply of illegal drugs.

One possible approach to U.S. funding programs is to shift resources to more research on what treatment and prevention programs are most effective in reducing demand for illegal drugs. Based on these results, the federal counternarcotics budget could then shift to support evidence-based programs with a proven track record of success.

Regarding supply-side efforts, there are a range of policy options that merit careful consideration such as strengthening the capacity of civilian police, prosecutors and judges, and revamping prison systems. Key to all these strategies is to increase the public's confidence in the capacity and trustworthiness of the police. In Mexico, it is estimated that only 25% of crimes are reported. Countries in Central America experience similarly low rates of under reporting. While there are many reasons for the under-reporting, lack of confidence in the police's ability to respond effectively to citizen complaints are at the root of the problem. Additionally, evidence that police are corrupt or infiltrated by organized crime has further undermined public confidence. The same holds true for justice systems where prosecutors and judges often operate with little transparency and the possibility for corruption are high, and transparency and accountability are low.

There are several possible ways to begin the process of restoring public confidence in civilian institutions, but these require a long-term political and financial commitment by the countries themselves, and can be backed up with support from the United States. Key elements of such a strategy would be establishing better internal and external control mechanisms – such as internal affairs departments and citizen oversight boards - for both police and justice systems. Improved recruiting and vetting standards, better training and continuing education programs can increase professionalization levels, and reward systems that include better pay and greater specialization can also help. Strengthening the capacity of police forces has to be accompanied by an equally strong and effective justice system that takes care to ensure due process, and is an effective check on abusive tactics used by law enforcement.

Improving the criminal justice system can contribute to reducing that lengthy backlogs, extended pre-trial detention, and severe prison overcrowding that sap the system of its resources, and, at times, contributes to worsening criminal activities.

Of the available counternarcotics and law enforcement strategies, which should the U.S. prioritize in terms of order and timing?

Given cost-effectiveness considerations, prioritizing demand reduction programs, especially treatment and prevention programs, should be a priority. Analysis of the federal drug control budget by former ONDCP official, John Carnevale, suggests that funding for supply reduction programs – including international programs for eradication,

interdiction, and U.S. domestic law enforcement - have increased by approximately 57 percent between fiscal years 2002 and 2009. Supply side efforts now represent approximately two-thirds of the federal drug control budget, according to Carnevale. Increases for domestic treatment and prevention programs have increased by roughly 3 percent over the same period.

Amongst supply side strategies, those which emphasize institution strengthening – police, justice, and prisons – and increase transparency and accountability for these institutions in their own country, are more likely to have a lasting and sustainable impact on reducing drug trafficking and organized crime.

3. In your view, how important is reducing demand for drugs, relative to supply-side approaches?

Most of the available research suggests that demand reduction programs, especially those that focus on treatment and prevention, are the most cost effective ways to reduce consumption. Conversely, supply side programs require a comparatively larger investment to reduce supply sufficiently to increase costs and simultaneously reduce consumption.

Investing in research that identifies effective treatment and prevention programs and then seeks to multiply these, is one approach to refocusing current federal counternarcotics budgets.

Are there strategies that you believe would be most effective in reducing demand?

There are programs such as mentoring programs and extended school programs, early childhood intervention, and treatment programs for youth and adults that have shown signs of success. This is not my area of expertise, however, so I would defer to others for a more authoritative answer to this question.

4. We received testimony that "the government of Hugo Chavez in Venezuela has allowed the FARC, with whom Chavez has a deep and personal relationship, to establish routes through his country that greatly lessen the threat and cost of moving cocaine."
Are there diplomatic and/or economic strategies that could be employed to discourage or hinder this cooperation?
What prospects do you see for improved U.S.-Venezuelan cooperation on curbing drug trafficking?

I do not have expertise in the area of U.S.-Venezuelan relations and drug trafficking, so would defer to others with greater knowledge of this matter.

5. We received testimony that "the key to identifying, mapping and dismantling drug trafficking organizations is human intelligence."
How extensive are the U.S. government human intelligence networks in Mexico?

Are there particular challenges to establishing an effective human intelligence network in Mexico?
What strategies can the U.S. employ to overcome those challenges?

I do not have expertise in this particular area, so would defer to others with more knowledge of the human intelligence networks in Mexico.

Please let me know if I can be of further assistance.

Best wishes,

Eric L. Olson
Mexico Institute
Woodrow Wilson Center

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