

# Illegal Drugs and Security: The Story of the Chicken and the Egg?



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First of all, I would like to thank the Brazilian authorities for the invitation and also ICOS, of which I had the pleasure of being one of its back in 2002.

My presentation shows the advantage of age, as I have nothing to lose and I can say what I like. I've never been a man of action, because I am a coward. In reality, I don't want to be in the position of many of you, especially of the police and many judges, who have to fight the drug problem. My work has always been considerably more academic and abstract. My presentation does not have the wealth of empirical detail of Colonel Langton's, but it reflects my effort to understand a very complex problem.

Basically, I began to study drugs because I didn't understand the industry. I was Director of Industrial Studies and the Director of the International Economy Section of the Inter-American Development Bank over twenty years ago, and despite the skills we had at the Bank, I didn't understand this industry. In general, the explanations for the industry's development were based on geographical location (near markets for the finished product and raw materials), poverty, economic crisis, a scourge (perhaps punishment from God), bad luck, or similar causes. I did not find

these satisfactory. After many years studying the industry I ended up being a bearer of bad news.

### **Profit and Production**

To start, it is worth talking about profit and production. The vast majority of countries that could produce coca, cocaine, opium and heroin do not. This is a surprising key finding because if really determined where production occurred, every country were it would be profitable to do so would be producing and today we would easily have thirty countries growing cocaine, and about one hundred refining cocaine. This is how all industries work.

It is not true that coca only grows in the Andes. History is very revealing. One hundred years ago, the principal exporter of coca leaf to businesses and German and American laboratories were the islands of Java and Sumatra, today in Indonesia. The Japanese grew coca in Taiwan; the English in Sri Lanka and South India. There was also some cultivation in the Philippines. One must ask why is it, if it is so profitable, that these countries don't grow coca anymore?

When we analyse a world map of coca-cocaine and opium-heroin, we find a high concentration of production, despite the high profitability and the oft-touted "where there is demand, there is supply". Yes, where there is demand, there is supply. But the existence of a demand, does not explain why production is concentrated, especially when it is so profitable. This forces us to look at the important differences between an industry like coffee, and an industry like coca. The fundamental difference is the illegality.

Basically, when something very easy to produce is declared illegal at a global level, its production will tend to concentrate in areas where it is easiest to carry out illegal activities. It is as simple as that. In other words, the competitive advantage in coca-cocaine and opium-heroin is based on illegality.

### **Consumption and Consumers**

On the consumption side, we find something similar: the vast majority of people have access to illegal drugs but do not consume them. Drugs are often referred to as a 'global' problem. I do not like to use the word global; I prefer "international". I do not think it is global because the importance of drugs varies enormously among countries, and there are lots of countries where drugs are not really an important issue on the political agenda. The fact is that consumption is and has always been concentrated in a few countries and within certain social groups. When people talk about this being a 'global' problem, they avoid the necessity of talking about the factors that make these countries and groups vulnerable.

Another interesting characteristic of drug consumption is that it varies considerably among countries. For example, in the United States, far more stimulants are consumed than narcotics. There cocaine has been widely sought after but heroin has been markedly less. In Europe, traditionally the opposite has been true. I, as an economist, do not understand this. I can propose hypotheses: Does the US propensity towards competition encourage the use of stimulants like cocaine? Or is it that in Europe, people do not think that they can achieve much since everything has been done, and therefore prefer narcotics? Is that

why Spain, which was repressed for so long, became the largest cocaine consumer in Europe once repression lifted? I don't know, but these are hypotheses that are worth thinking about. The conclusion, however, is simple. As a general rule, drug consumption and production reflect deep structural and behavioural (institutional) social problems.

### **The Importance of Social Controls to Supply and Demand**

Human behaviour is restricted by three factors: social organizations like the family, religion, peer groups, establish controls; the Nation State, which is an invention of the past two hundred years or so also generate controls; and finally, people develop internalised norms. These are the three control mechanisms that restrict the behaviour of human beings. When both social and internalised norms weaken, responsibility for control falls squarely to the State.

Today, many Latin American countries find themselves in an acute predicament because the formal State norms (laws, decrees, etc.) vary substantially from those of particular social groups or the society in general. Many social norms tend to contradict State norms. There are social groups in all our countries that are willing to violate State norms which, in their eyes have not been reached by legitimate social consensus. I believe that this wide normative gap is at the root of illegality in our countries. In Colombia, I am willing to bet that this is the situation.

The point, again, is that drug production and consumption have social roots. This brings us to an unpleasant conclusion: that both the production and consumption of drugs reflect

unresolved social problems. This is the case in all societies.

### **Drugs as a Catalyst**

This does not mean that drugs do not have an effect. The production and consumption of drugs tend to concentrate in vulnerable populations and drugs act as a catalyst, which exacerbates existing social problems. Drugs are not the underlying "cause", but they do play an important role in the process.

### **Modernity and Security**

Technological changes and globalisation have meant that today's states face increasingly higher costs for the failure to control their territory effectively. This is clear in the case of Colombia.

Frankly, in the case of Colombia I would contemplate the possibility of breaking it down to achieve high levels of governance and also so that FARC could face the United States. If modern Colombia could gain independence from pre-modern Colombia, it would be free to grow and develop. Obviously the majority of Colombians wouldn't accept such a proposition, but the fact is that for a long time it was feasible for a government to have weak control over large areas of sovereign territory without that weakness generating high costs. Today, this is increasingly difficult to achieve.

The Colombian Amazon should be dedicated to producing oxygen, but there is no good market for oxygen. This is a similar problem to that faced by housewives. Their role in educating children is very important,

but there is no good market for their services; they are not paid. The result is that they end up leaving the house to “work” because staying at home they “do not work”. Not surprisingly, the quality of inputs used to produce human adults has worsened substantially (in an economist’s perspective, obviously.)

A key point is that an official States cannot promote illegal activities as the only profitable lines of work in certain regions. In many parts of the Amazon and other jungle areas legal agricultural products are not profitable. Besides, the soil is exhausted rapidly and becomes fit only for extensive cattle ranching. To integrate those regions to the legal market economy very large infrastructure investments are necessary. In Colombian many of these areas are far from the markets and it is very expensive to construct the necessary roads, communication lines, and other public utilities. These are zones where production for the legal market is not profitable. Meanwhile, both the guerrillas and paramilitaries are able to promote illegal activities there and benefit from them. This presents a dilemma for the Colombian government: on the one hand it cannot promote the profitable illegal products of the Amazon, but it has to face the fact that the guerrillas and paramilitaries can, and do. On the other hand, it does not have the resources needed to integrate those regions to the market economy or to move the people currently located there to other places and to train them to be productive in the legal economy.

### **Drugs and Conflict**

Without doubt, drugs promote and contribute to develop conflicts. There is no

doubt that drugs have financed many conflicts, allowing latent problems to grow. Drugs have been a catalyst of conflicts in many places: Colombia, Afghanistan, Peru, Chechnya, Burma, Nicaragua, Kosovo, Albania, and so on. In excluded neighbourhoods there may be similar problems to that of Colombia in the Amazon, but with an urban character. This occurs in zones where the state does not exercise effective sovereignty over its territory.

It is interesting to see how these illegal funds are sometimes mobilised by insurgents, sometimes counter-insurgents, and sometimes, by state security agencies. For example, there is evidence that while the Sandinista government in Nicaragua did business with Pablo Escobar, the CIA supported the Contra with drugs, as evidenced by those incidents involving Oliver North & Company, for example. The same occurred in Burma and Laos.

Illegal drugs have been used to finance war actions when a group believes in a supposedly superior cause, to which drugs are subordinates. If one has a superior cause like fighting communism or terrorism, then one is willing to give up some lower principles and benefit from drugs.

### **Repressive Policies**

For the past forty years, the only policy responses to drug-related problems have been repressive. Richard Nixon declared the “War on Drugs” thirty-eight years ago. Repressive policies attack the symptoms of the problem but not the roots. It is necessary to attack both. I’m not implying that illegal drugs should not be repressed; or that police officers or judges should not attack drug

related crimes. The problem is that as long as drugs are confronted only with repressive policies, these cannot succeed in the long run. The illegal drug industry continuously keeps adapting in response to repressive policy measures. Colonel Langton has shown us just how illegal organisations are adapting today. What is required is a commitment to fight drugs not just with repressive policies but also with actions that genuinely attempt to address the fundamental causes behind the growth of the illegal drug industry.

### **Conclusions: what can be done?**

For a start, I'd like to put all countries, especially Colombia, in the psychiatrist's chair, to force the country to find its subconscious self. I'm not a psychologist, but if I was the Colombian subconscious and I met a Brazilian, I'd say, ok, you are very proud of your development. You can compete with Colombia in coffee, but you cannot compete in coca. You cannot compete with our cocaine, and it's far more profitable than coffee. We are better capitalists than you! When the Colombian subconscious looks at Ecuador, Peru and Bolivia, it says "how primitive you are, how shameful!" but the fact is that these countries have social controls that do not exist in Colombia.

The first step is for the Colombian elite to recognise that there is a deep institutional and structural problem. The position of the Colombian elite, expressed in all the documents by the establishment's most important intellectuals, is to present Colombia as a victim. At international level, they talk about how Colombia has paid with the lives of many people; that Colombia has paid an enormous price in the fight against

drugs. I prefer not to ask why Colombia has suffered so many deaths, but rather, why Colombia has produced so many murderers. In the official version, the drug traffickers, guerrillas and paramilitaries are foreigners in the sense that they are not products of Colombian society; these are not people that have been born, raised and socialised in Colombia. They are presented as a calamity unleashed on the country by external or exogenous factors.

The first challenge is to get the establishment to accept that there is an internal problem that has social roots. The long term goal should be to eliminate the gap between the formal norms determined in legislation and the behaviour norms deemed socially acceptable by different groups. Changes in behaviour, or culture, must be a policy target. That is, policies should aim to change values, beliefs and attitudes to generate solidarity, trust and reciprocity.

To achieve this it is necessary to consider policy options that are out of fashion or "forbidden" today. These should include economic and social "reforms". Let's remember that Colombia is the only Andean country with a large peasantry that never had a meaningful agrarian reform. The land reform of the 1960s became, on the one hand, an irrigation programme that benefited the territory today controlled by paramilitary groups in the northern coast departments, and on the other hand, a programme that promoted the settlement of zones far from the market, where today the FARC dominates and produces coca. This land "reform" was a way of evading the breakdown of latifundia and other large land holdings. It could be asserted that in the modern economy a land reform is a costly

and inefficient policy since current technologies require large agricultural operations. This is true. However, I am trained as a Chicago Boy and I understand how the theory of capitalism works. Sometimes, economic efficiency must be sacrificed in order to achieve social efficiency.

It is impossible that what I propose is not viable. But my question is the following: is this a better option to the path we are following at the moment?