

## Vanda Felbab-Brown

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Felbab-Brown is also an adjunct professor in the Security Studies Program, School of Foreign Service, Georgetown University. Prior to taking up her position at the Brookings Institution, she was assistant professor at Georgetown University. A frequent commentator in the media, she is the author of the forthcoming book, *Shooting Up: Counterinsurgency and the War on Drugs* (Brookings Institution Press, 2009) which examines these issues in Colombia, Peru, Afghanistan, Burma, Northern Ireland, India, and Turkey. Her PhD dissertation, "Shooting Up: The Impact of Illicit Economies on Military Conflict," received the American Political Science Association's 2007 Harold D. Laswell Award for the Best Dissertation in the Field of Public Policy.

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STATEMENT OF VANDA FELBAB-BROWN  
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 To  
 SUBCOMMITTEE ON NATIONAL SECURITY AND FOREIGN RELATIONS,  
 HOUSE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM  
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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 of 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.<sup>1</sup> Consequently, the political capital of the sponsors of the drug trade there, such as the Sinaloa cartel, is hardly negligible.

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<sup>1</sup> 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 than 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 indispensable. 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.