

### **Eric L. Olson**

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**Woodrow Wilson  
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*Mexico Institute*

**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**

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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 lose 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 lose 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 planes to move the load from Colombia to Central America where bundles are either dumped in the sea or retrieved, or planes 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 planes 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.

It's 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 has 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, "It's 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 were 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 rivals, 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.