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**Domestic Policy Subcommittee
Of the
Oversight and Government Reform Committee**

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**“International Counternarcotics Policies:
Do They Reduce Domestic Consumption or Advance
other Foreign Policy Goals?”**

**General Lessons Learned and Policy Designs in Afghanistan,
Mexico, and Colombia**

Mr. Chairman and Members of the Committee:

I am honored to have this opportunity to address the Subcommittee on the critical issue of the role supply-side counternarcotics policies play in reducing drug consumption in the United States and elsewhere and in advancing other U.S. foreign policy goals. The threats posed by the production and trafficking of illicit narcotics and by organized crime, and their impacts on U.S. and local security issues around the world, are the domain of my work, and the subject of my recent book, *Shooting Up: Counterinsurgency and the War on Drugs* (Brookings, 2009). I have conducted fieldwork on these issues in Latin America, Asia, and Africa.

While I will focus my comments on supply-side policies, I want to call attention to the fact that the Obama Administration has acknowledged the vital importance of reducing demand for illicit drugs and committed itself to reducing the demand in the United States.

Beyond enhancing international cooperation in the fight against illicit narcotics through an unequivocal acknowledgement of joint responsibility, a robust and well-funded commitment to demand reduction also greatly facilitates the effectiveness of supply-side measures. As long as there is a strong demand for illicit narcotics, supply-side measures cannot be expected to stop supply and prevent consumption. Despite the operational and funding priority given to supply-side measures over the past thirty years, they have not dramatically reduced consumption in the United States or elsewhere. In fact, in many countries, such as Brazil, Argentina, Mexico, Afghanistan, Pakistan, Russia, and China, demand for illicit narcotics has greatly increased over that period. In some of these countries, the per capita consumption of illicit narcotics rivals and even surpasses that of the United States or Western European countries.

However, supply-side policies do have great impact on the level of threat that the drug trade and drug trafficking organizations (DTOs) and other non-state armed actors pose to states and societies in source and transshipment countries.

In the rest of my statement, I will first briefly sketch the design of U.S. supply-side policies in Afghanistan, Mexico, and Colombia -- currently the principal focus of U.S. supply-side counternarcotics programs -- and outline the outstanding challenges and opportunities in these countries.

Second, I will outline broad lessons about the effectiveness of supply-side measures.

Afghanistan

The Obama Administration should be congratulated for having the courage in Afghanistan to break with ineffective, but entrenched supply-side policies that center on premature eradication. Eradication in conflict settings without legal alternative livelihoods in place neither accomplishes its siren song of bankrupting belligerents, nor does it sustainably reduce illicit crops. Indeed, it is counterproductive by increasing the bonds between belligerents, such as the Taliban, and the local population, and thus intensifying conflict, and by strengthening the structural drivers of illicit crop cultivation, such as insecurity.

The new U.S. strategy significantly scales back eradication, and instead focuses on interdiction (with a budget request of US\$450 million) and rural development. The total request for economic assistance, which includes alternative livelihoods efforts, is US\$ 3.3 billion. Although far from all economic programs necessarily impact the size of the drug trade in Afghanistan, including the level of illicit crop cultivation, it is important to understand that alternative livelihoods efforts require comprehensive rural development efforts and that job creation outside the rural sector may be critical for the reduction of the population's economic dependence on illicit crop cultivation.

Scaling back and defunding eradication in the current period allows for an optimization of counternarcotics policies with counterinsurgency. Given the economic and human security dependence of much of Afghanistan's rural population on the illicit economy and its role in Afghanistan's macroeconomic output, a rapid suppression of the illicit economy without legal alternatives in place will only push the population into the Taliban's hands, generate social and political instability, and significantly suppress even legal economic output.

However, the design of interdiction measures and alternative livelihoods efforts and the quality of their implementation will be critical for success. It is, for example, highly unlikely that interdiction measures can significantly reduce the Taliban's income and greatly limit its operational capacity. Interdiction measures have rarely succeeded in such an undertaking, and the Taliban likely derives half of its income from fundraising and taxing all other legal and illegal economic activity in the areas where its presence is strong, such as trucking, illegal logging, and development projects. Between 2002-2004, the Taliban was able to rebuild itself largely without access to proceeds from poppy cultivation in Afghanistan.

In addition to focusing on the Taliban local-level and larger drug financiers, interdiction and law enforcement efforts in Afghanistan also need to target government-linked traffickers to send a message that the era of impunity is over. Such efforts need to be accompanied by expanding the quality of and access to justice and dispute resolution mechanisms for the population and improving the capacity and quality of police, specialized counternarcotics units, the judicial system, and corrections facilities.

The Obama Administration has not revealed many details about the structure of the rural development and alternative livelihoods components of its Afghanistan counternarcotics policy. Administration officials were at times reported to emphasize that the new programs would focus "on the farm." Such focus is needed, but it should not take place at the expense of generating secure markets and value-added chains. Without this latter component, alternative livelihoods efforts have not been highly effective.

The programs also need to address all of the structural drivers of poppy cultivation. It was the right decision of the Obama Administration not to fund this year the wheat distribution program in Afghanistan, including the so-called Food Zone in Helmand, the hallmark of rural development efforts in Afghanistan last year and a program still funded by the United Kingdom. Subsequent evaluations of the wheat program pointed out many serious deficiencies in its design and implementation and give a strong reason to remain skeptical about its long-term effectiveness. Because of land-intensity requirements for wheat cultivation, its limited ability to

generate employment, and the fact that neighboring countries dictate Afghanistan's wheat prices, wheat is overall not an effective substitute for poppy. The efforts should instead focus on high-value, high-labor intensive crops as well as on addressing the structural drivers of poppy cultivation.

A serious evaluation needs to be given to the sustainability of the development efforts and the economic and political and security dangers entailed in using economic development programs as short-term buyoffs of the population. It has been reported at times, for example, that Marja and areas around Kandahar City are being saturated with development money. U.S. officials have at times stated that 30,000 jobs have been created in southern Kandahar. Many of these jobs appear to be cash-for-work programs, such as paying young men for cleaning irrigation canals or building roads. Such programs, however, need to be treated with caution. Improving physical infrastructure and irrigation is intrinsically useful and important for development. From a counterinsurgency perspective, it is also crucial to find jobs for young men susceptible to the Taliban mobilization or those who abandon militancy through demobilization efforts. Some of these workers may even limit their participation in the poppy economy. Such cash for work programs are also the easiest to generate in weak economies in conflict settings.

However, the problem with such programs is that they often end very quickly – either after the road is built or the cash funding has run out and no sustainable jobs have been created. It is thus imperative that Congress does not expect that such programs will robustly diminish the poppy economy in Afghanistan. Even more dangerously, they create expectations on the part of the population that may not be met later on. Unmet expectations are a key driver of the insurgency and the disappointment with the Afghan government. Hiring several thousand men for a project one spring, while unable to employ them later although they continue to expect legal employment can drive some back to the Taliban or alienate them from the Afghan government and the international community.

Similarly, using economic programs to buy off the Afghan population through the distribution of economic handouts, such as diesel generators or building of wells and bridges, has largely not been effective in Afghanistan. Such approaches have neither generated reliable intelligence and secured the lasting sympathy of the population nor been the basis of sustainable rural development. In a counterinsurgency setting, it is crucial to win the hearts and minds of the population. Concentrating economic aid and quickly delivering visible economic improvements is an understandable component of such an effort. But great caution needs to be taken that such programs do not backfire by setting up unreasonable expectations that will be disappointed, such as when the fuel distributed for the diesel generators runs out or the medical stuff for the newly-built clinic does not show up, thus turning the population off the counterinsurgency effort. Often a smaller program that is sustainable if slower, but has lasting community ownership may be better for development, counternarcotics, and counterinsurgency.

It is also understandable, and often desirable to concentrate resources on key strategic and demonstration areas. Dispersing resources – whether military, development, or counternarcotics – over too large an area may prevent a program from achieving a sufficient momentum and intensity in any particular place, and thus failing throughout. But while it is understandable to concentrate U.S. counternarcotics and development funds in southern Afghanistan particularly,

such an allocation should not take place at the expense of starving the north and east of Afghanistan off economic development funds. Counternarcotics achievements in those areas are fragile, and the political repercussions of poppy bans and suppression have often been severe, including in terms of weakening tribal structures and popular allegiance to government authorities, such as in Achin, Shinwar, and Khogiani areas of Nangarhar, or the rise of criminality and outright Taliban mobilization and activity in the north of Afghanistan.

Other short-cuts, such as programs to compensate farmers for their own eradication of poppy crops adopted to some extent this year in Marja, for example, should be treated at most as short-term stopgap measures. Although preferable to forced eradication in the absence of legal livelihoods being in place, such programs do not have a good track record in Afghanistan or elsewhere in the world, lacking sustainability and even encouraging moral hazard.

The so-called Good Performers Initiative, rewarding provinces and governors who significantly reduce the size of poppy cultivation, should also be subjected to careful scrutiny. Often, such as in case of the province of Nangarhar, the Initiative rewards the output without regard to its sustainability, effects on political stability and counterinsurgency, the socio-economic needs of the population, or the goal of improving the quality of Afghan governance. Instead of rewarding the numbers of hectares eradicated or the decrease in cultivation through bans, the Initiative should disburse rewards for improving good governance and the socio-economic development of the province, measured by population-centric indicators. Such measures include a person's food security and access to water, land, microcredit, and education, for example.

Mexico

The new orientation of the Merida Initiative, the so-called *Beyond Merida*, puts the overall counternarcotics strategy in Mexico on the right track and should be greatly applauded. Indeed, the new design of the Merida Initiative is an example of the kind of multifaceted state-building approach to counternarcotics I call for later in my testimony. It represents a great improvement to the design of counternarcotics programs in Mexico and more broadly of U.S. supply-side programs.

The new strategy recognizes that there are no quick technological fixes to the threat that DTOs pose to the Mexican state and society. It also recognizes that high-value-targeting of drug capos, even while backed up by the Mexican military will not end the power of the Mexican DTOs.

Instead, the new strategy focuses on four pillars: a comprehensive effort to weaken the DTOs that goes beyond high-value decapitation; institutional development and capacity building, including in the civilian law enforcement, intelligence, and justice sectors; building a 21st century border to secure communities while encouraging economic trade and growth; and building communities resilient to participating in the drug trade or drug consumption.

As in the case of Afghanistan, even a great strategy is vulnerable to implementation problems. Deep obstacles persist in Mexico's political and economic arrangements and social organization that make effective implementation of such a strategy not easy. Notwithstanding the level of U.S. assistance so far, including having generated over several thousand newly trained Mexican federal police officers, Mexico's law enforcement remains deeply eviscerated, deficient in

combating street and organized crime, and corrupt. Police reform will require sustained commitment over a generation, and corruption problem persist even among the newly trained police. Expanding the investigative capacity of Mexico's police, especially during times of intense criminal violence when law enforcement tends to become overwhelmed, apathetic, and all the more susceptible to corruption, is imperative, but it is frequently a difficult component of police reform.

The persistence of monopolies in Mexico limits job creation, even in times of economic growth. The structural limitations of such efforts have already been manifested in "100 Days of Cuidad Juarez" unveiled by President Felipe Calderón in February. Although it is critical and laudable that the U.S. government has stressed the need to generate jobs in places such as Cuidad Juarez to employ the scores of young men who are available as cartel *sicarios* for a mere USD 500 a month, job generation there and throughout Mexico will be hampered by the violence and the broader marcoeconomic arrangements in Mexico. Land access and distribution encourage the persistence of illicit crop cultivation and poverty in Mexico's southern rural areas. The taxation system that poses a heavy burden on the middle class and the reality that more than forty percent of Mexico's economy is informal put great constraints on the fiscal capacity of the Mexican state and its ability to encourage socio-economic development.

Moreover, the new strategy does not guarantee that substantial drops in drug-related violence will take place quickly. Indeed, the way interdiction has been carried out so far – focusing on high-value-target decapitation – has contributed to the levels of violence. Yet it is critical that drug-related violence (which over the past three years surpassed 23,000 deaths) is brought down in Mexico. Such violence cannot be dismissed as irrelevant or hailed as success. At these levels, especially in highly affected communities, such as Cuidad Juarez, the intense violence undermines legal economic activity and eviscerates civil society. It is imperative that reducing violence becomes a critical part of the strategy, such as by encouraging Mexico to better integrate police and military efforts, focus on investigations and community policing by uncorrupt police while using the military mainly as back-up during highly violent confrontations with the DTOs.

Given the depth of the above-mentioned problems in Mexico, the U.S. funding request of US\$310 million for next year is modest. But while greater funding would expand U.S. assistance opportunities, the modest funding request is not necessarily inappropriate. First of all, the Government of Mexico is devoting significantly greater resources to the effort. Second, counternarcotics programs can only be sustainable if embraced, including with respect to the funding responsibility, by the recipient country. Given the size of the U.S. assistance, it is also appropriate to focus U.S. resource selectively on demonstration areas, such as one or two cities in Mexico's North, where the four pillars and Mexico's efforts can be brought together.

While recognizing the need for local ownership and sustainability, it is of concern to see that the 4th pillar of the strategy – developing resilient communities by focusing on addressing their socio-economic needs – will receive only small funding from the United States. Such funding appropriation is all the more worrisome since the Mexican government's own funding of such efforts is likely to remain more limited than its funding of law enforcement measures. But just as in Afghanistan, care needs to be taken not to overpromise outcomes and speed of social progress

to a community, and thus disappoint its expectations. And once again, U.S. assistance and the socio-economic programs more broadly should not be conceived as limited handouts to pacify a community or secure intelligence flows. Rather, they must be conceived as a systematic, robust, and long-term urban planning. U.S. assistance may perhaps be best spent by concentrating U.S. resources on demonstration areas, such as a city or even a neighborhood, and by encouraging and assisting the government of Mexico in undertaking the necessary structural economic and law enforcement efforts needed and by encouraging them to maintain such political will regardless of what political party is in power.

Similarly, U.S. counternarcotics efforts in Mexico should also encourage rural development in areas of illegal poppy and marijuana cultivation. The Government of Mexico has so far exhibited only a limited interest in such programs, preferring to deal with illicit crops there through eradication. However, addressing the socio-economic needs of the marginalized areas of both the northern urban belt as well as southern rural areas is critical for reducing the recruitment pool for the drug trafficking organizations, severing the bonds between marginalized communities and criminal elements, and resurrecting the hope of many Mexican citizens that the Mexican state and legal behavior can best advance their future.

U.S. assistance to Mexico in its reform of the judicial system and implementation of the accusatorial system, including in terms of training prosecutors, can be particularly fruitful. Urgent attention also needs to be given to prison reform in Mexico, currently a breeding ground and schooling for current and potential members of drug trafficking organizations.

Colombia

Over the past nine years, reflecting the results of U.S. assistance under Plan Colombia and the Andean Counterdrug Initiative, Colombia has experienced significant progress. Yet while significant, the success remains worryingly incomplete. It is important not to be blinded by the success and present Colombia as a model to be emulated, including in Mexico. While its accomplishments, including in police reform and the impressive strengthening of the judicial system, should be recognized and indeed may serve as a model, the limitations of progress equally need to be stressed for it is important to continue working with Colombia of areas of deficient progress and avoid repeating these failures elsewhere in the world.

Colombia has experienced especially strong progress in combating illegal armed groups, such as the leftist guerrilla movement, the *Fuerzas Armadas Revolucionarias de Colombia* (FARC). Its numbers have been halved, its ability to operate substantially weakened, and the guerrillas have been pushed away from strategic corridors. The Government of Colombia also demobilized the rightist paramilitaries, the *Autodefensas de Colombia* (AUC). Kidnapping and murder rates have fallen substantially.

Yet critical weaknesses in security remain. In much of the territory cleared of illegal armed actors, security is still tenuous. Frequently, government presence, even in terms of public safety, remains sporadic and spotty. Often, illegal armed actors reign a short distance from major roads and government officials can enter many municipalities only with permission of the local armed actors. The FARC can still conduct a robust terrorist campaign and often controls extensive territories, including in areas of difficult terrain.

Despite the formal demobilization of the paramilitary groups, new paramilitary groups, referred to by the Government of Colombia as *bandas criminales*, have emerged and by some accounts number ten thousand. They participate in the drug trade and undermine public safety in ways analogous to the former paramilitaries. Such paramilitary groups have also penetrated the political structures in Colombia at both the local and national levels, distorting democratic processes, accountability, and socio-economic development, often to the detriment of the most needy. New conflicts over land have increased once again and displacement of populations from land persists at very high levels. Homicides and kidnapping murders are up in Bogotá and Medellín, once hailed as a model success.

Although the National Consolidation Plan of the Government of Colombia recognizes the importance of addressing the socio-economic needs of the populations previously controlled by illegal armed actors, state presence in many areas remains highly limited and many socio-economic programs exist only on paper, but not on the ground. This is also the case in many of the seventeen specially-designated “strategic zones” where the Government of Colombia focuses its efforts. Civilian presence, such as in terms of rural development, often remains the weakest. Many of these deficiencies are described in the USAID-contracted, independent-expert *Assessment of the Implementation of the United States Government's Support for Plan Colombia's Illicit Crop Reduction Components* (below referred to as *Assessment*), in which I participated during 2008 and 2009. The Assessment can be accessed at http://www.brookings.edu/reports/2009/0417_plan_colombia_felbabbrown.aspx.

Despite the most intensive aerial eradication campaign in history and steadily increasing level of manual eradication, the cultivation of coca persists at high levels (119,000 hectares). Rural development efforts remain limited and reach only a small segment of the population cultivating illicit crops or vulnerable to cultivation. There are no consistent data regarding the number of *cocaleros* in Colombia, with estimates ranging from 90,000 to 300,000 families (not including those vulnerable to, but not currently cultivating coca).

Despite the drop in the U.S. funding request for Colombia, at US\$460.1 million, the funding still remains one of the highest counternarcotics source-country programs, surpassed only by the funding for Afghanistan. Although the funding – structured as US\$202.9 million for socio-economic and civilian institutional development and US\$257.2 for eradication and military efforts – cannot be expected to bring about comprehensive rural development throughout Colombia or pay for the fight against illegal armed actors, a decrease in funding is not inappropriate. The Government of Colombia has a far greater capacity to pay for its efforts than it used to in the 1990s. Such local ownership and commitment is also necessary for long-term sustainability of the effort.

It is encouraging that the Obama Administration has maintained the funding trend over the past two years of balancing more socio-economic efforts in relation to law enforcement and security efforts (military operations and drug eradication and interdiction), with a 44% to 46% distribution from what used to be a 25% to 75% distribution in the much of the 2000s. Not cutting funding for socio-economic programs is especially important. Given the immensity of socio-economic needs in Colombia and the relatively small size of the U.S. programs, focusing on critical areas, such as the strategic zones, in this phase of U.S. assistance is appropriate in

terms of rural development efforts. However, it is important to recognize that U.S.-funded rural development efforts operate in the context of problematic political-economic arrangements that greatly limit the effectiveness of alternative livelihoods programs. For example, powerful agricultural lobbies oppose land reform and the rural poor frequently have only limited access to land and credit. The taxation system taxes land very lightly, while it taxes labor, especially the middle class, very heavily, giving rise to land speculation and economic growth that does not generate many jobs.

The May presidential elections in Colombia represent a new opportunity for the Colombian government and for the United States. The new Colombian government of President Juan Manuel Santos should recognize that while perseverance in security and public safety efforts, including in combating the new paramilitary groups/*bandas criminales* is critical, it must be accompanied by far more robust efforts to address the socio-economic needs of the marginalized populations and combat poverty and political and economic inequality. President Santos has indeed committed himself to doing so, and the United States should make such socio-economic development in Colombia a key component of its partnership with Colombia.

For the counternarcotics efforts, the arrival of a new administration in Colombia presents an opportunity to move away from the ineffective and counterproductive zero-coca policy of President Alvaro Uribe's Administration. Detailed in the above-mentioned independent *Assessment*, the policy conditions all economic aid on a total eradication of all coca crops from a particular locality. Even a small-scale violation by one family disqualifies the area, such as a municipality, from receiving any economic assistance from the Government of Colombia and often also cooperating international partners. Such a policy thus disqualifies the most marginalized and coca-dependent communities from receiving assistance to sustainably abandon illicit crop cultivation, subjects them to food insecurity and often also physical insecurity, pushes them into the hands of illegal armed groups, and adopts the wrong sequencing approach to supply-side counternarcotics policies. In cooperating with the new administration in Colombia, the United States government should encourage the new Colombian leadership to drop this counterproductive policy.

Lessons Learned about the Effectiveness of Supply-Side Policies

In the rest of my testimony, I will briefly sketch some key lessons from forty years of counternarcotics efforts by the United States and other countries.

I. The drug trade generates multiple threats to the United States and other states and societies. Not only does it feed drug addiction and abuse in consuming countries, but also it also often threatens public safety, at times even national security, in supply and transshipment countries. And it can compromise their political systems by increasing corruption and penetration by criminal entities and undermine their legal economies.

At the same time, large populations around the world in areas with minimal state presence, great poverty, and social and political marginalization are dependent on illicit economies, including the drug trade, for economic survival and the satisfaction of other socio-economic needs. They are thus susceptible to becoming dependent on and supporters of criminal entities and belligerent

actors who sponsor the drug trade. In turn, such dangerous non-state actors derive large financial benefits and political capital from the drug trade.

II. Supply-side measures, such as eradication of illicit crops and interdiction of transshipment, have *not yet succeeded in disrupting the global supply of drugs in a lasting way*. At most, simultaneous supply-sides measures in critical production areas and along critical smuggling routes have generated relatively brief disruptions of global supply, reflected in increased, but temporary shortage of narcotics. After a short period, usually no more than two years, global supply has recovered whether through renewed production in the original source area, the relocation of production to new areas, or the use of new transshipment methods or routes by drug trafficking organizations.

III. Supply-side measures, however, have been *at times effective in suppressing production in a lasting way in particular locales*. Such durable suppression of illicit crops has required two elements: The first requirement has been that military conflict in the particular area must have ended and the state or even nonstate authorities must have firm control throughout the entire territory of the country. The second has been that the state imposing eradication of illicit crops must be capable and willing to sustain prolonged repression of populations dependent on illicit crop cultivation (the China under Mao model), or that alternative livelihoods are put in place to offset the economic losses and resulting human insecurity of the marginalized populations (the Thailand model).

IV. Given that the repression-based approach is deeply inconsistent with U.S. interests and values, only the second model that includes legal economic alternatives should be adopted by the United States and other countries. For the second model to be effective, however, it needs to be construed a *multifaceted state-building effort that seeks to strengthen the bonds between the state and marginalized communities* dependent on or vulnerable to participation in the drug trade for reasons of economic survival and physical insecurity. The goal of supply-side measures should not only be a narrow suppression of the symptoms of illegality and state-weakness, such as suppression of illicit crops or interdiction of illicit flows, but rather to reduce the threat that the drug trade poses from one of a national security concern to one of public safety problem that does not threaten the state or the society at large.

Such a multifaceted approach in turn requires that the state addresses all the complex reasons why populations turn to illegality, including law enforcement deficiencies and physical insecurity, economic poverty, and social marginalization. Efforts need to focus on ensuring that peoples and communities will obey laws – by increasing the likelihood that illegal behavior and corruption will be punished, but also by creating the social, economic, and political environment in which the laws are consistent with the needs of the people so that the laws can be seen as legitimate and hence be internalized. The reorientation of the Merida Initiative toward such a multifaceted approach is an example of the needed reconceptualization of the drug trade threat and is a very encouraging development.

In the case of narcotics suppression, one aspect of such a multifaceted approach that seeks to strengthen the bonds between the state and society and weaken the bonds between marginalized populations and criminal and armed actors is the *proper sequencing of eradication and the*

development of economic alternatives. For many years, the United States has emphasized eradication of illicit crops, including forced eradication, above rural development, such as alternative livelihoods efforts. Worse yet, the United States has also insisted on eradication first. Such an approach has been at odds with -- in fact, the reverse of -- the counternarcotics policy of the European Union and many individual Western European countries. Such sequencing and emphasis has also been at odds with the lessons learned from the most successful rural development effort in the context of illicit crop cultivation, Thailand. Indeed, Thailand offers the only example where rural development succeeded in eliminating illicit crop cultivation at a country-wide level.

I am encouraged that the Obama administration is cognizant of the need to *focus on rural development and sequence it properly with eradication.* The new U.S. policy in Afghanistan is a prime example of this deeper understanding. Yet such effective sequencing of alternative development and eradication is far from the norm in many U.S. assistance programs, including in Peru and in Colombia where eradication often takes place in the absence of economic assistance. In Mexico, to a large extent reflecting the preferences of the Government of Mexico, the United States does not fund alternative livelihoods efforts in the countryside where marijuana and opium poppy are grown and where methamphetamines are produced, providing livelihoods to marginalized populations in places such as Guerrero, Oaxaca, and Michoacán. Yet the United States becomes concerned when eradication measures failed to prevent an increase in cultivation in those areas.

V. Effective rural development does require not only proper sequencing with eradication and security, but also a *well-funded, long-lasting, and comprehensive approach* that does not center merely on searching for the replacement crop. Alternative development efforts need to address all the structural drivers of why communities participate in illegal economies -- such as access to markets and their development, deficiencies in infrastructure and irrigation systems, access to microcredit, and the establishment of value-added chains.

Such economic approaches to reducing illegality and crime should not be limited only to rural areas: there is great need for such programs even in urban areas afflicted by extensive and pervasive illegality where communities are vulnerable to capture by organized crime, such as in Mexico.

Indeed, a primary focus on legal job creation -- whether on or off-farm -- should be a key component of U.S. counternarcotics programs wherever marginalized populations are dependent on illegal enterprises for basic livelihood. Such an effort is in fact at the core of economic and social development the United States often considers an important goal of its policies abroad. Job generation is however no easy undertaking. In fact, the single most difficult problem of economic development often is the job creation in the legal economy, at times requiring overall GDP growth and deep changes in structural economic and political arrangements. Creating legal jobs has been a major problem in Mexico, Colombia, Afghanistan, and Pakistan, and will continue to be so for the foreseeable future.

Often alternative livelihoods efforts are dismissed as destined to be ineffective because jobs in the legal economy cannot possibly match profits from an illegal enterprise, especially the drug

trade. Indeed, price profitability of illegal economies, including illicit crop cultivation, overall is greater than price profitability of legal economic undertakings.

But price profitability is not the sole, and often not the most important driver of behavior and the reason people participate in illicit economies. Indeed, illicit crop farmers in places like Afghanistan, Colombia, or Burma sometimes even make less money on cultivation poppy or coca than they would have if they cultivated legal crops, such as vegetables. But their choice in their livelihoods undertaking is constrained by structural drivers, such as insecurity, lack of access to markets, and lack of access to microcredit. If these other structural determinants are addressed and legal economic alternatives that satisfy their needs and bring a hope of progress are in place, farmers and other participants in illegal enterprises are often willing to sacrifice profits and eschew participation in the illegal economy. Moreover, cultivation of illicit crops often generates its own physical insecurity, in terms of abusive drug traffickers, armed groups, and law enforcement. If basic socio-economic needs can be satisfied legally, many will choose to become legal and valued members of society and be consistent with their sense of morality, ideology, or religion. Those who have access to legal economic opportunities and yet persist in illicit crop cultivation or criminal behavior, should appropriately be subject to law enforcement. If sufficient legal economic alternatives are in place, eradication, including forced eradication, may well be an appropriate tool to use.

VI. The state-building approach also needs to include strengthening the *justice and corrections systems* in countries threatened by organized crime. Merely arresting offenders, without being able to successfully prosecute and rehabilitate them, only increases the recruitment pool for drug trafficking organizations. Thus, the great increase in arrests in Mexico to more than 70,000 since the beginning of President Felipe Calderón Administration should be a source of concern as much as applause, since it is likely that many of the arrestees will only develop stronger links to Mexico's drug trafficking organizations while in prison. Improving justice and corrections systems abroad also involves expanding citizen access to justice and peaceful dispute resolution mechanisms. Such efforts are badly needed in Afghanistan, Colombia, as well as parts of Mexico.

VII. Consistent with the evidence of the meager effectiveness of supply-side measures in suppressing global supply, and with the proposed framework for reconceptualizing the fight against illegal drugs to one of state-building, is a *reconceptualization of interdiction*. Instead of singularly focusing on stopping illicit flows and thus reducing supply, interdiction measures should equally focus on reducing the power of drug trafficking organizations to corrupt and coerce the states or societies in areas of their operations. Such a reconceptualization may dictate different targeting patterns and methods as well as measures of success. However, such reconceptualization of interdiction should not create the false impression that interdiction can provide a silver bullet for counternarcotics efforts.

Nor are other complementary programs, such as anti-money-laundering efforts or interdicting weapons flows. While cracking down on illegal arms sales to drug trafficking organizations and increasing anti-money-laundering measures are highly desirable, neither on its own is likely to significantly hamper the operations of organized crime groups. Anti-money-lauding measures effectiveness is very difficult to estimate, but such measures are often thought to capture less

than ten percent of the illicit money flows. Thus, the Obama Administration's goal of "increasing the cost of doing business for the DTOs, to the point where routine losses are no longer sustainable"¹ will likely be elusive. DTOs tend to be flexible and highly capable of adapting to measures, such as high-value targeting, anti-money-laundering efforts, or weapons interdiction.

A comprehensive dismantling of DTOs through arrests of middle and top leaders has proved highly effective in the United States. A multilayered targeting of the Medellín and Cali cartels were also critical for their demise, even though in the Medellín case, rival DTOs significantly contributed to the incapacitation of the cartel. Moreover, after successful incapacitation of particular DTOs, the illegal drug trade business did not end. Instead, new DTOs moved in and took control of the trade. The purpose of interdiction should thus be to steadily weaken the DTOs' power to threaten the state and society and to prevent them from accumulating power -- an unending, but vital function of law enforcement.

Nor are interdiction efforts likely to bankrupt belligerent groups, as the Obama Administration seeks to accomplish in Afghanistan. Neither eradication nor interdiction has yet resulted in bankrupting one single significant belligerent group to the point of sustainably and significantly weakening its military capabilities.

Belligerent groups tend to have multiple sources of funding and find it not difficult to move from one illicit economy and one funding source to others. The Taliban in Afghanistan, for example, receives as much funding from taxation of legal economic activities, such as the trucking of supplies or economic aid projects, in areas it controls as it does from the drug trade. It also participates in illegal logging, illegal trade in wildlife, and obtains great financial revenues from fundraising in Pakistan and the broader Middle East.

Finally, assistance in law enforcement to reduce the power of DTOs critically involves assistance in reducing corruption in the source or transshipment country's law enforcement apparatus and political system more broadly. It also requires a focus on addressing street crime, frequently a far greater menace to the lives of communities in source and transshipment countries than organized crime. Assistance in addressing street crime provides a good testing ground of the level of corruption of law enforcement in the recipient country, and helps to build bonds between the society and the state, facilitating the community's provision of intelligence to law enforcement agencies. Well-designed community policing approaches tend to be particularly effective.

VIII. Even when successful in particular locales, supply-side measures have inevitably transferred the transshipment or supply problems to new locales, whether elsewhere in the same country or to neighboring countries. This phenomenon is often referred to as the *balloon effect*.

The Obama Administration should be applauded for recognizing this danger with respect to the Merida Initiative, as increased law enforcement efforts in Mexico risk increasing drug shipments and associated threats to the states and societies in Central America and the Caribbean. There is already evidence that the presence of Mexican DTOs has greatly increased in Central America, posing security and corruption threats to local governments. To mitigate the spillover effects, the

¹ R. Gil Kerlikowske, Director of ONDCP, Testimony to the Subcommittee on National Security and Foreign Affairs, Oversight and Government Reform Committee, *Transnational Drug Enterprises (Part II): U.S. Government Perspectives on the Threat to Global Stability and U.S. National Security*, March 3, 2010, p.4.

Obama Administration has unveiled two new initiatives: the Central American Regional Security Initiative (CARSI) and the Caribbean Basin Security Initiative (CBSI).

The Obama Administration also recognizes such danger in Central Asia, with modest funding requested for law enforcement efforts in former Soviet Union countries. It is equally important to harness existing economic aid for Pakistan, including the Federally Administered Tribal Areas and in the Khyber-Pakhtunkwa Province, to prevent the reemergence of extensive poppy cultivation there as a result of the counternarcotics efforts in Afghanistan. Since undertaking rural development in the absence of illicit crops is easier than in the context of illicit crops (but includes many of the same measures as any rural development), U.S.-assisted efforts in those areas of Pakistan can double as drug-trade prevention measures. Small-scale rural infrastructure projects have been particularly promising there. However, developing legal employment opportunities will be one of the greatest challenges in those areas of Pakistan, U.S. reconstruction-opportunity zones programs notwithstanding.

Nonetheless, in the absence of a significant reduction in demand, drug supply and transshipment will inevitably relocate somewhere. Thus, there is a limit to what regional efforts can accomplish. As long as there is weaker law enforcement and state-presence in one area than in others, the drug trade will relocate there. Consequently, the United States needs to carefully consider which drug trade locations pose the least threat to the United States and what measures can be undertaken to mitigate the harms any such relocation will pose to recipient communities and states.

The imperative to mitigate the spillover effects, however, should not give impetus to a rush to assist with counternarcotics law enforcement efforts in any new areas. Some of these areas, including in Central America and West Africa, have such weak state and law enforcement capacity and such high levels of corruption that their capacity to constructively absorb external assistance is constrained. Worse yet, such assistance risks being perverted: in the context of weak state capacity and high corruption, there is a substantial chance that counternarcotics efforts to train anti-organized crime units will only end up training more effective and technologically-savvy drug traffickers or worse, yet, perhaps even the forces that will carry out a coup in their country. The United States should be very cautious in the type and level of counternarcotics assistance it provides to any such new emerging locales. The United States may assist in counternarcotics, ideally conceived as state-building, but it needs to have a committed partner in the source or transshipment country.

The best assistance in places, such as Central America and West Africa where state capacity is minimal and law enforcement often deeply corrupt, may be to focus on strengthening the police capacity to fight street crime, reduce corruption, and increase the effectiveness and reach of the justice system. Only once such assistance has been positively incorporated, will it be fruitful to increase assistance for anti-organized crime efforts, including through advanced-technology transfers and training.

IX. In devising supply-side policies, the United States government needs to be aware of the *limits to effectiveness of outside policy intervention and assistance*. Ultimately, supply-side policies will only be effective if they are fully embraced by recipient governments and local

populations. Many such interventions, such as police and law enforcement building, require institutional reform and development that takes a generation or more. Rural development is fundamentally dependent on the political economy of each country, such as land concentration and access to credit, fiscal capacity of local governments, and taxation systems in particular countries. If taxation designs place the bulk of the tax burden on the middle class, tax labor very heavily and land and capital very lightly, there will be structural pressure toward growth that is capital-intensive, but does not generate jobs and that widens inequality gap between the marginalized and the rich. Colombia, Mexico, and Pakistan offer prime example of such political-economic arrangements and resultant economic and social outcomes. Thus, counternarcotics alternative livelihoods efforts – whether in urban areas or in the countryside – will struggle to achieve the necessary momentum to pull the marginalized from dependence on illicit economies, such as the drug trade.

Outside policies, including by the United States, however, have only a limited ability to change such institutional economic arrangements, especially since they are often deeply intertwined and reflect the political arrangements and power distribution in the source or transshipment country. U.S. policy can thus advise and assist, but there will be significant limitations to what U.S. supply-side counternarcotics policies can accomplish, particularly in relatively short periods.

X. It is imperative that the U.S. Congress demands a detailed reporting on the design and effects of counternarcotics programs abroad, that goes beyond general statements such as that the United States trained 800 counternarcotics police officials in Mexico, created jobs for 30,000 people in southern Afghanistan, or its alternative development programs benefited 90,000 families in Colombia. The kinds of questions that the Executive needs to report on should include: What kind of training did the counternarcotics officials receive? What is the expectation eight hundred such officials can accomplish? How likely will they become corrupt and what anti-corruption measures have been put in place to minimize such a possibility? What does it mean that 30,000 jobs were generated? Were these only cash-for-work programs that will not last once U.S. funding ends? Were these temporary short-term measures or self-sustaining job creation? What does it mean that 90,000 families benefited: Did they each get one U.S. dollar or was rural development loan created from which they all obtained a USD 500 microcredit?

The specifics matter since without an ability to analyze in detail what policy designs were effective and which did not significantly contribute to desired goals, policy cannot be improved. For policy to be effective, it requires flexibility, ability to adjust to local ground conditions that are often impossible to glean from abroad and the outside, and ability to react to unintended outcomes. While Congress should grant the Executive as much design flexibility as possible, while being mindful of the broad counternarcotics lessons that four decades of counternarcotics programs have generated, it should also insist on constant monitoring and detailed reporting. Often entire strategies are thrown out, such as rural livelihoods efforts dismissed as ineffective in a particular place, without a careful analysis being conducted of what went wrong. The entire approach is thus discredited, while it may well be its internal design that rendered the policy ineffective. Similarly, policies are often being hailed as a success even though desired outcomes, such as a temporary suppression of illicit crop cultivation, came about as a result of exogenous factors that had little to do with policy.

XI. I am encouraged that the Obama Administration has placed emphasis on *reducing demand* not only in the United States, but also *abroad*. Unfortunately, even today such programs receive only limited funding and often on a sporadic basis, rather than being a consistent and central feature of U.S. counternarcotics policies abroad. The design of such programs is as important as their resource base. To the extent that such programs mimic DARE programs in the United States, they frequently are not particularly effective.

As we have also learned from U.S. experience with such prevention and treatment programs, tailoring them to specific target groups, such as teenagers, and understanding the local institutional and socio-economic settings are as critical for their effectiveness as is their comprehensiveness. One shoe does not fit all: Local conditions regarding access to medical care, including mental health facilities, for example, may require very different design of demand reduction efforts in Mexico than in the United Kingdom or in Afghanistan.

XII. As the United States government designs counternarcotics programs abroad, it is important that consideration is given to second-degree effects and unintended consequences. A regular part of policy analysis should be to consider: Where supply or smuggling routes will shift if counternarcotics efforts in particular locales are effective; to what kind of illegal enterprise or economy criminal groups will turn to if their proceeds from the drug trade become diminished; and whether either of these developments poses a greater threat to the United States or other countries than current conditions. The United States Congress should encourage such incorporation of unintended-consequences assessments and strategic evaluation of the drug trade into the policy process.

Thank you for giving me this opportunity to address the Subcommittee on this important issue.