

# THE GLOBALIZATION OF THE DRUG TRADE

Deregulated and privatized markets have allowed the drug industry to spread its activities worldwide, opening new trafficking routes and production zones and infiltrating the “legal” economy to a degree that decision makers cannot ignore

The international drug trade is now worth an estimated \$400 billion annually. Only the arms industry has a higher turnover than this. Like car making, pharmaceuticals or even banking, the drug trade has become a truly global industry: it knows no frontiers and has no particular national identity. It “is an organized business being carried out ... with the support of huge capital, manpower, means of transportation, expertise, influence and power. Trafficking organizations are being run like multinationals” sums up Interpol. According to the international law enforcement agency, these vast “enterprises” are run by “organized crime groups based in different parts of the world, such as the cocaine cartels based in Colombia and Mexico; triads in Hong Kong, Taiwan and China; the Yakuza in Japan; the Sicilian Cosa Nostra; La Cosa Nostra based in New York and mafia groups in Russia and some other east European countries.”

200 million users

Gone are the days where certain countries tended to “specialize”: drugs of all kinds are now produced in all regions of the world, catering for an estimated 200 million regular and casual users.

According to the researchers connected to UNESCO’s MOST programme (see box), the countries of the former Soviet Union, for example, now produce 25 times more hashish than the rest of the world. Coca plantations, which were always found in Bolivia, Peru and Colombia, today stretch into Ecuador, Brazil, Venezuela, Panama, Guyana, and have been reported in other regions of the world. Chlorohydrate (the final product made from cocaine paste) is manufactured in laboratories that are also springing up in new countries, such as Argentina or Chili. Opium poppy plantations are no longer restricted to South East Asia’s Golden Triangle

(Laos, Myanmar, Thailand) or the Golden Crescent (Afghanistan, Iran, Pakistan) - although they remain the main producers - but are also under cultivation in Turkey, Egypt, eastern Europe, Mexico, Central America, and in Central Asia, where, according to Uzbek economist and researcher Dr Kadyr Alimov, there are “more than 40,000 hectares of uncontrolled land sowed with poppies.”

The most lucrative markets for coca and opiates remain the United States and western Europe, but consumption is spreading much more quickly than ever before in eastern Europe, South East Asia and throughout Africa, where ecstasy, cocaine, crack and heroin are becoming increasingly popular. Cannabis and its derivatives are now found in all parts of the globe. According to certain estimations, the US cannabis crop alone is now worth up to \$25bn annually, which makes it one of the top three “agricultural” products in the United States along with soya beans and corn.

Thus, despite its illegality, drug production and distribution has become a major source of revenue for many countries: revenue which can be used to round out national budget deficits, or to make individuals, groups, businesses and even whole countries richer through the financing of “legitimate” industries and enterprises.

Research into the “laundering” of drug money is revealing just how much the illegal and official economies have become intertwined; how the drug industry’s tentacles have reached all sectors of society - from marginalized groups - such as peasant producers or street peddlers - to those well integrated such as business people, and state institutions. To cite but three revealing examples: Uzbekistan’s internal affairs ministry estimates that in Central Asia’s five republics some 50% of the rural population now grow drugs on their land; according to the Vienna-based UN Drug Control programme

## MOST AND THE INTERNATIONAL DRUG PROBLEM

UNESCO’s Management of Social Transformation Programme (MOST) has established a global network of researchers to carry out in-depth studies on the social changes caused by illegal drugs.

Supported by the United Nations Drug Control Programme (UNDCP), the project aims to build up expertise on the subject via comparative studies to identify the historical, cultural, social, economic, legal and policy development dimensions of drug trafficking. The results will be used to help policy-makers and social leaders understand the dynamics and impact of the trade and better arm them to deal with it.

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(UNDCP), the illicit drug industry employed 10% of Bolivia's workforce during the early 90s; and at the other end of the scale, Brazilian federal police documentation shows that, one of the most notorious traffickers in the state of Rondonia, Jabes Rabelo was elected to the National Congress in 1994. He and his brother used their narco-fortune to take over the coffee industry there, and, by inflating the price of coffee beans, put many competitors out of business.

Up until now, most of the information about the drug trade has been disseminated by the media or specialized agencies and for the most part limited to facts and figures, specific incidents, or the political to-ing and fro-ing over whether law enforcement should

concentrate on the production side or the consumers. Yet this huge industry is now a major player in the world economy. It is profoundly affecting the basic rules and standards of our social organization, and the evolution of our societies. Hence the need for in-depth study of the drug trade and the transformations it is bringing about, which is the aim of MOST's research project on the theme (see box p.4). Only by better understanding how this industry works will we find the ways of adequately dealing with it.

*Sue Williams  
with Carlos Milani (MOST)*

## Doping the economy

The collapse of the communist bloc and the capitalist unification of the planet around the neo-liberal credo have opened new horizons for drug production which has increased and diversified, and for drug-trafficking on a global scale, which brings together criminal organisations from around the world." In his recent book *Les prospérités du crime. Trafic de stupéfiants, blanchiment et crises financières dans l'après guerre-froide* (UNESCO and Éditions de l'Aube, 1999), Guilhem Fabre, socioeconomist and sinologist, analyses the mechanisms which since the 1980s have led to an explosion in the production and consumption of "artificial paradises."

The opening up of the former Soviet Union and China to the market "has led to the reopening of the ancient silk roads, which are also the drug roads." China, which borders the two main opiate production zones, the Golden Triangle (Myanmar, Laos and

Thailand) and the Golden Crescent (Afghanistan, Pakistan and Iran) has become as in the 19th century, a major area for transit and production. Poppy is reported to be under illegal cultivation in 27 out of 30 provinces. Production is developing in Central Asia: the CIS was the world's foremost producer of opiates in 1994.

"Far from being a perversion of capitalism, drug trafficking and money laundering can be considered as the prolongation of the liberal regime of maximisation of profits in the context of the globalisation of international trade," writes Fabre. "In the former USSR as in China, the transition to a market economy has been accompanied by decentralisation, with strong local authorities controlling a given territory: local monopolies have multiplied. The profit dimension and not competition is what has been retained from the notion of the market. What is profit without competition in a controlled territory? It is potentially a mafia logic."

Moreover, "the dynamic of trade globalisation, structural adjustment policies in the Third World and the difficulties of post-communist transition have created huge socio-spatial disparities whilst increasing exclusion, and unemployment and, consequently illicit activity." It's no accident that in China drug production zones are the poorest in the country: the peripheral regions in the south-west (Yunan, Sichuan, Guizhou, Guangxi) and in the north (Qinhai, Ningxia, Xinjiang, Gansu). Since "the availability of supply creates a dynamic of demand," consumption today is exploding not only in the North but also in producer countries, from Pakistan to Vietnam, a vicious circle fuelled by poverty and unemployment.

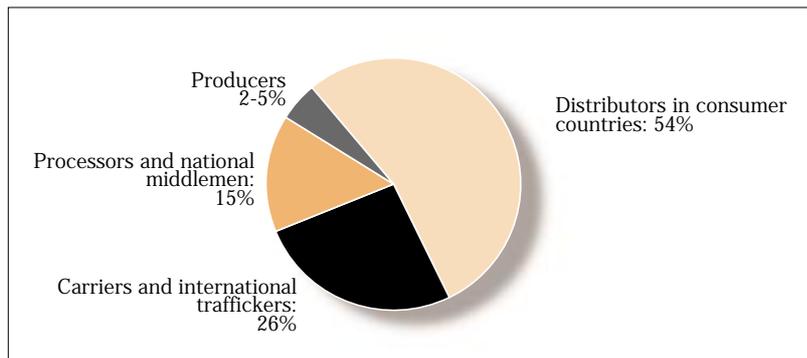
Finally, the drug trade has also benefited from the "universal banalisation of cor-

A field day for French customs officers



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How the profits are distributed

ruption" - hidden financing of parties and political campaigns, commissions paid to obtain contracts, tax evasion - and financial deregulation which facilitates money laundering. "The financial system is a melting pot for the grey zone of corruption and the black zone of trafficking." Moreover, "if until quite recently one of the most lucrative crimes was bank robbery, today the essence of crime is to put money into the bank," writes Fabre. In ex-USSR, a large part of the initial capital for legitimate business (shops, restaurants etc) comes from black money. In Moscow, it is believed to be the source of half the real estate market. These capital flows are also massively invested in financial markets, "imposing their speculative logic" of very short-term high profits, and sparking off successive financial crises: as in Mexico in 1994 and Thailand in 1996, both of which had been "major centres for recycling narcodollars from the western and eastern hemispheres" and where the financial markets had been artificially bolstered by "a blurred currency and shares market." This process gradually results in the "progressive criminalisation of the world economy." Fabre

highlights "the contrast between the effective criminalisation of drug consumption and the quasi impunity accorded to drug money laundering."

He recalls that in 1841, Sir Henry Pottinger, on behalf of the British government, wanted to obtain the legalisation of the opium trade by arguing that "when the opium trade is outlawed, it is inevitably replaced by fraud and violence... (It is) a trade which no prohibition can prevent." Based on the legalisation of tobacco consumption in England, Sir Henry sent a memorandum to the Chinese "in which he spelt out the advantages of a system of control, tolerance and taxation of opium, similar to the regulation of the trade in alcohol in western countries."

*Nadia Khouri-Dagher*



Making cocaine in Colombia

## Central Asia: in the wrong neighbourhood

Within the space of a several years, Central Asia with relatively extensive networks of roads, air transport and railways and porous borders, has become a major drug trafficking corridor." Bogdan Lisovich is the UN Drug Control programme's representative in Central Asia, where he has watched the narcotics industry take on huge and alarming proportions since the fall of the Soviet Union.

At a UNESCO seminar held in Tashkent (Uzbekistan) last December, Lisovich explained that a large part of this development was due to the region's geography. "Afghanistan, the world's single largest producer of illicit opiate drugs, shares borders with three

Central Asian states - Tajikistan, Uzbekistan and Turkmenistan. In 1997, Afghanistan produced 2,800 tonnes of raw opium, or 58% of the world's illicit supply. According to UNDCP estimates, up to 65% of Afghanistan's narcotic exports, or up to 80 tonnes of heroin equivalent, may be passing through central Asian states annually on their way to markets in Western Europe and elsewhere."

The borders dividing the states of Central Asia are a complicated maze that is virtually uncontrollable; it is possible to change countries several times when driving from one city to another in the same republic. This means drug traffickers can move their cargoes easily without detection. These states

are also struggling economically, and their populations are feeling the squeeze of poverty: the average monthly salary is about five dollars, and unemployment is rife. According to the Paris-based International Drug Watch, this has created a "bottomless pool of couriers," swarms of people willing to ferry drugs over long distances for \$5 or \$10. It also means that officials - from police to customs officers to judges - can be easily bribed. "As a result of government corruption," said Uzbek economist and researcher Dr Kadyr Z. Alimov "producers are now informed about anti-drug enforcement operations well in advance so they they are able to conceal their raw materials beforehand."

The huge profits to be made, and the remoteness of much of the countryside, has also boosted drug production. According to Alimov "more than 4.5 million hectares of hemp are planted in the vast Chue Valley, which spans the territory of Kazakhstan, Kyrgyzstan and Uzbekistan (and) there are more than 40,000 hectares of uncontrolled land sowed with poppies in Central Asia.

"Fifty percent of the rural population grow drugs on their land ... and the amount of land devoted to narcotic herb-growing has increased so much over the past ten years that producers can't harvest all the crops without the help of the local population," said Alimov.

In the hands of the mafia

Synthetic drugs are on the rise too, he claimed. "Underground laboratories are used for the production of synthetic narcotics, which are stronger than heroin and cheaper than anything grown naturally. In fact, one of the deadliest narcotics - methilfentanil - was produced for the first time in Russia. Thirty six underground laboratories used for narcotics production have been discovered and destroyed in Bishkek (the capital of Kyrgyzstan) alone over the past few years."

Control of the industry is clearly in the hands of the Mafia. "The mafia of the former Soviet Union, including Russia, Central Asia and the Caucasus, is one of the largest and, perhaps, the most powerful in the world," said Alimov. The organization "consists of more than 5,000 groups and more than three million people. It operates in all 15 former Soviet republics and even has its own land, sea and air forces."

Maratkali Nukenov, the vice-president of Kazakhstan's national security committee claims that his services have identified 125 organized crime groups operating in Central Asia, 30 of which were involved in drug trafficking in Kazakhstan alone.

Another spin-off from the growth of the drug trade in Central Asia has been a corresponding rise in drug use there. Official statistics for all countries of the region show a steady increase in drug use, but specialists

believe the situation is seriously underestimated. Kazakhstan, for example, has 35,000 registered drug users, however Alma Yesirkegnova, coordinator of the local UNDCP office there says that the real figures "are ten times this."

"The majority (80%) of drug addicts are young people under the age of 30," said Alimov, adding that "for the past two decades the ratio of male to female drug users has changed from 30:1 to 3:1." More rural people are also using drugs. In Uzbekistan, said the economist, "narcomania was previously considered an urban problem, while now 41% of the registered addicts live in the countryside."

The drug industry is changing the face of Central Asia, and not in a very pretty way. "Although some among Central Asia's politicians would like to halt the drug problem," said Alimov, "they are frustrated at every turn. The drug mafia is too powerful, too rich too smart. Borders are too porous, and there is too little cooperation between police of the various states in the region, or with Interpol. The 'narcomafia' in Central Asia is here to stay."

*Sue Williams*

50% of the rural population grow drugs on their land

Get rid of this lot then!



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Raymond Kendall is the Secretary-General of INTERPOL, based in Lyon, France. He spoke to SOURCES about the changing face of the world drug industry.

**SOURCES:** Do you see the drug industry being increasingly interwoven with the regular economy?

**R. Kendall:** Yes. Globalization and its many manifestations mean that borders of all sorts are becoming increasingly difficult for governments to define, let alone maintain. International drug trafficking has been aided by the explosion in computer and telecommunications technology and by world-wide transport systems. These same facilities, as well as advances in the banking and services sectors also benefit money launderers. There is no doubt that the illegal trade in narcotics is being

increasingly interwoven with the regular economy on a national as well as an international level. This situation makes combatting of the drug trade on a financial front all the more difficult.

**SOURCES:** Is drug trafficking a growing area of Interpol's work?

**RK:** Approximately 50% of all seizure/arrest reports received at the Interpol General Secretariat from the member countries are related to drug trafficking. This is a growing area of the organisation's work.

**SOURCES:** How have drug distribution networks changed?

**RK:** Turkish networks are now engaged in heroin and cocaine distribution; Colombian and Nigerian networks are into the distribution of cannabis, heroin and cocaine; and Russian and east European networks

are starting to work closely with the Colombian ones.

**SOURCES:** Do you believe that the onus is on wealthy, developed countries to stop their citizens from consuming drugs - or is the onus on the poorer, production countries to stop growing their crops? In fighting the drug problem, where should we begin - with supply or demand?

**RK:** It is imperative that a two-pronged attack is in place. It means that supply and demand should be tackled simultaneously. Thus, the onus on containing this problem lies on both the producing countries as well as the consuming countries which should coordinate their efforts in tandem.

*Raymond Kendall interviewed by  
Chloë Fox*

## Colombia: here today, gone tomorrow

The heyday for Colombian drug traffickers is over. It has become far more difficult for them to construct Hollywood-type villas and glass skyscrapers downtown and live in luxury, or obtain an "honest" income from their sale or rent. Since the arrest in 1996 of the Rodrigues Orejuela brothers, the leaders of the Cali cartel, and the toughening of anti-drug trafficking laws in the country, the real estate sector is in the doldrums. Unemployment has also risen considerably in cities which had previously benefitted

from extraordinary economic growth due to the injection of huge amounts of dirty but real money.

During the marijuana "boom" in the late 70s for example, the Atlantic coastal town of Baranquilla, the base of the majority of drug dealers experienced a spectacular spurt in the construction sector. This completely disintegrated as Colombian marijuana production collapsed under pressure from North American competition. At the height of the cocaine traffic in the 80s, there was a similar construction boom in Cali, Colombia's second city: where luxury flats, small palaces, five star hotels, commercial centres, automobile sales outlets and other upmarket services mushroomed. Construction permits in 11 Colombian cities covered 5.6 million square metres in 1982 as opposed to 2.7 million in 1994.

Colombian drug lords have always preferred to use real estate investment for money laundering purposes. The real estate sector allowed for a certain opacity as to the origin of funds, unlike banking, where the origin of any sum over \$10,000 had to be specified.

Moreover, the economy's vast and totally unregulated "informal sector" facilitated shady dealings. According to a study by the US Treasury Department, in 1996, a third of companies controlled by the Cali cartel were

The entrance to the drug lord Pablo Escobar's house near Medellín



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in the real estate or construction sector. However, the injection of narco-dollars galvanised the economy, and there were jobs galore for architects and masons, plumbers and furniture salesmen, as well as for lawyers, financial consultants and investors, including frontmen in cahoots with the drug-lords. The legal and criminal economies had become so interwoven, that narco-dollars underpinned the urban economy.

"There was a certain tolerance towards the drug lords," explains Anne Proenza, a French journalist working on Colombia. This was a time when the economy was opening up. Social inequality was high in Colombia with wealth concentrated in the hands of a few families. Drugs created a small revolution by changing social equations, and so many people closed their eyes because they thought this could help the country become modern." Drug traffickers not only created jobs, they could also be very generous by setting up schools and dispensaries.

"Dirty money became one of the engines of the economy. The mafia was tolerated because it spurred economic growth. But when it tried to infiltrate political circles, the government declared war against it," says Martha Luz Garcia, author of a book on the Colombian mafia.

#### What's leftover

The tightening of anti-drug laws and modernisation of the police force and judiciary in the 90s led to several arrests. But, though drug trafficking and money laundering have decreased, (or gone further underground), the wounds left by the artificial inputs of wealth will not heal anytime soon. Housing costs spiralled during the narco-construction boom, while industry, which could have been a long term source of wealth and jobs was totally abandoned by investors during these years.

The "dollarization" of the economy through the narco trade accentuated the dependence, both symbolic and real, on the United States. Above all, the expanding drug trade led to a rise in violence in urban society upon which the brutal methods of the criminal economy were transposed: competition is eliminated and scores settled through violence and intimidation. Colombia serves as an example of the limits of tolerating drug trafficking which, though providing a temporary solution to the structural problems of development (social inequality, poverty) creates other problems (corruption, non respect for laws). Moreover, the models of easy money and brutality introduced into society will not disappear, even if drug trafficking ever does.

*Bernard Castelli, Institut de Recherche pour le Développement (France) with N.K.-D.*

## The Rise and Rise of Drugs in Africa

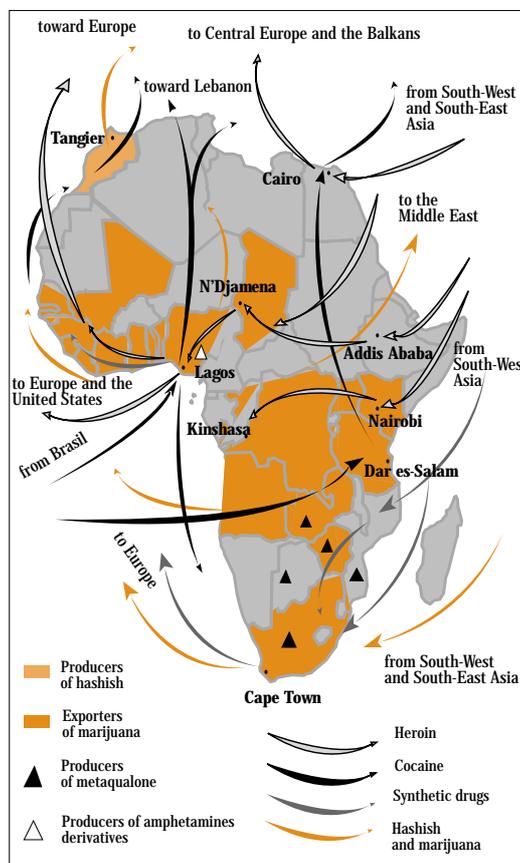
Twenty years ago, Africa was not seen as having a drug problem. This has changed. But the circumstances of consumption and production in Africa do not mirror the European experience. Africans have for example geographically defined access to particular drugs. On the west coast there

consumption and production of cannabis grows apace. A perfect growing climate combined with the low street cost of the drug has created a burgeoning market. Consequently trafficking to European, Middle Eastern and Australian ports has increased. Much of the

International Drug Watch surveyed the situation there. Researcher Laurent Laniel realised that most cannabis cultivation is a traditional reaction to soil erosion, a serious problem in Lesotho. Cannabis grows rapidly in poor soil. The survey estimates that nearly 50 % of agricultural income comes from cannabis sales: "an indispensable part of the precious but real equilibrium maintained by mountain farms," says Laniel. "Some sources even claimed that local politicians more or less openly viewed cannabis revenues as an unofficial but useful boost to the country's balance of payments." Growers live off the income, and often use it to pay for their children's schooling. Secondary education is prohibitively expensive in Lesotho and cultivation of marijuana often affords the only means to pay school fees. Meanwhile the produce is smuggled by taxi into South Africa, where it is transported from Cape Town to Durban to Europe. Lagos, Nairobi, Kinshasa, Daar el Salaam and Cairo are other major gateways for the drug industry on the continent.

*Chloë Fox*

\* see MOST discussion paper no. 34, 1999.



African Channels for Drug Exportation  
Source: International Drug Watch

is a steady flow of cocaine from South America. On the east coast, heroin is shipped directly from the Golden Crescent and the Golden Triangle. Prices have been slashed by the sheer amounts available. In southern Africa, notably South Africa, Lesotho, Zimbabwe and Malawi, the

marijuana exported comes from Lesotho, a mostly rural, mountainous, landlocked country of about two million inhabitants which has only three sources of steady income: wages sent home from miners in South Africa, international aid, and cannabis. In 1997 the