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Discussion Paper 19

**BENEFICIARIES OF THE ILLICIT
DRUG TRADE:**

**POLITICAL CONSEQUENCES AND
INTERNATIONAL POLICY AT THE INTERSECTION
OF SUPPLY AND DEMAND**

by

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Preface

Over the past few years, the production, trade and consumption of narcotic drugs have expanded to a point where tens of millions of persons are affected as producers, consumers or traffickers. Revenues from the sale of drugs have been estimated at several hundred billions of dollars. The activities of the various parties involved in the drug industry have far-reaching social, economic and political consequences. Many of these consequences derive from the fact that the operations of this industry are illegal in most countries of the world.

While there has been a considerable amount of discussion on the impact of the consumption of narcotic drugs and on the policy alternatives to deal with the problem in the industrialized countries, especially in the United States, very little is known about the impact of production, commerce and consumption of the drugs in the developing countries. Likewise, while policy discussions, proposals and actions have concentrated for the most part on methods to control the production and trade in drugs, much less attention has been given to efforts to influence the demand for them. It was because of these biases in the policy discussions and the relative paucity of information on the wide-ranging social and economic consequences of the production and consumption of illicit drugs in developing countries that UNRISD decided to launch research on this topic.

The first phase of the project comprised a review of the existing literature on the socio-economic and political impact of the production, trade and consumption of narcotic drugs covering both the producing and consuming countries. The intention was to prepare an annotated bibliography and a review monograph based on the literature survey. This phase has now been completed with the forthcoming publication of a book by LaMond Tullis, **Handbook of Research on the Illicit Drug Traffic: Socioeconomic and Political Consequences** (Greenwood Press, Westport). The next phase of the project, which is being carried out jointly with the United Nations University, comprises in-depth case studies of 10 developing countries with significant production facilities.

The present paper focuses on the beneficiaries of trade in narcotic drugs and traces some of its political consequences in producing countries. The huge trade in narcotic drugs has created a large and diverse network of beneficiaries ranging from big name traffickers to humble peasants and petty traders and support staff. Starting as a cottage industry only a few years ago, the drug business has taken more and more characteristics of a highly organized enterprise. While several traffickers have acquired fabulous wealth, millions of peasants have also drawn substantial material benefits from their participation in the industry.

Exports of narcotic drugs have also generated substantial economic benefits for the countries and the regions concerned. Apart from foreign exchange earnings, the drug industry has provided a boost to several depressed economies and has created employment for large numbers of persons. Peru's past president, Alan García, has spoken of his country's coca exports as "the only raw material that has increased in value" and that "the most successful effort to achieve Andean integration has been made by the drug traffickers". At the producer level, production of drug crops constitutes a highly labour-intensive and remunerative activity which injects new sources of demand for food and other goods and services in previously stagnant economies.

The drug industry has also had significant political consequences. The rising incidence of violence and terrorist activity and subversion of established authorities have been some of these consequences. The revenues from the drug business have also financed insurgency movements, civil wars and political parties and régimes.

Perhaps less known are changes in the power relationships of different groups and in social prospects for individuals involved in the industry. The author points to important realignments of balance of political forces in countries such as Peru and Bolivia which have led to a strengthening of the position of peasant associations and workers' unions. At the individual level, earnings from the drug industry either as producers, petty traders or support staff, have contributed to upward social mobility. New patterns of migration towards remote producing areas, frontier regions, forests and jungles have partly replaced the earlier movements from rural to urban areas.

The author of this paper is the co-ordinator of the research project on drugs. He is also Associate Academic Vice President of Brigham Young University in the United States and is currently a Visiting Fellow, Center of International Studies, Princeton University. He has done research in Latin America and has published on food security, politics, social change and rural development in Third World countries.

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Dharam Ghai
Director

The demand for and supply of illicit drugs, along with law enforcement efforts to reduce both, have combined to create new national and international régimes of social, political and economic exchange. This exchange has produced an unusual array of benefits and beneficiaries alongside its liabilities and victims.¹ Described and analysed herein are market suppliers and the ways by which some of them, and even some countries in which they live, have become exchange beneficiaries. Some of the political consequences of this exchange are examined, particularly with the prospect that national and international measures to reduce demand and supply if not suppress traffickers and deal humanely with drug addicts may at some point be successful.² Accordingly, this article seeks to look beyond current drug policy debates³ to a moment in time when the long-term political effects of the new exchange régimes, not just the régimes, will command policy makers' attention.

Aside from big-name traffickers, among the beneficiaries are thousands of small-plot growers of the principal agricultural precursor crops (coca leaves, cannabis plants, opium poppies). Beyond the growers are the industry's ground support personnel operating in producer countries: *mulas* (couriers), *pisadores*,⁴ field chemists, contact men, hawkers, lookouts, airfield clearers, conventional guards, paramilitary forces, protection agents, petty bankers, provisioners and traders. All have acquired new sources of income, substantial for some. Loathe to lose it, they have fanatically resisted domestic and international tampering with their work. This is one reason why cannabis plants, opium poppies and coca bushes have always been sufficient to meet whatever market demand traffickers have been able to satisfy. Traffickers, for their part, have been ingenious in devising ways to by-pass law enforcement controls.

What would likely happen to these politicized economic entrepreneurs should demand for their work - for whatever reason - precipitously decline?⁵ What international policy implications would appear to lie "beyond success" in the drug war, for example, assuming that it may be forthcoming?

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An examination of beneficiaries of the illicit drug trade necessarily begins with a discussion of the traffickers who supply the market and a description of their operational patterns. Trafficker patterns important to this analysis are both significant and distinguishable as to, first, the level of activity (whether traffickers are wholesalers, middlemen or retailers); second, the degree of organization (e.g., have payrolls or enforceable "personnel policies", develop specialized departments, have vertical integration, build or struggle over regional or countrywide market shares); third, which drug is being dealt; fourth, whether traffickers are allied with

insurgent or terrorist groups; and, finally, how organized traffickers approach market competition over market shares.

Early in the current drug use wave, much drug distribution was akin to a cottage industry - small-time traffickers, including tourists, picking up a few score grams of heroin or cocaine or a kilo of marijuana from a producer and distributing the product directly to casual but trusted contacts and personal friends, who in turn passed small amounts along, some of it for financial gain.

Some of the traffic is still carried out in a cottage-industry way. However, trafficking is increasingly "organized", particularly at production, wholesale and middleman levels, pronouncedly so for cocaine and heroin (apparently less so for marijuana). This appears to have pushed most of the small-time dealers into strictly retail street sales, with evidence that even here "organization" is taking place, at least in the United States where isolated "cottage industry" street vendors who buy from a wholesaler and then peddle their wares appear to be in decline in favour of more elaborate distribution networks. For example, some dealers now use children as fronts in order to take advantage of lenient juvenile crime laws, even when children are heavily and purposefully engaged in adult crimes.⁶

Some large, vertically integrated, multinational illicit drug distribution organizations existed as early as the 1930s. The "French Connection" (between refiners and traffickers headquartered in Marseilles and Turkish opium growers) supplied heroin to American addicts from the 1930s until 1973, when the Connection was terminated by an international law enforcement effort that destroyed not only the French laboratories but ultimately also put Turkish opium growers out of business.⁷ The resulting shortage of heroin enabled Asian, Mexican and Pakistani traffickers to penetrate the American market as well as increase production to cover supply shortages elsewhere.⁸

Other early drug pushing organizations meeting their demise or falling on hard times are mentionable. The Sicilian "Pizza Connection" fell in 1984 as a consequence of law enforcement efforts.⁹ One loose knit group making money from smuggling marijuana into the United States was "The Company". As of 1984, law enforcement penetration of this group was the largest ever in terms of number of indicted defendants, size of asset forfeitures to the government and the area covered by law enforcement covert operations.¹⁰

Of course, the main American Sicilian mafia dealing in drugs continues on, damaged from time to time, but nevertheless highly effective, particularly in the heroin market where it controls a worldwide network. The Sicilian mafia is also trying to carve out territorial control for itself in several cocaine markets.¹¹

While the French, Pizza, Company and other connections have been put out of business by law enforcement efforts or were eclipsed by later comers - there being no shortage of people willing to organize

to meet market demand¹² - the old Sicilian mafia, albeit weakened, lives on. So also do a good many later comers - Chinese Triads¹³ that are beginning to replace traditional organized crime networks in the Asian heroin market,¹⁴ the Mexican mafia that specializes in cocaine, marijuana and Mexican heroin,¹⁵ the Colombian cocaine cartels that, although somewhat loosely structured, nevertheless export violence along with their product and efficient organization wherever they operate,¹⁶ the Japanese Yakuza that are now pushing narcotics (heroin, principally), with networks in Hawaii and the western United States,¹⁷ Jamaican Posses, who have a high propensity for violence and like to traffic in large volumes of drugs (wholesale and retail) and firearms throughout the United States and the Caribbean,¹⁸ the Aryan Brotherhood, the Texas Syndicate,¹⁹ and additional statewide as well as many small regional groups.

The first United States federal reports on the corporate structure of the illegal drug trade identified 43 major groups operating in the United States.²⁰ Organized groups now involve rural operatives and Los Angeles street gangs.²¹ These later comers are increasingly gravitating towards sophisticated organizational and distributional techniques, using all the high technology that is currently available to law enforcement agencies as a protective counter measure to increasingly refined law enforcement efforts.²²

Aside from trafficking organizations that extend into or are based in principal consumer countries, evidence - both hard and soft - of substantial organized production and marketing networks is advanced for most of the "producer" or "transiting" countries not discussed above - Afghanistan,²³ Bolivia,²⁴ Laos,²⁵ Myanmar (Burma),²⁶ Pakistan,²⁷ Peru²⁸ and Thailand.²⁹ Sophisticated organizations have either existed or appear to be cropping up in countries "peripheral" to the drug trade - Argentina,³⁰ the Bahamas,³¹ Brazil,³² Bulgaria,³³ Canada,³⁴ Costa Rica,³⁵ Cuba,³⁶ El Salvador,³⁷ Haiti,³⁸ Honduras,³⁹ Panama,⁴⁰ Paraguay,⁴¹ Turkey,⁴² Turks and Caicos Islands,⁴³ Venezuela⁴⁴ and West Africa.⁴⁵

Given the near universal illegality of current trafficking in clandestine drugs, it is understandable that the descriptor for organized drug groups is "organized crime".⁴⁶ Currently, it is hard to imagine any organized criminal group not having at least a portion of its operations dedicated to drug trafficking; the income is enormous and the prospects for more are staggering.

As of 1989, there appeared to be a growing tendency for some organized groups (when they were not fighting each other over market shares) to collaborate in co-operative arrangements to facilitate their work. It is reported that New York mafia "families" have strong ties to Colombian and Cuban dealers in the Miami area; they also work with Asian groups, some motorcycle gangs,⁴⁷ and the Italian mafia.⁴⁸ The so-called "Jamaican Posses", with around 10,000 members, traffic not only in marijuana but also in Colombian cocaine; they appear to be developing relationships with Los Angeles street gangs, themselves on the move into America's heartland

because of increased competition and apparent market saturation in Southern California.⁴⁹ The largest and best-known Colombian groups have developed important facilitating arrangements with "five Mexican families" and have a considerable distribution network (involving many Colombian nationals) in the United States and in Western Europe.⁵⁰

Frequently questioned is whether terrorist or insurgent groups are really allied with any of these organizations (or the organizations themselves involved in terrorist activities), either to finance their operations, to prosecute an ideological position, to gain political support or to undermine an existing government. This seems particularly important to sort out, given that the United States government has long argued that such links and activities do indeed exist.⁵¹

A number of terrorist or insurgent organizations - whatever else drives them - deal in drugs for pragmatic reasons.⁵² Several, particularly in coca growing regions of South America, use their support of the cocaine trade to bolster political positions and acquire operating funds even though they may be ideologically opposed to the drug trade itself.⁵³ A not-so-ideologically motivated group is protecting the new surge of opium poppy growing in Western Guatemala.⁵⁴ Colombian political terrorists are now said to be financing much of their operations through the drug trade, which has caused some "conventional" drug barons to explode in retribution.⁵⁵ This has contributed to the Colombian drug cartels' "drug terrorism", which they spawned in an effort to find a secure position for themselves in Colombian society.⁵⁶ An Ecuadorian terrorist group, which is said to be working in co-ordination with groups in Colombia and Peru, is also reported to be co-operating with regional drug traffickers.⁵⁷ Separatist terrorists in Sri Lanka are said to have become engaged in the drug traffick in order to finance their arms and ammunition purchases.⁵⁸ The United States-supported "Contras" in Central America were repeatedly accused of linking with drug traffickers in order to supplement their United States subsidies,⁵⁹ just as the rebels of Afghanistan did during the Soviet Union's occupation of their homeland.⁶⁰

Some Colombian drug cartels are arming peasants in Bolivia in an effort to keep drug production sources open and to...

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