

11-15 APRIL 2011 • THE HAGUE • THE NETHERLANDS

**WORLD
FORESIGHT
FORUM**
Creating tomorrow

POWER SHIFTS

DEMOGRAPHICS

CLIMATE CHANGE

GLOBAL FINANCIAL SYSTEM

SCARCITY

Issue Brief No. 09

Drugs, Crime and Terror: A thriving business

www.worldforesightforum.org



World Foresight Forum

Introduction

Narcotics trade is the leading branch in the transnational crime market and the second largest business worldwide. According to the United Nations Office on Drugs and Crime (UNODC) the value of the global cocaine market alone is an estimated \$88 billion a year. Drug trafficking has an impact on human security as it leads to high levels of addiction and the spread of epidemic diseases such as HIV/AIDS and hepatitis. Drug trafficking also exacerbates corruption and instability, and thus undermines the authority and capacity of the state and its institutions. Illegal revenues produced by drug trafficking compete with legal economic activities, representing a serious threat to the economic sector. Drug trafficking has been on the agendas of policy makers for decades. However, the advent of globalization has made it an issue of growing international concern, especially as many illegal groups have merged criminal and terrorist methods. This Issue Brief addresses the emerging trends in drug trafficking and their implications. It concludes with suggestions for a new approach to deal with this threat.

The increasingly transnational nature of drug trafficking and its mutually reinforcing relationship with terrorist activities will be a growing concern for international policy makers throughout the 21st century.

The geography of drug trafficking

The center of gravity of the global cocaine market has shifted from the US to Europe, where the market doubled between 1998 and 2008. Although Colombia remains the main cocaine producer, overall cocaine production in this country has been in constant decline. In contrast, cocaine production in Peru and Bolivia has been on the rise. Nevertheless, 90% of cocaine sold in the US still comes from Colombia. The largest cocaine end markets are North America (43% of global market value) and

Europe (39%). Some 180 tons of cocaine transit Central America and Mexico on an annual basis while the traditional transit for cocaine bound for the European market is Venezuela and the Caribbean. Since 2004, West Africa has started to play an increasingly important role as a transit region (see figure 1).

As for opium and heroin, Afghanistan is the main producer (90%), followed by Myanmar. However, production in these countries has been declining, while production in Mexico and Colombia has been steadily on the rise. With 40% of Afghan opium and heroin trafficked through its border, Pakistan is the main transit country for opiates, followed by Iran. The largest end markets for heroin are Western Europe and Russia.

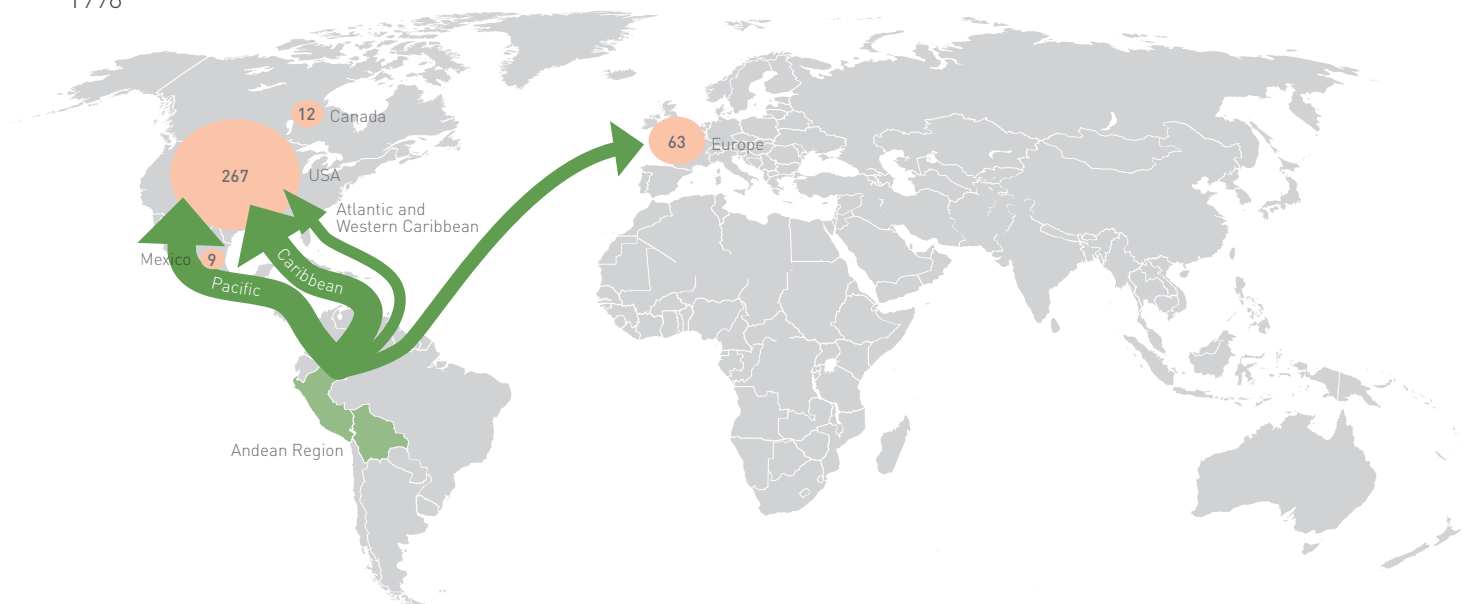
The economy of drug trafficking

The ostensible success of the fight against drug trafficking must be nuanced. Even though global drug production is decreasing, large stockpiles of opium exist that could supply users for at least two years, even if production were to be completely eradicated. Furthermore, there has been an increase in the indoor cultivation of cannabis in Europe, Australia and North America. Amphetamines are also gaining a larger share of global drug market and the number of amphetamine users is likely to exceed the number of heroin and cocaine users combined. Globally, between 155 and 250 million people, accounting for 3.5% - 5% of the world's population, use illegal drugs.

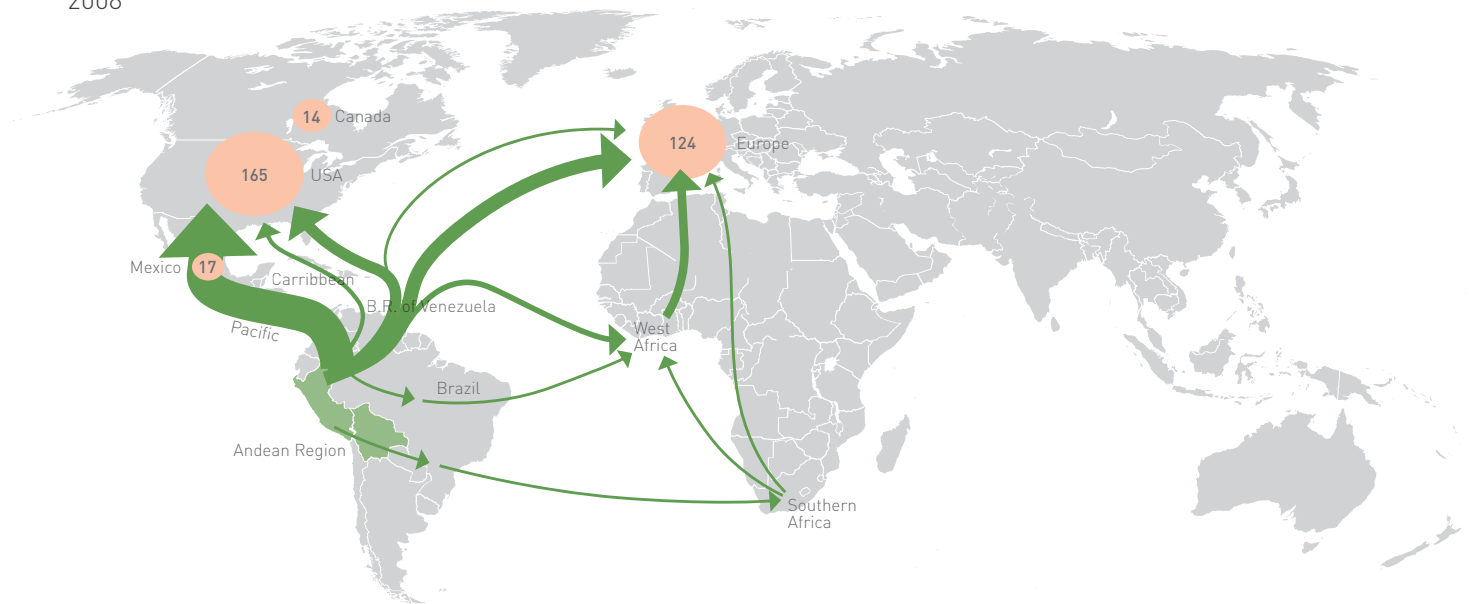
The high demand for drugs enables drug trafficking to remain a thriving business (see figure 2). As already mentioned above, the 2010 value of transnational illicit drug trade equaled \$88 billion per year. Drug traders can make profit of up to 20,000% from just 1 kilogram of cocaine. Colombian drug traffickers, for instance, make about \$6.6 billion trading in cocaine.

Drugs, Crime and Terror: A thriving business

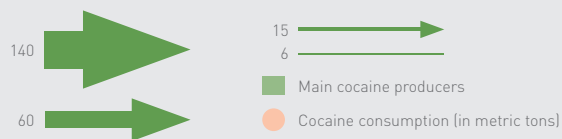
1998



2008



Cocaine trafficking main routes (in metric tons)



Source: UNODC World Drug Report, 2009 and UNODC calculations, informed by US ONDCP, Cocaine Consumption Estimates Methodology, September 2008 (internal paper)

Figure 1: Changing trends in cocaine trafficking

World Foresight Forum

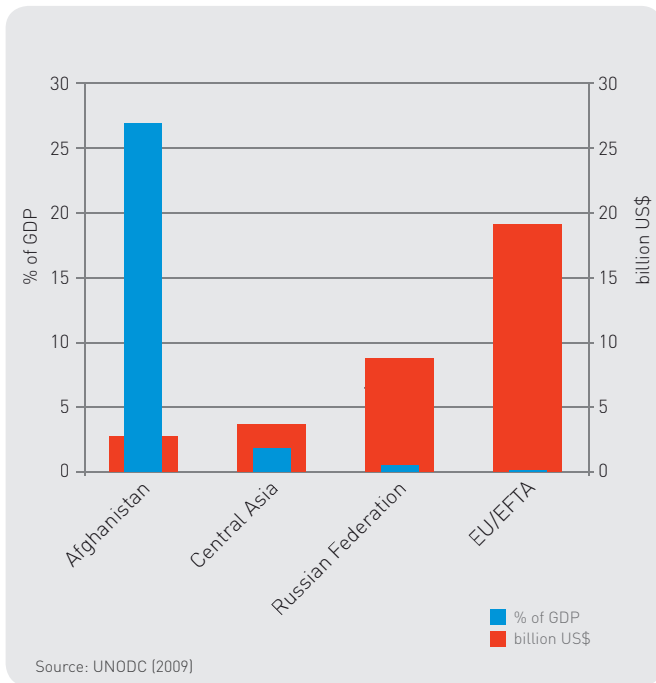


Figure 2: Gross Illicit Profits in Selected Areas

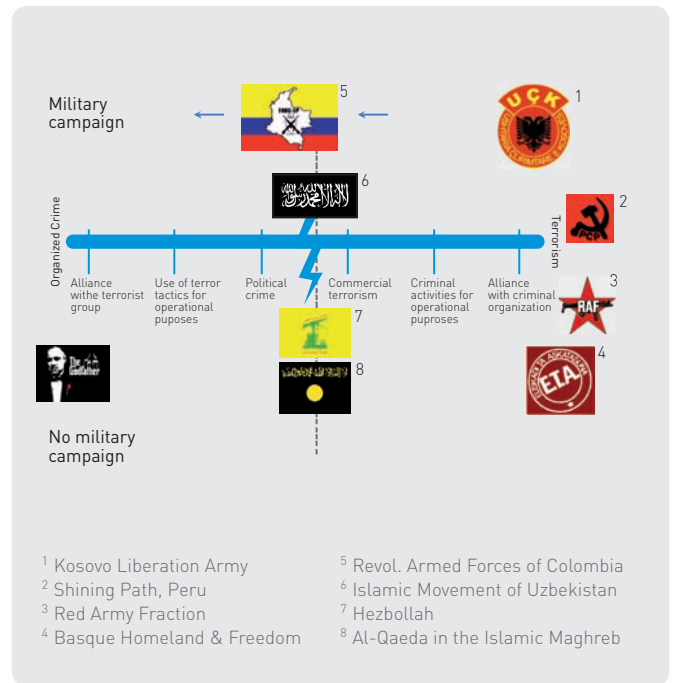


Figure 3: The Crime-Terror Nexus

Drug trafficking and terrorism

While some groups are involved in drug trafficking entirely for criminal reasons, i.e. profit, other groups have an ideological or a political agenda that is usually not present among purely criminal groups. So-called narco-terror groups employ both criminal and terrorist means (see figure 3). They rely on large networks, and are able to whitewash and transfer significant amounts of money. They are also diversifying their portfolios with other types of illegal activities (see WFF Issue Brief: *Violent Non-state Actors: emerging threat to economic infrastructure*). In Mexico, for instance, drug cartels have siphoned over \$1 billion worth of oil to the US over the past year. Narco-terror groups use extreme violence, and often establish private armies and camps for training. The Revolutionary Armed Forces of Colombia (FARC) has come to epitomize a criminal group that uses terrorist means to influence the local political landscape. Although the Taliban leaders officially deny their involvement in opium trade, referring to

the period in 2000 when they prohibited local farmers from growing poppies, the Taliban has continued to protect, tax and closely collaborate with smugglers. It is estimated that the Taliban receives up to \$400 million a year from opium trade.

At the same time, terrorist groups not previously engaged in drug trafficking have started to use this activity for funding. This trend is partially a result of the post 9/11 pressure on states and private donors to disrupt financial flows to terrorist groups. According to the estimates of the US Drug Enforcement Agency (DEA), 60% of terrorist organizations are linked with the drug trade. Al Qaeda in Islamic Maghreb, for instance, has been increasingly involved in drug trafficking to Europe through the Sahel region in Africa. Drug trafficking together with kidnapping have become the main sources of revenue for this terrorist group. Central Asia has also been significantly affected by activities of Islamic terrorist networks

Drugs, Crime and Terror: A thriving business



Figure 4: Drug submarine used for trafficking, Colombia

involved in narcotics trade. The Islamic Movement of Uzbekistan, for example, is funded from transnational drug trafficking throughout the entire Ferghana Valley, and has bases in Pakistan and Afghanistan.

Although the link between terrorism and drug trafficking is not new, globalization has given it a new dimension. Terrorist organizations from other parts of the world are increasingly drawn to drug producing areas in Latin America. According to American officials, Al-Qaeda raised money by offering its protection services to drug traffickers in Colombia. In joint operations with FARC, Hezbollah is smuggling coca paste from the Andes into Lebanon, and works together with Mexican drug cartels.

Security implications

Drug trafficking contributes to increased instability and a higher frequency of violence. One of the most significant countries in this respect is Mexico where drug cartels regularly execute police personnel, journalists and civilians. The highest homicide rates in Mexico as well as Venezuela are in provinces that have strategic value to traffickers. Areas in West Africa and Central Asia with high levels of drug trafficking are facing similar problems.

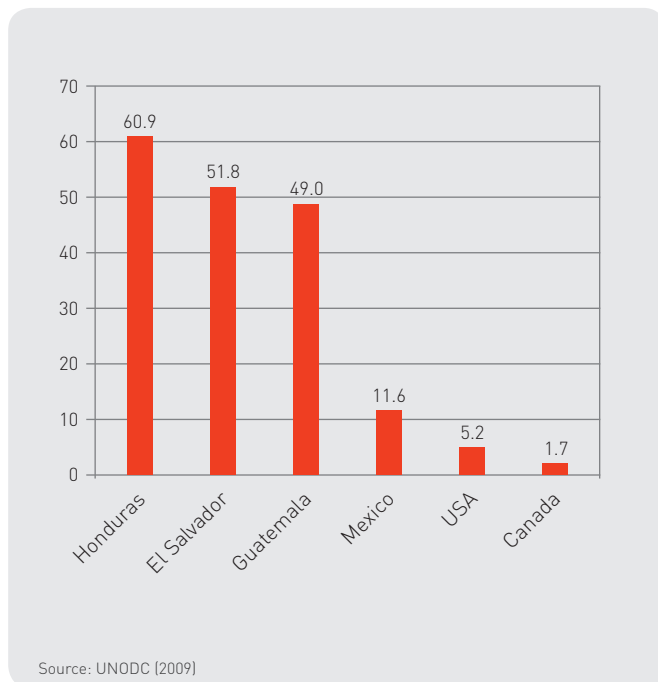


Figure 5: Comparative regional murder rates, 2008.

Drug trafficking and crime thrive in areas where government institutions are weak and law enforcement is absent, for instance in Tajikistan, southern Kyrgyzstan and parts of the Chinese Xinjiang province (see Issue Brief: *Urban Black Holes: The changing face of state failure*). In Afghanistan where 90% of the world's opium grows, the Taliban has controlled opium production, and used poppy cultivation to buy weapons and fund the insurgency. As a result, Afghanistan has become a country where crime, terror and lawlessness are a common reality. Another illustrative example of a failed state, where drug trafficking, crime and terrorism merge, is Somalia. Somali pirates offer their protection services to drug traffickers on their way from Asia to Europe. At the same time, they also smuggle foreign fighters into Somalia for the Al-Shabaab terrorist group. Al-Shabaab is also involved in smuggling drugs to Europe and the US to finance its terrorist operations, and is allegedly cooperating with Mexican drug cartels. State failure therefore poses a threat not only locally, but also internationally.



World Foresight Forum

Socio-economic implications

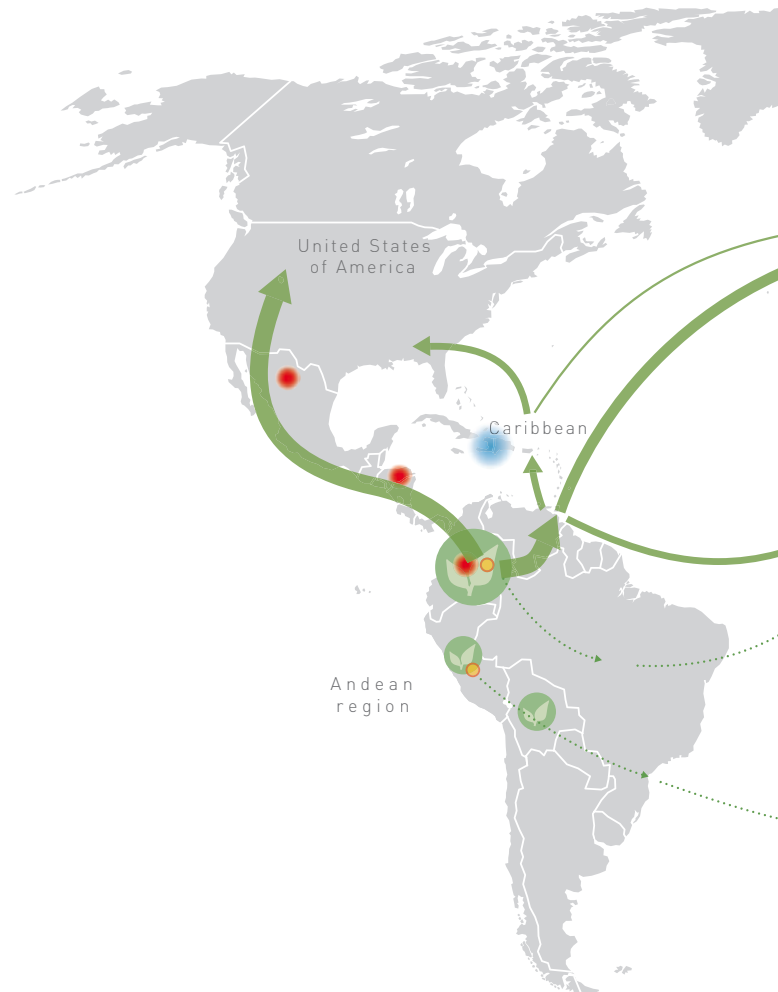
The side effects of drug trafficking, including instability and insurgency, hamper economic development. In Colombia, for instance, economic development improved when the government started to regain territory from the rebels. As the number of insurgents declined from 33,800 in 2002 to 13,200 in 2007, and the number of homicides fell by 45%, GDP growth rose to 4.4% between 2000 and 2008.

Drug trafficking also uses up valuable financial resources. Budget allocated to combat drug trafficking weakens the state's capacity in other policy areas, which receive less funding. In addition, criminal activities reduce state tax revenues. As a result, the state often lacks the means to pursue political reforms that could boost local economic development and thus counter radicalization. Drug trafficking also leads to increased levels of corruption, as drug trade income can be higher than local wages. Corruption, in turn, exacerbates insecurity, when drug traffickers encounter little resistance from law enforcement officials. The fear of the corruptive influence of drug trafficking may also deter state actions aimed at increasing security. In Brazil, for instance, the leadership is wary of involving military troops in anti-drug operations because it fears that the army may succumb to corruption.

The New Approach

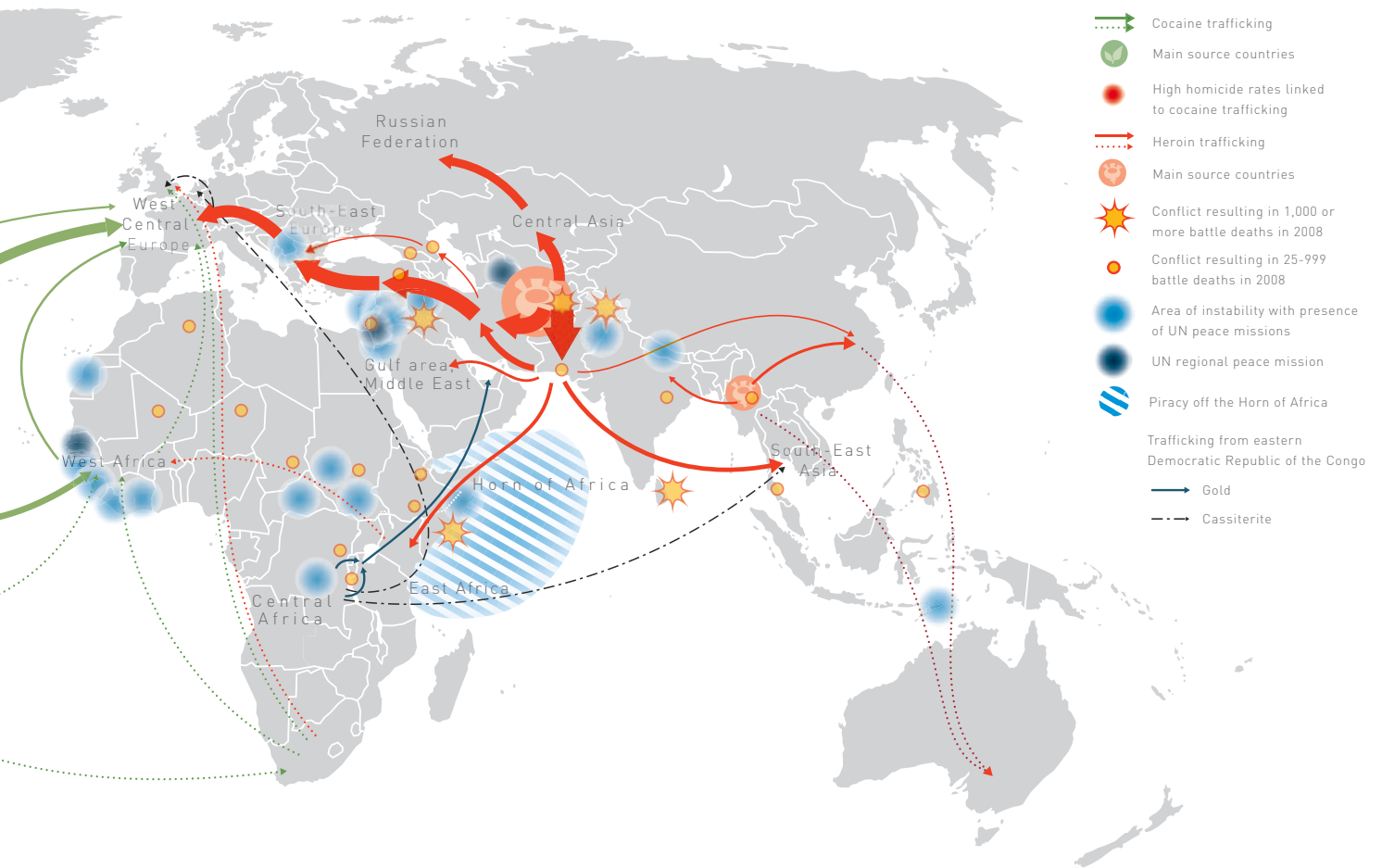
The fight against drug trafficking is complicated by a variety of factors. Efforts to reduce drug production by army attacks do not result in the removal of drug traffickers, only in their displacement. In Colombia, for instance, army raids against the FARC-controlled fields have just moved coca and poppy crops to other places within the country. Additionally, states that experience high levels of drug trafficking often lack the capacity to imprison traffickers in an efficient way. Instead of eliminating drug networks, the overcrowded prisons often serve as command centers to the drug cartels.

Therefore, on the supply side, the new approach to drug



trafficking should not only focus on the eradication of production sites, but also address the issue in a socio-economic context. As long as the majority of the population lives in poverty or earns extremely low wages, drug trafficking will continue to be an appealing source of livelihood. Additionally, state institutions need to be strengthened to tackle widespread corruption, that facilitates the trade in drugs. This requires programs aimed at judicial and security sector reform. At the same time, the new approach would prove inefficient without focusing also on the demand side. It is worth considering the costs-benefits ratio of drug legalization, taking into account cost-saving budgetary impact as well as health

Drugs, Crime and Terror: A thriving business



Source: UDCP/PRI0 Armed Conflict Dataset version 4-2009; ICC - International Maritime Bureau, Piracy and armed robbery against ships, Annual Report 2009; UN/UNODC

Figure 6: Drug trafficking, instability and conflict

and crime consequences. The high demand in North American and European markets spurs drug production. Prevention programs targeting the socially vulnerable population within these end markets should therefore be supported. These include school programs aimed at increasing the sense of community among children, which have proven to be key in reducing drug use and violence.

Given the transnational nature of drug trafficking, international cooperation should not stay limited to capacity-sharing where operations overlap. Instead, a pool of law enforcement capabilities on specific drugs and smuggling routes should be created, addressing the entire

trafficking flow. Cooperation in infiltration and intelligence gathering should also be strengthened. Finally, a standardized system of measuring policy effectiveness in combating drug trafficking should be adopted. Due to the international nature of the problem, fighting drug trafficking requires concerted international cooperation.

11-15 April 2011

The Hague, The Netherlands



This publication is part of a series of WFF Issue Briefs that offer background information on themes to be addressed at the [World Foresight Forum](#). The Issue Briefs aim to inform and stimulate the debate on global challenges. The views and opinions expressed here are those of the authors and do not necessarily express the official views of the WFF or any of its speakers or sponsors.

World Foresight Forum is an initiative of _____



Authors: Islam Qasem, Anna Michalkova, Marjolein de Ridder

Copyright: 2011 World Foresight Forum (WFF). All rights reserved. No part of this Issue Brief may be reproduced and/or published in any form by print, photo print, microfilm or any other means without previous written permission from the WFF. All images are subject to the licenses of their respective owners.



World Foresight Forum (WFF)

Lange Voorhout 16
2514 EE The Hague
The Netherlands

T +31 70 363 6503

F +31 84 215 3165

info@worldforesightforum.org

www.worldforesightforum.org