WATSON INSTITUTE
FOR INTERNATIONAL STUDIES

BROWN UNIVERSITY

The Watson Institute for International Studies at
Brown University
Working Paper No. 2013-05

THE INTERNATIONAL POLITICS OF DRUGS AND ILLICIT TRADE IN THE AMERICAS

Peter Andreas and Angelica Duran-Martinez

THE INTERNATIONAL POLITICS OF DRUGS AND ILLICIT TRADE IN THE AMERICAS[1]

Peter Andreas and Angelica Duran Martinez

Abstract: Illicit trade has long been a central feature of Latin America's engagement in the world. In this chapter we first briefly sketch the scope and dimensions of illicit trade in the region, and stress the importance of various types of power asymmetries. Drawing on illustrations primarily from drug trafficking (by far the most studied and documented case), we then outline in a preliminary fashion some of the key issues in understanding transnational illicit flows and their impact on Latin America foreign and domestic policy and governance. We concentrate on four themes: 1) the relationship between illicit trade and diplomatic relations with the United States; 2) the relationship between illicit trade and democratic governance; 3) the relationship between illicit trade and organized violence; and 4) the relationship between illicit trade and neo-liberalism.

Illicit trade has long been a central feature of Latin America's engagement in the world. Since colonial times, when smuggling flourished as a way to circumvent the rigidities and restrictions on commerce derived from mercantilist imperial policies, illicit commerce has had a profound impact on public security, the configuration of state power, and cross-border relations. Indeed, the history of Latin America's insertion into the world economy can be told through the lens of illicit flows and efforts to regulate them, from contraband cargoes and slave trafficking in the 19th century through the smuggling of migrants and drugs today.

Yet, partly due to a lack of adequate data as well as insufficient comparative and theoretical analysis, the scholarship in this area remains uneven and relatively underdeveloped. Some prominent illicit cross-border economic activities (most notably drug trafficking) have been subject to extensive analyses, while others (such as the illicit wildlife trade and antiquities smuggling) remain much more obscure. Much of the existing literature on illicit trade is policy driven, single-issue focused, and devoid of much comparative-historical perspective. While a fair amount of work exists on the role of drug trafficking in shaping United States foreign policy towards Latin America, there is relatively little comparative work in this area and even less systematic analysis of the ways in which domestic and international factors interact. Some leading domestic

preoccupations for Latin American nations, ranging from democratization to economic development to organized violence, are intimately intertwined with illicit cross-border trade and the domestic and international politics of trying to control such trade.

In this chapter we first briefly sketch the scope and dimensions of illicit trade in the region, and stress the importance of various types of power asymmetries. Drawing on illustrations primarily from drug trafficking (by far the most studied and documented case), we then outline in a preliminary fashion some of the key issues in understanding transnational illicit flows and their impact on Latin America foreign and domestic policy and governance. We concentrate on four themes: 1) the relationship between illicit trade and diplomatic relations with the United States; 2) the relationship between illicit trade and democratic governance; 3) the relationship between illicit trade and organized violence; and 4) the relationship between illicit trade and neo-liberalism. We conclude by encouraging more scholarly attention but also highlight the considerable obstacles and pitfalls of conducting research in this area.

Scope, Dimensions, and Power Asymmetries

The illicit side of cross-border trade in the Americas includes the smuggling of prohibited commodities (such as cocaine and heroin), the smuggling of legal commodities (such as cigarettes), the black market in stolen commodities (such as intellectual property), and the trafficking in bodies and body parts (migrants, sex workers, babies, endangered species, human organs, animal parts). Some of these illicit trading activities are fairly obscure and minimally policed (the smuggling of rare orchids), some are little more than a law enforcement nuisance (the cross-border trade in stolen vehicles), but others receive intense policy attention and media scrutiny (drug trafficking and migrant smuggling) and still others have clear and direct security implications (most notably arms trafficking). A number of illicit trades also have serious environmental consequences (the smuggling of endangered flora and fauna, the trade in toxic waste, the dumping of chemicals used to process psychoactive substances such as cocaine). Despite their enormous diversity, these illicit trades all share some basic characteristics: they are unauthorized by the sending and/or receiving country, and they move across borders via mechanisms designed to evade detection and apprehension.

Illicit trade patterns reflect broader power asymmetries. First and most obviously, illicit trade is an increasingly prominent source of conflict and tension between highly unequal countries—most notably, between the United States and its southern neighbors. Concerns over illicit cross-border economic activities (especially

drug trafficking and migrant smuggling) dominate U.S. relations with many Latin American countries, from Mexico to Colombia to Bolivia. In an era of economic liberalization otherwise defined by deregulation and the loosening of controls over cross-border economic exchange, there is a counter move of re-regulation through intensified policing and surveillance of illicit trade.

Some Latin American and Caribbean countries otherwise at the margins of the global economy have a market niche and comparative advantages in illicit trade: black-market baby adoptions from Guatemala, migrant workers from Ecuador, and coca/ cocaine from Bolivia. Other countries specialize in "transit trade" (Paraguay) and "sex tourism" (Cuba). And still others have a niche in laundering and sheltering illicit financial flows (Cayman Islands; Panama). Many countries in the region are becoming more economically integrated with wealthier countries such as the United States, but it is often the illicit side of the integration process that is most entrepreneurial and responsive to market forces (for example, drugs and migrant workers are two of Mexico's most important exports, but are not formally part of the North American Free Trade Agreement--NAFTA). Moreover, remittances from migrant workers (both legal and illegal) have become a leading source of revenue for countries such as the Dominican Republic, El Salvador, and Mexico.

Illicit trade also reflects much broader economic inequalities in the Americas, which are reinforced by borders and their enforcement. For instance, formally excluded

from first world labor markets through the front door, workers from Mexico, Central America, and elsewhere attempt to gain clandestine access to the U.S. labor market through the backdoor by hiring professional smugglers. Some peasant farmers cope with growing economic inequalities by either facilitating illicit trade (such as drug crop cultivation) or by actually becoming objects of the illicit trade (a smuggled migrant). Clandestine entrepreneurs produce, transport, sell, or otherwise enable illicit trade as an alternative ladder of upward socioeconomic mobility where opportunities for advancement in the legal economy may be limited or blocked. And still others attempt to challenge power asymmetries through organized violence—partly aided and sustained through illicit trades ranging from drugs to guns. Some of these conflicts prompt various forms of external involvement, including an influx of military aid and training. For instance, through the U.S.-sponsored international "war on drugs" and the merging of counternarcotics and counterinsurgency (Tickner 2003), Colombia became one of the world's leading recipients of U.S. military assistance.

Power asymmetries also influence which illicit trades are at the top of the region's policing and security agendas. Thus, regulating the illicit antiquities trade is relatively anemic, with wealthy collectors in the United States and other advanced industrialized countries the primary source of black market demand. Similarly, illicit toxic waste exports from north to south receive considerably less law enforcement scrutiny than the export of labor from south to north. The United States has

successfully exported its anti-drug agenda and enforcement methods across the region and the world while at the same time obstructing and weakening international initiatives to police the illicit trade in small arms more forcefully.

Indeed, it is not too much of an exaggeration to say that the very history of what trading activities are and are not prohibited in the first place is largely a story of the most powerful countries exporting their criminal law preferences and procedures to weaker countries. Thus, illicit trade as well as the policing of such trade mirrors broader geopolitical power asymmetries. Importantly, there is also an enormous asymmetry between the power to legally prohibit particular trades and the power to effectively enforce such prohibitions—and at the most basic level, it is this asymmetry that creates the clandestine transnational space within which various illicit trade activities flourish. For example, smuggling opportunities, incentives, methods, and routes are powerfully shaped by asymmetries in policing will, capacities, and priorities.

These asymmetries in turn, also help to explain the perennial diffusion dynamics and contagion effects of illicit markets, often described as "balloon effects": when policing crackdowns reduce crime and trafficking in one area, production, trafficking, and their negative effects can spread into other countries. In the 1960s and 1970s, for example, the centralized authoritarian regimes in post-revolutionary Cuba and post-military coup Chile displaced trafficking networks

that then flourished in countries such as Peru and Bolivia. In the 1990s, offensives against coca production in Peru and Bolivia helped to prompt surges in production in Colombia. The U.S. crackdown on Caribbean drug trafficking routes in the 1980s dramatically increased the importance of Mexican routes and traffickers, and more recently, reductions of coca production and cultivation in Colombia have again been offset by increases in Peru and Bolivia.

Illicit Trade and Diplomatic Relations with the United States

Nowhere has the asymmetry of power relations been more evident than in the evolution of foreign antidrug policies and the power and influence of the United States in driving the international "war on drugs." During the past decade the debate about declining U.S. power in the region has grown, and recent discussions on drug policy reflect some of the new challenges and ambiguities of US power in Latin America and the implications of this changing power on the policing of illicit flows. Yet it still remains to be seen whether US power is truly declining (Smith 2012, 338); drug control will be an arena where this could be tested.

The US influence in Latin America on drug policies dates back to the early decades of the 20th century. During the Cold War, with the emphasis on

containing communism, drug policy was not at the forefront of Inter-American relations. But while not on center-stage it was not entirely backstage either. Richard Nixon's declaration of the war on drugs elevated the drug issue on the U.S. foreign policy agenda (most immediately felt along the U.S.-Mexico border), and with US support the so-called "cocaine coup" in Bolivia in 1980 overthrew a leftist government and installed drug-linked elites. The end of the Cold War consolidated antidrug policies as the defining element of US security policy in the region (Andreas and Youngers, 1989). By 2000, U.S. military aid under the rubric of the "War on Drugs" surpassed economic aid to the region, and bilateral agendas had become increasingly securitized. This tendency became even more pronounced after the September 11 terrorist attacks as the antiterrorism agenda came to dominate US security strategies that merged terrorism, narcotics, and organized crime as part of the same security concerns.

The turn to the left in some Latin American countries, along with the economic growth of the region, has generated a seemingly new dynamic in foreign policy in which the role of the US appears to face new challenges. Perhaps the most striking indication of this occurred in 2012, when for the first time incumbent presidents of Latin America expressed publicly their willingness to rethink the war on drugs--without provoking a public condemnation from the US government in return. Such open criticisms of the current drug policy regime,

which occurred at the Organization of American States (OAS) 2012 Summit and led to the launching of a OAS report on possible alternatives to the war on drugs, suggest that changes to the global drug prohibition regime may be mobilized through Latin American countries that used to be much more passive recipients of US guidelines.

Perhaps the best example of how US antinarcotics guidelines permeated domestic policy making in countries besieged by drug trafficking was Plan Colombia, a controversial antinarcotics plan that between 2000 and 2008 deployed 4.8 billion dollars in US military assistance to combat cocaine production and reestablish security in Colombia. While Plan Colombia is officially touted as a success story, the human rights violations and extreme militarization associated with its implementation illustrate the limitations of the prevalent antinarcotics framework that some Latin American leaders have now started to criticize. Mérida Initiative, a similar plan launched in 2007 that up to 2012 provided 428 million dollars in US military assistance to Mexico, reproduced the heavily militarized approach to drug control.. However, over time the discursive emphasis of Mérida Initiative changed. In fact, during his visit to Mexico in May 2013 US President Barack Obama suggested a need to de-securitize the bilateral agenda, placing less focus on drug trafficking and more emphasis on economic development. This statement stood in sharp contrast to

Obama's remarks during his first official visit to Mexico in 2009 indicating a potentially new focus for antidrug efforts. Yet, the extent to which discursive changes will translate into meaningful changes in security and antinarcotics policies remains unclear.

To analyze the extent to which new discourses and changes in some policy areas could potentially translate into an overall change in militarized approaches to drugs and organized crime, it is important to understand how the multiple agencies and programs that carry out US security assistance and foreign policy in the region interact (Isaacson 2005). For example since 2012, the US created the CARSI initiative to centralize military and economic aid provided to Central America, and to shift from an emphasis on combating drug trafficking and transnational crime to an emphasis on improving domestic conditions, fostering institution building, and reducing domestic violence and illicit domestic markets. Yet, alongside this new initiative, military investment remains at a very high level. In countries such as Honduras US military engagement in antinarcotics operations is prevalent; and Washington's willingness to tackle the human rights costs of militarized antidrug policies remains limited, as seems to be the case with the human rights violations that have emerged in Mexico since its government's crackdown on drug traffickers in 2006. Furthermore, positive advances in drug policy can be also offset by dynamics such as heigthened

deportation levels; deportation has fueled problems of violence and criminality (Isaacson and Meyer 2013) while enlarging the pool of unemployed and vulnerable populations that can be recruited by criminal organizations, and sometimes strengthening connections between criminal organizations on both sides of the border.

One new and intriguing side development is growing South to South linkages. This includes growing Colombian drug exports to Venezuela, the rise of Brazil not just as a G-20 member but also as a major world consumer of illegal drugs, and the overall increase in drug use rates in the region. Colombia has also become an active exporter of security expertise to countries such as Peru, Mexico, and Central America. Chile, Colombia and Mexico now represent the major source on non-monetary security cooperation in Central America (WOLA and IDB 2013). Renewed interest in regional cooperation schemes such as UNASUR and the proliferation of subregional and interregional cooperation agreements, even if not new, seems to aim for different security platforms.

Nevertheless, it remains to be seen whether non-traditional partnerships can significantly reshape security cooperation and antidrug policy in the region. South-South cooperation may not necessarily depart from prevailing U.S.-created and promoted security blueprints. As the closest US ally in the region, the Colombian "success" has been based on the US guidelines of securitization of

the war on drugs. Thus the expertise Colombia is now exporting, although locally reinvented, does not yet represent a clear departure from prevailing militarized frameworks. Furthermore, even though information sharing and coordinated enforcement actions exist, the high levels of crime related violence in the region, and the potential balloon effects of policing efforts are a constant source of tension, contradictions, and reactive policies even in bilateral, intraregional interactions.

Illicit Trade and Democratic Governance

Illicit trade, most notably drug trafficking, has direct and indirect effects on democratic governance. Corruption associated with illicit trade directly affects the quality of political institutions, drug-related violence undermines public security, and these two factors undermine citizens' trust in democracy. In some cases, the perception that democracy does not deal effectively with crime issues may foster citizens' support for iron fist or militarized responses to crime that further undermine civil rights and liberties. This has been prominently the case in a number of Central American countries, and is also illustrated by partial public support of militarized responses to drug trafficking in Mexico. In countries such as Bolivia, Peru, and Colombia, U.S.-sponsored coca crop

eradication has contributed to political instability and social unrest as many peasant populations depend on coca cultivation. The current global drug prohibition regime, and the preference for militarization in the US-led war on drugs have reinforced these negative consequences of the fight on drugs and illicit markets (Meyer and Youngers 2005). As discontent with the war on drugs increases in the region, the preference for militarized responses may decrease, but the most recent responses to criminal challenges are still focused on iron fist approaches to illegal transnational flows.

Corruption, and its negative repercussions for accountability and transparency, has arguably constituted one of the main obstacles to the consolidation of Latin American democracies. Those engaged in illicit trade attempt to access the state or parts of it in order to secure the non-enforcement of the law. Simply put, they attempt to buy off the state because they cannot entirely bully or bypass it. Prominent cases, such as the involvement of President Alberto Fujimori's close advisors with drug traffickers in Peru, the connections between politicians (including senators, representatives, governors and mayors) and illicit actors in Colombia, the relations between high level military officers and traffickers in Guatemala, and the pervasive police corruption and protection traditionally provided by Institutional Revolutionary Party (PRI) officials to traffickers in Mexico, constitute only some of the most well known illustrations.

Yet, illicit trade is associated with corruption in more diverse and complex ways than is often understood. Corruption has many different manifestations and dynamics. It does not pervade the state to the same extent in all countries and it is entrenched (to different degrees and in different ways) in different branches of government and political institutions. Drug related corruption in Mexico, for example, has evolved in distinct phases depending on the patterns and organization of drug trafficking activities at particular times (Lupsha 1991). This highlights the dynamic nature of the relation between state and illicit actors, which evolves not only depending on market conditions, but also on institutional and political contexts.

Thus, to fully understand the impact of drug related corruption on Latin American democracies it is necessary to specify more clearly the different types and levels of corruption. A crucial question that needs closer scrutiny is how different configurations of state power affect the opportunities and dynamics of corruption. Scholars in Colombia and Mexico suggest that different state structures (a unitary versus a federal state) and patterns of political competition explain variation in relations between state officials and drug traffickers. In their view, political competition in Colombia reduced the capacity of the state to control its relations with drug traffickers, whereas in Mexico due to the PRI hegemony, traffickers were more dependent on politicians (Astorga 2004;

Duncan 2005; Flores 2005, Palacios and Serrano 2010). Although the contrasting image of ultra powerful Colombian traffickers and ultra powerful Mexican politicians may be overstated, it highlights that the organizational structure of the state as well as the dynamics of electoral competition shape the relation between traffickers and state officials in different ways in each country and over time. In Mexico, the democratization process is intuitively associated with shifts in drug trafficking and corruption patterns. In Colombia, the institutional and social transformations that made electoral politics more competitive in the 1980s facilitated, and sometimes were even reinforced by, the entrance of a burgeoning criminal class in politics (Camacho and Lopez 2001; Gutierrez 2007, 343-414). Yet, political competition also hindered the possibilities of some prominent drug traffickers to become directly involved in electoral politics.

These complex relations raise troubling questions that remain to be answered: Do criminal actors shape political practices or do political practices determine the incentives of illicit actors? Does democratization increase the opportunities for corruption or does it change its dynamics (rather than its scope) by making corruption less predictable and more fragmented? How do democratic checks and balances affect criminal behavior?

Literature on the dynamics of different regime types and the institutional legacies of dictatorships and armed conflict can further illuminate the complex

relation between democratic governance and illicit trade. In Guatemala, the legacies of dictatorship and counterinsurgency made the military a central actor in politics at least until the signing of peace accords in 1996. This powerful institutional legacy may explain why the military has been one of the actors more closely associated with drug-related corruption as reflected not only in the accusations against high ranking military officers but also in the alleged role that former Guatemalan military members known as Kaibiles have played in training drug traffickers within and across the US Mexican border (Jonas 2000; Ruhl 2005; Smyth 2005). By contrast, in neighboring countries such as Nicaragua, where legacies of armed conflict translated into the party system, drug corruption has been more closely related to electoral politics (Bunck and Fowler 2012). Such contrasts require further research.

From a more historical perspective, an interesting but understudied area that relates to the literature on state formation is how interaction with illicit trade has shaped state institutions. Regardless of their effectiveness in combating crime, state institutions have frequently changed and been redesigned in order to carry out their crime-fighting function. For instance, constant purges and anticorruption campaigns have resulted in the creation and recreation of security and law enforcement agencies in Guatemala and Mexico; and the transformation of militaries in some countries through a greater crime-fighting mission (especially

militarized drug enforcement) has profound implications, including for civil-military relations and protection of human rights and civil liberties.

These institutional changes, it should be emphasized, have often been greatly influenced by external pressures and expectations—whether by major powers (most notably the United States) (Youngers and Rosin 2005), or more broadly by global prohibition regimes and the growing internationalization of law enforcement cooperation (Andreas and Nadelmann 2006). This includes, for instance, the proliferation of mutual legal assistance treaties as well as highly contentious extradition agreements. Indeed, the politics of extradition would be an especially fruitful area to explore the relation between external pressures and domestic processes of policy making. Historically the country where the most extraditions have been conducted is Colombia (and indeed, extradition was a crucial factor in the escalating violence between drug traffickers and the state in the 1980s). In Mexico, although an extradition treaty dates back to 1980, effective extraditions were not a regular practice until 2006 despite the large influence of the US on Mexican policy. Thus, further research in this understudied realm would help illuminate the contentious politics of extradition, and the variation in timing, frequency, and domestic sensitivity to external pressure.

Illicit Trade and Organized Violence

Violence, like corruption, is often viewed as an inherent attribute of illicit trade. It is safe to assert that, on the whole, illicit trade is more prone to violence than licit trade. The basic reason for this is that illicit trade operates beyond and outside the law. Participants in illicit trade do not have recourse to the law to enforce contracts—and thus business disputes are more likely to be dealt with by shooting rather than suing. But while violence occurs more commonly in connection with illicit than licit trade, careful examination reveals considerable variation in violence across and within illicit trade sectors, as well as across time and place, requiring more nuanced scrutiny (Andreas and Wallman 2009; Reuter 2009; Snyder and Duran-Martinez 2009). Illicit trade-related violence is typically selective and instrumental rather than random and gratuitous. Victims tend to be other market participants rather than state actors or the general public (and some state actors are targeted because they are actually market participants). Yet, criminals can sometimes target the state—police, prosecutors, judges, politicians- as well as civilians. Furthermore, violent acts vary in form, intensity, frequency, and focus, even when targets are market participants. Thus, violence itself needs to be systematically "unpacked" to identify variation across these dimensions.

The link between violence and illicit trade is most evident in the case of drug trafficking, and it is no doubt partly for this reason that the drug trade

generates so much public concern and media and policy attention. Consider, for instance, the wave of drug related violence in Mexico that according to some estimates has claimed at least 60,000 lives since 2006.[2] This wave of violence has been facilitated by the increased availability of sophisticated weaponry, grenades, and bombs for trafficking organizations, underscoring a link between the illicit arms trade (with much of the supply originating in the United States) and more deadly forms of violence (the availability of arms is a necessary, but not sufficient, condition for escalating drug violence). Increasing levels of homicide since the 1990s have made Latin America the most violent region in the world, and although such violence has complex causes, it has been greatly fueled by crime, drugs, and illicit flows. Violence trends vary within the region, but an interesting aspect is that the balloon effect of illicit flows has also translated, to some extent, into a balloon effect of violence. Improving trends in some countries like Colombia and Brazil, are offset and partially related to increases in other countries such as Mexico and Guatemala. These displacement dynamics are also often seen within countries, as is occurring in Brazil where security improvements in some areas of Rio de Janeiro are potentially offset by the displacement of trafficking and violence into other areas in and outside Rio.

Yet, the disproportionate attention to the most violent aspects of the international drug trade obscures and glosses over some important and

interesting variation. For example, far more attention is devoted to cocaine and heroin (relatively high violence) than cannabis (comparatively low violence). Furthermore, even within the trade in hard drugs there is striking variation, and beyond the clear violent manifestations there is a more complex and ambiguous reality. Contrast Colombia, which has been plagued by high violence, to Bolivia, which has been characterized by much lower violence—yet both are deeply enmeshed in the coca/cocaine trade. Similarly, consider the variation of violence over time in Mexico, where modern forms of drug trafficking date back to the 1940s yet until the mid 1990s the market was relatively more peaceful (or more precisely, violence was less visible) (Duran-Martinez 2013).

Thus we need more research about the conditions under which illicit trade generates violence. It requires differentiating forms and types of violence and addressing questions such as how do prohibitions and their enforcement shape the nature and level of organized violence across illicit trading activities? What are the mechanisms connecting enforcement and violence? What policing and regulatory methods and strategies are least or most likely to inhibit or exacerbate illicit trade-related violence? This question is crucial considering that high-profile police crackdowns can unintentionally fuel more trade-related violence—as some actors are removed, new ones emerge to fill the void and claim market share through violent competition. This leads to another important question, when

and how does the displacement of illicit flows generate an increase in violence? For example, even though in recent years Peru seems to have reemerged as a prime location for coca production and cocaine trafficking as Colombia's role has diminished, violence levels seem to remain generally contained so far. Likewise, in Central America even though changes in trafficking dynamics and a contagion effect from Mexico have been related to increases in violence, both violence and drug trafficking have been on the rise for several years, and thus violence is not an automatic product of the situation in Mexico or of the importance of Central America as a transit corridor for drug trafficking.

Considering that excessive violence can be bad for illicit business (since it is disruptive and invites unwanted police and media scrutiny), another key question that emerges is: does violence follow rational motivations? Ideas about the rationality of violence derived from the analysis of civil wars and ethnic conflicts provide a theoretical lens to advance the study of violence related to illicit trade. They show that seemingly irrational forms of violence can be instrumental to maintain influence or compliance when distributions of power become unstable and thus can better explain why illicit actors become more violent when they face internal disputes and external pressure. Finally, considering the wide variety of actors that engage in illicit practices, it is worth exploring how the internal structure and organization of trafficking actors affect

the dynamics of violence. Thus to understand violence we need to combine an assessment of global trends and dynamics with an analysis of the motivation, organization, and behavior of local actors.

A more careful consideration of the conditions under which violence emerges also requires paying more attention to less studied geographic areas. Perhaps most strikingly, the tri-border area of Paraguay is the epicenter of a variety of flourishing illicit trade activities given its strategic location (Lewis 2006), yet it has remained far less violent than Colombia or Mexico. Perhaps for this reason, it has largely been overlooked as a major focus of study.

The relationship between insurgents and drug trafficking is a dimension of drug related violence that has been widely studied in Colombia (mainly in relation to the FARC *Revolutionary Armed Forces of Colombia*) and to a lesser extent in Peru (with *Sendero Luminoso*). While the most common association is that the proceeds from drug trafficking can strengthen armed actors by providing them with a lucrative source of funding, the story is considerably more complex and subject to heated debate. According to the "narco-guerrilla" thesis (which has enjoyed considerable influence in policy circles for several decades), drugs and insurgency are inseparably intertwined and thus should be combated simultaneously and with similar methods. But critics have long questioned the underlying assumptions of this argument as overly simplistic, with

counterproductive policy implications (Andreas et al 1991). For instance, recent studies detail the importance of political capital insurgents generate in rural areas by protecting peasant drug producers from government eradication and interdiction efforts—and thus more intensive anti-drug operations perversely and counterproductively play into the hands of insurgents (Felbab-Brown 2009).

The narco-guerrilla thesis also ignores that in many cases armed conflict long precedes the emergence of drug trafficking, as in Colombia, and thus it would be erroneous to simply reduce an insurgency to an interest in drug profits. It also ignores that some armed groups have not become heavily involved in drug trafficking even if they have the opportunity to do so, or that some engage primarily in the cultivation stages while others engage in the whole trafficking chain or in its most profitable stages. In this regard, existing knowledge on the relation between drugs and conflict would be strengthened by a deeper analysis of armed groups that lack a close connection to drug trafficking such as those in Mexico. By asking more systematically under which conditions armed groups engage in illicit trade we can analyze the impact that ideology, capacities, and transnational connections have in shaping relations between armed groups and illicit business.

Besides financial and social connections, armed groups and traffickers may connect in other ways. Several studies in Colombia such as

Romero's (2003) have analyzed the historical deep connections between paramilitary groups and drug trafficking. As these studies point out, the story of paramilitary groups is complex and involves many actors and motivations, yet it is clear that drug traffickers played a key role in organizing paramilitary groups as their branch of armed protection in the 1980s. As these groups grew and advanced, they eventually became more autonomous and towards the early 2000s became a crucial player in the Colombian drug trade. This story raises three important questions. First, why traffickers decide to create armed structures that can eventually pose a threat to them by attracting excessive law enforcement and media attention, and by transferring crucial power to individuals who can potentially overpower traffickers? Second, what conditions facilitate the creation of such structures, and how do they evolve and reproduce? Third, how do changes in the security apparatus of the state relate to the creation of these armed structures? A useful comparative case in helping to answer these questions is between the Zetas, the armed branch of the Gulf Drug Trafficking Organization in Mexico, formed in 1997, and defectors from a special military and antiguerrilla force known as GAFES (Special Forces of Aerial Groups).

Finally, the connection between drug trafficking and violence can occur through the engagement of youth gangs. As in the case of armed groups, trafficking activities provide gangs more financial clout while at the same time

creating incentives for their proliferation. Yet in some cases such as those of Central American countries, the connection between gangs, drug trafficking, and violence is not, despite widespread perception, as prevalent as in other cases, like Brazil. As of 2007 the United Nations estimated that about 70,000 gang members existed in Central America alone, mostly in Guatemala, El Salvador and Honduras. Yet as the same UN report points out, the association between youth gangs, crime, and international trafficking is based on shaky assumptions, such as that gang members are responsible for most homicides in Central America or that diasporas are crucial in providing international connections for gangs. In fact, few individuals detained in the US for drug trafficking are from Central America (UNODC 2007). In Brazilian cities, by contrast, the gangs-trafficking-violence connection is clearer because the main drug trafficking actors are youth gangs such as the Comando Vermelho in Rio de Janeiro. Yet even within Brazil, differences between the more concentrated and stable drug markets of Rio de Janeiro and the less organized of São Paulo, explain changing gang behaviors and dynamics of violence (Lessing 2008; Mingardi 2001). Thus, even though the origin, organization and emergence of youth gangs constitutes a separate research area on its own, it is worth asking how the violence generated by youth gangs as they engage in drug trafficking is different from that conducted by drug trafficking organizations, why youth gangs become salient in drug trafficking in

some places but not in others, and why forms of violence vary between those gangs associated with trafficking.

One important area of research that ties domestic dynamics and foreign policies is the effect that deportations from the United States may have on the dynamics of youth gangs and violence. The widespread perception that gang members are criminals and that gangs in Latin America, especially in Central America, are connected to "transnational criminal enterprises" is too often based on stereotypes rather than research. Thus we need more research examining how increasing deportations fuel gangs by sending back people without employment and social connections into a world where they can be easily recruited for criminal activities or vulnerable to extortion and violence.

Illicit Trade and Neoliberalism

The spread of neoliberal free market reforms—including the liberalization of trade and finance and privatization of state owned enterprises—have been the focus of considerable research in recent decades. Largely overlooked in this political economy literature, however, is how these shifts in the formal economy have interacted with the illicit export economy. For instance, the liberalization of trade and relaxation of trade barriers has had the positive

externality of reducing the incentives to smuggle legal commodities. This is quite significant, since evading taxes and other restrictions on legitimate trade has historically been a major motivation to smuggle. At the same time, reducing barriers for licit trade may also have the unintended consequence of facilitating other types of illicit trade. Consider the case of NAFTA. Trade across the U.S.-Mexico border has more than doubled since the mid-1990s, making it increasingly challenging for border authorities to "weed out" illicit goods such as drugs. NAFTA simultaneously facilitates legal trade and lowers the incentives to divert licit into illicit trade because tariff and nontariff barriers have tumbled. But, while enforcing laws against illegal trade has always been a frustrating and cumbersome task, NAFTA also makes it all the more difficult by the rapid growth of commercial cargo through already highly congested ports of entry. Further analysis is needed to evaluate both the viability of border interdiction in the context of deepening economic integration, and the impact of tighter border controls on the integration process.

Trade agreements have also become tangled up in the politics of policing illicit flows. In the campaign for NAFTA, Mexican President Carlos Salinas famously promised that the trade agreement would help Mexico "export tomatoes" instead of "tomato pickers," while he also launched a high-profile anti-drug crackdown to appease and impress Washington critics (even as drug

trafficking and related corruption worsened). Likewise, for a number of Andean countries, extensions of trade preferences with the United States have been conditional on the cooperation with anti narcotics efforts, as in the case of the ATPA (Andean Trade Preference Act) in 1991 and the ATPDEA (Andean Trade Preference and Drug Eradication Act) in 2002 (Beittel 2010; Hornbeck 2002). Bolivia was excluded from these preferences in 2008 when the Bush administration determined that the country did not meet antinarcotics cooperation agreements. Thus the analysis of the connections between trade liberalization and the politics of policing efforts, and the evolution of these connections over time as trade liberalization schemes shift towards more multilateralism, constitute a promising area of research.

More research is also needed to determine the extent to which the illicit economy has provided an immediate cushion of sorts for those most negatively affected by the shocks of neoliberal market reforms. Does it supplement or substitute for social policy? For example, in the 1990s, clandestine migration and illicit drug crop cultivation became more attractive coping mechanisms for Mexican peasants displaced by sweeping agricultural reforms (such as the lifting of government price supports and protections for the traditional *ejido* system) (DEA 1992 cited in Andreas1999). Throughout the region, shifts in prices and dynamics of commerce derived from free trade policies may have created

incentives and pressures to turn to the illicit economy. In Peru, some analysts have noted that when prices for agricultural products collapsed in the 1990s, local populations in the valleys around the Ene and Apurimac rivers that grew coca for traditional local consumption entered the cocaine export economy (Rojas 2005). Similarly, in Bolivia the illicit economy may have acted as a cushion for increasing urban unemployment rates derived from economic liberalization in the mid 1980s (Alvarez 1995; Andreas 1995).

Although requiring further study, there have also been some indications that privatization and financial liberalization have unintentionally facilitated investing the proceeds of illicit trade. The Mexican experience again provides a useful illustration. According to the U.S. Federal Bureau of Investigation, drug traffickers bought up many of the state-owned companies privatized under the Salinas administration (Golden 1995). Financial liberalization in the 1990s also apparently enabled narcoinvestment. According to the *Economist Intelligence Unit*, the "liberalisation of the Mexican financial services sector and capital markets in recent years has provided opportunities for money-laundering and the investment of the illicit gains from the drugs trade" (EIU 1995).

Conclusions

For the study of illicit trade to gain more traction in the study of Latin America and its foreign relations, work in this area should more explicitly and deeply engage larger debates and questions that preoccupy scholarly and policy discussions. In this chapter we have provided a brief sketch of a few of the possibilities, such as the role and influence of U.S. foreign policy, democratic governance, organized violence, and neoliberalism.

We need more research that connects different levels of analysis. Drug trafficking and illicit flows are transnational phenomena often engaged in global policy frameworks such as the global drug prohibition regime, and as such require perspectives that go beyond national boundaries. Yet at the same time, illicit trade has very localized consequences such as violence and corruption, and policy decisions often depend on an intricate interaction of government levels and authorities.

Given the inherently interdisciplinary nature of the subject, scholars interested in this area should become more voracious consumers of works outside of their own discipline. Reading broadly beyond one's own field is always a good thing, of course, but is an absolute necessity in this particular research domain. This includes works by anthropologists such as Tate (2010) and Muehlmann (2013), economists such as Thoumi (2003) and Mejia (2010), sociologists such as Astorga (2003) and Spener (2009), and historians such as Grahn (1997)

and Gootenberg (2009) working on topics related to illicit trade. A handful of interdisciplinary collections and collaborations also stand out (Gootenberg 1999; van Schendel and Abraham 2005). There are also a number of more policy-oriented collections that demonstrate the utility of work that not only crosses disciplines and also the policy-academia divide (Bagley and Walker 1994; Farer 1999).

Recent drug-related work by political scientists illustrates the utility of stretching beyond one's own disciplinary comfort zone. Political Science has always "smuggled in" insights and methods from other disciplines and nowhere would this be more appropriate than in the study of smuggling itself. Consider, for example, a handful of recent books by political scientists. Michael Kenney (2007) has applied organizational theory from sociology to help explain organizational adaptation by Colombian trafficking groups in response to pressure from law enforcement. Peter Andreas (2009) has drawn from theatrical metaphors and analogies inspired by the sociologist Erving Goffman to analyze the politics of high-profile border policing campaigns. Desmond Arias (2006) has utilized micro-level ethnographic methods more common to anthropology in understanding everyday drug trafficking dynamics in the *Favelas* of Rio de Janeiro. Mixing economics and political science, Ernesto Dal Bó, Pedro Dal Bó and Rafael Di Tella (2006), have used game theory and formal modeling to derive

predictions about interactions between illicit market actors and the state.

Finally, substantial barriers to research should be recognized, with mutually reinforcing practical, professional, and political factors inhibiting scholarship in this area. The most obvious practical constraint, of course, is that studying illicit trade up close can be considerably more risky and even dangerous than studying licit trade (and it can also become an additional hurdle for U.S.-based scholars seeking approval from their university's Institutional Review Board). The object of study, moreover, is usually trying to avoid being observed, counted, and scrutinized. Bad (or non-existent) data is thus the Achilles heel of research on illicit trade. The "large N" studies that are typical in some fields are not as viable given the extremely poor quality of the aggregate data (of course, the common use of bad data related to illicit trade, including its influence on political debates and the policy process, is itself an interesting subject worthy of greater scrutiny (Andreas 2010; Andreas and Greenhill 2010). Professional incentives reinforce these practical concerns. Simply put, the study of illicit trade and efforts to regulate it are by definition considered fringe topics in many fields. Last but not least are a number of political obstacles. Illicit trade is often a politically sensitive topic (as are related concerns such as corruption)—and indeed in the cases of illegal drugs, human trafficking, and migrant smuggling, are considered "hot button" issues. Consequently, the data often bad and highly politicized;

the most relevant state actors may be especially reluctant to talk (or at least talk candidly) and share useful information with researchers. Yet the cumulative work to date across many disciplines suggests that the research challenge is far from insurmountable. Moreover, it is these very political obstacles that are an essential part of understanding the politics of illicit trade in the first place and contributes to making this an especially fascinating research area.

Bibliography

Alvarez, Elena. "Economic Development, Restructuring and the Illicit Drug Sector in Bolivia and Peru: Current Policies," *Journal of Interamerican Studies and World Affairs* Vol. 37, No. 3 (1995): 125-149.

Andreas, Peter and Wallman, Joel. "Illicit Markets and Violence: What is the Relationship?," *Crime, Law and Social Change* Vol. 52 No. 3 (September 2009): 225-229.

Andreas, Peter and Youngers, Coletta. "U.S. Drug Policy and the Andean Cocaine Industry," *World Policy Journal* Vol. 6, No. 3 (Summer, 1989): 529-562.

Andreas, Peter and Nadelmann, Ethan. *Policing the Globe: Criminalization and Crime Control in International Relations* (Oxford University Press, 2006).

Andreas, Peter. "The Politics of Measuring Illicit Flows and Policy Effectiveness," in Peter Andreas and Kelly M. Greenhill, (Eds.) *Sex, Drugs, and Body Counts: The Politics of Numbers in Global Crime and Conflict* (Cornell University Press, 2010).

Andreas, Peter, Bertram, Eva, Blachman, Morris, and Sharpe, Kenneth. "Dead-End Drug Wars," *Foreign Policy*, Issue 85 (Winter 1991).

Andreas, Peter. "Drug Market Prohibition and Free Market Reform: U.S. Policies at Cross-purposes in Latin America," *Third World Quarterly* Vol 16, No. 1, 1995.

Andreas, Peter. "When Policies Collide: Market Reform, Market Prohibition, and the Narcotization of the Mexican Economy," in H. Richard Friman and Peter Andreas, (Eds.) *The Illicit Global Economy and State Power* (Rowman & Littlefield, 1999), 132-133.

Andreas, Peter. *Border Games: Policing the U.S.-Mexico Divide* (Cornell University Press, 2009, 2nd ed.).

Arias, Desmond. *Drugs and Democracy in Rio de Janeiro: Trafficking, Social Networks, and Public Security* (University of North Carolina Press, 2006).

Astorga, Luis. *Drogas Sin Fronteras* (Grijalbo, 2003).

Astorga, Luis. *El Siglo de las Drogas* (Plaza & Janes, 2004)

Bagley, Bruce, and Walker, William. (Eds.) *Drug Trafficking in the Americas* (Coral Gables: University of Miami, 1994).

Beittel, June S. "Paraguay: Political and Economic Conditions and U.S. Relations", (Congressional Research Service, 2010).

Bunck, Julie and Fowler, Michael. *Bribes, Bullets, and Intimidation: Narcotics Trafficking in Central America,* (Pennsylvania State University Press, 2012).

Camacho, Alvaro and Lopez, Andres "From Smugglers to Drug Lords, to Traquetos: Changes in the Colombian Illicit Drug Organizations," in Christopher Welna and Gustavo Gallon, *Peace, Democracy and Human Rights in Colombia* (Notre Dame, 2001), 60-89.

Crime and Development in Central America: Caught in the Crossfire, (UNODC, May 2007).

Dal Bó, Ernesto, Dal Bó, Pedro and Di Tella, Rafael. "Plata o Plomo?: Bribe and Punishment in a Theory of Political Influence," *American Political Science Review* Vol. 100, No.1 (February 2006): 41-53.

Drug Enforcement Administration, *The New Agricultural Reform Program and Illicit Cultivation in Mexico*, 14 October 1992.

Duncan, Gustavo. “Narcotraficantes, Mafiosos y Guerreros, Historia de una Subordinación” in *Narcotráfico en Colombia: Economía y Violencia* (Fundación Seguridad y Democracia, 2005)

Duran-Martinez, Angelica. Criminals, Cops, Politicians: Dynamics of Drug Violence in Colombia and Mexico, (Ph.D. Dissertation, Brown University, 2013).

Economist Intelligence Unit, “Political Outlook: Party Stability,” *Economist Intelligence Unit Country Forecast*, 30 May 1995.

Farer, Tom (Ed.) *Transnational Crime in the Americas* (Routledge, 1999).

Felbab-Brown, Vanda. *Shooting Up: Counterinsurgency and the War on Drugs* (Brookings, 2009).

Fiorentini, Gianluca and Peltzman, Sam. *The Economics of Organized Crime* (Cambridge University Press, 1995).

Flores, Carlos. *El Estado en Crisis: Crimen Organizado y Política: Desafíos para la Consolidación Democrática* (Universidad Nacional Autónoma de México, 2005).

Golden, Tim. “Mexican Connection Grows as Cocaine Supplier to U.S.,” *New York Times* 30 July, 1995, A1.

Gootenberg, Paul. (Ed.) *Cocaine: Global Histories* (Routledge, 1999).

Gootenberg, Paul. *Andean Cocaine: The Making of a Global Drug* (University of North Carolina Press, 2009).

Grahn, Lance. *The Political Economy of Smuggling: Regional Informal Economies in Early Bourbon New Granada* (Westview, 1997).

Gutierrez, Francisco. *¿Lo que el viento se llevó? Los Partidos Politicos y la Democracia en Colombia 1958-2002* (Norma, 2007).

Hornbeck, JF. *The Andean Trade Preference Act: Background and Issues for Reauthorization* (Congressional Research Service, 2002).

Isaacson, Adam. "The U.S. Military in the War on Drugs" in Coletta Youngers and Eileen Rosin, (Eds.) *Drugs and Democracy in Latin America: The Impact of U.S. Policy*, (Lyenne Rienner Publishers Inc: Boulder, 2005).

Isaacson, Adam and Meyer, Maureen. Border Security and Migration: A Report from South Texas. (Washington Office on Latin America, 2013).

Jonas, Susanne. "Democratization through Peace: The Difficult Case of Guatemala," *Journal of Interamerican Studies and World Affairs* Vol. 42, No. 4 (2000): 9-38.

Kenney, Michael. *From Pablo to Osama: Trafficking and Terrorist Networks, Government Bureaucracies, and Competitive Adaptation* (Penn State Press, 2007).

Kyle, David and Koslowski, Ray (Eds.) *Global Human Smuggling* (Johns Hopkins University Press, 2001).

Lessing, Benjamin. "As facções cariocas em perspectiva comparativa," *Novos estudios - CEBRAP* No. 80 (March 2008)

Lewis, Daniel K. *A South American Frontier: The Tri-border Region* (Chelsea House Publications, 2006).

Lupsha, Peter."Drug Lords and Narco-Corruption: the Players Change but the Game Continues," *Crime, Law and Social Change* Vol. 16 (1991): 41-58.

Mejia, Daniel."Evaluating Plan Colombia" in Philippe Keefer and Norman Loaiza (Eds.) *Innocent bystanders: Developing countries and the war on drugs* (The World Bank and Palgrave Macmillan, 2010), 135-164.

Mingardi, Guaracy. "Money and the International Drug Trade in Sao Paulo" *International Social Science Journal*, Vol. 53, Issue 169 (2001): 379-386.

Molzahn, Cory, Rodriguez, Octavio, and Shirk, David. Drug Violence in Mexico: Data and Analysis Through 2012 (Transborder Institute, University of San Diego, 2012).

Muehlmann, Shaylin, *When I Wear My Alligator Boots: Narco-Culture in the U.S.-Mexico Borderlands* (Berkeley: University of California Press, 2013).

Palacios, Marco and Serrano, Monica. "Colombia y Mexico: las violencias del narcotráfico" in Arturo Alvarado and Monica Serrano, (Eds.) *Seguridad nacional y seguridad interior* (México, D.F: El Colegio de México, 2010), 105-155.

Reuter, Peter. "Systemic violence in drug markets", *Crime, Law and Social Change,* Vol. 52 No. 3 (September 2009): 275-284.

Rodgers, Dennis. "Living in the Shadow of Death: Gangs, Violence and Social Order in Urban Nicaragua, 1996–2002," *Journal of Latin American Studies*, 38 (2006): 267-292.

Rojas, Isaías. "Peru: Drug Control Policy, Human Rights and Democracy," in Coletta A. Youngers and Eileen Rosin, eds. *Drugs and Democracy in Latin America* (Lynne Rienner, 2005), 185-230.

Romero, Mauricio. *Paramilitares y Autodefensas: 1982-2003* (IEPRI, 2003).

Ruhl, Mark. "The Guatemalan Military since the Peace Accords: The Fate of Reform under Arzú and Portillo," *Latin American Politics and Society*, Vol. 47, No. 1 (Spring 2005): 55-85.

Smith, Peter. “US-Latin American Relations”, in Peter Kingstone and Deborah Yashar (Eds.) *Routledge Handbook of Latin American Politics* (Routledge, 2012), 335-348.

Smyth, Frank. “The Untouchable Narco-State: Guatemala's Army defies DEA,” *The Texas Observer*, November 18, 2005.

Snyder, Richard and Duran-Martinez, Angelica. “Does Illegality Breed Violence? Drug Trafficking and State-Sponsored Protection Rackets,” *Crime, Law, and Social Change* Vol. 52, No. 3 (September 2009): 253-274.

Spener, David. *Clandestine Crossings: Migrants and Coyotes on the Texas-Mexico Border* (Cornell University Press, 2009).

Tate, Winifred. “Congressional ‘drug warriors’ and U.S. Policy Towards Colombia” *Critique of Anthropology* (June 2013) Vol. 33 No. 2: 214-233

Thoumi, Francisco E. *Illegal Drugs, Economy, and Society in the Andes* (Johns Hopkins University Press, 2003)

Tickner, Arlene. “Colombia and the United States: from counternarcotics to counterterrorism”, *Current History* (February 2003).

van Schendel, Willem and Abraham, Itty (Eds.) *Illicit Flows and Criminal Things: States, Borders, and the Other Side of Globalization* (Indiana University Press, 2005)

Washington Office on Latin America and Inter-American Development Bank. Tracking International Anti-Crime and Violence Prevention Efforts in Central America, (2013).

Youngers, Coletta and Rosin, Eileen (Eds). *Drugs and Democracy in Latin America: The Impact of U.S. Policy* (Lynne Rienner, 2004).