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Drugs and development

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NOTE

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Introduction*

What is the link between drugs and development? The following chapters answer this question. One point is indisputable: the influence of illicit drugs continues to grow, drawing an ever-larger number of people into a perpetual state of dependence, physiological as well as financial. The drug threat has reached such proportions that traditional ways of viewing it need to be reassessed; new perspectives are necessary to take account of its modern manifestations. The objective of the present paper is to transcend debate about the right solutions and to look more closely at the nature of the problem. Today, the influence of illicit drugs reaches far beyond the heroin addict and the crime syndicate. The drug problem is deeply rooted in broader socio-economic concerns.

One conceptual roadblock which has prevented the drug debate from transcending limited circles of interest in the law enforcement and health sectors is the stigma attached to those involved in drug-related activities. All too often the fact that drug abuse is not an activity engaged in solely by criminal or dysfunctional individuals is ignored. Despite its illegality, the drug trade in some cases provides the basic necessities for economic survival. And that is the point at which the interests of people in the fields of drug control and development intersect.

Drug abuse is defined herein as illicit production, trafficking and consumption. The concept of development used in the present paper is based on that advanced by the United Nations Development Programme (UNDP): a process of enlarging people's choices by strengthening their capabilities and maximizing their use of those capabilities.¹ While the focus of the present paper is on the development-related implications of cocaine, heroin and cannabis abuse, it should not be overlooked that millions of people live under the influence of synthetic drugs like amphetamines and other substances ranging from alcohol and tobacco to industrial products such as inhalants and solvents. Psychotropic substances illicitly consumed in developing countries often! indeed usually! originate in industrialized countries. This illustrates the need to rethink outdated strategies which have long assumed a one-way passage of drugs from developing to developed countries.

The reach of the illicit drug industry is reflected by the following figures:

(a) The industry as a whole is estimated to have an annual turnover of about \$500 billion! a figure which dwarfs the \$62 billion spent on official development assistance in 1992;²

(b) The area devoted to poppy cultivation in 1992 is estimated to have been 260,000 hectares resulting in 3,700 tonnes of opium! equivalent to 370 tonnes of heroin;³

(c) The cultivation of coca in 1992 occupied nearly 220,000 hectares with an output of 340,000 tonnes of coca leaf! equivalent to 680 tonnes of cocaine; that same year, coca-growing areas expanded by 20 per cent.

*Because the illicit drugs industry is, by definition, not part of the official economy, figures on drug production, consumption and trafficking vary widely. Care should therefore be taken when considering statistics related to the subject. Figures in the present paper, unless stated otherwise, are derived from UNDCP sources.

I. The impact of drug abuse on development

How illicit drugs exacerbate some of the serious global problems facing the world is considered in this section. The financial and employment effects generated by the illicit drug trade mask the negative side-effects on the economic, social and environmental fronts. It can be shown that the short-term gains are far outweighed by the social and economic ills ushered in by illicit drugs. Those considered below include lower productivity, the spread of the acquired immunodeficiency syndrome (AIDS), and environmental decay.

A. Employment and productivity

Not even the most ardent supporter of *laissez-faire* economics would argue that the negative impact on health of smoking is somehow outweighed by the employment generated in the tobacco and medical industries. The analogy holds insofar as the illicit drug industry is concerned.

The economic gains from the illicit drug industry should be seen against opportunity costs, i.e. what could have been achieved with the resources used by the illicit drug activity. The opportunity costs of the drug trade include: (a) lost investment in legitimate enterprise as farmers and processors funnel their savings into illicit drug cultivation and production; (b) lost investment in human capital as drug-related employment provides a false sense of security to its "workforce"; and (c) future costs to the quality of the workforce as children get caught up in the drug trade.

With regard to the "merits" of the trade, the employment generated at each stage of the production chain! from harvesting to processing to retail distribution! creates a ripple effect that justifies labelling the illicit drug trade as an industry in and of itself. One study estimates that the informal sector, of which illicit drugs play a prominent part, equals 50-70 per cent of the official domestic product in Bolivia, 30-40 per cent in Colombia, 30 per cent in Pakistan and 50 per cent in Peru. In Bolivia, it is estimated that 10 per cent of the working population is involved in the illicit coca trade, which generates between \$650 million and \$700 million annually. Between \$150 million and \$200 million of drug-related revenues stay in the country.⁴ In 1990, coca and cocaine exports from Bolivia amounted to an estimated 25 per cent of the value of legal exports.⁵

The illicit drug industry can be likened to a self-generating engine of economic growth. Drug traffickers introduce new products into an untapped market, buyers are found, and once users become addicted, a minimum level of demand is virtually guaranteed. Demand becomes inelastic. Sellers reinvest profits to expand operations, and so on. One key input is surplus labour, no shortage of which is expected in the developing world. Indeed, the annual rate of net urban migration is forecasted at about 4.6 per cent by the year 2000.⁶ The International Labour Organization (ILO) estimates that the overall labour force in sub-Saharan Africa will increase in the 1990s by 3.3 per cent a year while employment opportunities there will increase by only 2.4 per cent.⁷

At the same time, drug-driven growth requires a shift of limited resources! both in financial terms (personal savings) and human terms (work-hours)! away from traditional investment options towards necessarily high-risk, short-term ventures. Other productive investments are in effect "crowded out".

When authorities eradicate crops in accordance with local legal provisions, the investment made by farmers is nullified. In Bolivia and Peru, the fall in the price of coca leaves since 1992 has confronted many local communities with a related problem: in effect, their invested stocks are rapidly losing value. In response, many have moved from coca to coca-paste production in makeshift processing centres.

The negative impact of drug abuse becomes especially clear when the inevitable spillover effect of rising consumption is taken into account. Where trafficking takes root, drug consumption inevitably emerges. This phenomenon has a direct impact on the productivity of an affected country's citizens, including its youth. One ILO study involving Egypt, Mexico, Namibia, Poland and Sri Lanka found that substance abusers have 2-4 times more accidents at work than other employees and are absent 2-3 times more often.⁸ The effects of substance abuse on national productivity are significant, as productivity gains are crucial for a country's competitive position in the world marketplace.

The dynamics of the problem come even more sharply into focus when it is recognized that some developing countries are outpacing developed countries in rates of drug addiction. Thirty years ago in Pakistan, for example, the number of drug addicts was negligible. Substance abuse was limited mainly to traditional opium-smoking. Ten years ago there were approximately 30,000 heroin addicts. Today there are approximately 1.5 million. Since 1988, the number of heroin abusers in the country has grown by over 8 per cent annually. By the year 2000, the number of heroin abusers is expected to top 2.5 million. In Colombia, a study by the School of Medicine in Bogotá, found that every 24 hours, another 130 people in that country start using drugs. Of the 130, 70 per cent are between the ages of 12 and 17.⁹

As this latter statistic indicates, while drug addiction cuts across a large variety of socio-economic backgrounds, its relationship to age can be gauged more precisely. The World Bank states that on average "users typically fall within the age group of 15-44, although most are in their mid-twenties".¹⁰ In Latin America, the age group is younger, 12-22 years. As with AIDS, drug abuse often attacks people during their most productive years, thereby converting a vibrant source of productivity into a burden on society.

Particularly prevalent among younger individuals is the deliberate inhalation of solvents and various commercial aerosols, a highly dangerous activity that has increased rapidly over the past decade. Inhalant abuse, or "glue sniffing", is attractive to children and adolescents for a simple reason: the easy access, low cost and powerful effect of many household products, like aerosols, glues, thinners and even gasoline, endow them with a dual purpose. The abuse of such solvents by street children has become widespread in Latin America, Africa, central and eastern Europe, as well as in industrialized countries like Australia, Canada and the United States of America. In Brazil and Mexico, solvents rank second after cannabis as the preferred substance of abuse among children: 5-10 per cent of children in those countries abuse solvents.

It is in this context that the growing phenomenon of street children enters the picture. Owing to demographic pressures, cities of the developing world are fast becoming warrens of destitute children trapped in a circle of poverty and drug addiction. Thirty years ago, 55 per cent of Brazil's population was rural. Today, 75 per cent of its people live in cities. Three quarters of Brazilian street children are believed to be migrants.¹¹ India is thought to have the largest number of street children in the world: Bombay, Calcutta and New Delhi each have an estimated 100,000 street children. A growing number are involved in crime, with the juvenile delinquency rate at 3.1 per 1,000.¹² When poverty and adolescent lack of regard for legal norms are combined, the illicit drug industry can be seen to offer a means of economic survival, a source of peer respectability, as well as a convenient, albeit temporary, escape from reality.

B. Acquired immunodeficiency syndrome

While it is widely acknowledged that the primary cause of transmission of the human immunodeficiency virus (HIV) in the developing world is heterosexual activity, intravenous drug use accounts for a still substantial portion of AIDS-related cases.

There are several ways to view the relationship between AIDS and intravenous drug use. One is to examine the population of drug injectors and determine the number of HIV carriers therein. In Thailand, HIV infection among heroin injectors has increased rapidly since 1987, when AIDS was first observed among the heroin-abusing community. Today, the infection prevalence rate for intravenous drug abusers is 40-50 per cent.¹³ In Myanmar, the first case of a drug abuser infected with HIV was recorded in 1989. By 1991, 77 per cent of known HIV carriers were drug abusers.¹⁴ Over 90 per cent of intravenous heroin abusers treated at the Yangon Psychiatric Hospital in Myanmar in 1990 turned out to be HIV carriers.¹⁵

Another way to see the linkage between AIDS and drug abuse is to look at the overall number of HIV carriers and determine the level of HIV transmission attributable to drug use. In Brazil, it is estimated that whereas from 1986 to 1990 drug abuse accounted for 2 per cent of HIV transmission, from 1991 to 1992 it accounted for 28 per cent. In New York City, research has revealed that over 80 per cent of the cases of heterosexual transmission of HIV involve a drug injector somewhere along the chain of transmission.¹⁶ The same research shows that almost 90 per cent of perinatal transmission cases in New York can be traced back to an infected drug abuser.¹⁷

The concern with the link between drug abusers and AIDS is well-founded, for there is the obvious risk that HIV will spread from the drug-injecting community to others. In 1989, for example, over half the drug abusers in the Indian state of Manipur (which borders Myanmar) were found to be HIV-positive.¹⁸ This figure bodes ominously in view of the fact that 10-16 per cent of the drug addicts in Manipur have had sex with prostitutes.¹⁹ Two per cent of antenatal mothers in the state have tested HIV-positive, as have 6 per cent of spouses of HIV-positive abusers.²⁰

The World Health Organization estimates that whereas approximately 9 million people carried the HIV virus in 1990, that number could expand to as many as 26 million by the year 2000.²¹ More than 80 per cent of HIV carriers resided in developing countries in 1990. This proportion is predicted to reach 95 per cent by 2000.²²

In many countries, success in controlling the spread of AIDS will depend on targeting the epidemic among intravenous drug users. There are two possible ways of doing that. The first involves reducing the proportion of intravenous drug users who are exposed to HIV by the sharing of needles. This, of course, requires substantial political courage; rallying communities in support of prevention strategies that view the intravenous drug user as a target of assistance can be controversial. Needle exchange programmes, for example, have emerged with increasing vigour in recent years, but the taboos still attached to such "radical" approaches, which in effect promote the activities of the intravenous drug user, continue to prevent Governments from embracing such approaches on a large scale. Perhaps most importantly, however, in many developing countries, the costs of distribution programmes are unsustainably high. For example, many lack the necessary electricity supply for needle sterilization. One researcher provides the following assessment:

"Specific solutions effective in one country will not translate directly to another, and this is especially true when the one is industrialized and the other is not. An adequate and timely response to the threat of HIV requires social change, whose pace is determined by the community's readiness to accept such change. However, the repercussions of the HIV epidemic

in IDUs [intravenous drug users] do not allow the luxury of time Research into prevention, leading to effective methods of reducing and delaying initiation of injecting is vital Improved methods of inexpensively acquiring epidemiological and socio-demographic information are needed to measure the extent and nature of drug use in each country and forecast the risk of HIV spread. Directing major interventions to identify core high-risk groups is a cost-effective approach to conserving scarce resources."²³

The second way to prevent AIDS from emanating from intravenous drug users is to target high-risk groups that could serve as channels of transmission from HIV carriers to the population at large. In this context, strategies to slow the spread of HIV should focus on groups such as prostitutes, their patrons and runaway youths and on those places where marital norms condone polygamy and sexually active behaviour by males. In recent years, owing to increasing knowledge of the spread of HIV, more precise identification of target populations and a better understanding of high-risk behaviour and the media's impact in changing it, education and public awareness efforts have become increasingly effective.²⁴ Early dissemination of information by both official and unofficial sources on the risks associated with drug use has been identified as a major factor preventing the epidemic from reaching crisis proportions in many countries.²⁵

Nevertheless, the task is still monumental. There is a fine line between providing information on HIV protection methods and appearing to promote illegal or stigmatized activities. Government agencies! whether health ministries or law enforcement authorities! are rarely up to the task when acting in isolation of their governmental or intergovernmental counterparts. What is required in this regard is greater emphasis on multidisciplinary strategies in which ministries cooperate with each other and, when necessary, work with external partners in order to reach and sensitize the public from various directions.

C. Environment

From a global perspective, it must be recognized that the environmental damage caused by illicit drug production is minimal compared with that produced by other causes, such as the production of chlorofluorocarbons (CFCs). It is, however, at the country level where the impact of illicit drug production is inarguably devastating.

There are three main environmental consequences of illicit drug cultivation and production: deforestation, soil degradation and water pollution.

Peru provides a disturbing example of drug-related deforestation. Its Huallaga region is one of the world's richest in terms of fauna, with record numbers of species of butterflies, amphibians, reptiles, birds and mammals. The United States National Academy of Sciences reports that as many as 300 tree species are found in a typical hectare of Peruvian rain forest, compared with 7-15 in an average temperate forest.²⁶

In this light, it is all the more tragic that the Huallaga region has evolved into the world's primary source of illicit coca. Peru's coca-growing areas spanned 13,000 hectares in 1972.²⁷ Today, estimates of the total land area devoted to the crop start at 125,000 hectares, 65 per cent (or 81,000 hectares) of which are concentrated in the Upper Huallaga valley.²⁸ The local economy of the Huallaga and Inca regions was once based on cocoa and coffee produced by small-scale landholders. The system deteriorated owing to the following: (a) the lack of appropriate land-ownership legislation; (b) inadequate agricultural extension services; (c) the absence of viable marketing options and distribution channels; and (d) isolation due to civil strife. As will be discussed later, international commodity prices also played a major role in making cocoa and coffee production commercially unattractive. Today, one widely-recognized consequence is that the region is firmly dependent on the production of illicit coca.

With regard to the second environmental consequence! soil degradation! the most visible manifestation is soil erosion. The World Bank estimates that "in some countries the losses in productive potential attributable to soil depletion may amount to 0.5-1.5 per cent of gross domestic product".²⁹ The part played by illicit crop cultivation and processing in this overall trend is a field of research that has yet to be investigated adequately.

Because the harvesting of illicit crops is an illegal activity, growers have little incentive to play by the rules when it comes to other areas of farming such as pesticide use. In such countries as the Lao People's Democratic Republic, Myanmar and Peru, the land tenure system, characterized by a high level of State ownership, leaves farmers with even less reason to care for the land on which they grow their crops.

Because the drug production is illegal and the land is State-owned, pesticides and fertilizers are often used indiscriminately. It can be argued that illicit crop harvesters use excessive amounts of chemicals for the same reasons that small independent producers of non-traditional food exports do: there is no personal incentive, or credible legal disincentive, to stay within the limits.

By way of comparison, in Central America, donor agencies have been known to provide financial incentives for large farmers not to violate limits on pesticide residues, though this incentive does not apply to smaller farmers. Thus, it is no coincidence that the smaller farmers have been found to apply three times the level of pesticides as do their larger counterparts.³⁰

The third environmental consequence of illicit drug cultivation and production is water pollution. While the main cause of water pollution at the global level is disease-bearing human waste, at the local level in illicit drug-producing regions entire water supplies can be made unusable by drug-processing chemicals.

Cocaine and heroin are often processed in rural refineries. The subsequent impact of chemicals on water supply is unmistakable. Each year in Colombia, more than 20 million litres of ethyl ether, acetone, ammonia, sulphuric acid and hydrochloric acid! all used in the production of cocaine hydrochloride! are dumped into streams and tributaries that lead to the Amazon and Orinoco rivers. In Peru, an estimated 30,000 tonnes of sulphuric acid, 2,000 tonnes of calcium carbonate and 50 million litres of kerosene are used annually to produce coca paste.³¹ In countless other small refineries, acetic anhydride, hydrochloric acid, ammonia and other alkalis are used to process opium into heroin.

The environmental impact of drug production has long-term implications. One study portrays a gloomy scenario:

"The wholesale removal of natural vegetation combined with the negative growth characteristics of the coca bush itself deplete the basic soil nutrients! nitrogen, carbon and essential minerals! leaving behind highly infertile soils. In addition, nitrogen and phosphorous residues from powerful herbicides, pesticides and fertilizers used by coca growers magnify soil sterility. As the soils harden following the removal of coca bushes, they become extremely hostile to the subsequent growth of other plants. Therefore, even if government officials in the Chapare, Yungas (Bolivia) or any other growing regions are successful in reducing or eliminating coca, the possibility of planting alternative crops or effective reforestation on the same lands will be woefully lessened."³²

The environmental impact of drug production is an issue that must be seen within the context of sustainable development. The link between population pressure and drug production, for example, is not at first sight obvious, but is crucial nonetheless. Population growth often results in greater agricultural

expansion aimed at maintaining minimum subsistence levels. This often results in a decrease in fallow periods. Ultimately soil fertility is reduced. This lowers the potential for marginal yields. In view of their income potential and relative ability to withstand harsh terrains, illicit crops are seen as an attractive alternative. But their harvesting leads to further soil degradation, thereby eliminating the possibility of a return to other crops. In this light, illicit drug production fits into the oft-cited nexus of population growth, agricultural stagnation and environmental degradation.

D. Conflict situations

This section contains an examination of three examples of how armed conflict influences drug control. Under certain circumstances, ethnic conflict in particular can take on distinctly drug-related dimensions, as minority groups turn to illicit drug production and trafficking to finance their activities. However, it should also be mentioned that in the past, authoritarian Governments have tried to justify counter-insurgent campaigns with unconvincing! often vacuous! claims that they were acting in the name of drug control. With regard to the ethnic dimensions of the illicit drug phenomenon, in some parts of south-east Asia, as elsewhere, autonomy movements against authoritarian Governments have often been propagated by narco-strategic factors; it has been alleged that competition among ethnic groups has in some cases allowed Governments to play one group off against the other, with access to the opium trade serving as the lure for support.³³

The implications for reconstruction and peace-building efforts are clear. In situations of armed conflict, the illicit drug industry can develop into an integral part of the local economy. When countries are attempting to rebuild, they are at their highest level of vulnerability. This section looks briefly at the experience of three countries torn by armed conflict, Afghanistan, Lebanon and Peru each of which testifies to the fact that conflict is a perfect breeding ground for illicit drug activity.

The conflict in Lebanon is widely blamed for the transformation of the Beqa'a valley, an area 75 miles long and 20 miles wide, into a centre of opium poppy and cannabis cultivation. While there has recently been some success in weaning the country's farmers onto alternative crops, the process has been difficult and has suffered setbacks. Between 1975 and 1991, some 500 tonnes of hashish and 3 tonnes of heroin (worth approximately \$1 billion on the world market in 1991 prices) were smuggled from Lebanon into Europe.³⁴

In Peru, where protracted civil strife has claimed the lives of 25,000 people and caused an estimated \$23 billion in losses, the reconstruction process hinges on the country's ability to overcome drug-related problems.³⁵ Recently, a relative degree of calm has returned to the country; as a result, despite continued risks, foreign investors have channelled or announced plans to invest more than \$2 billion in the Peruvian economy.³⁶ The Lima stock exchange is flourishing: between 1989 and 1993 trade volume is estimated to have expanded by over 200 per cent to more than \$1 billion.³⁷ While it may appear as though Peru is on the road to reconstruction, illicit drugs continue to represent an integral part of its economy. The country has witnessed an increase of 40 per cent in the area under illicit coca cultivation since 1990.³⁸ Of a total labour force of 7 million, 500,000 are estimated to be involved in drug-related employment, including 200,000 peasants in coca cultivation. Between 1988 and 1990, coca leaf accounted for 5 per cent of Peruvian agricultural production. The value of cocaine trafficking was the equivalent of 10 per cent of the country's legal exports.

No country demonstrates the dangerous link between armed conflict and illicit drugs better than Afghanistan. The military conflict there has evolved from a guerrilla uprising against external forces into one of internal chaos, resulting in extreme suffering among civilians, displaced populations, one of the

highest infant mortality rates in the world and, unsurprisingly, a low position in many of the world's development indices.

Afghanistan provides more than an example of the havoc wrought by armed conflict. It also demonstrates the extent to which the illicit drug industry can evolve into an economic lifeline for a population. Today, the country is by far the leading producer of opium in south-west Asia. Though statistics vary, annual opium cultivation is estimated to yield up to 2,000 metric tonnes or more. The symbiosis between military conflict, arms trade, drug production, trafficking and addiction has resulted in almost total dependence on drug-related revenues to maintain armed forces. Warring groups continue to struggle for control over areas suitable for poppy cultivation and opium and heroin production, a fact that is fraught with implications for the country's long-term reconstruction. The political and economic development of the country inevitably risks being stifled as long as drugs are seen and utilized as a source of power.

II. Implications of economic reform in the developing world

Whereas the previous chapter focused on several clearly established effects of drug abuse on development, this chapter presents a discussion of potential and future areas of risk. Specifically, the welcome process of economic reform in the developing world will leave many economies vulnerable to an increase in drug-related activity. This vulnerability is fed by profound financial and economic needs and can be explained by a simple premise: drugs can bring in money, and a lot of it.

In April 1993, the directors of the International Monetary Fund observed that the strong performance of many developing countries! reflected in markedly higher savings rates, greater investment in physical as well as human capital, higher efficiency of investment and stronger overall growth in productivity! was due to "fundamental economic reforms that had led to more stable and sustainable economic conditions".³⁹

In a substantial turnaround from the inward-looking policies of earlier decades, many Governments in the developing world are now liberalizing financial markets, dismantling trade barriers, privatizing State-owned industries, lifting restrictions on foreign investment, rectifying budget imbalances and shifting to full currency convertibility. Yesterday's government intervention is being replaced by reliance on market forces.

What is taking place in many economies of the developing world is a distancing of official oversight from capital transactions and private sector operations. Yet the well-founded sense of optimism in this unprecedented economic process must be tempered by a note of caution and concern. The control of drug abuse! like the control of contagious disease and the promotion of clean air! can be defined as a public good, i.e. one person's "consumption" of the good does not diminish its availability to others. In each case, private markets alone will provide too little of the public good; government involvement is needed to increase its supply. Furthermore, drug abuse has large negative externalities ! consumption by one individual has negative effects on others. Drunk driving, heroin addiction and illegal economic activity, for example, mean that leaving too much regulatory responsibility to private markets will lead to unwanted consequences detrimental to public welfare. This is another reason for a major government role in the field of drug control.

It is becoming clear that, without private sector regulatory controls to replace those of government, developing countries as well as economies in transition are becoming an ever more prolific source of the precursors and essential chemicals necessary for illicit drug production. Firms attracted by the prospect of easy profits have invested heavily in developing countries to market products which are regulated and restricted in their home countries. In its 1992 report, the International Narcotics Control Board points to the practice of pharmaceutical companies in Bulgaria manufacturing uncontrolled "look-alike" stimulants destined for illicit markets in Africa.⁴⁰

No one would dispute that the economic liberalization in the developing world is a positive trend. But the dismantling of economic controls inadvertently weakens the safeguards! however ineffective! which have served to stem the expansion of drug trafficking activities in the past. Similar cases can be found in the need for official involvement to control toxic waste dumping and arms proliferation. In the case of drug

abuse, what is needed to offset the diluting regulatory effect of economic reform is more attention to specific and appropriately conceived drug control measures.

A. Finance

One significant result of economic reforms in the developing world is an unprecedented pattern of external finance. The new pattern of lending has two features that distinguish it from that which characterized the 1970s and early 1980s. First, a far smaller proportion is represented by commercial bank lending; more now comes from companies and private investors. Secondly, private firms are enjoying a larger share of incoming flows relative to the past.

The purchase of State-run enterprises, the acquisition of businesses by private investors, and the shift to full currency convertibility all provide ample scope for financial manipulation by criminal organizations associated with the illicit drug industry. This threat is often generalized under the umbrella term of money-laundering. The Financial Action Task Force, established in 1989 by the heads of State or Government of the Group of Seven major industrialized countries, estimates that approximately \$85 billion is laundered each year in Europe and the United States. The new shift in focus towards emerging markets in Asia and Latin America! with the latter already witnessing substantial increases in repatriated flight capital! raises concern about the risks facing emerging financial systems. Such risks go well beyond the mere recycling of illicit revenues into legitimate enterprise, an act which amounts to little relative to the total value of private-sector capital flowing into developing countries. With the trend towards privatization, the real danger comes from the ability of drug traffickers not only to launder funds, but also to acquire portions of what constitutes a second-hand sale of global proportions.

With significant volumes of liquidity at their disposal, criminal entrepreneurs have everything to gain by establishing a foothold in emerging economies and financial systems. Methods used include both the direct acquisition of firms and property, as well as portfolio investments in emerging stock markets.

Colombia provides a telling example. Conservative estimates put the annual income of Colombian drug cartels at around \$4 billion. Of that total, it is believed that up to \$1 billion is fed back into the domestic economy each year. Much of it goes towards land purchases! about 30 per cent of all productive land in Colombia is presumed to belong to drug traffickers.⁴¹ In Cali, the construction industry is booming as a result of a proliferation of luxury condominiums, hotels and office buildings. The construction industry there grew by 37 per cent in 1992-1993.⁴²

In the Russian Federation, crime syndicates have already infiltrated the country's financial system. It has been reported that with the collapse of the centralized financial system, the banks in the Russian Federation are more than ever before both targets and vehicles for fraud, money-laundering and extortion. Many have been set up by mafia-style organizations to launder ill-gotten gains.⁴³ In 1993, the Russian central bank established a minimum capital requirement to operate a bank, equivalent to only \$80,000 at the time. The central bank has not yet established legal guidelines on preventing money-laundering.

One other reason for the vulnerability of liberalizing economies is the antiquated methods of interbank transfers that organized crime syndicates can exploit. According to the director of the Centre for Strategic and Global Studies of the Russian Federation, more than \$12 billion disappeared from the Russian banking system in 1993 into the pockets of criminal organizations.⁴⁴ In one case alone, local mafia channelled \$40 million by manipulating the outdated technology used by banks.⁴⁵ It is alleged that organized criminal groups in Moscow have bribed and extorted their way into most major banking and lending institutions to gain access to individual and corporate accounts.⁴⁶

Once established in the legitimate domestic economy, drug traffickers generally have considerable freedom: (a) to transport illicit goods under the guise of legal merchandise; (b) to create new markets for wholesale or retail distribution; (c) to establish or arrange for new sources of precursor chemicals; and (d) to launder even more illicit revenues.

B. Trade

Over the past five years, developing countries have led the world in reducing barriers to trade. And yet, despite significant benefits to the global economy, there are potentially negative side-effects insofar as higher trading volumes and fewer official constraints can facilitate the cross-border transactions of drug traffickers.

Regional arrangements and reciprocal trade liberalization can contribute substantially to increased trading volumes. While trade liberalization does not necessarily imply a reduction in official cross-border controls, the likely effect of increased trade volumes is lower official capacity to monitor illicit traffic. In this context, the experience of a developed customs union, such as that found in Europe, is instructive. Statistics vary among member States of the European Union, but the overall trend is the same: as trade barriers have been lowered, drug trafficking has far outpaced the capacity of customs administrations in coping with the drug trade. Over a 10-year period ending in 1994, which saw a considerable relaxation in intra-European trade barriers, European seizures of heroin increased nearly 700 per cent! a figure so high that it can only be partially explained by more effective interdiction efforts.⁴⁷ The story is the same for cocaine seizures over a similar period of time: from a total of 0.4 tonnes in the early 1980s, such seizures increased to 16.8 tonnes by 1991. Deaths in Europe resulting from drug abuse rose from 940 in 1982 to 4,979 in 1991.⁴⁸ Partly as a result of fear of increased drug trafficking, Governments have raised concerns about the implementation of the 1989 Schengen agreement, which calls for free movement of people among member States of the European Union.

The North American Free Trade Agreement, between Canada, Mexico and the United States, is another highly visible example of trade liberalization. But the Agreement has already been demonstrably linked to emerging patterns in illicit trafficking. The *United States International Narcotics Control Strategy Report* of April 1993 concludes that "there is ample evidence that Canada is used increasingly to transship heroin from southwest Asia to the United States. The so-called Cali and Medellín cartels also channel cocaine through Canada by private aircraft, commercial container vessels, fishing vessels and coastal freighters".⁴⁹

As intraregional trading volumes expand in Asia, the level of disposable income is expected to grow. With the world's two main opium-producing countries! Afghanistan and Myanmar! sitting, effectively, on the region's shoulder, there is a high probability that trafficking and consumption problems will increasingly affect the region. This dynamic is well recognized by the Government of Viet Nam, which has attached increasing priority to drug control as its economy continues to expand.

South Africa's re-entry into the global trading regime has enhanced the role and relevance of Africa's regional preferential trading arrangements. In this regard, it is significant that illicit drug activity! particularly the illicit psychotropic trade! has already taken hold in that country as well as in many others in the region, such as Kenya and Zambia. As is mentioned below, the particular socio-economic characteristics of Africa make it especially vulnerable to an expansion in illicit drug-related activity.

C. Prices and income

From an economic perspective, illicit drugs are a commodity, and a particularly lucrative one relative to others exported by developing countries. Prices of most primary commodities have not only remained low since the 1980s, many have actually declined in nominal terms, owing to abundant supply, recession in developed market economies and the slump in former socialist countries of eastern Europe. Primary commodity prices, in dollar terms, fell by 11 per cent in 1991, affecting virtually all major commodity groups.⁵⁰ Since 1993, the prices of cocoa, coffee and sugar have begun to recover, but whether this upward trend is sustainable remains in doubt.

The steady decline since 1980 in the purchasing power of developing country exports has enhanced the difficulty in controlling international drug trafficking. For many net food-importing countries, this dilemma may intensify with the conclusion of the Uruguay Round should they begin to pay higher prices for food imports.

Comparisons between primary commodities and illicit crops reflect a strong economic incentive to cultivate the latter. Data from 1992 on price and production costs for coca farmers in Peru, for example, indicate that net income per hectare can equal approximately \$2,600; for coca growers who decide to get involved in coca paste processing, the figure doubles to over \$5,000. For the country as a whole, average annual per capita income was \$2,000 for 1992,⁵¹ though it is believed that half the labour force was employed in the informal sector.⁵²

The per capita income derived from illicit drugs is usually far higher than average national per capita income levels. In Pakistan, where annual per capita gross national product (GNP) is equal to \$400,⁵³ one kilogram of heroin base can provide suppliers at the place of origin with \$750-1,000 per year. In Lebanon's Beqa'a valley, it has been reported that a farmer with about 11 acres of opium poppy can earn \$8,000 per year in a country where per capita income stood at \$2,300 in 1990.⁵⁴ A recent report on the Lao People's Democratic Republic claims that one kilogram of raw opium will fetch \$100, an amount equal to nearly half of what the average citizen earns each year.⁵⁵

Such pricing differentials, however, often mask the fact that farmers of illicit crops rarely receive more than minimal subsistence-level compensation for their efforts.

Other reasons for cultivating illicit crops can be compelling. Despite the limited prospects for long-term agricultural sustainability pointed to above, illicit crops are generally less problematic to grow than many other primary agricultural commodities. They can be harvested where other crops cannot endure the rough terrain. They can be stored for long periods and they travel well. Raw opium, for example, can be stored for years. This is especially relevant in many developing countries where the lack of infrastructure between rural areas and urban markets poses insurmountable transportation problems.

Another incentive for growing illicit crops such as opium poppy and coca bush is the fact that it frees farmers from having to channel their product through government marketing boards, which in many countries still operate as State-run monopolies with slow and inequitable payment systems and high bureaucratic overhead.

It is difficult to prove conclusively that Africa's involvement in the illicit drug trade is a consequence of its dwindling share of world commodity trade over the past decade. Nonetheless, the circumstantial evidence is compelling. The purchasing power of sub-Saharan Africa's exports has fallen by about 37 per cent since 1980.⁵⁶ Since that year, the region's share in the production of food, agricultural raw materials, metals and fuel has fallen substantially as a percentage of developing country exports.⁵⁷ At the same time, African countries have enjoyed almost none of the rise in capital inflows with which those in Asia and Latin

America have financed their economic growth. The continent's total debt burden has, in fact, tripled since 1980 as debt-restructuring arrangements have erased only 2 per cent of the total outstanding principal.⁵⁸

Precise targeting by Latin American and Asian drug cartels, as well as the extensive availability of small-scale entrepreneurs amenable to illegal pursuits, have contributed to Africa's emergence as a trafficking heartland. In many respects, the cartels and entrepreneurs are simply exploiting the increasingly desperate need for revenue. Widespread use of African countries for trafficking has also led to the inevitable spillover effect of rising consumption. In particular, there has been a rise in the illicit consumption of hard drugs, in addition to the already commonplace abuse of psychotropic substances like amphetamines. The streets of Kenyan, Nigerian and Zambian cities reflect this trend all too well.

Africa also shows that illicit drugs do not emerge on local markets solely because of the innovation of local entrepreneurs; rather, they are systematically introduced and marketed by traffickers who are attracted by the following: (a) a country's general lack of legal and institutional controls; (b) geostrategic considerations; (c) government unfamiliarity with or indifference to the drug threat; and (d) prevalent economic vulnerabilities.

The magnet of the illicit drug industry reaches well beyond the farmer. At the local level, efforts to reduce illicit production are hampered when low salaries leave local police or military officials vulnerable to the enticements offered by drug traffickers. But the political dilemmas posed by the illicit drug industry are not limited to personal enrichment. For some Governments, even with the best of intentions, worsening terms of trade mean that hard currency revenues! drug-tainted or not! have special appeal even at the official level. For those faced with seemingly untenable debt-servicing burdens, drug money can be seen as a panacea for a vast array of other public commitments. In 1992, the proportion of external debt to GNP was 84 per cent for Bolivia, 48 per cent for Pakistan, 95 per cent for Peru and 386 per cent for Zambia.⁵⁹ In such desperate situations, officials find themselves caught in a dilemma between looking the other way in order to finance governmental expenditures and enforcing laws against drug trafficking. In financial markets, Governments often find themselves in an analogous situation: by relaxing controls and establishing safe-money havens in order to woo investors, they run the risk of attracting illicit funds, losing creditworthiness and lowering prospects for long-term financial stability.

III. Foundations for an integrated response

A. Shared interests

Sustainable development, health and education for all, economic growth, environmental protection, population management, respect for human rights, good governance ! these are but a few of the goals shared by both drug control and development organizations. The question of how to ensure a higher level of inter-agency cooperation in fulfilling these common objectives is the subject of this section.

In recent years there has been growing attention on substance abuse as a detriment to development. Noteworthy in this regard is the World Bank's use of the disability-adjusted life year in its 1993 *World Development Report*, which quantifies the burden of disease! including tobacco-smoking and alcoholism! on development. This trend has accelerated with the growing perception that drug abuse is not merely a crime but, on the demand side, an illness requiring treatment and, on the supply side, an industry requiring effective safeguards.

It is not only that there are overlapping interests on the problem side. There are also common solutions used in both the fields of development and drug control. For example, education is a basic "tool" in both fields. UNICEF, in its path-breaking 1993 publication *The Progress of Nations*, reports that the proportion of the developing world's children enrolled in primary school has risen by two thirds in 30 years, from 48 per cent in 1960 to 78 per cent in 1990.⁶⁰

Indeed, many of the tools of development and drug control are similar. In addition to the strengthening of educational services, there is income generation, including the provision of rural credits; institutional capacity building; upgrading health care; improving transport infrastructure; enhancing marketing skills; raising awareness on health risks; and mobilizing society for public welfare. The conceptual underpinnings on which these tools must be used are also similar: research and analysis; policy formulation; and institution-building.

One factor which has prevented a long-overdue rethinking of the relationship between drugs and development is a lingering misperception of the aims of international drug control. There is a sense that achieving drug control objectives means coming down hard not only on criminals, but also on farmers, their families, and those individuals in futile search of psychological escape.

The image of drug control organizations supporting authoritarian regimes in a manner that overlooks individual rights is as common today as it was 20 years ago. In this light, "law enforcement" still reeks of authoritarianism. This perception, while to a degree accurate in some cases, must nevertheless be refined. First of all, it should be better understood that law enforcement means different things in different circumstances. Of course, it is often the case that legal institutions, including police, are simply unprepared to address the rapid emergence of drug-related crimes. In such cases, assistance must naturally focus on building and indeed strengthening institutional capabilities. However, where powerful legal authorities ignore human rights in order to satisfy questionable political agendas, assistance should be aimed at better entrenching law enforcement mandates and capabilities in democratic foundations shaped by the collective will of the people. In this light, insofar as drug control has a human rights dimension, international priorities must focus on strengthening the link between democratic legitimacy and the rule of law.

As a better understanding of the linkage between drug abuse and underdevelopment spreads throughout the world, there will inevitably be greater recognition of the fact that drug control's ultimate aim is to help people. Effective drug control means steering children away from a life of crime. It means assisting individuals to reintegrate into civil society. It means making sure that Governments do not benefit from illegal earnings. It means helping peasants to make a better life without having to fear the law. It means assisting countries to recover from the ravages of war. It means preventing people from getting AIDS.

B. Partnership

The need for a division of labour between development agencies and drug control bodies is evident. International, regional and local drug control organizations often have a limited operational scope and funding base. They have strengths in: (a) analysing the nature and extent of illicit drug production, trafficking and consumption; (b) raising awareness of the detrimental impact (health, social, economic, political) of drugs and related activities like money-laundering; (c) conceptualizing policy responses in cooperation with Governments; (d) coordinating the drug control investments of Governments and international bodies; and (e) venturing into pilot initiatives of their own. In addition, they can contribute to an array of initiatives in such areas as institution-building, legislative assistance and the strengthening of prevention and rehabilitation capabilities at the country level.

In short, there is untapped potential for a greater operational interplay between drug control and development bodies. One promising area is the field of education. For example, joint efforts can contribute to curriculum development in communities where drug abuse is a prevailing threat. There are many other opportunities to realize a more rational division of labour between drug control and development bodies. In the health sector, for example, health-care centres in drug-producing areas must in many cases be better equipped to take on and pre-empt drug-related disease ! to say nothing of HIV prevention among intravenous drug users. Employment schemes often need to be shaped to better recognize and account for the hidden work alternatives in the illicit drug industry. In countries characterized by a high level of drug activity, macroeconomic and, particularly, microeconomic restructuring programmes must focus attention on the role played by the illicit drug industry. This entails broadening the analytical scope thus far used in the field of economic development. Finally, projects aimed at addressing the needs of street children in many countries urgently require added emphasis on drug rehabilitation and prevention. Many other examples could be cited.

In any joint undertaking between drug control and development bodies, it is of course essential that multidisciplinary teamwork and consultation begin at the planning stage of the project cycle. Only in this way can drug control, when deemed appropriate, be included as an integral part of an overall package of development assistance. As one representative example, strengthening the educational system in a drug-plagued community should involve a division of labour such as the following: development bodies concentrate on building or improving school facilities, providing books and other necessities for students and ensuring that recurrent costs such as teacher salaries can be covered on a sustainable basis; drug control bodies develop preventive education programmes for young people, fund outreach initiatives to reintegrate drug abusers into the school system and launch awareness-raising campaigns to enlist the support of local communities.

Another useful example of cooperation involves post-war reconstruction. The division of labour, in this case, is one where development bodies focus on issues such as the reactivation of agricultural production, control of disease, reintegration of refugees, rehabilitation of infrastructure and tapping of reliable sources of long-term income. Drug control bodies play their part by assisting the country (a) in

providing legal assistance to integrate the country into the international legal framework; (b) in ensuring against the emergence of illicit production; (c) in developing the institutional mechanisms to prevent cross-border trafficking; and (d) in preventing a rise in domestic abuse through education and rehabilitation. This latter area is one in which non-governmental organizations are beginning to play an especially integral role.

IV. Conclusion

Not too long ago! and in some circles even today! the drug debate was characterized by an ill-conceived dichotomy between so-called "producer" and "consumer" countries. For the most part, that dichotomy! politically convenient yet practically deficient! has been discredited. In retrospect, it can be seen to have hindered progress in the world's fight against illicit drugs.

From that initial stage of the evolution of the drug debate, a sense of collective responsibility has begun to emerge, gradually! even painstakingly! giving rise to a second stage which continues to this day. The debate has shifted to how to approach the problem: whether it is best to tackle the problem from a legal or a health-related perspective. Even though the debate is no longer dominated by an "us" versus "them" undercurrent, it can be argued that the same adversarial principles are being upheld; the legal advocates see the problem as a criminal issue requiring enhanced law enforcement while the health advocates see it from the consumer's viewpoint as one requiring medical treatment. In effect, the debate has shifted from the inter-country to the intra-country level.

Thus, while the conceptual framework for international drug control has changed for the better, it is still far from complete. The aim of this paper is to advance the evolution of the drug debate one step further. Its basic premise is that there must be a shift away from the still-present bipolar spectrum of debate to one of a multidimensional nature. The drug problem cannot be adequately addressed when seen from an exclusively legal or health perspective. The debate must be expanded to include still other areas of social, economic, and political analysis.

Whether to get involved with illicit drugs is the central question which many individuals! both potential drug users and drug suppliers! must answer. An approach that involves helping people to make such decisions after they have accurate information, adequate shelter and other basic necessities must replace an approach that has long relied on Governments to do the deciding for them. The links with human development are self-evident.

Notes

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