

## Summary

The difference in origin, nature and function of the illicit drug business as part of the shadow economy and the socio-political, ethno-political and other armed conflicts precludes their complete “merging” and limits the scope of their interrelationship. Nevertheless, the two phenomena may be closely interconnected, especially in the regions of expanded illicit drug cultivation and production where the drug business and armed conflicts are interlinked in a complex interaction with other socio-economic and political factors. Each of the world’s three main illicit drug producing areas reviewed in this book – the Golden Crest in Southwest Asia, the Golden Triangle in Southeast Asia and the Andean Belt in South America – is part of a regional shadow economy. In the center of each of these regions is an area of a protracted armed conflict and instability (Afghanistan, Myanmar and Colombia) that has become subject to various attempts at conflict management, peace-making or peace-building.

This does not mean that the booming drug production or trafficking inevitably leads to armed conflict, nor that the armed confrontation is a sine qua non for the effective functioning and the rise of illicit drug business as the latter can also flourish at the times of relative peace and stability. In any case, the interrelationship between the drug business and armed conflicts is more accurately described in terms of mutual influence rather than full interdependence or conditionality. While the link between illicit drug business and conflict is a two-sided one, the role of the drug business in the political economy of the armed conflict seems to be more clear and relatively easier to trace than the impact of the armed conflict on the drug cultivation, production and trade.

Drug business itself can certainly generate violence, both in a relatively stable environment and at the stage of an armed conflict. Drug dealers and groups have

armed guards and may even operate their own private mini-armies in areas of drug cultivation and production and along the main trafficking routes; criminal clans engage in armed clashes over control of the sources of production and trafficking routes for illicit drugs. This type of violent behavior, however, usually does not go beyond criminal violence, does not reach the level of socio-political (politico-military) armed conflicts, lacks most of their important characteristics and has a different motivation. The only case when criminal violence generated by illicit drug business can become a source of a broader armed confrontation are trans-border clashes between armed traffickers and border forces. Illicit drug trafficking, particularly in border areas of major producing countries and in the neighboring transit states, almost always stimulates trans-border violence and instability (e. g., along the Tajik-Afghan and Iranian-Afghan border, along the border between Myanmar and Thailand etc.).

If a conflict goes beyond trans-border tensions and instability (e. g., in case of a full-scale civil war or protracted ethno-political confrontation, either in a major drug-producing area such as Afghanistan, or in a major trafficking area such as Tajikistan), illicit drug business becomes one of the important sources of financing for the local politico-military actors. At the same time the drug business remains an integral part of the regional shadow economy driven by its own logic and demands to a no lesser extent than by the needs and patterns of the armed confrontation. While retaining its role as a “profile activity” of criminal groups, illicit drug business acquires an additional role of a major “war resource”. As one of the most profitable forms of shadow economic activity, drug business not only provides parties to an armed conflict with a stable source of financing, but may even allow some of them to create a basis for complete self-financing (the role of drug revenues in the financing of FARC in Colombia may serve as a case in point). While in some cases the possibility of the use of drug revenues as one of the conflict resources by the state (the central government) itself cannot be excluded, the main problem concerns the role of the drug business in financing non-state armed organizations, including politico-military actors engaged in internecine clashes or even pretending to perform the functions of “quasi-states”.

Such armed non-state actors are often in dire need of financing and search for the ways and sources of funding their armed struggle and organizational needs — primarily by engaging in various forms of shadow economic activity. During the Cold War years, major non-state armed actors often enjoyed large-scale external financial support, particularly from the states of the two competing blocs. In a sphere of shadow economy, local armed groups often acted through criminal intermediaries. With the weakening of external financial and military support from former Cold-War antagonists and their allies, many insurgency movements and other armed groups had to become partly or completely self-sufficient. They became

more actively involved in various forms of shadow economic activity, including illicit drug business, increasingly used criminal methods for accumulating funds and often tried to directly engage in illegal activities, circumventing former intermediaries (organized criminal groups), in order to maximize financial gains.

The closest link between drug business and insurgent and other local armed non-state actors can be observed in areas of expanded drug cultivation and production. Classic guerrilla warfare is linked to control over certain territory, usually relatively remote rural or mountainous areas not controlled by the central government (state authorities). In the world's main drug producing regions, it is these areas that are often used for drug cultivation. For rebel groups operating in such areas involvement in some form of control over drug cultivation (taxing the farmers in exchange for protection) and initial processing, and sometimes in local drug trade, is almost inevitable. Mostly closely linked to drug production are those armed groups that continue to engage in various forms of guerrilla warfare, control certain territorial enclaves for long periods of time and at least partly represent the interests of tens of thousands of local peasants and farmers growing opium poppy or coca. Modernization and organizational evolution of such groups and movements and expansion of their activities to urban areas increase their financial needs and may further boost their role in controlling local drug production and trade. This control, however, usually does not extend to more advanced stages of the illicit drug business such as international drug trafficking dominated by professional criminal groups. Involvement in various forms of international drug trafficking tends to be more typical for armed non-state actors of other types – for instance, for trans-border tribal groups, including those partly based in drug producing countries, as well as for organizations based and/or operating in major transit states along the main trafficking routes (such as the Islamic Movement of Uzbekistan, Kurdistan Workers' Party etc.).

The closest similarities between criminal structures and armed non-state actors engaged in socio-, ethno-political and other violent conflicts and using drug revenues as a “war resource” can be observed in their sources and methods of financing. Apart from similar methods of accumulating funds, the groups of these two types also demonstrate some structural parallels. Both are non-state actors that enjoy greater levels of structural and organizational flexibility than the state does. Both increasingly employ various forms of not strictly hierarchical, horizontal or mixed structures. While full replacement of hierarchical structures with various types of horizontal networks is disputable, the role of networked groups and arrangements, particularly among the newly emerged armed non-state groups, both local and transnational, is growing.

Despite these financial and structural parallels, the more fundamental differences between criminal groups controlling drug business and armed opposition groups or other violent actors using drug revenues as a war resource persist. They

are evident even in the financial sphere, particularly in the structure of expenditures of the groups of the two types (the bulk of armed non-state actors' financial resources are used for maintaining their military potential, meeting social needs of the population providing support to the group and administrative needs of "governing" a certain territory, and, in some cases, for broader political, religious and other purposes). These basic distinctions stem from the different nature, origins and *raison d'être* of purely criminal organizations and armed non-state groups pursuing political, social, ideological, religious and other agenda (that may also include economic motivations). The links of groups of the latter type with criminal organizations are pragmatic and limited to a business-like "working relationship".

This does not preclude the possibility of gradual criminalization and political/ideological degradation of politico-military actors engaged in local armed conflicts. Such a possibility may become more realistic as the armed confrontation becomes protracted, its intensity stabilizes at a relatively low level, and the likelihood of a group's declared political goals to be realized in any foreseeable future diminishes or fades away. While far from imminent, a possibility for gradual criminalization of such groups to reach a critical point appears to be most likely in two cases. On the one hand, in a case of a military defeat of an armed opposition, its leftover units may be pushed to further intensify their involvement in criminal activities (although such decisive military crack-downs are not very typical for most protracted conflict environments). On the other hand, in the case of a more or less effective peace process, when some of the major armed groups are included in the political process and gradually demilitarize, more radical, often off-shoot groups and units remaining outside the peace process framework may lose most of the popular support, become more isolated and, as a means of survival, degenerate into organizations in whose activities various forms of crime increasingly dominate.

Otherwise, the basic distinctions in motivation, the level of political involvement, and the attitude towards the state between armed groups taking part in socio-political, ethno-political and other conflicts and criminal organizations persist. If the goals of the groups of the first type cannot be reduced to the purely economic ones and always retain political, religious, ideological, cultural, identity and other non-economic motivations, illicit drug business as any other shadow business remains apolitical (while drug cartels and other organized criminal groups may be interested in penetrating politics, their ultimate goal is to maximize economic gain). Unstable or conflict environment facilitates illegal activities, but drug dealers (unlike, for instance, groups of politico-military opposition) usually tend to establish contacts with all parties to a conflict, including corrupt elements of the state system itself. In this context, it is hardly surprising that armed right-wing, loyalist and other pro-government non-state groups can be as deeply (or even deeper) involved in illicit drug business than anti-state organizations and may be engaged in

more profitable forms and more advanced stages of drug business (such as international trafficking) than rebels movements controlling drug cultivation, local processing and trade.

The apolitical nature of illicit drug business underscores its genuine criminal economic nature both at the time of peace (and in relatively stable areas) and at the stage of armed conflict. Illicit drug business, as other forms of informal, shadow economic activity, is never fully subordinated to the needs of armed confrontation. While drug business remains one of the practically inexhaustible resources of conflict and certainly contributes to prolongation of hostilities, it also retains its own economic logic and dynamics. Its role in the course of a protracted armed conflict is not limited to being a part of the “war economy” and financing the armed confrontation. At the time of conflict, illicit drug business plays a multifunctional role. Apart from financing the actors engaged in armed confrontation (with the state or with one another), it not only fully retains its shadow economic function (allowing criminal entrepreneurs to gain maximum economic revenue by illicit means), but also plays an important adaptive role as an effective strategy of socio-economic survival for entire sectors of the local population.

The multifunctional nature of the drug business limits its susceptibility to direct influence of the armed conflict and partly explains the ambiguous effects of that influence. In some cases an armed conflict may serve as a powerful incentive to the expansion of drug cultivation, production and trade (as, for instance, was the case in Afghanistan at the time of the conflict between the pro-Soviet NDPA regime and the Islamic opposition). At times, however, during the protracted armed conflict in Afghanistan armed violence and instability in certain areas reached such a scale that a lack of basic security and a state of complete chaos impeded even illicit drug trade (as well as other form of contraband trade) and damage to the basic infrastructure was so significant that it even made hard for peasants to grow opium poppy. In contrast, the ability of the Taliban movement to secure basic order and stability on the territory under their control since the mid-1990s initially stimulated sharp increase in drug cultivation, production and trade. While at the turn of the centuries the Taliban regime effectively imposed a ban on opium poppy cultivation in Afghanistan, the growth of illicit drug business resumed with the fall of the Taliban, at the so-called post-conflict stage when the level of violence in Afghanistan degraded to more traditional lower-scale and more fragmented internecline clan and tribal tensions.

As demonstrated by the situation in Afghanistan, Myanmar and some other countries, the so-called post-conflict period – especially at the earlier stages immediately following the end of major hostilities – is often more favorable for illicit drug production than the stage of an ongoing armed confrontation itself. This is hardly surprising, given the multifunctional nature of illicit drug business. With the end of

large-scale fighting (e.g., as a result of military defeat or significant military damage suffered by one or several parties to a conflict) the role of illicit drug business as a “war resource” decreases. However, its other functions, such as that of a profitable shadow business activity and a powerful strategy of socio-economic adaptation, come to the forefront and stimulate further expansion of illicit drug production and trade. This scenario is most likely when the conflict management process, whether in the form of enforced solution or in the form of peace-making, is not accompanied or followed by economic support to and development of the war-torn areas or areas under the control of the former armed opposition groups.

The uneven and ambiguous influence of armed confrontation on the drug production and trade and their dependence on broader economic factors unrelated to local conflicts is also illustrated by the different dynamics of the drug business in conflict areas in the world’s three main drug producing regions. While in Afghanistan in the 1990s – early 2000s, the drug production was growing (with the exception of the temporary sharp decrease in 2001 as a result of the effectively enforced Taliban ban), in Colombia, the drug production and trade stabilized and in the early 2000s started to gradually decrease, and in Myanmar, the poppy cultivation and opiate production steadily declined since the mid-1990s. Clearly, the analysis of illicit drug business and armed conflicts as two interconnected factors in a closed self-regulatory system is hardly tenable. The link between them is part of broader and more complex set of interactions and produces a certain effect only in a combination with other variables. Of them, the following two factors are particularly important.

The first factor is the economic nature of illicit drug business. Its dynamics always depends on and is affected by such regional and global economic factors as the economic, trade and tariff policy of other states of the region, the situation at the world markets and the general trends in global illicit narcotics supply and demand. These factors have their own impact on the links between drug business and local armed conflicts in major drug producing areas. For instance, the growing global demand for and the explosion of the production of synthetic drugs, particularly amphetamine-type stimulants, coupled with the general stabilization of both demand and supply for cocaine and opiates, can make drug production less dependent on natural cultures, such as opium poppy and coca and less tied to particular geographical regions and thus affect the dynamics of global drug cultivation. In the longer run, this trend may help weaken the link between the drug business and local armed conflicts in the world’s traditional areas of drug cultivation.

The second factor whose influence on the dynamics of the illicit drug business may be even greater than that of a violent conflict is the coherence and functionality of the state power in drug producing and transit countries. In this context, of primary importance is the general functionality of the state, its ability to exercise its

main functions and control its own territory, rather than particular type of the political system of governance or the level and scale of foreign anti-drug assistance to that state.

At the turn of the centuries, the most effective anti-drug efforts in areas of expanded drug cultivation and production were undertaken by rigid authoritarian regimes – by the Taliban in Afghanistan and by the military junta in Myanmar. These two countries have demonstrated examples of significant decline of drug cultivation. As long as the Taliban remained in power in Afghanistan, it was able to effectively enforce its 2000 ban on opium poppy cultivation. In Myanmar where the link between ethnic insurgent movements and drug business was perhaps the strongest of all the three case studies, the semi-isolated junta that received no significant foreign anti-drug assistance made a conscious choice in favor of first “making peace” with the rebels involved in drug business, temporarily allowing the insurgents to go on with illicit economic activities in exchange for peace and recognition of the state authority. Having secured the ceasefires, the junta started to toughen its anti-drug policy pressing the former rebels to cut or eliminate drug cultivation – a policy that, in the longer run, proved to be effective and served as one of the factors that contributed to gradual decline of poppy cultivation in Myanmar.

At the same time the weakness of the state in democratic Colombia, even despite the significant foreign, primarily American, anti-drug assistance, remained one of the main obstacles for resolving both the drug problem and the protracted socio-political conflict in that country. Likewise, in a post-Taliban Afghanistan an incomparably more liberal and pro-Western, but very weak Karzai’s administration that does not control most of the country and seems unable to limit the level of drug cultivation, production and trade, even in case of massive foreign assistance for these purposes.

This does not imply that effective anti-drug policy in a conflict or post-conflict area in any of the world’s major drug producing regions or transit states can be implemented by rigid authoritarian regimes only. It simply means that those prioritizing the need to decisively “eliminate” drug cultivation in a conflict or post-conflict area, ignoring both the fundamental socio-economic factors driving the dynamics of the drug business and its multifunctional nature (as a “war resource”, a profitable shadow business and a strategy of socio-economic survival for the local population), have to recognize that in principle only a very rigid regime has sufficient enforcement capacity and can afford to effectively implement such a task. In contrast, when the anti-drug policy is carried out by states and international actors of a different type for whom solving the drug problem is one of several no less critical priority goals (such as overcoming socio-economic crisis, stimulating political and economic modernization and development and finding a lasting solution to an armed conflict), quick and radical progress in “eliminating” the drug problem can hardly be expected. In that case, state, non-state and international actors must be

prepared to search for more complex, longer-term, integrated ways of addressing the drug problem at the stage of transition from armed conflict to peace.

As far as the more general problems of combating drug production in conflict or post-conflict areas are concerned, merging counter-narcotics and counter-insurgency strategies or substituting one for another addresses only part of a problem (while armed opposition groups may be deeply involved in drug business, its more advanced stages usually remain a “profile activity” of professional criminal groups). Counterinsurgency strategy is as ineffective in combating drugs as the heavily militarized anti-drug strategy is insufficient and inadequate for fighting rebel organizations that also pursue socio-political agenda. Attempts to solve this problem by merging counter-drug and counter-insurgency strategies absolutize the links between drugs and conflict, but ignore the fundamental differences between illicit drug business as part of shadow economy and the socio-political or ethno-political opposition. Among other things, stepping up counter-narcotics operations at the stage of ongoing peace negotiations with the rebels based in drug-cultivating areas and enjoying the support of coca or opium poppy-growing peasants may adversely affect the prospects for a peace process (as it often happened in Colombia).

This does not mean that the drug problem is to be excluded from the peace process agenda. On the contrary, only an integrated comprehensive solution of the problems of drugs and conflict has chances for success. But “integrated” does not mean “simultaneous”. In practice, no state or international organization has so far succeeded in “having it both ways at the same time”, i. e. in securing a lasting peace with the former armed opposition groups in a drug-producing region and at the same time achieving sharp decline in illicit drug cultivation and production which serves as one of the main forms of economic activity in the underdeveloped regions controlled by the opposition and as a strategy of economic survival for the local population. These two interrelated tasks can only be solved one after another, even if that would mean that at the earlier stages of transition from conflict to peace one of these tasks would have to be to some extent subordinated to another and that a peaceful solution to an armed conflict may initially require to be implemented partly at the expense of the anti-drug policy. Even so, the first priority should always go to the peace process as one of the main conditions for ending the conflict and restoring the credibility of the state, its ability to fulfill the entire range of its functions and to restore control over the country’s territory. It is the strengthening of the functionality and credibility of the state that is one of the most direct ways to increase the effectiveness of the anti-drug efforts.

\*\*\*

The problem of financial autonomy and self-sufficiency of non-state armed actors, including those fighting in various local conflicts, has become most pressing



both at the local or regional and at the global level. The ability of such “non-system” or “anti-system” actors to become financially self-sufficient, facilitated by their more active participation in shadow economic activity, including illicit drug business, has not, however, automatically led to their full criminalization, depoliticization and deideologization. The ideological vacuum created after the end of the East-West confrontation and the collapse of most communist regimes was quickly filled in by more radical ideologies – religious extremism and radical nationalism (or a mix of both). A combination of extremist ideology with the widening economic opportunities offered by globalization and allowing some “anti-system” radical groups and networks to achieve financial self-sufficiency has become a matter of heightened concern for the main “system” players – the leading world powers and international organizations.

At the same time, the problem of financial autonomy or self-sufficiency of the radical non-state actors cannot be reduced to the role of illicit drug business, as well as other shadow and criminal economic activities, as these actors’ sources of funding. For some of these groups, movements and networks, particularly for radical Islamic organizations, legal sources of funding, e. g. funds initially raised as Islamic alms and taxes, but later partly diverted to violent purposes at some stage of the redistribution process, prove to be no less important than revenues received from participation in shadow economic activity. Against this background, attempts to reduce the problem of financing non-state violent actors to criminal and shadow economic activity and illicit drug business as one of its most profitable forms or to fully associate these groups with criminal organizations are misleading. This is most evident in dealing with groups that use terrorist means, both at the local or regional level or on the global scale. Terrorism, regardless of its level, scale and form, may present a far greater threat than plain crime. Degrading terrorism to the level of illicit economic activities and equating it with plain crime can lead to underestimation of the risks posed by asymmetrical politically-motivated violence against non-armed civilians and civilian targets. The fight against terrorism should certainly include measures to block channels of financing (and arming) groups involved in terrorist activities, but access to financial resources per se has not been these groups’ main comparative strategic advantage. The fight against terrorism can hardly be successful unless the more fundamental strategic assets of groups using terrorist means – their structural capabilities and extremist ideologies – are fully neutralized.