Vanda Felbab-Brown
Fellow
The Brookings Institution

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"A Shared Responsibility -- Counternarcotics and Citizens' Security in the Americas"

Mr. Chairman and Members of the Subcommittee:

I am honored to have this opportunity to address the Subcommittee on the important issue of the impact of the drug trade and counternarcotics policies in the Western Hemisphere on citizens' security and U.S. national security goals. The threats posed by the production and trafficking of illicit narcotics and by organized crime, and their impacts on U.S. and local security issues around the world, are the domain of my work, and the subject of my book, *Shooting Up: Counterinsurgency and the War on Drugs* (Brookings, 2009). I have conducted fieldwork on these issues in Latin America and elsewhere in the world numerous times, including this year for eight weeks in both rural and urban parts of Colombia, Peru, and Mexico.

In my testimony, I first provide an overview of crime trends in the Western Hemisphere. I then sketch some of the dynamics of the crime-insecurity nexus and its complex impacts on state security and citizens' security. In the third section, I discuss elements of a multifaceted response for addressing the threats generated by the drug trade while at the same time enhancing citizens' security. In the fourth section, I sketch key U.S. and local counternarcotics efforts in Mexico and Colombia.

I. Overview of Organized Crime and Street Crime and Human Security in Latin America

Citizens' insecurity has greatly intensified over the past two decades in many parts of the Western Hemisphere. To an unprecedented degree, ordinary people in the region complain about living in fear of crime. With the exception of Colombia, criminal activity throughout the region has exploded. Overall, the rates of violent crime are six times higher in Latin America than in the rest of the world.[1] Since the 1980s, homicide rates in Latin America as a whole have doubled and are among the highest in the world. The available data show El Salvador with a murder rate of 57.3 per 100,000 in 2007; Colombia with 42.8 per 100,000 in 2006, Venezuela with 36.4 per 100,000 in 2007, and Brazil with 20.5 in 2008.[2] The U.S. homicide rate for 2009, the most recent data available, was 5 per 100,000.[3] The United Nations considers a murder rate of more than 10 per 100,000 an epidemic rate of homicides.

Mexico far exceeds the epidemic threshold, reporting over 6,000 deaths in 2008, over 6,500 in 2009, and over 11,200 in 2010 (more than a 75% increase over 2009), and with drug-related violence surpassing conflict-caused deaths in both Afghanistan and Iraq.[4] Although it has received less media attention, Guatemala's homicide rate is four times that of Mexico's. Kidnapping is also frequent in the region. Well above 50 percent of the approximately 7,500 worldwide kidnappings in 2007 took place in Latin America.[5]

Organized crime is one of the principal sources of threats to human security but so is flourishing street crime, which frequently receives far less attention from governments in Latin America and the Caribbean. Indeed, law enforcement in Latin America is clearly struggling to cope with both organized and street crime, and two decades of efforts to improve and reform law-enforcement institutions have little to show in improvements in public safety and accountability of law enforcement. Many Latin Americans are deeply distrustful of and dissatisfied with their local law-enforcement institutions.[6] Indeed, the provision of security in Latin America has been increasingly privatized, with large segments of the population relying on private security companies or even criminal organization for protection and basic order on the streets. Thus in Guatemala and Honduras private security personnel outnumber police by five to ten times.[7]

Although the negative effects of high levels of pervasive street and organized crime on citizens' security, sometimes often referred to as *human security*, are clear, the relationships between human security, crime, illicit economies, and law enforcement are highly complex. Human security includes not only physical safety from violence and crime, but also economic safety from critical poverty, social marginalization, and fundamental under-provision of elemental social and public goods such as infrastructure, education, health care, and rule of law. Chronically, Latin American governments have been struggling to provide these public goods in large parts of their countries, in both the rural and urban areas.

Multifaceted institutional weaknesses are at the core of why the complex relationships between illegality, crime, and human security are so inadequately dealt with. By sponsoring illicit economies in areas of state weakness where legal economic opportunities and public goods are seriously lacking, criminal groups frequently enhance some elements of human security even while compromising others. At the same time, simplistic law enforcement measures can and frequently do further degrade citizens' security. These pernicious dynamics become especially severe in the context of violent conflict.

II. Dynamics of the Crime-Insecurity Nexus and the Complex Threats the Drug Trade Poses to States

A variety of actors have penetrated various illicit economies, including the drug trade, usually considered the most lucrative of illicit economies and estimated to generate revenues on the order of hundreds of billions of dollars a year.

Participants in illicit economies include the populations that produce the illicit commodities and services; criminal groups such as drug trafficking organizations (DTOs) and mafias; belligerent actors such as terrorist, insurgent, paramilitary, and militia groups; and corrupt government and law enforcement officials.

The penetration of the illicit economies by terrorist or insurgent groups provides an especially potent threat to states and regional stability since belligerent groups typically seek to eliminate the existing state's presence in particular locales or countries. The FARC in Colombia and the resurgent *Sendero Luminoso* (Shining Path) in Peru continue to profit from the drug trade and mobilize *cocaleros* alienated from the state as a result of crop eradication policies.

Criminal organizations usually have more limited aims. However, groups such as the Comando Vermelho in Brazil or the Zetas in Mexico also seek to dominate the political life of a community, controlling the community's ability to organize and interact with the state, determining the extent and functions of local government, and sometimes even exercising quasi-control over the local territory. Thus they too can represent an intense and acute threat to governments, at least in particular locales.

Youth gangs known as *maras* have spread rapidly through Central America, now often having individual memberships in the tens of thousands. Emerging out of limited social opportunities for extensive youth populations and their deep sense of alienation from the state, the *maras* have complex and varied linkages to organized crime. Sometimes they participate in drug trafficking, at other times they perpetrate street crime. But they often represent a major source of insecurity for the citizens of the countries they operate in, even as they provide a sense of identification, belonging, and empowerment to their disaffected members.

Many Latin American criminal groups now increasingly operate across country borders. They traffic in drugs from the source country all the way to the final street distribution areas, as currently the Mexican DTOs do from the border of Colombia do the streets of United States.

Similarly, Colombian DTOs operate in Bolivia; as do Brazilian traffickers in Peru. A newer, and particularly dangerous, development is the effort by Mexican DTOs, such as the Zetas and the Sinaloa DTO, to themselves control territory in transshipment countries of Central America.

Moreover, beyond Colombia, several countries in Latin America have experienced the emergence of dangerous militia groups who pose significant threats to both communities and the state, even while presenting themselves as protectors of the citizenry against crime. In addition to Colombia, such militia groups have appeared, for example, in Brazil and Mexico.

Extensive criminality and illicit economies generate multiple threats to states and societies. They corrupt the political system, by providing an avenue for criminal organizations to enter the political space, corrupting and undermining the democratic and legitimate process. These actors, enjoying financial resources and political capital generated by sponsoring the illicit economy, frequently experience great success in politics. They are able to secure official positions of power as well as wield influence from behind the scenes. The problem perpetuates itself as successful politicians bankrolled with illicit money make it more difficult for other actors to resist participating in the illicit economy, leading to endemic corruption at both the local and national levels. Guatemala, El Salvador, and Haiti are cases in point.

Large illicit economies dominated by powerful traffickers also have pernicious effects on a country's law enforcement and judicial systems. As the illicit economy grows, the investigative capacity of the law enforcement and judicial systems diminishes. Impunity for criminal activity increases, undermining the credibility of law enforcement, the judicial system, and the authority of the government. Powerful traffickers frequently adopt violent means to deter and avoid prosecution, killing or bribing prosecutors, judges, and witnesses. Colombia in the late 1980s and Mexico today are stark examples of how the existence of extensive criminal networks and high levels of violence can corrupt and paralyze law enforcement and indeed the entire judicial system. The profound collapse of Guatemala's judicial system resulting from its penetration by criminal entities compelled the country to invite a special U.N. judicial body, the International Commission Against Impunity in Guatemala (CIGIG) to help its judiciary combat organized crime and state corruption.

In addition to outright corruption by organized crime and impunity of powerful elites, judicial systems across Latin America are deficient in other ways: Justice is rarely equally available to all, is often painfully slow, and rarely produces significant convictions.

Moreover, illicit economies have large and complex economic effects. Drug cultivation and processing, for example, generate employment for the poor rural populations and can even facilitate upward mobility. They also can have powerful macroeconomic spillover effects through boosting overall economic activity. But a burgeoning drug economy typically contributes to inflation that and can harm legitimate, export-oriented, import-substituting industries as well as tourism. It encourages real estate speculation and undermines currency stability. It also displaces legitimate production. Since the drug economy is more profitable than legal production, requires less security and infrastructure, and imposes smaller sunk and transaction costs, the local population is frequently uninterested in, or unable to, participate in other (legal) kinds of economic activity. The illicit economy can thus lead to a form of so-called Dutch disease where a boom in an isolated sector of the economy causes or is accompanied by stagnation in other core sectors since it gives rise to appreciation of land and labor costs. In Mexico, for example, the drug violence has already undermined not only Mexican citizens' human security and overall law and order, but also economic activity, including tourism.

Most importantly, burgeoning and unconstrained drug production and other illicit economies and strong organized crime have profound negative consequences not only for local stability, security, and public safety, but at times also for national security. Illicit economies provide an opportunity for belligerent groups to increase their power along multiple dimensions -- by gaining control of physical resources, and also by obtaining support from local populations. Such belligerents hence pose a serious security threat to local and national governments and, depending on the objectives of the group, to regional and global security. With large financial profits, the belligerent groups improve their fighting capabilities by increasing their physical resources, hiring greater numbers of better paid combatants, providing them with better weapons, and simplifying their logistical and procurement chains.

Crucially and frequently neglected in the design of policy responses, however, is the fact that large populations in Latin America in areas with minimal state presence, great poverty, and social and political marginalization are dependent on illicit economies, including the drug trade, for economic survival and the satisfaction of other socio-economic needs. For many, participation in informal economies, if not outright illegal ones, is the only way to satisfy their basic livelihood needs and obtain any chance of social advancement, even as they continue to exist in a trap of insecurity, criminality, and marginalization. The more the state is absent or deficient in the provision of public goods – starting with public safety and suppression of street crime and including the provision of dispute resolution mechanisms and access to justice, enforcement of contracts, and also socio-economic public goods, such as infrastructure, access to health care, and education – the more the neglected communities can become dependent on, and even supportive of, criminal entities and belligerent actors who sponsor the drug trade and other illegal economies.

Such belligerents derive significant political capital – legitimacy with and support from local populations - from their sponsorship of the drug and other illicit economies, in addition to obtaining large financial profits. They do so by protecting the local population's reliable (and frequently sole source of) livelihood from government efforts to repress the illicit economy. They also derive political capital by protecting the farmers from brutal and unreliable traffickers (bargaining with traffickers for better prices on behalf of the farmers), by using revenues from the illicit economies to provide otherwise absent social services such as clinics and infrastructure, as well as other public goods, and by being able to claim nationalist credit if a foreign power threatens the local illicit economy. In short, sponsorship of illicit economies allows non-state armed groups to function as security providers and economic and political regulators. They are thus able to transform themselves from mere violent actors to actors that take on proto-state functions.

Although the political capital such belligerents obtain is frequently thin, it is nonetheless sufficient to motivate the local population to withhold intelligence on the belligerent group from the government if the government attempts to suppress the illicit economy. Accurate and actionable human intelligence is vital for success in counterterrorist and counterinsurgency efforts as well as law enforcement efforts against crime groups.

Four factors determine the size of the political capital which belligerent groups obtain from their sponsorship of illicit economy: the state of the overall economy; the character of the illicit economy; the presence (or absence) of thuggish traffickers; and the government response to the illicit economy.

- The state of the overall economy – poor or rich - determines the availability of alternative sources of income and the number of people in a region who depend on the illicit economy for their basic livelihood.
- The character of the illicit economy – labor-intensive or not – determines the extent to which the illicit economy provides employment for the local population. The cultivation of illicit crops, such as in Colombia or Peru, is very labor-intensive and provides employment to hundreds of thousands to millions in a particular country. Production of methamphetamines such as that controlled by La Familia Michoacana (one of Mexico's drug trafficking organizations), on the other hand, is not labor-intensive and provides livelihoods to many fewer people.
- The government responses to the illicit economy (which can range from suppression to laissez-faire to rural development) determine the extent to which the population depends on the belligerents to preserve and regulate the illicit economy.

In a nutshell, supporting the illicit economy will generate the most political capital for belligerents when the state of the overall economy is poor, the illicit economy is labor-intensive, thuggish traffickers are active in the illicit economy, and the government has adopted a harsh strategy, such as eradication, especially in the absence of legal livelihoods and opportunities. This does not mean that sponsorship of *non*- labor-intensive illicit economies brings the anti-government belligerents or armed groups no political capital. If a non-labor-intensive illicit economy, such as drug smuggling in Sinaloa, Mexico, generates strong positive spillover effects for the overall economy in that locale (by boosting demands for durables, nondurables, and services that would otherwise be absent, and hence indirectly providing livelihoods to and improved economic well-being of poor populations) it too can be a source of important political capital. Thus in the Mexican state of Sinaloa the drug trade has at times been estimated to account for 20% of the state's Gross Domestic Product (GDP); and for some of Mexico's southern states, the proportion might be higher.[8] Consequently, the political capital of the sponsors of the drug trade there, such as the Sinaloa cartel, is hardly negligible. Moreover, Mexico's drug trafficking organizations (DTOs) also derive important political capital from their sponsorship and control of an increasing range of informal economies in the country. Similarly, in Brazil the ability of drug gangs to provide better social services and public goods than the state has them to dominate some of country's poor urban areas. In such circumstances, the criminal groups and belligerents will also provide socio-economic services, such as health clinics and trash disposal.

In addition, both criminal entities and belligerent groups will often provide security in the communities they dominate. Although the sources of insecurity and crime in the first place, once in power they have an interest in regulating the level of violence, and suppressing street crime, such as robberies, thefts, kidnapping, and homicides. Street or common crime in Latin America is extremely intensive, one of the highest rates in the world. Functioning as providers of public order and rules brings criminal entities important support from the community, in addition to facilitating their illegal business since it too benefits from the reduced transaction costs and increased predictability.

Indeed, in many parts of Latin America, public safety has become increasingly privatized: with upper and middle classes relying on a combination of official law enforcement and legal and illegal private security entities, while marginalized segments rely on organized criminal groups to establish order on the streets. Organized criminal groups and belligerent

actors, such as the Primero Comando da Capital in Sao Paolo's shantytowns, also provide dispute resolution mechanisms and even set up unofficial courts and enforce contracts. The extent to which they provide these public goods varies, of course, but it often takes place regardless of whether the non-state criminal entities are *politically* motivated. Yet the more they do provide such public goods, the more they become de facto proto-state governing entities.

Moreover, unlike ideologies of politically-motivated belligerents, which promise rewards in the future, sponsorship of illicit economies allows belligerent groups to deliver in real time concrete material improvements to lives of marginalized populations and thus gain support. Especially when ideology wanes, and the brutality of the belligerents and criminal groups alienates the wider population, their ability to deliver material benefits to the population can preserve the belligerents' and criminal groups' political capital.

The ability of illegal groups to provide real-time, immediate economic improvements to the lives of the population also explains why even criminal groups without ideology can garner strong political capital. This will be especially the case if the criminal groups couple their distribution of material benefits to poor populations with the provision of otherwise-absent order and minimal security. By being able to outcompete with the state in provision of governance, organized criminal groups can pose significant threats to states in areas or domains where the government's writ is weak and its presence limited. Consequently, discussions of whether a group is a criminal group or a political one or whether belligerents are motivated by profit, ideology, or grievances are frequently overstated in their significance for devising policy responses.

III. Policy Responses and Considerations

In areas of state weakness and underprovision of public goods, increased action by law enforcement agencies to suppress crime rarely is a sufficient response. Approaches such as *mano dura* policies, saturation of areas with law enforcement officers, especially if they are corrupt and inadequately trained, or the application of highly repressive measures are rarely effective in suppressing organized crime and often attack only the symptoms of the social crisis, rather than its underlying conditions.

Policies that focus on degrading the belligerents' physical resources by attempting to destroy the illicit economy are frequently ineffective with respect to the objective of drying up the belligerents' resources. In the case of labor-intensive illicit economies where there are no legal economic alternatives in place, such policies are especially counterproductive with respect to securing intelligence and weaning the population away from the terrorists and insurgents. Eradication of illicit crops has dubious effects on the financial profits of belligerents. Even when carried out effectively, it might not inflict serious, if any, financial losses upon the belligerents since partial suppression of part of the illicit economy might actually increase the international market price for the illicit commodity. Given continuing demand for the commodity, the final revenues might be even greater.

Moreover, the extent of the financial losses of the belligerents also depends on the ability of the belligerents, traffickers, and farmers to store drugs, replant after eradication, increase the number of plants per acre, shift production to areas that are not subject to eradication, or use high-yield, high-resistance crops. Belligerents also have the opportunity to switch to other kinds of illicit economies such as synthetic drugs. Yet although the desired impact of eradication - to substantially curtail belligerents' financial resources - is far from certain and is likely to take place only under the most favorable circumstances, eradication will definitely increase the

political capital of the belligerents since the local population all the more will strongly support the belligerents and will no longer provide the government with intelligence.

Policies to interdict drug shipments or measures to counter money laundering, while not alienating the local populations from the government, are extraordinarily difficult to carry out effectively. Most belligerent groups maintain diversified revenue portfolios. Attempts to turn off their income are highly demanding of intelligence and are resource-intensive. Colombia provides one example when drug interdiction efforts in particular locales registered important tactical success against the FARC and reduced its income. The overall improvement in Colombia's military and counterinsurgency policy, however, was the critical reason for the vast improvements in security in the country and the success against the FARC.

Counterinsurgency or anti-organized-crime policies that focus on directly defeating the belligerents and protecting the population tend to be more effective than policies that seek to do so indirectly by suppressing illicit economies as a way to defeat belligerents. Efforts to limit the belligerents' resources are better served by a focus on mechanisms that do not harm the wider population directly, even though such discriminate efforts are difficult to undertake effectively because of their resource intensiveness.

Overall therefore, counternarcotics policies have to be weighed very carefully, with a clear eye as to their impact on counterinsurgency and counterterrorism. Seemingly quick fixes, such as blanket eradication in the absence of alternative livelihoods, will only strengthen the insurgency and compromise state-building, and ultimately the counternarcotics efforts themselves.

Effectiveness in suppressing illicit economies is critically predicated on security. Without constant and intensive state presence and security, neither the suppression of illicit economies nor alternative livelihoods programs have been effective.

It is also important to note that *some alternative illicit economies, and new smuggling methods to which belligerents are pushed as result of suppression efforts against the original illicit economy, can have far more dangerous repercussions for state security and public safety than did the original illicit economy***.** Such alternative sources of financing could involve, for example, obtaining radioactive materials for resale on the black market. Reports that the leftist Colombian guerrilla group, the FARC, acquired uranium for resale in order to offset the temporary fall in its revenues as a result of eradication during early phases of Plan Colombia before coca cultivation there rebounded, provide an example of how unintended policy effects in this field can be even more pernicious that the problem they are attempting to address. The traffickers' switch to semisubmersibles for transportation of drugs is another worrisome example of unintended consequences of a policy, this time intensified air and maritime interdiction. The more widespread such transportation technologies are among non-state belligerent actors, the greater the likelihood that global terrorist groups will attempt to exploit them for attacks against the U.S. homeland or assets.

Similarly, *in the absence of a reduction of global demand for narcotics, suppression of a narcotics economy in one locale will only displace production to a different locale where threats to local, regional, and global security interests may be even greater.* Considerations of such second and third-degree effects need to be built into policy. An appropriate response would be a multifaceted state-building effort that seeks to strengthen the bonds between the state and marginalized communities dependent on or vulnerable to participation in the drug trade for reasons of economic survival and physical insecurity. The goal of supply-side measures in counternarcotics efforts would be not simply to narrowly suppress the symptoms of illegality and

state-weakness, such as illicit crops or smuggling, but more broadly and fundamentally to reduce the threat that the drug trade poses to human security, the state, and overall public safety.

Effective state response to intense organized crime and illicit economies usually requires that the state address all the complex reasons why populations turn to illegality, including law enforcement deficiencies and physical insecurity, economic poverty, and social marginalization. Such efforts entail ensuring that peoples and communities will obey laws. One component is increasing the likelihood that illegal behavior and corruption will be punished. An equally important component is creating a social, economic, and political environment in which the laws are consistent with the needs of the people and therefore can be seen as legitimate and can be internalized.

In the case of efforts to combat illicit crop cultivation and the drug trade, one aspect of such a multifaceted approach that seeks to strengthen the bonds between the state and society and weaken the bonds between marginalized populations and criminal and armed actors would be *the proper sequencing of eradication and the development of economic alternatives.* Policies that emphasize eradication of illicit crops, including forced eradication, above rural development, such as alternative livelihoods efforts, have rarely been effective. Such sequencing and emphasis has also been at odds with the lessons learned from the most successful rural development effort in the context of illicit crop cultivation: Thailand. Indeed, Thailand offers the only example where rural development succeeded in eliminating illicit crop cultivation on a country-wide level (even while drug trafficking and drug production of methamphetamines continue).

Effective rural development does require not only proper sequencing of security and alternative livelihoods development, but also *a well-funded, long-lasting, and comprehensive approach* that does not center merely on searching for a replacement crop. Alternative development efforts need to address all the structural drivers of why communities participate in illegal economies -- such as poor access to legal markets, deficiencies in infrastructure and irrigation systems, no access to legal microcredit, and the lack of value-added chains.

But the economic approaches to reducing illegality and crime should not be limited only to rural areas: there is great need for such programs even in urban areas afflicted by extensive and pervasive illegality where communities are vulnerable to capture by organized crime, such as in Mexico or Brazil. Often the single most difficult problem is the creation of jobs in the legal economy, at times requiring overall GDP growth. But GDP growth is often not sufficient to generate jobs and lift people out of poverty as long the structural political-economic arrangements stimulate capital-intensive growth, but not job creation – a common feature in Latin America, and one that only increases inequality.

It is important, however, that such *social interventions are designed as comprehensive rural development or comprehensive urban planning efforts, not simply limited social handouts or economic buyoffs.* The latter approaches have failed – whether they were conducted in Medellín as a part of the demobilization process of the former paramilitaries (many of whom have returned as *bandas criminales)* or in Rio de Janeiro's favelas. The handout and buyoff shortcuts paradoxically can even strengthen criminal and belligerent entities. Such buyoff approaches can set up difficult-to-break perverse social equilibria where criminal entities continue to control marginalized segments of society while striking a let-live bargain with the state, under which criminal actors even control territories and limit state access.

Effectiveness of law enforcement efforts to combat organized crime is enhanced if interdiction policies are designed to diminish the coercive and corruption power of criminal organizations, rather than merely and predominantly to stop illicit flows. The former objective

may mandate different targeting strategies and intelligence analysis. Predominant focus on the latter objective often weeds out the least capacious criminal groups, giving rise to a vertical integration of the industry and "leaner and meaner" criminal groups.

An effective multifaceted response by the state also entails other components:

- addressing street crime to restore communities' associational capacity and give a boost to legal economies;
- providing access to dispute resolution and justice mechanisms – Colombia's *casas de justicia* are one example;
- undertaking law enforcement, corrections, and justice sectors reform to enhance their performance, expand their accessibility, and increase their accountability;
- encouraging protection of human rights, reconciliation, and nonviolent approaches;
- improving access to effective education as well as health care – a form of investment in human capital;
- insulating informal economies from takeover by the state and limiting the capacity of criminal groups to become polycrime franchises; and
- creating public spaces free of violence and repression so that civil society can recreate its associational capacity and social capital.

*Boosting the capacity of communities to resist coercion and cooptation by criminal enterprises, however, does not mean that the state can rely on communities themselves to tackle crime***,** especially violent organized crime. In fact, there is a great deal of danger in the state attempting to mobilize civil society to take on crime prematurely while the state is still incapable of assuring the protection of the people. Without the state's ability to back up communities and secure them from violence by organized crime or belligerents, the population will not provide intelligence to the state. Actionable and accurate human intelligence is often critical for success not only of counterinsurgency, but also for anti-organized-crime efforts. Equally significant, unless the needed backup is provided, the community can all the more sour on the state. It will then be very hard for the state to mobilize civil society the second time around and restore trust in state capacity and commitment.

Whether as a result of organized criminal groups' warfare or as a side-effect of crime suppression policies, intense violence quickly eviscerates associational and organizational capacity and the social action potential of communities. Even if the drug traffickers or *maras* are killing each other, intense violence on the streets hollows out the communities. Success hinges on the state's ability to bring violence down: without a reduction in violence, socio-economic interventions do not have a chance to take off and even institutional reforms become difficult to sustain as political support weakens.

Reducing demand is a critical component of counternarcotics control policy. The need for demand reduction measures is no longer limited to Western countries, such as the United States or Western Europe. In fact, in many countries in Latin America, such as Brazil, Argentina, and Mexico (as well as Afghanistan, Pakistan, Russia, and China), demand for illicit narcotics has greatly increased over the past twenty years. In some of these countries, including in Latin America, the per capita consumption of illicit narcotics rivals and even surpasses that of the United States or West European countries.

However, prevention and treatment programs are often lacking in many of the countries with increasing consumption and tend to assigned low policy priority. At the same time, demand

reduction programs often suffer from poor design and implementation not grounded in the best available scientific knowledge.

Regional coordination and the sharing of best practices can mitigate the dangers of displacing illicit economies and organized crime to new locales. Nonetheless, in the absence of a significant reduction in demand, drug supply and transshipment will inevitably relocate somewhere. Thus, there is a limit to what regional efforts can accomplish to mitigate this so-called balloon effect. As long as there is weaker law enforcement and state-presence in one area than in others, the drug trade will relocate there.

Moreover, areas with very weak state and law enforcement capacity and high levels of corruption often have constrained capacity to constructively absorb external assistance. Worse yet, such assistance risks being perverted: in the context of weak state capacity and high corruption, there is a substantial chance that counternarcotics efforts to train anti-organized crime units will only end up training more effective and technologically-savvy drug traffickers. The best assistance in such cases may be to prioritize strengthening the capacity to fight street crime, reduce corruption, and increasing the effectiveness of the justice system. Once such assistance has been positively incorporated, it may be fruitful to focus on further anti-*organized* crime efforts, including through advanced-technology transfers and training specialized counternarcotics and anti-organized crime units. Such careful considerations of absorption capacity and possible unintended consequences are, for example, urgently needed regarding the level and design of policy interventions in Central America. Even though the countries there may be severely impacted by the drug trade, simply rushing in with standard counternarcotics assistance packages in the form of equipment transfer and specialized units training could potentially aggravate the situation. Putting a premium on overall law enforcement and justice sector reforms may well be more desirable forms of outside assistance.

IV. The Obama Administration's Policy toward the Drug Trade and Organized Crime in the Western Hemisphere

The Obama Administration has unequivocally acknowledged joint responsibility for efforts to suppress the drug trade and the threats it poses to states and local communities. Even though U.S. funding for demand reduction measures has been increased only modestly, the Obama Administration has clearly committed itself to reducing the demand in the United States. A robust and well-funded commitment to demand reduction not only reduces consumption, but also greatly facilitates the effectiveness of supply-side measures. As long as there is a strong demand for illicit narcotics, supply-side measures cannot be expected to stop supply and eliminate consumption.

Mexico

The Obama Administration has also embraced a multifaceted approach to dealing with organized crime and illicit economies. Indeed, a focus on reinforcing the relationship between marginalized communities in Mexico's cities, such as Cuidad Juarez, and the state is now the fourth pillar of the new orientation of the Merida Initiative, "Beyond Merida." Beyond Merida recognizes that there are no quick technological fixes to the threat that DTOs pose to the Mexican state and society. It also recognizes that high-value-targeting of drug capos, even while backed up by the Mexican military will not end the power of the Mexican DTOs; paradoxically, it is one important driver of violence in Mexico, with all its deleterious effects on rule of law and society.

Instead, Beyond Merida focuses on four pillars: a comprehensive effort to weaken the DTOs that goes beyond high-value decapitation; institutional development and capacity building, including in the civilian law enforcement, intelligence, and justice sectors; building a 21st century border to secure communities while encouraging economic trade and growth; and building community resilience against participation in the drug trade or drug consumption. Beyond Merida thus seeks to expand interdiction efforts from a narrow high-value targeting of DTO bosses to a more comprehensive interdiction effort that targets the entire drug organization and giving newly trained police forces the primary street security function once again while gradually putting the military in a background support function. By focusing on the building of a secure but smart U.S.-Mexico border that also facilitates trade, the strategy not only helps U.S. border states for which trade with Mexico often represents an economic lifeline, but also helps generate economic opportunities in Mexico that reduce the citizens' need to participate in illegality for obtaining basic livelihood. Pillar three then critically meshes with fourth pillar – focused on weaning the population away from the *drug traffickers* – which again seeks to build resilient communities in Mexico to prevent their takeover by Mexican crime organizations.

Beyond Merida is designed to also significantly enhance the capacity of the government of Mexico. The outgoing U.S. ambassador to Mexico, Carlos Pascual, deserves much credit for helping to devise such a comprehensive and multifaceted U.S. policy toward Mexico and for helping Mexico's government recognize the need to expand its law enforcement strategy, institutionalize its rule of law reforms, and complement its law enforcement strategy with socio-economic programs that can break the bonds of Mexico's poor and marginalized communities with the criminal groups. Social programs sponsored by the U.S. fourth pillar, such as *Todos Somos Juarez*, aim to restore hope for underprivileged Mexicans – 20% of Mexicans live below the extreme poverty line and at least 40% of the Mexican economy is informal – that a better future and possibility of social progress lies ahead if they remain in the legal economy. Such bonds between the community and the state are what at the end of the day will allow the state to prevail and crime to be weakened. But they are very hard to effectuate – especially given the structural deficiencies of Mexico's economy as well as political obstacles. Indeed, Mexico's implementation of *Todos Somos Juarez* has encountered some serious problems.

Notwithstanding the level of U.S. assistance so far, including having generated over several thousand newly trained Mexican federal police officers, Mexico's law enforcement remains deeply eviscerated, deficient in combating street and organized crime, and corrupt. Corruption persists even among the newly trained police. Expanding the investigative capacity of Mexico's police is an imperative yet frequently difficult component of police reform, especially during times of intense criminal violence when law enforcement tends to become overwhelmed, apathetic, and all the more susceptible to corruption. The needed comprehensive police reform will require sustained commitme

nt over a generation at least.

U.S. assistance to Mexico in its reform of the judicial system and implementation of the accusatorial system, including training prosecutors, can be particularly fruitful. Urgent attention also needs to be given to reform of Mexico's prisons, currently breeding grounds and schools for current and potential members of drug trafficking organizations.

Such a multifaceted approach toward narcotics and crime and emphasizing social policies as one tool to mitigate crime, is increasingly resonating in Latin America beyond Mexico. Socio-economic programs designed to mitigate violence and crime -- for example, the *Virada Social* in

Sao Paolo or the socio-economic component of the Pacification (UPP) policy in Rio de Janeiro's favelas -- have been embraced by state governments in Brazil.

Colombia

Yet they continue to be slow to expand in Colombia, even as President Juan Manuel Santos has initiated a range of socio-economic programs, such as land restitution to victims of forced displacement. The National Consolidation Plan of the Government of Colombia, currently under reevaluation, recognizes the importance of addressing the socio-economic needs of the populations previously controlled by illegal armed actors. But state presence in many areas remains highly limited and many socio-economic programs often consist of limited one-time handouts, rather than robust socio-economic development. The government of Colombia also lacks the resources to robustly expand its socio-economic development efforts and its security and law enforcement presence to all of its territory and even its strategic zones.

Although the size and power of illegal armed groups, such as the leftist guerillas, the *Fuerzas Armadas Revolucionarias de Colombia* (FARC) have been substantially reduced, and the guerrillas have been pushed away from strategic corridors, they still maintain a presence of perhaps several thousand, critically undermine security in parts of Colombia, and participate in the drug trade and extortion. Despite the formal demobilization of the paramilitary groups, new paramilitary groups, referred to by the Government of Colombia as *bandas criminales*, have emerged and by some accounts number ten thousand. They too participate in the drug trade and undermine public safety in ways analogous to the former paramilitaries. Such paramilitary groups have also penetrated the political structures in Colombia at both the local and national levels, distorting democratic processes, accountability, and socio-economic development, often to the detriment of the most needy. New conflicts over land have increased once again and displacement of populations from land persists at very high levels. Homicides and kidnapping murders are up in Bogotá and Medellín, once hailed as a model success. The government's provision of security in many areas remains sporadic and spotty.

Yet the government of President Santos needs to be given major credit for recognizing the need to focus rigorously on combating the *bandas criminales*, all the more so as municipal elections are scheduled in Colombia this year. The government also deserves credit for focusing on combatting street crime and urban violence and for unveiling a well-designed plan for combating urban crime, *Plan Nacional de Vigiliancia Comunitaria por Cuadrantes*, emphasizing crime prevention, community policing, and local intelligence.

Critically, with all its emphasis on social policies, the Santos Administration has yet to move away from the ineffective and counterproductive zero-coca policy of inherited from Colombia's previous administration. The zero-coca policy conditions all economic aid on a total eradication of all coca plants in a particular locality. Even a small-scale violation by one family disqualifies an area, such as a municipality, from receiving any economic assistance from the Government of Colombia or from cooperating international partners. Such a policy thus disqualifies the most marginalized and coca-dependent communities from receiving assistance to sustainably abandon illicit crop cultivation, subjects them to food insecurity and often also physical insecurity, pushes them into the hands of illegal armed groups, and adopts the wrong sequencing approach for supply-side counternarcotics policies. In cooperating with the Santos administration in Colombia, the United States government should encourage the new Colombian leadership to drop this counterproductive policy.

Over the past nine years, reflecting the results of U.S. assistance under Plan Colombia and the Andean Counterdrug Initiative, Colombia has experienced very significant progress. Nonetheless, the success remains incomplete. It is important not to be blinded by the success and uncritically present policies adopted in Colombia as a blanket model to be emulated in other parts of the world, including in Mexico. While its accomplishments, including in police reform and the impressive strengthening of the judicial system, need to be recognized and indeed may serve as a model, the limitations of progress equally need to be stressed, for it is important to continue working with Colombia in areas of deficient progress and to avoid repeating mistakes elsewhere around the world.

Furthermore, in counternarcotics and anti-crime policies, as in other aspects of public policy, it is important to recognize that a one-shoe-fits-all approach limits the effectiveness of policy designs. Local institutional and cultural settings will be critical determinants of policy effectiveness; and addressing local drivers of the drug trade and criminal violence and corruption will be necessary for increasing the effectiveness of policies.

Central America

In its efforts against organized crime and narcotics in the Western Hemisphere, the Obama Administration has also recognized the danger of countering the balloon effect and the possibility that intensified law enforcement efforts in Mexico risk increasing drug shipment flows and associated threats to the states and societies in Central America and the Caribbean. To mitigate the spillover effects, the Obama Administration has adopted two initiatives: the Central American Regional Security Initiative (CARSI) and the Caribbean Basin Security Initiative (CBSI). During his recent visit to El Salvador, President Barack Obama significantly increased U.S. assistance to CARSI, pledging $200 million. However, I would like to emphasize that even such regional efforts are unlikely to prevent the emergence of a crime displacement effort altogether and countries in Central America are constrained in their capacity to absorb various types of assistance. Careful consideration of the design of counternarcotics and anti-organized crime efforts, vetting of the recipients of U.S. assistance, and overall careful and constant monitoring of such assistance programs and their side-effect is needed in Central America.

Conclusion

Efforts to strengthen the state in Latin America will facilitate what local governments can accomplish against organized crime. An indispensible component of state-strengthening capacity in Latin America includes reforming the law-and-order apparatus and the justice sector so that the state can provide public safety and the rule of law for all of its citizens. But states in Latin America would be more effective in combating transnational organized crime if they also focused more than they now do on combating street crime. The latter, often receiving little priority in U.S. development-assistance policies and in policies of many Latin American countries, would provide new opportunities for cooperation with the United States, where innovative local community-policing programs have been experiencing considerable success in recent years. The needed comprehensive law-enforcement and justice-sector reforms would involve expanding police presence and limiting police corruption, brutality, and abuse, in addition to greater emphasis placed on community policing.

The governments in Latin America are also likely to become more effective in combating crime if they intensify their focus on the socio-economic issues that underlie key aspects of criminality and informal and illegal economies in Latin America. Expanding economic and

social opportunities for underprivileged marginalized populations can facilitate community cooperation against organized crime. If the manifestation of the state becomes benevolent by providing legal economic opportunities for social development and legitimate and reliable security and justice, many root causes of transnational crime would be addressed and belligerent and crime organizations delegitimized. Latin American citizens would become both far less interested in participating in illicit economies and far more willing to participate with the state in tackling transnational crime.

Thank you for giving me this opportunity to address the Subcommittee on this important issue.

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[1] See, for example, Jorge Sapoznikow et al., "Convivencia y Seguridad: Un Reto a la Gobernabilidad" (Coexistence and Security: A Challenge to Governability", Inter-American Development Bank, Washington, DC: 2000, and Centro Nacional de Datos, Fondelibertad, Ministrio de Defensa Nacional, República de Colombia, "Cifras Extorcion" (Extortion Rates), June 20, 2007; available from *www.antisecuestro.gov.co/documentos/7_16_2007_4_58_07_PM_CifrasHistorias.pdf*, accessed May 17, 2008.
[2] "Murder Rate Among Youths Soars in Brazil," *The Washington Post*, February 24, 2011. Since data collection, reporting mechanisms, and strength of law enforcement varies greatly among Latin American countries and many murders go unreported and undetected, there are limits to the accuracy of the data. Moreover, data are not always available for the same year for all countries.
[3] Ibid.
[4] "Ejecutómetro 2010" (Metrics of Execution 2010), *La Reforma*, accessed April 15, 2010, and December 27, 2010.
[5] "La industria del secuestro esquilma a América Latina", *El País*, February 17, 2008.
[6] See, for example, John Bailey and Lucía Dammert, "Public Security and Police Reform in the Americas," in *Public Security and Police Reform in the Americas*, Pittsburg: University of Pittsburg Press, 2006, pp.1-22.
[7] Michael Shifter, "Central America's Security Predicament," *Current History*, February 1, 2011.
[8] Guillermo Ibara in Manuel Roig-Franzia, "Mexico's Drug Trafficking Organizations Take Barbarous Turn: Targeting Bystanders," *Washington Post*, July 30, 2008.