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# **ORGANIZED CRIME AND ILLICIT ECONOMIES** **IN A WORLD ORDER: MORE COMPLICATED** **AND DEEPER THAN YOU THINK**

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## **Abstract:**

This essay analyzes the multiple threats that organized crime and illicit economies pose to states and the international order, with a particular focus on the security dimensions of the crime-conflict nexus. In analyzing the range of responses by states and the international community to the nexus of criminal economies and civil wars, insurgencies, and terrorism, this essay also highlights how premature and ill-conceived government efforts to combat illicit economies have counterproductive effects, hampering efforts to suppress militancy and, in some cases, generating dangerous international spillovers of criminality. The second part of the essay examines various pathways out of the conflict-crime nexus, including defeating militants without suppressing illicit economies, suppressing crime and illicit economies without ending conflict, and state co-optation of illicit economies. The essay concludes with policy recommendations.

**Keywords:** Organised Crime, Illicit Economy, Civil Violence

Several years ago in the south of Afghanistan, the core of the Taliban's insurgency effort, the Taliban hammered up posters offering to protect villagers against government attempts to eradicate the illegal poppy fields and seize opium stocks. The Taliban insurgents left a cell phone number to call if a government eradication team sponsored by the United States showed up. In one village near Kandahar, the villagers caught on to a sting operation in which a counternarcotics agent posed as an opium trader. After his visits to the village to buy opium were followed by raids on the villagers' opium crops, the villagers phoned the Taliban. The Taliban instructed them to invite the suspected informant back, capture him, and force him to call the police. When the police arrived in the village, the Taliban ambushed them, killing several policemen, including the police

chief. The Taliban scored a success against the government and limited its presence in the area. Crucially, this episode fortified the relationship between the local population and the Taliban, even though the village residents had previously shown no pro-Taliban feelings. The Taliban used its protection of the illegal poppy economy to greatly increase its legitimacy with the local population and reduce the legitimacy of the Afghan government, accusing it and its U.S. sponsor of killing people with hunger by destroying their poppy fields.

This story from Afghanistan illustrates the complex relationships between illegal economies and organized crime, on the one hand, and civil wars, military conflict, and international order, on the other. Many studies too simplistically posit a unidirectional relationship between state strength and criminality and the effects of illicit economies on international order. Their standard argument: Illicit economies weaken states, fuel internal conflict, and undermine international order. They also cause undesirable international spill-overs: the trafficking of illicit commodities and, perhaps, fueling of conflict in other countries. Hence, the logic goes, if illicit economies are suppressed, the internal conflict recedes, the state is strengthened, and international order is reinforced. Yet these relationships are far more multidirectional and multifaceted, and many of the policy recommendations derived from their simplistic characterizations are not only ineffective but outright counterproductive, as the opening story reveals.

This essay problematizes and revises the asserted causal relationships and provides empirical evidence from Latin America, South and Southeast Asia, and Eastern Africa. It shows that what is internationally illegal may be seen as highly legitimate by local populations, and that the sponsors of the illegal can become potent power brokers and political actors. In analyzing the multiple threats that illegal economies and organized crime pose to the state and to international order, this essay also highlights that negative externalities and undesirable spillover effects can also be caused by government policies, not just the illicit markets and civil wars. Paradoxically, internal stability and even international order are not necessarily weakened by a state hosting an illicit economy; sometimes stability and order can be strengthened by the illicit economy. This essay also analyzes the various pathways out of the crime-conflict international disorder nexus, given the highly complex dynamics, and offers policy implications.

Large-scale criminal economies generate multiple threats to states and domestic and international stability.<sup>2</sup> They can threaten the state politically by providing an avenue for criminal organizations and corrupt politicians to enter the political space, undermining the democratic process. Such

penetration and eventual domination of the political space has been evident from Afghanistan to Guatemala and Honduras. Colombia's so-called parapolitics scandal in the mid-2000s exposed how criminal groups and paramilitaries came to control the local governments of many municipalities and sponsored at least one-third of the members of the Colombian National Congress.

These crime-connected actors frequently experience great success in the political process, wielding influence from official jobs or behind the scenes. Consequently, the legitimacy of the political process is subverted. 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.

Large illicit economies with powerful traffickers also have a pernicious effect on the judicial system of a country. As the illicit economy grows, the investigative capacity of law enforcement agencies diminishes. Impunity for criminal activity also increases, undermining the credibility and deterrence capacities of the judicial system. For example, between 2007 and 2014, a staggering 164,000 people were murdered in Mexico, and perhaps some forty thousand since.<sup>3</sup> Yet a decade after President Felipe Calderón declared a war on the Mexican cartels in 2006, only 2 percent of violent crimes have been effectively prosecuted. Powerful traffickers frequently turn to violent means to deter and avoid prosecution, killing off or bribing prosecutors, judges, and witnesses.

Illicit economies also have large and complex economic effects. Drug cultivation and processing generate employment for impoverished rural populations, numbering frequently in the hundreds of thousands. Moreover, in some circumstances, the drug economy not only allows the poor and marginalized to make ends meet, it can also facilitate some level of upward mobility, even if only from grinding poverty to lesser poverty. For example, in Afghanistan, the country with the world's largest cultivation of illicit drugs and the greatest economic dependence on a drug economy, profits from drugs constitute between one-third and one-half of the overall economy.<sup>4</sup> In recent years, the United Nations Office on Drugs and Crime (unodc) has lowered that estimate, stating that the farm gate value of opium production in Afghanistan represents about 4 percent of the country's gdp.<sup>5</sup> But this number is misleading. The farm gate value does not take into account the value added in Afghanistan or the economic spill-over effects: for example, much of the consumption of durables and nondurables and much of Afghanistan's construction is underpinned by the opium poppy economy.

But there are also significant negative economic effects associated with illicit economies. Burgeoning economies, such as large-scale drug cultivation or smuggling, can contribute to inflation and appreciation of land and labor costs, which harm legal, export-oriented, import-substituting industries that poor countries need for their economic development. The illegal drug trade encourages real estate speculation and a rapid rise in real estate prices, undermines currency stability, and often fuels drug addiction within the supplier states.

Certain illicit economies also generate environmental threats. Poaching and smuggling of wildlife throughout Africa as well as Southeast Asia, for example, depletes biodiversity and contributes to the demise of endangered species. Illegal logging in East and West Africa leads to further soil erosion and desertification, making land inhospitable for agriculture. Both illegal logging and wildlife trafficking have fueled civil wars, such as in Burma, Cambodia, and South Sudan. In the Congo and the Amazon, illegal logging and mining decimates some of the world's last rainforests, contributes to carbon release and global warming, and results in species loss. Illicit smuggling of toxic waste into Africa generates critical health problems and ecological catastrophes. States caught up in civil wars or intense insurgencies often have a far smaller capacity and fewer resources to devote to effectively suppressing these other negative effects and threats.

Crucially, because insurgent and terrorist groups obtain multiple benefits by sponsoring these illicit economies, the presence of a large-scale illicit economy in the context of violent political conflict greatly exacerbates security threats to the state.<sup>6</sup> And in some circumstances, such as in Mexico since 2006, organized crime can become so violent and so overwhelm a state's weak law enforcement capacity that its actions can amount to a national security threat, not merely a public safety threat. Armed groups, such as the Taliban in Afghanistan, the Sendero Luminoso (Shining Path) in Peru, and the farc (Revolutionary Armed Forces of Colombia) and paramilitaries in Columbia, often obtain tens of millions and sometimes hundreds of millions of dollars per year by sponsoring and taxing illicit economies like the drug trade. With these vast profits, they can hire more combatants, pay better salaries, and purchase superior weapons and other equipment.

Better procurement and logistics also enhance what I call "the freedom of action" of belligerents: that is, a greater scope of tactical options available to belligerents and the ability to optimize both tactics and their grand strategy. Prior to penetrating illicit economies, belligerents frequently have to spend much time and energy on activities that do little to advance their cause, such as robbing banks and armories to obtain money and weapons or extorting the local population for food

supplies. Once their participation in an illicit economy, such as the drug trade, solves their logistical and procurement needs, they are free to concentrate on high-impact targets.

In the book *Shooting Up: Counterinsurgency and the War on Drugs*, by Ms. Vanda Felbab-Brown participation in illicit economies greatly increases the belligerents' political capital: that is, the extent to which the population welcomes and tolerates the presence of the belligerents.<sup>7</sup> Large-scale illicit economies frequently provide basic livelihoods for the population in a conflict zone, and by sponsoring the illicit economy, belligerents are able to distribute real-time economic benefits to that population. Moreover, beyond the basic provision of livelihoods, belligerents also provide protection and regulation services to the illicit economy and its producers against, for instance, brutal and unreliable traffickers. With large financial profits from the illicit economy, belligerents also often provide a variety of otherwise absent social services, such as clinics, roads, sewer services, and schools. They reduce the dependence on external sponsors for funding. The state's willingness and capacity to provide basic social services is lacking in large parts of the world; a Western-like social contract does not exist.<sup>8</sup> Illicit economies are thus a crucial source of distribution of resources to the marginalized, and their sponsors can obtain large political support.

Ideology or religious motivations are not a determinative factor as to whether belligerent groups become involved in illicit economies.<sup>9</sup> Most do and find ways to square their criminality with their religion or ideology. Although the farc originally saw coca cultivation as the ultimate expression of decadent capitalism and the Taliban saw the production of opium as profoundly anti-Koran, both groups found their antidrug efforts too costly politically and economically. Thus, the farc declared it acceptable to send drugs to the imperialist gringos and the Taliban allowed drugs to go to the infidels. But the Islamic State in Afghanistan, for example, has for three years attempted to suppress poppy cultivation, despite the significant legitimacy costs with the local population in the province of Nangarhar, its primary base. But contrary to conventional wisdom, participating in illegal economies does not necessarily mean that belligerent groups lose political objectives or even ideology. Neither the farc nor the Taliban are merely cartels, as is sometimes alleged. They remain profoundly political actors.

Four factors have a decisive influence on the extent to which belligerent groups derive political capital from their sponsorship of illicit economies: The state of the overall economy determines the extent to which the local population is dependent on the illicit economy for basic livelihoods

and any chance of social advancement. The poorer the country and the fewer legal jobs, the greater the dependence of the population on the illicit economy, and the greater the political capital accrued by belligerents for sponsoring it.

In contrast, in a wealthy, developed country with a plentitude of legal economic opportunities, the local population may well object to the illicit economy and the belligerents can become discredited by participating in criminal economies. Hence, in Afghanistan, as the opening story shows, the Taliban derives crucial political support protecting the poppy fields. By contrast, the Provisional Irish Republican Army (PIRA) in Northern Ireland discredited itself with its Catholic base when it became involved in local drug distribution. The resulting loss of legitimacy ultimately led the PIRA to abandon its participation in the drug trade, though not in extortion or gambling rackets.

The character of the illicit economy determines the extent to which the criminal economy provides employment for the population. Labor-intensive illicit economies, such as the cultivation of drug crops, easily employ hundreds of thousands to millions of people in a particular locale. The employment needs and opportunities, such as in the case of illegal logging or poppy cultivation (far more so than of coca), can also accommodate an extensive itinerant and migrant labor force, often mostly domestic, but sometimes cross-border. The smuggling of drugs or other contraband, by contrast, are labor-non-intensive illicit activities that frequently employ only hundreds of people. Belligerents' sponsorship of labor-intensive illicit economies thus brings them much greater and more widespread political capital than their sponsorship of labor-non-intensive ones.

The presence or absence of independent traffickers determines the extent to which belligerents can provide protection and regulation for the population against the traffickers. To the extent that independent traffickers are present and abuse the local population, the belligerents can insert themselves into the relationship and act as protection and regulation agents. If traffickers are not present, perhaps because the belligerents eliminated them, belligerents cannot provide the same scope of protection and regulation services to the producers, and hence their political capital decreases. During the 1980s and early 1990s, for example, the FARC bargained on behalf of farmers for better prices from the traffickers, and limited the abuses by traffickers against the population. Its actions were met with widespread approval from the cocaleros (coca growers). During the late 1990s, however, the FARC displaced independent traffickers from the territories it controlled, demanded a monopoly on the sale of coca leaves, and set a ceiling on the price paid to the cocaleros. Consequently, the FARC's political capital plummeted, further contributing to the

deterioration of its legitimacy, which was already in decline as a result of its own brutality and failure to protect the population from the paramilitaries' massacres.<sup>10</sup>

Finally, the government's response to the illicit economy critically influences the extent to which belligerents can derive political capital from sponsoring the illicit economy. The government's response can range from suppression–eradication and interdiction–to laissez-faire, to some form of official sanctioning of the illegal economy, including full-blown legalization. Although suppression policies often dominate government responses, increasingly less-punitive policies are being explored as well. Legalization or licensing has been adopted in the case of gems, such as with diamonds in Africa under the so-called Kimberly Process Certification Scheme. Similarly, although easily evaded and falsified, certification systems distinguish illegally sourced, processed, and transshipped timber from legally certified timber. In August 2013, Uruguay became the first country to fully legalize the cultivation and sale of marijuana, and several U.S. states too have legalized its recreational use.

The more the government attempts to suppress the illicit economy, the more it boosts demand for the belligerents' protection and regulation services, and the more dependent both the criminal business elites and the wider population are on the belligerents for the preservation of the illicit economy. Government suppression policies, such as the effort to eradicate illicit crops, thus frequently have the inadvertent and highly counterproductive effect of strengthening the belligerents politically. Policies to suppress illicit economies on which the local population depends for basic livelihoods thus encourage the local population to support the belligerents and discourage the population from providing intelligence on them. Accurate and actionable human intelligence is of course essential for successful counterterrorism and counterinsurgency operations.

Moreover, although they alienate the population, government efforts to crack down on illicit economies rarely result in a substantial curtailment of the belligerents' financial income. For example, drug eradication policies so far have not bankrupted or seriously weakened any belligerent group. Eradication policies fail in their goal to stop the money flows to belligerents because belligerents, drug farmers, and smugglers have a variety of adaptive methods at their disposal: relocating production to new areas, altering production methods to avoid detection or survive suppression, or even switching to other illegal fundraising activities.

The various efforts in Afghanistan since 2001 to eradicate or ban the cultivation of opium repeatedly resulted in the strengthening of the Taliban and gravely undermined counterinsurgency and counter-terrorism efforts.<sup>11</sup> First, they did not bankrupt the Taliban. In fact, the Taliban reconstituted itself in Pakistan between 2002 and 2004 without access to large profits from drugs, rebuilding its material base largely with donations from Pakistan and the Middle East and with profits from another illicit economy: the illegal traffic of licit goods between Pakistan and Afghanistan. Second, eradication strengthened the Taliban physically by driving economic refugees into its hands. Third, eradication alienated the local population from the national government as well as from local tribal elites who agreed to eradication, thus creating a key opening for Taliban mobilization. Fourth, eradication critically undermined the motivation of the local population to provide intelligence on the Taliban to the counter-insurgents while it motivated the population to provide intelligence to the Taliban. Fifth, the local officials in charge of eradication were in the position to best profit from counternarcotics policies, being able to eliminate competition from both drug business and politicians alike. They could use eradication to increase their own share of the local drug economy.

Recognizing the counterproductive effects of eradication, the Obama administration broke with decades of U.S. counternarcotics policies and, in 2009, defunded the centrally led eradication effort in Afghanistan. But even though stopping revenue flows to belligerents by suppressing illicit economies is elusive, there are pathways out of the crime-insurgency nexus. The time-tested one, though politically controversial, is to militarily defeat the belligerents while adopting a laissez-faire approach to the illicit drug economy. In many counter-insurgency efforts, this approach has succeeded. For example, until the 1950s, Mao Zedong not only tolerated the antinationalist and anti-Communist drug cultivation and trade, but allowed his units to participate actively in it. It was only in the 1950s and 1960s, after he had won the insurgency and established firm territorial control throughout China, that he embraced the eradication of China's flourishing poppy fields.

The case of Peru is particularly revealing of the importance of government counter-narcotics policies for the overall effectiveness of counterinsurgency policy. When eradication was undertaken during the early 1980s and again in the mid-1980s, the military lost ground to the Shining Path (the Communist Party of Peru). The belligerents secured the villagers' allegiance and came to control large parts of the country-side. When eradication of drug crops was halted and the military did not allow the police to interfere with the villagers' coca livelihoods, the villagers, like the traffickers, were willing to provide vital intelligence to the military and the

military scored key successes against the Shining Path. Ultimately, the military's laissez-faire approach to the drug economy was instrumental in its success at winning the countryside back.

In Colombia, the government, with U.S. sponsorship and encouragement, pursued drug eradication for almost thirty years, including the most intensive aerial spraying campaign in history, undertaken between 2000 and 2008. But the counternarcotics policy has failed to accomplish either of its goals: Although the area under cultivation decreased temporarily in the latter part of the 2000s, it has rebounded since 2005 to pre-eradication levels. Nor did eradication bankrupt or severely weaken the *farc*. As a result of direct U.S. military assistance to Colombia, the capacities of the Colombian military significantly increased and the Colombian state was able to substantially weaken the *farc*'s operational capacity and territorial control. The successes cannot be attributed to eradication, but rather to direct military action against the insurgents.

Indeed, everywhere in the world, the effective suppression of drugs in any particular locale has required the resolution of military conflict and robust state presence throughout the territory, regardless of whether the suppression has come from mailed-fist eradication or effective alternative livelihoods efforts.

On the other hand, under some circumstances, though not easily in the case of large-scale drug cultivation, it is also possible to suppress illicit economies without ending conflict. For example, international antipiracy efforts in the Gulf of Aden and off Somalia, which cost the global economy an estimated \$18 billion at their peak between 2011 and 2013, suppressed dangerous and costly piracy there without ever addressing Somalia's violent conflict or the poverty that stimulated the piracy.<sup>12</sup> The expansion of international naval patrols in the piracy-affected areas, such as nato's Operation Ocean Shield, the European Union's Operation Atalanta, and naval deployments by Russia, China, India, and other countries, increased both situational awareness and radically shortened the response time of anti-pirate naval forces. The use of best management practices and layers of defenses on ships that could be targeted by pirates, such as citadels and barriers against pirates boarding ships, made the success of attacks considerably more difficult. The highly controversial presence of armed guards on ships has further increased the capacity of ships to resist attacks and increased the deterrent effects of these various measures. In particular, European and U.S. naval deployments became more effective at collecting legal evidence on captured pirates, facilitating their effective prosecution in special courts established in the region, and also enhancing deterrence. For a variety of reasons, actions by land forces against pirates,

such as by the Puntland Maritime Force, or Kenyan law enforcement units against pirates in hiding or enjoying recreation in Kenya, had mostly limited effects: many safe havens remained. Arresting and prosecuting pirate financiers and enablers, such as in Kenya or in the United Arab Emirates and among the Somali diaspora in Europe, also remained an elusive and largely unfulfilled promise.

Nonetheless, the naval interdiction and the strengthening of ship's defenses instilled fear in pirates that their attacks would be unsuccessful and that they may face punitive actions. Many pirates thus switched to working as protection guards for (illegal) fishing and other vessels off Somalia, which earlier would have been their prime targets.

A third pathway out of the crime-insurgency nexus, even more controversial than a laissez-faire attitude toward the illicit economy by the state, is the state's outright co-optation of the illicit economy. The case of Burma since the 1990s is a prime example of how the state's co-optation of organized crime and the state's laissez-faire policies toward illicit economies were central to the government's ability to suppress military conflict. However, the Burmese case provides a new twist on laissez-faire: laissez-faire was not used by the government to win the hearts and minds of the population, but rather to buy off and co-opt the belligerents and the traffickers themselves.

After decades of civil war and eradication-based poppy suppression policies, the military junta in Burma in the early 1990s managed to strike cease-fires with some of the country's insurgencies. A key incentive for the groups to accept the cease-fire deals was to give them de facto licenses to trade the resources in the areas they controlled, including drugs. Despite U.S. opposition to these policies and resulting U.S. economic sanctions, the junta also suspended eradication of opium poppy. In the Kachin state, the various rebel groups—the Kachin Defense Army, New Democratic Army-Kachin, and Kachin Independence Organization—were allowed to harvest timber and opium poppy and mine gems and gold. In the Karen state, the Democratic Karen Buddhist Army also taxed opium poppy cultivation and trafficked in opium and timber. In the Shan state, the United Wa State Army, Shan State National Army, Myanmar National Democratic Alliance Army, and Mong Tai Army were given similar freedoms in the drug trade. Moreover, in the cease-fire areas, the junta legalized cross-border trade with China, Thailand, and India on the condition that government checkpoints were established and taxes collected on trade.

Several years into the cease-fires in the 1990s, the central junta and some of the ethnic rebel leaders restarted poppy eradication and dramatically suppressed poppy cultivation. Although this severely diminished the political capital of the authorities, the population had no recourse and suffered great hardships, impoverishment, and immense food insecurity. The drug eradication campaigns in Burma contributed to a boom in opiate production in Afghanistan, but ultimately, without alternative livelihoods for the desperate farmers, the campaigns were not sustainable. In the 2000s, Burmese poppy cultivation significantly rebounded.

The Burmese state is hardly alone in co-opting illicit economies and using criminal groups for its purposes. Many states have adopted similar practices, and such states are hardly solely weak or violently contested. Governments embrace criminal groups in order to suppress internal opposition groups, such as in Mexico in the 1970s and 1980s. States delegate authority to criminal groups over areas on which the government and elites do not want to expend resources or in which they do not have the capacity to govern, such as the slums in Brazil, Jamaica, and Bangladesh. Far beyond Burma, states, political elites, and power brokers co-opt illicit economies and organized crime to generate resources, such as financial contributions, electoral votes, patronage support, and hard currency. Examples include not only pariah states like North Korea, but also states like India and Nepal.

And states use organized crime to augment their military and external power— whether for aggression or for desirable international public goods. Russia has used de facto militias hired from among organized criminal groups to conduct its aggression in Crimea and support insurgents in Eastern Ukraine. For example, the leather-clad biker gang Night Wolves helped Russian special operations forces annex Crimea in 2014 and other criminal gang “volunteers” directed by Russian intelligence agents played a crucial role in Eastern Ukraine.

The use of organized criminal actors by states for prosecuting conflict or for political control is, of course, nothing new. The U.S. forces invading Sicily relied on the Sicilian mafia for intelligence provision as well as post-invasion stability operations. Chiang-Kai Shek depended on Du Yue-sheng’s criminal group, the Green Gang, to fight the Japanese during War World II and even made Du, the world’s most accomplished drug trafficker, his minister of counternarcotics.

All of these various pathways out of the crime—civil war nexus demonstrate that both states and the international community often do have the capacity to limit and isolate potentially dangerous

international spillovers.<sup>13</sup> Civil wars and internal instability are thus often seen simplistically and narrowly as inevitable sources of dangerous international flows, such as arms, drugs, other contraband, militants, and illegal migrants. Libya is the most frequently highlighted recent case of such dangerous outflows originating in internal instability and wreaking havoc regionally and on the international order.

However, preexisting characteristics of states, such as law enforcement capacity and the style and purpose of governance, strongly influence a state's susceptibility and vulnerability to negative externalities of illicit economies, organized crime, and civil conflict. The dangerous flows of weapons, smugglers, and militants from Libya found fertile ground in Mali, Nigeria, and elsewhere in West Africa. So did the drug trade that arrived in West Africa a decade ago when Europe suddenly acquired a taste for cocaine supplied from Latin America, with West Africa as a key transshipment center. It is not simply that these dangerous flows were suddenly entering West Africa, but rather the pre-existing weakness and corruption of law enforcement forces and government elites, weak rule of law, and indeed the very concept of the state as a mafia bazaar, with extensive intermeshing of state and crime, determined the local vulnerability to drug trafficking and other dangerous flows of weapons, contraband, and militancy.

Indeed, politics in West Africa has for decades been about taking over the state in order to control the main sources of revenue, licit or illicit. In essence, the government has been seen as a means to personal wealth, not as a service to the people. The state would then define (or redefine) what constitutes illegal economic behavior and selectively issue exemptions from law enforcement and prosecution to families, friends, and the regime's network of clients. Such political arrangements have been so pervasive in West Africa that some scholars have described the environment there as a "mafia-like bazaar, where anyone with an official designation can pillage at will."<sup>14</sup> Moreover, fearing internal coups and yet facing little external aggression even in the context of very porous borders, many ruling elites in West Africa post-independence systematically allowed their militaries and law enforcement institutions to deteriorate. These deinstitutionalization political imperatives left West African political systems and "rule-of-law" arrangements highly susceptible to penetration by the drug trade and other dangerous criminal flows from unstable areas.<sup>15</sup>

In contrast, the extraordinarily high amount of violence by organized crime in Mexico has not spilled into the United States even though many of the same Mexican criminal groups dominate

U.S. drug distribution. Nor is organized crime, including drug trafficking groups, in East Asia anywhere near as violent as in Latin America. In the United States, Western Europe, and East Asia, law enforcement retains a far greater deterrence capacity toward criminal groups, unlike in Latin America, where it has been gutted.

Moreover, such deleterious spillovers do not result merely from the breakdown of state capacity or outbreaks of civil war; many times they are the result of state actions. All too often, suppressing illicit economies or the crime-conflict nexus in one area merely pushes it into another, destabilizing wider regions in the process. Counternarcotics policies are notorious for generating such spillover effects, referred to in the drug field as “balloon effects.” In the absence of global demand reduction, drug suppression in Peru merely pushes cultivation and trafficking into Colombia, drug suppression in Burma pushes it into Afghanistan, and criminal violence in Mexico and state efforts against Mexican drug trafficking groups intensify and make it more dangerous to trafficking drugs in Central America. Similarly, U.S. deportation of youth gang members to Central America significantly contributed to the rise of the pandillas and maras (street gangs) there.

The state’s relationship with criminal groups and illegality is not merely one of weak states unwillingly receiving bad international flows and being compelled to allow illicit markets. States often have numerous ways of co-opting and controlling the illicit economy and organized-crime actors, sometimes bringing stability to turbulent societies and order to international affairs. While it is true that illicit economies can weaken states and fuel civil wars, state efforts to suppress illicit economies, particularly labor-intensive ones in areas of extensive poverty and marginalization, often undermine efforts to end conflict. And government policies to suppress illegal economies can also generate dangerous international spillovers.

More effective policies toward suppressing the deleterious crime-conflict dynamics and the threats that illicit economies pose to states and society include:

Correctly sequencing anticrime and conflict mitigation efforts. Premature suppression efforts against illicit economies that provide livelihoods to large segments of local populations without legal economic alternatives will hamper conflict mitigation. Governments can end civil wars and win insurgencies without destroying the illegal economy to suppress financial flows to insurgents. To mitigate conflict, efforts to suppress labor-intensive illicit economies, such as drug cultivation, should be postponed.

Moreover, in the absence of security and a strong on-the-ground presence, the effectiveness of any illicit-economy suppression efforts will be highly limited, in addition to being counterproductive. No matter what anticrime/counternarcotics efforts are ultimately undertaken—whether iron-fist suppression of the illicit economy or a prior fostering of legal alternative livelihoods—they will not be effective in reducing the illicit economy unless firm security throughout the entire territory has been established first.

Indeed, the most successful example of counterinsurgency, and ultimately counternarcotics efforts, adopted such sequencing: in the case of Thailand, through well- designed post-insurgency alternative livelihoods, and in the case of China and Myanmar, through iron-fisted post-insurgency eradication. In Peru, the right sequencing of suspending eradication during insurgency allowed the Peruvian government to defeat the Shining Path and, ultimately, somewhat reduce coca cultivation.

Such proper sequencing, however, requires a whole-of-government effort so that bureaucratic proclivities of particular agencies, such as eradicating drug crops, do not undermine the counterinsurgency effort. Aligning and sequencing the efforts of various line ministries and bureaucracies is necessary to end conflict, stabilize the country, and build effective and legitimate governance. Once again, Thailand is the most successful example of such a united effort. In contrast, despite the counter-insurgency military progress during the 2000s and the ultimately unsuccessful 2016 farc peace deal, Colombia has struggled with the whole-of-government state-building effort. If the international community decides to promote “good governance” in settings of civil war/insurgency and large-scale illegal economies to suppress existing criminal enterprises and illicit economies and to prevent the emergence of new ones, it needs to plan for and take on this effort early on. The immediate and early post-intervention, post-military operations period is the critical and optimal time to shape the political and criminal environment in the country. That, however, requires a co-herent vision of a strategy, with explicitly stated sequencing and with alignment of military, law enforcement, development, and governance efforts.

Recognizing the political dimensions of crime and illicit economies. The state as well as outside interveners need to operate on the premise that the more the legal economy is destroyed, the more robust and deeply ensconced the illicit economy will be. Prominent domestic military and political actors—possibly allies and partners of outside interveners or major international powers—will also very likely be deeply involved in the illicit economy. Their power will often be inextricably linked

to their ability to use the illicit economy to provide for the population's elemental needs. Conversely, the engagement of the international community, such as external interveners, will have profound effects on the shape of the crime-politics nexus and on power distribution within the illicit economy, and thus within the country itself. Through their actions and engagement with local power brokers, international military forces will thus codify or alter the balance of power in the criminal market as well as in the political landscape. In fact, outside intervention forces often have not only a poor capacity to understand local illicit economies and patronage networks of crime and politics, but also lack the capacity to respond to crime. The absence of such capacities applies to both organized and street crime. The rise in street crime is often the first and most direct way that local populations experience post-intervention insecurity. Such an increase in street crime can alienate the population from the state and the intervention forces, stimulate a hankering for the ancien régime, empower extralegal power brokers, and even bring on a full-blown criminal order. Yet both the outside intervention forces and their military police components are often ill-prepared to respond to street or organized crime, nor can they effectively train local police forces. Neither military policing nor "counterinsurgency-light" approaches are adequate substitutes for traditional community-oriented policing skills. Thus, making a determined and systematic effort to develop police forces capable of tackling street crime, and having a police-training program geared toward street-crime suppression, would greatly enhance the effectiveness of international interventions.

Anticrime training needs to become an urgent focus and element of external assistance to train local police forces. Often, the local police are trained as either paramilitary counterinsurgency forces or as military police. Neither task is sufficient to assure post-intervention stability or to reshape undesirable local orders. Being able to train local police forces for doing anticrime work may necessitate expanding U.S. or international expeditionary police units.

The crucial focus of anticrime efforts to induce a better local order and anchor desirable and legitimate stability must obviously include an effort to reduce criminal and predatory behavior perpetrated by existing police themselves. Since the baseline is often very low, achieving some improvement may not be hard, but making truly meaningful progress in reducing police participation in criminality and improving their anticrime capacity will be much harder. No doubt, police development is arguably the most difficult form of institution building and reform a country can undertake, and the record around the world—both for internal domestic efforts and externally assisted ones—is poor.

Reducing corruption and improving governance. The United States and the international community should define good governance in ways that are consistent with the views of local populations as well as key international principles: good governance is not just the delivery of services, but also, critically, physical security, food security, the provision of justice, and a reduction in impunity for egregious corruption and extensive crime. A good measure of the quality of governance is one derived from a comprehensive concept of human security: that is, security from physical abuse, whether from insurgents, criminals, warlords, local militias, or the local government, and security from great economic want, as well as access to justice and accountability mechanisms.

Promoting good governance thus does not imply promoting particular political or institutional visions and arrangements. But the international community's long-term goals in any place where it seeks to establish a sustainable local order should include strengthening checks and balances within the political system, reducing patronage, clientelism, and corruption, and enhancing government service delivery. Such equitable and inclusive political systems have a much better chance of being sustainable than do rapacious and exclusionary ones.

Anticipating second- and third-order effects. Finally, in determining whether and how to counter the most pernicious illicit economies and militant and criminal actors, the United States and the international community need to consider how they will adapt to U.S. and international actions. They need to ask themselves some hard questions and consider second- and third-order effects of their policies. Is it better to have illegal poppy cultivation in Pakistan rather than in Afghanistan, and what anti-poppy policies in Afghanistan, then, should be emphasized? Will anti-piracy efforts off Somalia push piracy from the Gulf of Aden into the wider Indian Ocean, and is that a better outcome? If the international community imposes sanctions on a particular country, will that give rise to new highly profitable smuggling enterprises, and by whom will their profits be captured?

Such questions do not have easy answers and governments are loath to contemplate any solutions. But without anticipating the likely adaptations of militants, organized-crime actors, and illicit economies, and without careful cost-benefit analyses of the various policy options, governments may only make the violent conflict of the twenty-first century more threatening to a desirable international order.

Illicit economies and criminal political arrangements are very likely to grow over the next several decades as formal governance systems struggle to deliver effective solutions to the problems of significant segments of populations. This growth will not only be one of scope, but also of type, with water smuggling, for example, as one of the illicit economies of the future.<sup>16</sup> Inevitably, belligerent groups will interact with the illicit economies, but so will states, often embracing them. Indeed, how illicit economies are handled even outside of conflict settings will critically shape the viability of some states and the systems of rule. Thus, a failure to incorporate a sophisticated political analysis of illicit economies into decision-making will undermine the effectiveness of counterinsurgency, counter-terrorism, and state-building efforts, and even international relations.

## ENDNOTES

1. See also Stewart Patrick, "Civil Wars & Transnational Threats: Mapping the Terrain, Assess- ing the Links," *Dædalus* 146 (4) (Fall 2017).
2. Jason M. Breslow, "A Staggering Toll of Mexico's Drug War," PBS Frontline, July 27, 2015, [http:// www.pbs.org/wgbh/frontline/article/the-staggering-death-toll-of-mexicos-drug-war/](http://www.pbs.org/wgbh/frontline/article/the-staggering-death-toll-of-mexicos-drug-war/); and author's interviews with U.S. government officials, Mexico City, September 2016, and Wash- ington, D.C., March 2017.
3. See United Nations Office on Drugs and Crime, "Opium Amounts to Half of Afghanistan's gdp in 2007, Reports unodc," November 16, 2007, <http://www.unis.unvienna.org/unis/pressrels/2007/unisnar1016.html>.
4. United Nations Office on Drugs and Crime and Islamic Republic of Afghanistan, Ministry of Counter Narcotics, *Afghanistan Opium Survey 2013* (Vienna and Kabul: unodc and Islamic Republic of Afghanistan, Ministry of Counter Narcotics, 2013), 12, [http://www.unodc.org/](http://www.unodc.org/documents/crop-monitoring/Afghanistan/Afghan_Opium_survey_2013_web_small.pdf) documents/crop-monitoring/Afghanistan/Afghan\_Opium\_survey\_2013\_web\_small.pdf.
5. See Vanda Felbab-Brown, *Shooting Up: Counterinsurgency and the War on Drugs* (Washington, D.C.: Brookings Institution Press, 2010).
6. Ibid.
7. See also William Reno, "Fictional States & Atomized Public Spheres: A Non-Western Ap- proach to Fragility," *Dædalus* 146 (4) (Fall 2017).
8. See also Stathis N. Kalyvas, "Jihadi Rebels in Civil War," *Dædalus* 147 (1) (Winter 2018); and Tanisha M. Fazal, "Religionist Revels & the Sovereignty of the Divine," *Dædalus* 147 (1) (Winter 2018).
9. These processes by which the farc weakened its legitimacy provide an important back-

- ground for the peace referendum analyzed in Aila M. Matanock and Miguel García-Sánchez, “The Colombian Paradox: Peace Processes, Elite Divisions & Popular Plebiscites,” *Dædalus* 146 (4) (Fall 2017).
10. For details, see Vanda Felbab-Brown, *Aspiration and Ambivalence: Strategies and Realities of Counterinsurgency and State-Building in Afghanistan* (Washington, D.C.: Brookings Institution Press, 2012), chap. 9.
  11. The World Bank, *The Pirates of Somalia: Ending the Threat, Rebuilding a Nation* (Mogadishu: The World Bank, 2013), xiv, <http://siteresources.worldbank.org/INTAFRICA/Resources/pirates-of-somalia-executive-summary-web.pdf>.
  12. See also Sarah Kenyon Lischer, “The Global Refugee Crisis: Regional Destabilization & Humanitarian Protection,” *Dædalus* 146 (4) (Fall 2017).
  13. George B. N. Ayittey, *Africa in Chaos* (New York: St. Martin’s Griffin, 1999), 151.
  14. See also Reno, “Fictional States & Atomized Public Spheres”; and Stephen Biddle, “Building Security Forces & Stabilizing Nations: The Problem of Agency,” *Dædalus* 146 (4) (Fall 2017).
  15. Vanda Felbab-Brown, *Water Theft and Water Smuggling: A Growing Problem or Tempest in a Teapot?* (Washington, D.C.: Brookings Institution Press, March 2017), <https://www.brookings.edu/research/water-theft-and-water-smuggling/>.
  16. Vanda Felbab-Brown, *The Hellish Road to Good Intentions: How to Break Political-Criminal Alliances in Contexts of Transition* (Tokyo: United Nations University Centre for Policy Research, 2017), <https://www.brookings.edu/wp-content/uploads/2017/05/the-hellish-road-to-good-intentions-how-to-break-political-criminal-alliances-in-contexts-of-transition.pdf>.