

COCA, DRUGS AND SOCIAL PROTEST IN BOLIVIA AND PERU

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COCA, DRUGS AND SOCIAL PROTEST IN BOLIVIA AND PERU

EXECUTIVE SUMMARY AND RECOMMENDATIONS

Bolivia and Peru are becoming a second, though compared to Colombia still relatively small-scale, pole of cocaine production in the Andes, feeding in particular a growing Latin American market in addition to the traditional U.S. and European markets. At least as significantly, the policies emphasised there in pursuit of the U.S.-led war on drugs are aggravating social tensions with potentially explosive results for the extremely fragile democratic institutions of both countries. If these trends are to be reversed, new and better funded policies are needed that put greater emphasis on alternative development and institution building, less on forced eradication, and that demonstrate more sensitivity to local culture. The proposed new U.S. budget, however, goes in the wrong direction.

Anti-drug, law enforcement and alternative development efforts in Bolivia and Peru over the last twenty years have not achieved a lasting reduction of illicit coca crops. Since the large-scale eradication campaigns in the second half of the 1990s, coca cultivation has again gained momentum in both countries, reaching 73,000 hectares at the end of 2003 when the UN Office on Drugs and Crime (UNODC) estimated combined annual cocaine production potential at 215 tons. Early indications are that there was another increase in 2004.

Counterdrug policies in Bolivia and Peru at the start of the 1990s produced the now generally accepted "balloon effect": coca cultivation squeezed at the mid-point of the Andes was shifted to Colombia at its northern end on a massive scale, transforming that country into the world's largest producer of coca leaf and cocaine. In 2000 and 2001, respectively, two U.S.-sponsored anti-drug strategies -- Plan Colombia and the Andean Counterdrug Initiative (ACI) -- were launched to counter drug production in Colombia and dam spillover effects but also to prevent re-emergence of major drug cultivation in Bolivia and Peru. Policy emphasis has clearly been on Colombia, where a massive aerial spraying campaign and strong interdiction and law enforcement measures produced a nearly 50 per cent reduction in coca crops -- to 86,000 hectares by late 2003 from the high of 163,000 hectares in 2000.

The ACI applies similar measures across the Andean region, in geographic and political settings that show marked differences to Colombia. However, U.S. counterdrug policies there also emphasise eradication and downplay the legitimacy of traditional coca production and have prompted mounting social protest by coca farmers, particularly in Bolivia but also in Peru.

There is no doubt that a large part of coca leaf grown today in the two countries is sold for processing into cocaine. The extremely weak governments and state institutions, which lack the capability to control their vast territories and enforce the law, have come under increasing pressure from social movements and populist opposition parties. The counterdrug policies impact on coca farmers from poor indigenous communities with historical grievances against the economic and political elites. The implementation and public perception of counterdrug policies add fuel to a political tinderbox that already has seen a president forced from office in Bolivia. Democratic governance, prospects for equitable socio-economic development and social peace in Bolivia and Peru are in serious jeopardy.

The potential to add to already considerable instability in the Andean region is compounded by links between parts of the Bolivian and Peruvian coca grower movements and international drug trafficking networks. The combination of expanded markets in Europe and South America, particularly Brazil, and the emergence of small drug trafficking networks in part linked to political cocalero movements has led to the expansion of Bolivian and Peruvian cultivation. Porous borders, corruption and a much less intensive interdiction effort compared to that in Colombia (where there has been a significant reduction in cultivation) make it relatively easy for both local and international drug networks to move their product.

Restructuring those counterdrug policies to focus more resources on alternative and rural development strategies, law enforcement and interdiction as opposed to forced eradication is likely to be more successful and to avoid negative impacts on Bolivian and Peruvian democratic institutions. Unfortunately, the U.S. budget for FY2006

just submitted by President Bush to the Congress proposes cuts in funding for alternative development and institution building of nearly 20 per cent for Peru and 10 per cent for Bolivia.

While it is unconstructive and unwise to brand the Bolivian and Peruvian social movements and their leaders as "narco-delinquents" or "narco-terrorists", the coca grower organisations in those countries will only gain greater international credibility if they sever all existing ties with drug trafficking networks and articulate democratically their legitimate demands for socio-economic change, including legal coca cultivation for traditional purposes. At the same time, the U.S., the European Union, Brazil, Argentina, Chile, the international financial institutions (IFI)s, the Organisation of American States (OAS) and the UN should strongly support alternative and rural development strategies there and provide, where possible, more aid also for programs to counter drug trafficking, money laundering and smuggling of chemical precursors.

RECOMMENDATIONS

To the governments of Bolivia and Peru:

1. Design and implement as a high national security priority a broad rural development strategy that invests substantially in rural poverty reduction and social and economic infrastructure and offers significant alternative livelihood opportunities, both off-farm and on-farm.
2. Agree, upon condition that the coca growers associations reject any participation by themselves or their members in international drug trafficking to:
 - (a) facilitate, with the participation of those coca growers associations, an independent study on licit coca demand in Bolivia and Peru and publicise the results in Spanish and indigenous languages;
 - (b) map out together with those associations where licit coca growing areas are located; and
 - (c) encourage the associations to participate in an improved system of control and monitoring of the commercialisation of legal coca leaf domestically, in cooperation with the National Coca Enterprise (ENACO) in Peru and a similar entity in Bolivia.
3. Make a stronger commitment to preventing and terminating new coca cultivation outside legal growing areas, including by:

- (a) providing relevant communities with substantially increased alternative livelihood and rural development funding and more sustained presence of state services and law enforcement institutions; and
- (b) implementing manual eradication programs but only after alternative livelihood and rural development programs are in place.

4. Increase efforts at interdicting shipments of illegal drugs, controlling chemical precursors and otherwise enforcing the law against domestic drug processing facilities and drug trafficking networks.

To the Bolivian political party MAS:

5. Work closely with the coca grower federations in the Chapare and Yungas regions and the Bolivian government to facilitate the rapid establishment of an improved system of control and monitoring of the commercialisation of coca leaf and explore the introduction of a system in which the state is the single purchaser of legal coca production.
6. Cooperate with Chapare and Yungas local governments in the proposed independent study on licit coca demand to provide expertise regarding traditional consumption patterns and the mapping of licit coca regions.
7. Support the government and international aid agencies by providing local expertise in the elaboration of alternative and rural development programs in the Chapare and Yungas regions.
8. Accept and facilitate manual eradication of coca crops that the independent study has found to be in excess of legal domestic demand.

To the U.S. government:

9. Put greater emphasis on and provide more financial and technical resources in support of a new rural development strategy aimed at reduction of rural poverty that includes providing viable economic alternatives to illicit coca cultivation.
10. Distinguish clearly between traditional coca leaf growers in both Bolivia and Peru and those engaged in producing for the illegal drug trafficking network.
11. Assist Bolivia in establishing a system of control and monitoring of the licit marketing of coca leaf domestically for traditional, tea and pharmaceutical purposes, and assist Peru in updating the ENACO register of coca farmers.

12. Expand cooperation programs with Bolivia and Peru to facilitate the use by agricultural producers, particularly small farmers, of the Andean Trade Promotion and Drug Eradication Act (ATPDEA) and other trade preference provisions to enter the U.S. market.
13. Continue to provide assistance for countering drug trafficking and money laundering to Peru and Bolivia as well as to vulnerable neighbouring countries, particularly Ecuador.

To the European Union and its Member States:

14. Expand substantially alternative and rural development assistance to Bolivia and Peru.
15. Help Bolivia and Peru carry out an independent study on legal coca demand.
16. Open the European market to agricultural products from coca producing countries on a preferential basis, consistent with World Trade Organisation (WTO) rules.

To the Governments of Argentina, Brazil and Chile:

17. Increase interdiction and other law enforcement measures against drug-trafficking networks and the smuggling of chemical precursors to Bolivia and Peru.

To UN Office of Drugs and Crime (UNODC) and the International Financial Institutions (IFIs):

18. Increase assistance to Bolivia and Peru in designing and implementing a broad rural development strategy, including alternative development programs.

Quito/Brussels, 3 March 2005

COCA, DRUGS AND SOCIAL PROTEST IN BOLIVIA AND PERU

I. INTRODUCTION

While Andean countries have a long history of political turmoil, in the last decade widespread social protest and extreme institutional instability in Bolivia and Peru have become ever more closely linked to coca growing, drug trafficking and counterdrug policies.

For more than 20 years, Andean governments have waged a U.S.-led war on drugs in the region, prioritising the eradication of illicit crops. Since 2002 a decline has been observed in the total number of hectares cultivated with coca crops in Bolivia and Peru, as well as Colombia,¹ but cocaine has not become less available on U.S. and European streets.² Bolivian and Peruvian coca farmers who bear the brunt of counterdrug policies in the region have been reacting increasingly violently to U.S.-driven counterdrug policies that emphasise eradication. This mounting social protest, especially in Bolivia but also in Peru, carries a strong potential to contribute to already unstable political conditions in the whole Andean region.

Since the large-scale migration of coca crops under pressure of the counterdrug efforts from Bolivia and Peru to Colombia in the 1990s -- the often cited balloon effect -- the focus has been on Colombia, which is by far the largest producer of cocaine in the world today. In 2001, the Bush administration started the Andean Counterdrug Initiative (ACI), devised as a complement to Plan Colombia and geared at damming up spillover effects from Colombia. It is based on the same logic of illicit crop eradication, interdiction, law enforcement and alternative development in all coca producing countries in the Andes. Funding has over-emphasised eradication and been too limited with respect to alternative development and institution building.

Unlike Colombia, Bolivia and Peru have traditional coca growing cultures, and legal coca production for traditional purposes exists in some regions. Too often, both Bolivian

and Peruvian officials and U.S. diplomats have failed to distinguish between traditional coca farmers' requests for dialogue with their governments and those entering the market in areas clearly linked to the international drug business, such as the Chapare region in Bolivia. That failure along with some counterproductive rhetoric that has branded all coca farmers as delinquents and "narco-campesinos" may well have contributed to the formation of coca grower movements capable of mass anti-government mobilisation. The situation is compounded by the relationship of some parts of the cocalero movements³ to drug trafficking, which makes it difficult for them to gain legitimacy beyond their core constituencies domestically and fosters suspicions internationally.

Following steep drops in the 1990s due to the eradication policy, Bolivian and Peruvian coca production has been increasing again, and it appears that both countries are on their way to becoming a "second pole" of cocaine production in the Andes, supplying growing markets such as Brazil, Argentina and Chile.

The illegal drug industry there is far more rudimentary than in Colombia. In Bolivia, after the 1985 collapse of the international tin market, the coca-for-export production system initially drew unemployed workers from the mines down into the Chapare region with the promise of fast money and land, producing a boom in coca production that lasted well into the early 1990's, when counterdrug policies became a high priority in U.S.-Bolivian relations.⁴

The recent marked upsurge in coca production in Bolivia has not matched the decline in Colombian production but it is moving in that direction. Efforts to combat illegal drug trafficking must, therefore, be

¹ United Nations Office on Drugs and Crime (UNODC), "Bolivia Coca Cultivation Survey", 2004, p. 7.

² See Crisis Group Latin America Report N°11, *War and Drugs in Colombia*, 27 January 2005.

³ "Cocalero" literally means coca-grower and is the term commonly used to refer to coca farmers. The term "cocalero movement" is used to describe the union (or grouping) of coca farmers for whom defending the right to grow coca is a political issue. The first such politically significant movement appeared in Bolivia with Evo Morales's Movement toward Socialism (MAS) party.

⁴ Those U.S. policies mandated a "certification" of country compliance with counterdrug efforts, in order to avoid cut-offs in certain categories of foreign aid.

increased. It is imperative that the cocalero movements, in particular the one in Bolivia led by Evo Morales, distance themselves clearly from the illegal use of coca leaf and do not contribute to the criminal networks. Those networks should neither be allowed to co-opt traditional coca farmers nor to sponsor the replanting of old coca fields by farmers who once were the hemisphere's major coca leaf producers, on the bottom rung of the illegal international cocaine market.

Enabling factors exist both inside Bolivia and Peru and in neighbouring countries, such as Ecuador, where the safeguards against transnational crime and in particular money laundering are weak. The emergence of regional cocaine consumer markets, such as Argentina, Brazil, Chile and Peru, the porosity of borders in the region, drug-related corruption, and weak money laundering legislation are all factors that suggest there is danger small-time drug production in Peru and Bolivia could turn again into larger scale criminal operations.

Sustainable alternative and rural development as well as efforts to combat transnational crime should take priority over eradication which affects Bolivian and Peruvian farmers growing small plots (on average no more than one hectare)⁵ and inflames simmering anti-government and anti-U.S. sentiment. In Bolivia and many parts of Peru, there has never been any single alternative crop that could compete with coca on the basis of price for many farmers. For that reason, alternative development thinking among the U.S., the international financial institutions (IFIs) and other donors moved away from straight crop substitution at least by the mid-1990s. The critical need is for a vastly greater investment of money and talent on alternative livelihoods that embraces both on and off farm endeavours and offers social and economic infrastructure to rural communities and democratic incorporation to coca growers.

Failing to distinguish between movements involved in traditional coca cultivation and those already engaged with international criminal networks is counter-productive not only with respect to counterdrug objectives but also to political stability. Strengthening democratic institutions, assisting police forces, combating corruption, and fostering intergovernmental cooperation in dismantling larger trafficking networks must continue. However, branding all social movements and their leaders as "narco-delinquents" or "narco-terrorists" is both inaccurate and unwise.

⁵ In Peru, coca cultivation takes place on average on plots under one hectare but plots ranging from three to ten hectares also exist. UNODC, "Peru Coca Cultivation Survey", June 2004, p. 5.

II. COCA IN BOLIVIA AND PERU

A. NATURE OF THE PROBLEM

In 2000, the Bolivian government announced that its U.S.-endorsed strategy of coca crop eradication -- Plan Dignidad⁶ -- had achieved a notably dramatic reduction of illicit crops to some 14,000 hectares, the level of the early 1980s. Nevertheless, the country has witnessed a renewed and steady increase of coca crops over the following years. Today there are more than 28,500 hectares of coca in Bolivia.⁷ Neighbouring Peru reflects a somewhat similar trend. Strong eradication efforts since the mid-1990s produced an all time low in coca crops in 1999 -- 37,800 hectares -- but that figure rose to 46,200 hectares in 2001, before levelling off at around 45,000 hectares in 2002 and 2003.⁸ Taken together, in late 2003 coca was grown on some 73,000 hectares in Bolivia and Peru, approximating the 86,000 hectares in Colombia at the same time.⁹ Overall Andean production, however, was about 25 per cent lower than the average of the past 25 years.

Far less cocaine is produced from the crops in Peru and Bolivia than those in Colombia. In 2003, the UN Office on Drugs and Crime (UNODC) illicit crops monitoring surveys calculated potential combined

⁶ In August 1997, President Banzer launched "Plan Dignidad", with the support of the Clinton administration. It committed the government to eliminating all illicit coca production in Bolivia within five years through eradication, alternative development, controlling chemical precursors and interdiction.

⁷ CONALTID (National Council for the Fight Against Trafficking in Illegal Drugs), "Estrategia integral boliviana de lucha contra el trafico ilicito de drogas, 2004-2008", La Paz, September 2004. The U.S. State Department's International Narcotics Control and Strategy Report (INCSR) for 2004, scheduled for released early in March 2005, will probably cite slightly more than 31,000 hectares under coca cultivation in Bolivia, an increase of about 3,000 hectares.

⁸ The head of Peru's drug agency, DEVIDA, reported recently an even higher increase in Peruvian illegal coca cultivation, to some 48,000 hectares. The U.S. State Department's INCSR for 2004, scheduled for release early in March 2005, does not include a hectare estimate for coca cultivation in Peru in 2004. There is internal debate within the U.S. government about those numbers. Reportedly, the preliminary figures for Peru show a slight increase over 2003, reversing the reduction the INCSR reported a year ago. Crisis Group interview, U.S. government official, Washington, 1 March 2005. See also UNODC, "Peru Coca Cultivation Survey", op. cit., p. 7. The final UNODC figures for Peru and Bolivia for 2004 will not be available until about June 2005.

⁹ See Crisis Group Report, *War and Drugs in Colombia*, op. cit.

cocaine production in the two countries at 215 tons,¹⁰ compared with Colombia's calculated potential of 440 tons.¹¹ The risk, however, is that if growing trends continue, that gap will narrow.

Those trends suggest that despite major eradication, interdiction and alternative development efforts in Bolivia and Peru over the last two decades, those governments and the U.S. have been unable to control and substantially reduce coca production in the region. Policy makers are worried that the shift of coca leaf production from Bolivia and Peru to Colombia observed in the 1990s as a result of eradication and interdiction efforts could be reversed -- the so-called "balloon effect" of crops when squeezed in one area to pop up in another.

However, while the effects of eradication and interdiction efforts in Colombia on other Andean countries cannot be entirely discounted, Colombia continues to exhibit a number of strong comparative advantages for coca/cocaine production, including geographic location, the existence of armed groups deeply involved in the drug business, and easily available chemical precursors and know-how. In consequence, traffickers presently have little need to look to other Andean countries.¹² Further, today, coca markets in Peru and Bolivia are largely independent of Colombia, which in spite of the massive aerial spraying campaign continues to produce enough coca leaf to satisfy the bulk of international demand for cocaine.¹³ The balloon effect is thus not sufficient to explain the resurgence in Peru and Bolivia. Coca production in the Andes now has two "poles", with Colombia on one end and Peru and Bolivia on the other. During the 1990s, thousands of Peruvian and Bolivian coca farmers developed the capacity to process coca leaf into coca paste (albeit in very rudimentary facilities). They no longer depend on Colombian cartels to buy coca paste as in that decade. Also, family-based drug trafficking networks have been opening up new export routes to regional cocaine markets in Argentina, Brazil and Chile.

The problem is compounded by the fact that in Bolivia and Peru coca cultivation is an ancestral agricultural activity, and the coca leaf has been used for centuries by the indigenous population for medicinal and ritual purposes. In both countries, laws permit coca crops -- 12,000 hectares in the Yungas region in Bolivia and some 11,500 hectares in Peru. However, in both

countries the lines between "legal" and "illegal" coca are blurred since it is not clear which crops are permitted and which not. It is also not clear how much coca is used for traditional purposes and how much is effectively diverted to cocaine processing. There are indications that a substantial part of the coca harvests feeds the domestic rudimentary cocaine industry, and coca demand for traditional consumption is decreasing.

The tradition of coca growing and use of the coca leaf as well as the authorized sale of coca leaf in certain markets effectively exist in parallel with the illegal drugs market. However, arguments about the economic viability of coca as a "legal" crop should not be understood as an apology for farmers supplying the drug traffickers with coca paste to process into cocaine. Counter-narcotics policies have been designed to stamp out illegal coca crops, and they must continue to do this where it is clear that crops are illegal. But the over-zealous implementation of counter-narcotics policies has all but eclipsed the legitimate claim traditional coca farmers have to grow and sell a certain amount of coca legally.

Complicating the application of strict counter-narcotics policies is the fact that traditional coca farmers in Peru and Bolivia are not distinguishing as clearly as they could between legal or traditional activity and illegal activity. Furthermore, general rural discontent has swollen the ranks of traditional coca farmers seeking to defend coca as a legitimate crop. Coca farmers are joined in their protests by other poor indigenous farmers, who are angry with the government for consistently failing to address rural poverty and leaving them without proper education and health services as well as basic infrastructure such as roads, electricity and potable water systems. A recent World Bank study found that rural communities in Bolivia and Peru face more than 70 per cent poverty and that government policies have failed to provide them access to public services, private markets or adequate infrastructure. It also found that investment in rural development had a disproportionately positive impact on reducing national poverty and increasing national growth.¹⁴ Defence of coca has become a reason to protest against both harsh anti-narcotics policies which do not distinguish between "legal" and "illegal" coca farmers as well as more broadly against state inaction in the face of rural poverty. Tough counter-narcotics policies which emphasise forced eradication of coca crops, affecting mainly poor farmers, have exacerbated these anti-government tensions.

¹⁰ UNODC, "Bolivia Coca Cultivation Survey", *op. cit.*, p. 4; UNODC, "Peru Coca Cultivation Survey", *op. cit.*, p. 30.

¹¹ UNODC, "Colombia Coca Cultivation Survey", June 2004, p. 8.

¹² Crisis Group interview, Bogotá, 7 February 2005.

¹³ See <http://www.faqs.org/docs/factbook/fields/2086.html>.

¹⁴ Guillermo Perry and Daniel Lederman, "Beyond the City", World Bank, Washington, 2 February 2005, at <http://inweb18.worldbank.org/LAC/LAC.nsf/ECADocByUnid/937A45EE3F62F2D085256FA5007286CF?OpenDocument>.

Especially in Bolivia but also in Peru, the coca issue has been at the heart of continuous violent confrontations between coca growers and the government since the late 1990s. While coca growers in Peru are more atomised and lack a national organisational and political structure, in Bolivia, the cocalero movement led by Evo Morales and his Movimiento al Socialismo (MAS) party emerged as one of the strongest political forces in the 2002 presidential election.¹⁵ In both countries, the coca growers denounce the U.S.-led counterdrug policy as "imperialist" intervention and demand that their right to grow coca be respected.¹⁶ However, they have failed to show that coca leaf is not being diverted to drug processing. Indeed, there is evidence of such diversion. The Bolivian and Peruvian governments as well as some U.S. officials in the Andean countries have been quick to equate the cocaleros with drug traffickers, pointing to alleged links with the Colombian insurgent movements, the National Liberation Army (ELN) and the Revolutionary Armed Forces of Colombia (FARC) as well as the involvement in the drug business of remnants of the Peruvian Shining Path.

The war on drugs waged by the Bolivian and Peruvian governments with U.S. support, the radical defence of coca by social and political movements in Bolivia and Peru, the legal uncertainty surrounding coca cultivation and the easy metaphor of the looming balloon effect, add up to worsening political tension and social crisis and further weakening of state institutions in the Andes. Meanwhile, the drug problem is not being controlled.

B. ILLEGAL COCA

Coca is deeply rooted in the tradition of indigenous farmers in Bolivia and Peru,¹⁷ where medicinal and ritual uses can be traced back to pre-colonial times. In Bolivia, coca plantations were started on a commercial scale in the seventeenth century.¹⁸ The traditional use of the coca leaf continues today, mostly among the indigenous population. Coca leaf is chewed and used as tea, as a stimulant and/or appetite suppressant as well as a remedy for stomach and other illnesses. Its commercial uses

include the soft drink Coca-Cola,¹⁹ the pharmaceutical industry where it is used as an anesthetic, as well as the drink "mate de coca", which is popular not only in Peru and Bolivia but also in Paraguay and Argentina.

In contrast to Colombia, coca is in part a genuine facet of agricultural life in Peru and Bolivia rather than a crop imposed on farmers by drug cartels and/or armed groups. The fact that it has been grown in certain parts of Bolivia and Peru since time immemorial has meant that an intricate system for selling coca leaf has developed. Communities in the traditional cultivation area of the Yungas in Bolivia, for example, sell in bulk to intermediaries who are licensed by a government entity (Dirección General de Coca -- DIGECO) and who move the crop on to the two legal coca markets, Villa Fatima and Sacaba, which DIGECO controls.²⁰ This system provides a stable price for farmers, while the intermediary buyers take the market risks.²¹ In Peru, where the market had not been as organised, the state appointed a single entity, National Coca Enterprise (ENACO), in 1978 to purchase all legal coca leaf at a set price.

When the coca boom took off in the 1980s and 1990s, many new areas such as the Chapare (Bolivia) and the Upper Huallaga Valley (Peru) were colonised by farmers seeking to sell coca base to Colombian buyers (*traquetos*). To a lesser extent, farmers also expanded their staple crops to include coca.²² Until then coca was grown practically only for traditional uses and sold in the manner described above. However, coca farmers began to supplement their sale to the legal market with the sale to the illegal trade. For this they were required to learn how to process coca leaves into coca paste. During the boom days in the 1980s and 1990s, most of the refined cocaine exported from Colombia was based on Peruvian and Bolivian coca paste or cocaine base, which

¹⁵ See Crisis Group Latin America Report N°7, *Bolivia's Divisions: Too Deep to Heal?*, 6 July 2004.

¹⁶ A cocalero leader from the Yungas told Crisis Group: "Consuming coca is like flying the anti-imperialist banner". Crisis Group interview, La Paz, 11 November 2004.

¹⁷ Non-indigenous farmers also grow coca, of course, but Peru and Bolivia have much larger indigenous populations than Colombia.

¹⁸ Francisco E. Thoumi, *El Imperio de la Droga, Narcotráfico, economía y sociedad en los Andes* (Bogotá, 2002), pp. 138, 154.

¹⁹ Until 1903, a typical serving of Coca-Cola contained around 60 mg of cocaine. As sold today, it contains an extract of coca-leaves. The Coca-Cola Company imports eight tons of leaf annually from Bolivia and Peru, using it only for flavouring since the drug (alkaloid in the coca leaf) has been removed.

²⁰ Only sacks of 50 pounds are allowed to enter the market. Intermediaries must make up these sacks from individual purchases from farmers. Alison Spedding, *Kawasachun Coca, economía campesina cocalera en los Yungas y el Chapare*, (La Paz, 2004), p. 287.

²¹ In both the Yungas and the Chapare regions, farmers sell to intermediary buyers who then take the coca leaves to the market to sell. *Ibid.*, pp. 277, 287.

²² Today the increase in production in the traditional coca growing area of the Yungas in Bolivia makes this distinction between "legal" and "excess" coca all the more difficult to make.

Colombian buyers bought in Peru and Bolivia and flew to Colombia for processing into cocaine.²³

At the peak of coca production in the 1980s, Peru was reported to be earning some \$600 million dollars a year from the illegal drug trade. "Coca dollars" were said to be equivalent to about 20 per cent of the income from the country's diverse legal exports. Bolivia was thought to be generating about equal coca dollars, but these loomed much larger in its smaller and far less diversified economy. Into the 1990s, coca was considered Bolivia's most important export.²⁴

Close to 7 per cent of the economically active Peruvian rural population and between 6 and 13 per cent of the economically active workforce in Bolivia were reported to be involved in the coca industry during the boom. At least 500,000 more jobs were said to have been generated as coca dollars "trickled up" through the two economies, though a cartel structure like Colombia's never developed. It is widely held that drug wealth benefited Peruvians and Bolivians more evenly than in Colombia where it was concentrated in the hands of a few drug barons.²⁵ Today the coca industry is a much less important part of the national economies. In Peru, some 50,000 families are estimated to be involved in coca cultivation.²⁶ Coca remains an important part of the local Bolivian economy but less than in the boom era, producing an estimated \$150 million, or 2 per cent of GDP.²⁷

As counterdrug efforts began to show some success in the mid-1990s, the price of coca leaves in Peru fell

below production costs, and farmers started abandoning their coca fields.²⁸ The drop in prices is widely attributed to a combination of factors: the U.S. led "air bridge" denial between Peru and Colombia starting in 1995, the dismantling of the powerful Cali and Medellin cartels in Colombia, and the drop in demand on the part of Colombian drug traffickers because of the large-scale establishment of home-grown crops. Coincidentally, decimation by a worm (*Fusarium oxysporum*) also contributed to a reduction in coca crops.²⁹

In Bolivia, coca crops remained stable until 1998, when the large-scale eradication campaign, Plan Dignidad, was launched by President Hugo Banzer. Prices rose to unprecedented levels in 2000.³⁰ While Bolivian traffickers were also affected by the same factors as their Peruvian counterparts, the steep hike in prices indicates that demand continued. One explanation is that substantial traditional consumption of the leaf persisted, and indigenous coca farmers, who blend in with the "legal" coca growers, moved up the production chain, began processing leaf into coca paste and cocaine base, and found new buyers from other parts of Latin America.³¹

Despite the peaks and valleys in the coca market however, traditional cultivation has persisted at least in parts of Bolivia and Peru. Farmers continue to plant coca not only because it is a crop which they have taken many years to build up³² and has a legal market, but also because it is lucrative. A recent study in Bolivia which looked at coca from an economic perspective (without considering the illegal market) concluded it is an ideal crop for the country's small family, unit-based rural economy because it requires little investment, absorbs the whole family's labour capacity and yields several crops per year, for which there are regular buyers and little or no outside competition.³³ It argued that no other

²³ During the coca boom in the early 1980s in Peru's foremost coca producing area, the Upper Huallaga Valley, small villages such as Paraiso mushroomed overnight into international colonies made up of Colombian, Mexican and Bolivian buyers. In 1986, when the Shining Path (*Sendero Luminoso*) had a stranglehold on the Upper Huallaga Valley, up to five flights per day were reported to take off from the Tocache municipal airport. In 1993, when the area was under military control, there were eighteen clandestine landing strips in the Upper Huallaga. From one strip, in Campanilla, some 280 flights were said to have taken off in two years; see "Report of the Truth and Reconciliation Commission", Lima, 28 August 2003, pp. 284, 287, 764.

²⁴ In the 1980s, illegal drugs generated between 10 and 15 per cent of Bolivia's GDP. Thoumi, op. cit., p. 190. All figures denoted in dollars (\$) in this report refer to U.S. dollars.

²⁵ In Bolivia a division of labour existed between the indigenous coca farmers, also referred to as collas, and the criollo traffickers, also known as cambas. The latter obtained the bulk of illegal earnings. Thoumi, op. cit., pp. 145, 292. See also Crisis Group Latin America Report N°8, *Bolivia's Divisions: Too Deep to Heal?*, 5 August 2004.

²⁶ UNODC, "Peru Coca Cultivation Survey", op. cit., p. 5.

²⁷ UNODC, "Bolivia Coca Cultivation Survey", op. cit., p. 4.

²⁸ Thoumi, op. cit., p. 164.

²⁹ Because of the worm, those farmers still interested in cultivating coca, despite the drop in prices left the Upper Huallaga Valley, and moved into new areas such as the North Huallaga Valley, straight east to the Aguaytia Valley, and into the Apurímac Valley further south, which is the area in Peru where coca growing has shown a steady increase since 1997: from 8,834 hectares in 1997 to 14,299 in 2003, UNDOC "Peru Coca Cultivation Survey", op. cit., p.19.

³⁰ CONALTID, "Estrategia integral boliviana", op. cit., p. 17.

³¹ Thoumi, op. cit., p. 151.

³² In the Yungas, coca growing is much more specialised, and coca plants are said to live up to 40 years compared with less than twenty in the non-traditional cultivation areas. Spedding, op. cit.

³³ Peruvian coca leaf makes its way into the Bolivian market on occasion but otherwise there is no outside competition, unlike other products often promoted by alternative development experts. Ibid, pp. 363-364.

crop matches coca for profitability for the Bolivian coca farmer at present.³⁴ Providing a lucrative alternative has always been a challenge for aid agencies. In the long run only a combination of approaches such as providing other income sources and collective benefits such as schools, roads, electricity, microcredit, effective market access -- and raised risks for coca production through effective law enforcement -- are likely to encourage farmers to move away from coca.

In Peru, although no such study has been carried out, similar arguments about the viability of coca farming can be based on similar factors in the rural economy -- high unemployment, lack of basic infrastructure for marketing products, the need to import fertilizers. However, there is room for speculation about the reasons for the wide range in coca leaf prices in the various growing regions. Peruvian farmers have both been less adept at defending their traditional coca growing culture and have sought to expand cultivation to new regions. In the absence of a corresponding increase in local consumption, this indicates they are producing for the illegal international market.

In addition to the existence of legal coca leaf markets in Peru and Bolivia, coca cultivation is also driven by illegal drug interests. Coca leaf prices have risen in Peru since 1996 except for an 11 per cent drop between 2002 and 2003.³⁵ According to UNODC, prices for coca leaf in places such as the Monzón valley reach as high as \$3.34/kg -- more than during the mid-1990s (\$2.50/kg).³⁶ The average price of coca leaf in Peru in 2003 was \$2.20/kg, compared with \$5.30/kg in Bolivia, which from 1998 through 2000 had witnessed a steep increase from \$1.50/kg to \$5.60/kg.³⁷ From 2000 to 2003, prices in Bolivia have remained stable, at an average \$5.4/kg.³⁸ The price difference between the countries may explain why coca leaf is being imported to Bolivia.³⁹

One way of explaining the increase in prices is the fact that high prices in Peru respond to eradication efforts in Bolivia and coincide with the reported presence of cocaine processing and trafficking in some areas of both

countries.⁴⁰ It is probable that prices in places such as the Apurimac-Ene and Monzon Valleys in Peru and the Chapare and to a lesser extent the Yungas region in Bolivia are driven to a degree by drug trafficking. Crisis Group was told that in the Monzón Valley there are veritable "narco businesses" (*narcoempresas*), which manipulate farmers into planting coca.⁴¹ While estimates on the volume of illegally diverted coca leaf from the Chapare region differ, analysts in La Paz agree most ends in drug processing facilities.⁴² The same is true for parts of the coca harvests in the "non-traditional" plantations in the Yungas.⁴³ The town of El Alto is emerging as a drug trafficking centre where processing reportedly takes place in homes, and, due to the high altitude, chemical fumes quickly dissipate.⁴⁴

In both Peru and Bolivia there are networks of illegal drug traffickers with international connections. However, these networks are not as sophisticated as their Colombian counterparts and less is known about them because they are mostly small, difficult-to-detect, family-run enterprises. There are no barons such as the late Pablo Escobar or the sophisticated "baby cartels" that exist by the hundreds in Colombia today.⁴⁵ During the coca boom in the 1980s and early 1990s, the illegal drug business in Bolivia was controlled by family clans that worked independently of each other and, on occasion, together with officers of the armed forces.⁴⁶ Today, the local and small networks are dedicated to what was described to Crisis Group as "ant traffic" (*trafico de hormigas*).⁴⁷ A similar structure exists

³⁴ Ibid, p. 301.

³⁵ The drop in prices between 2002 and 2003 has been attributed to eradication efforts in the Monzón Valley (Huanuco province), Apurimac and Aguyatia.

³⁶ 1990s prices quoted in Thoumi, op. cit., p. 164. UNODC attributes this to the fact that the coca leaf grown there has a higher alkaloid content.

³⁷ CONALTID, "Estrategia integral boliviana", op. cit., p. 17.

³⁸ Ibid.

³⁹ UNDOC "Bolivia Coca Cultivation Survey", op. cit., p. 41; Crisis Group interview, La Paz, 9 November 2004.

⁴⁰ In November 2003, the Peruvian police mounted a sweep in the Monzon Valley, using 500 personnel and eleven helicopters. They targeted maceration pits, precursor chemicals, stolen vehicles, criminal fugitives, false documents, terrorism activities, and foreigners illegally in Peru on false documentation.

⁴¹ Crisis Group interview, Lima, 26 October 2004.

⁴² Crisis Group interviews, La Paz, 8 and 9 November 2004.

⁴³ The head of Bolivia's counterdrug police told Crisis Group that more than 60 per cent of the coca leaf produced in the Yungas ends up in the hands of drug traffickers. One international observer put that figure at 30-40 per cent. Crisis Group interviews, La Paz, 8, 9 and 11 November 2004.

⁴⁴ *La Razon*, 31 January 2005.

⁴⁵ See Crisis Group Report, *War and Drugs in Colombia*, op. cit.

⁴⁶ One of the most notorious domestic Bolivian drug traffickers was Roberto Suarez. He was a friend of the Nazi Klaus Barbie, who had fled to Bolivia and lived there under the name of Klaus Almann, and General Hugo Banzer, who headed a military dictatorship from 1971 to 1978 and protected or at least tolerated his illegal operations. In July 1980, General Luis Garcia overthrew the government of President Lidia Gueiler with the support of Suarez. The de facto Garcia administration, which lasted for only one year, has been referred to as the only true "narco-government" in the Andean region. Thoumi, op. cit., pp. 148-149.

⁴⁷ Crisis Group interview, La Paz, 8 November 2004.

in Peru, where there are no more than 40 family-run operations, "firmas", according to police.⁴⁸ The networks in both countries, however, have found ways to access new South American markets, such as Argentina, Brazil and Chile, without need to depend on their former Colombian "patrons".⁴⁹

Bolivian and Peruvian authorities warn of the growing influence of larger international drug traffickers on these small family-run networks.⁵⁰ The police say that Colombian and Mexican criminal organisations are seeking to establish footholds.⁵¹ The capture of a prominent drug trafficker from the 1990s in Santa Cruz in January 2005 is taken as a further sign by Bolivian police that drug trafficking is undergoing a resurgence.⁵²

Authorities in both countries also view the effects of the fumigation campaign in Colombia as the main factor behind the revival of interest in central Andean suppliers. The Peruvian government says Mexican traffickers are present in the Monzon Valley and San Gaban, and the seizure of shipments of cocaine headed for Mexico in Peruvian ports document links.⁵³ Mexican traffickers also reportedly have begun operating in Bolivia. This is attributed by Bolivian counterdrug police to the recent breaking up of Mexican cartels in Colombia.⁵⁴ However, Bolivian analysts agree their presence is small, and the rudimentary local drug industry is run by Bolivians. Both the head of the Mobile Rural Patrol Unit (UMOPAR), which is part of the anti-narcotics police, and the head of the joint task force against drug trafficking in El Alto say that sustained levels of cocaine production in the past two years are due to import of cheaper Peruvian coca for processing.⁵⁵ However, the increasing Bolivian coca cultivation in the same period also indicates much of the increased production is directed at the export market.

In Peru, there are some signs that the 2003 reduction in hectares cultivated might have been compensated by increased yield of coca leaf per hectare in some areas.⁵⁶ While the average number of plants per hectare is 30,000 to 40,000, in the Apurímac Valley up to 300,000 plants per hectare have been observed.⁵⁷ UNODC has developed a coca-conversion rate in Peru which indicates that one hectare of coca there yields 2,200 kgs of coca leaf, which can be transformed into 6.6 kgs of cocaine but the preliminary results of a one-year survey suggest yields may be as high as ten kgs per hectare.⁵⁸

Another driving factor behind the illegal coca market in the Andes is that coca can be grown so easily. Most of the lower eastern slopes, stretching out towards the Amazon basin, present ideal growing conditions for a plant that requires little upkeep. Vast expanses in eastern Peru and the Bolivian highlands as well as the eastern lowlands have little or no government presence, making it easier for planters to break new ground and for traffickers to move drugs out of the country.⁵⁹ In such remote areas, coca crops can expand virtually undetected, and traffickers can move their people in to process and ship cocaine out with relative freedom. However, Crisis Group was repeatedly told that in many parts of Peru's remote eastern border areas with Brazil and many valleys of the interior, the authorities have an indication of illicit crop growing because of satellite imaging but have difficulty taking action due to lack of funding.⁶⁰

The area dubbed the "Amazonian triangle" - where the borders of Colombia, Peru and Ecuador meet - has been the source of much speculation about its potential for illicit coca growing and trafficking. Reports from Colombia

⁴⁸ Crisis Group interview, Lima, 27 October 2004.

⁴⁹ Some links between Colombia and Peru do remain, particularly in the Amazon basin.

⁵⁰ In Bolivia the head of anti-narcotics police refers to "small family groupings", *La Razon*, 31 January 2005.

⁵¹ Crisis Group interviews, Lima 25-28 October 2004 and La Paz, 8-11 November 2004. A counter-narcotics operation dubbed "Moonlight" (*luz de luna*) in July 2003 uncovered a cocaine smuggling ring between Bolivia, Spain and Bulgaria. Over 2,000 kgs of cocaine were seized. *La Razon*, 2 August 2003.

⁵² *La Razon*, 31 January 2005.

⁵³ "Cartel mexicano estaría en zona de San Gabán", *Peru 21*, 21 October 2004.

⁵⁴ Crisis Group interview, La Paz, 9 November 2004.

⁵⁵ *La Razon*, 31 January 2005.

⁵⁶ UNODC has yet to confirm this trend from analysis of field tests on sixteen parcels of land across Peru, Crisis Group interview, Lima, 25 October 2004.

⁵⁷ Crisis Group interviews, Lima, 28 October 2004. However, despite this increasing trend in Peru towards "technification", Crisis Group was told that expertise in extracting alkaloid from the coca leaf is still superior in Colombia and that Colombian "technology" appears in Peru from time to time.

⁵⁸ UNODC, "Andean Coca Cultivation Surveys 2003, Basic Facts and Figures", 17 June 2004.

⁵⁹ Authorities suspect that the border areas near Colombia are also home to a number of clandestine airstrips. Crisis Group interview, 28 October 2004.

⁶⁰ Crisis Group interviews, Lima, 25-28 October 2004. The disputes surrounding the number of hectares in San Gaban, a municipality in southern Peru, are illustrative of a lack of certainty regarding illicit activities in the more remote parts of the country. The government agency tasked with mapping coca crops throughout Peru (CADA) in October 2004 estimated 3,500 hectares based on a survey carried out in 2003. UNODC estimated the amount of hectares at 400 at the end of 2003. When protests broke out, the government insisted on a figure of 3,500 hectares in the area.

point to the existence of coca crops and the use of Peruvian labourers as coca leaf pickers (*raspachines*).⁶¹ Peruvian reports mention the displacement of local indigenous groups by local drug mafias between the Putumayo and Napo rivers.⁶² Coca has been detected along Colombia's border with Peru, close to the town of "El Estrecho" on the Putumayo.⁶³ Illicit crop monitoring in Colombia has detected potential new coca growing areas "towards the tripartite border with Brazil and Peru", which "should be seen as an early warning of the dynamics at play".⁶⁴ The town of Iquitos, Peru is the largest town in the Amazon basin (some 300,000 inhabitants) and a hub of illegal activity. The Amazon River is used to ship contraband of all kinds, mainly arms to Colombia, chemical precursors generally into the region, and drugs out towards Manaus in Brazil and onwards inside Brazil and toward Europe.⁶⁵

As meagre as the information about coca crops and trade in illicit drugs in the area is, it would appear that coca growing is indeed creeping further into the Amazon basin. The sheer size and remoteness of this region mean there are few limits on illegal activities, irrespective of the high cost of doing business.⁶⁶ Indeed, monitoring drug flows into the country is a massive task which the Brazilian government has only just started to address.⁶⁷ Its new radar system, SIVAM/SIPAM, could provide new interdiction possibilities, particularly since Amazonian governments recognized for the first time in September 2004 that security and drug trafficking issues overlap in many respects.⁶⁸ In October 2004, Brazil announced its

decision to start intercepting small aircraft in the Amazon area presumed to carry drugs. This will boost interdiction along the lengthy border with Colombia, Peru and Bolivia.⁶⁹ Recent reports from Brazil indicate that the aerial interdiction has pushed drug smugglers to switch to land routes, notably through Paraguay.⁷⁰

Higher coca leaf prices, higher productivity rates per hectare and new areas of cultivation are all signs of increased demand for coca leaf. Even were there to be a proven substantial increase in traditional consumption in Peru and Bolivia,⁷¹ which at present there is not, the local legal market could not fully absorb all the coca leaf being produced. There is no doubt that a large part of what is grown today in Peru and Bolivia is being sold for processing into cocaine.

Aside from cocaine, the Andean region also produces opium poppy for processing into heroin sold mainly in the U.S. Colombia is the region's largest producer but some cultivation has been detected in Peru as well. Both U.S. State Department and UNODC reports for 2003 pointed to opium poppy cultivation in Peru, though adding, "there are no confirmed estimates as to the amount of opium poppy under cultivation".⁷² There is growing recognition of the existence of "an incipient opium poppy cultivation", covering an estimated 1,400 hectares, mostly in the northern province of Cajamarca.⁷³ The U.S. has responded to this emerging threat by

⁶¹ "Asi se extirpa la coca en los confines de la selva", *El Pais* de Cali, 4 October 2004.

⁶² "Narcos atemorizan a nativos entre los Ríos Putumayo y Napo", *El Comercio*, 22 August 2004.

⁶³ "Movimiento Cocaleros en el Peru y Bolivia: ¿Coca o Muerte?", Transnational Institute Briefing Series, 2004/4, p. 16.

⁶⁴ UNODC, "Colombia Coca Cultivation Survey", op. cit., p. 31.

⁶⁵ Crisis Group interview, Quito, 15 January 2005. 13,095 cartridges and 5,000 electric detonators believed to belong to the FARC were seized in Manaus in July 2004, "Arms cache discovered in Brazilian Amazon", World Market Research Centre (WMRC), Daily Analysis, 19 July 2004.

⁶⁶ The potential coca growing surface in Colombia alone is roughly estimated at 29 million hectares, Crisis Group interview, Lima, 25 October 2004. The main limitation on such remote areas becoming centres of illegal drug production would be the cost of smuggling in the chemical precursors.

⁶⁷ U.S. State Department, INCSR 2003, March 2004, Brazil section, at www.state.gov/g/inl/rls/nrcrpt/2003/vol1/html/29832.htm, states: "The vast Amazon region remains difficult to adequately monitor, increasing the likelihood of narcotics moving by air and along the extensive river system".

⁶⁸ The governments were Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Surinam and Venezuela. "Al rescate de la Amazonía", BBC World, 14 September 2004. Crisis Group Report, *War and Drugs in Colombia*, op. cit. pointed out,

however, that counterinsurgency and counterdrug policies are not the same, though they may target many of the same individuals. To be effective, each needs to be honed with care.

⁶⁹ The Peruvian defence minister, Roberto Chiabra, has described the Amazon area between Peru and Brazil as an "open flank" to drug trafficking since the Peruvian air bridge denial program was suspended subsequent to the shooting down of a plane carrying a missionary and her daughter in April 2001. The Peruvian government has been lobbying for the program to be reactivated ever since, but a pending court case has prevented this. Another sign that more attention is being paid to the regional problem is the signature of a cooperation agreement between Peru, Colombia and Brazil in 2004. "Peru, Colombia y Brazil combatirán el narcotráfico", *The Miami Herald*, 26 July 2004.

⁷⁰ The report indicates that a new Paraguay-Brazil land route has emerged, see *Folha de Sao Pablo*, 11 January 2005.

⁷¹ Some accounts even suggest it is decreasing, Crisis Group interviews, La Paz, 8-11 November 2004.

⁷² Minimal amounts have also been detected in past years in Ecuador. The flower growing business has proven to be a base for expansion into poppy growing albeit on a very small scale, Crisis Group interview, Quito, 15 October 2004, and INCSR 2003, op. cit., Peru section.

⁷³ Crisis Group interview, Lima, 28 October 2004. Crisis Group was told that the reason for the absence of exact figures is that the terrain in which opium poppy is cultivated is difficult to map.

providing 24 Huey helicopters to the Anti-Narcotics Police (DIRANDRO) to assist in opium poppy crop monitoring and eradication.⁷⁴

C. LEGAL COCA

In Bolivia and Peru and unlike Colombia, cocaine production is not the only reason for coca cultivation since some is permitted by law for traditional consumption. In the part of the Andes that belonged to the Inca Empire, the coca leaf is deeply rooted in culture and forms an integral part of ceremonies and rituals. Among Quechuas and Aymaras, coca leaves are part of all ceremonies in the agricultural and religious calendar: coca leaves are used in sacrifice offerings to "Mother Earth" prior to preparing the fields, in all customs meant to ensure cattle reproduction and in fecundity rituals. The custom of the "k'intuy" consists in offering every arriving guest in a house a few coca leaves to chew with a few glasses of alcoholic drinks, somewhat like the symbolic use of bread and wine in Christian rituals. Coca is also used in daily life to boost energy when people have to work hard. Peasants chew coca leaves for hours when they work in fields at 3,000 to 4,500 metres above sea level. When chewed naturally, the coca leaf is not hallucinogenic, and its use is comparable to that of coffee in stimulating workers in Western societies.⁷⁵

Growing coca for traditional use is allowed by the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.⁷⁶ In Bolivia, Law 1008 of 1988 permits some 12,000 hectares of legal coca in the Yungas region close to La Paz. In Peru, there are some 11,453 officially registered hectares and 14,463 coca farmers legally entitled to grow coca.⁷⁷ The lack of clarity surrounding the cultivation of coca and the blurred lines between legal coca for domestic traditional consumption and illegal coca for drug processing is at the heart of the struggle between growers and the Bolivian and Peruvian governments.

⁷⁴ Crisis Group interview, Lima, 26 October 2004. The helicopters are to be delivered between 2004 and 2006.

⁷⁵ For a better understanding of the role coca plays in Peruvian traditions, see Alain Deletoz Favre, *Huk Kutis Kaq Kasqa, Relatos del Distrito de Coaza* (Cuzco, 1993).

⁷⁶ "...the measures [to eradicate illicit cultivation of narcotic plants] adopted should respect fundamental human rights and will duly take into account traditional licit uses, where historical evidence exists...", United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 1988, Art. 14, Par. 2. The paragraph was added at the request of Bolivia and Peru. Bolivia made a reservation regarding traditional uses of coca upon ratifying the convention.

⁷⁷ UNODC, "Andean Coca Cultivation Surveys 2003", op. cit.

1. Peru

Traditional coca growing areas are not specifically mapped out. One that is recognized is the Convención River Valley in southern Peru. The only authorised buyer of coca leaf, ENACO, is headquartered there.⁷⁸ The law that established it in 1978 stipulates in general terms that coca plants should be "gradually reduced and be limited to exclusively scientific and industrial uses, in harmony with changes in consumption habits" and that new plots can only be started under the aegis of ENACO.⁷⁹

The law created a roster on which coca farmers are required to register the size of their parcels (*empadronamiento*) in exchange for a certificate entitling them to cultivate sell to ENACO. The register was only open for some months in 1978. However, even the registrations that were made have shortcomings. They were never independently verified, and they are not hereditary. Since 1978, therefore, coca plantations should have decreased.

The estimated coca leaf required for traditional consumption in Peru is some 9,000 tons per year⁸⁰ -- compared with actually production of 50,790 tons according to UNODC. In 2003, 4,936 tons for consumption were produced in the traditional cultivation area of Convención.⁸¹ ENACO processes between 2,500 and 3,500 tons per year, which it buys from farmers at the price it sets for the entire country.⁸²

Figures on consumers vary. Some claim there are two million,⁸³ while a more recent study concluded there are four million.⁸⁴ The government does not encourage consumption. But if 9,000 tons are consumed in traditional use annually and only half comes from the traditional growing areas, where does the rest come from and is it considered legal even if the farmers who grow it are not registered as the law requires?

⁷⁸ Another recognised traditional coca leaf producing area is the Alto Marañón river basin (departments of Ancash, La Libertad and Cajamarca, north of Lima), with 900 registered producers and 300 hectares of coca. UNODC, "Peru Coca Cultivation Survey", op. cit., p. 28.

⁷⁹ Ley General de Drogas, 1978, arts. 1, 31 and 33.

⁸⁰ Crisis Group, interview, Lima, 28 October 2004. Other estimates go as high as 13,000 tons.

⁸¹ The Convencion Lares area is the where there is the lowest reported per hectare yield for coca crops in Peru, UNODC, "Peru Coca Cultivation Survey", op. cit., p. 29.

⁸² This is very different from the situation in Bolivia where prices are determined by competition in the market, see Spedding, op. cit.

⁸³ According to a study carried out by the National Commission for Development and Life Without Drugs (DEVIDA) in 2003.

⁸⁴ According to a study by Peru's National Statistics Institute; Crisis Group interview, Lima, 27 October 2004.

The government says 80 per cent of coca grown in Peru goes to the illegal market, an assertion which seems plausible.⁸⁵ In such circumstances, there is little space for coca farmers to argue that their crops are for traditional use only. Coca growers seem to acknowledge this implicitly, as their requests to the government are essentially for leniency in the application of anti-narcotics policies, such as an end to forced eradication in favour of gradual and concerted eradication, or for ENACO to set a higher price.

However, it is also clear that with respect to traditional coca, there is a gap between the amount of hectares registered 27 years ago and unrevised since and the reality of today's consumption. This discrepancy between law and reality has created a grey area which, in the zero tolerance climate promoted by U.S.-driven anti-narcotics policies, nobody is eager to clarify.

Coca growers want the legal limit increased, by updating the ENACO register, which they say does not reflect reality. The government considers the legal coca situation is regulated and opposes changing the register because "registering all coca farmers would mean legalising illegal coca production".⁸⁶ Policymakers argue the market must be better controlled/monitored and question whether ENACO is doing its job as it buys coca under uncertain criteria.⁸⁷

The system could be clarified by a new drug law. Drafts of more draconian legislation have been discussed but never submitted to Congress. However, DEVIDA, Peru's drug control agency, has said the government is preparing a new coca law.⁸⁸ Meanwhile, other bills aimed at combating drug trafficking, such as a new chemical controls law, are due for passage in 2005.⁸⁹

2. Bolivia

All coca is grown in two regions: the Yungas de La Paz north-east of the capital, La Paz, and the Tropic de Cochabamba, commonly referred to as the Chapare, to the south. Law 1008 of 1988 establishes three categories of cultivation areas. Except for a few plots in Cochabamba department, the "zone of traditional production" encompasses a number of provinces in the Yungas, where up to 12,000 hectares are considered legal. The

"zone of excess and transitional production" encompasses the Chapare and several other Yungas provinces, where cultivation is considered to be illegal; but since it has been an important area of agriculture for many years, the government has pledged to apply gradual crop eradication, substitution and alternative development. The "zone of illicit production" includes all other areas of coca cultivation, which is subject to forced eradication without compensation.⁹⁰

While this appears straightforward, it has been at the root of the violent confrontations between the coca grower movement and the government over the last years. To begin with, the area where traditional coca crops are allowed has never been demarcated. It is impossible to know which crops in the "zone of traditional production" form part of the 12,000 permitted hectares and which do not. Though there are indications that crops raised higher up in the Yungas are older and have a better claim to being traditional than those that have appeared since 1998 in the lower parts of the region in the wake of the eradication campaign in the Chapare, government officials cannot differentiate with precision what is "in excess".

Another element that adds to confusion is that nobody in Bolivia knows how much traditional demand for coca exists. The cocaleros in the Chapare and in those parts of the Yungas considered by the government to be "in excess" insist they will resist eradication as long as the demand for traditional coca has not been established by an independent study. They strongly reject that coca leaf is diverted to drug processing and say if the study reveals that more than 12,000 hectares are needed to satisfy traditional demand, the law should be amended.⁹¹

In October 2004, the government of Carlos Mesa and the six coca grower federations of the Chapare, which are the stronghold of their leader Evo Morales, signed an agreement that 3,200 of 7,000 hectares of coca would not be eradicated in a year. Further, they agreed that an independent study would be conducted over that year, and future eradication goals would be based on it.⁹² The cocalero federations also committed to supporting the government in its counterdrug efforts in the Chapare.⁹³

⁸⁵ *El Peruano*, 7 January 2005.

⁸⁶ According to a DEVIDA publication aimed at debunking coca myths, "Falacias del narcotráfico sobre la hoja de coca: la hoja sagrada se degrada", DEVIDA, Lima, October, 2004, p. 34.

⁸⁷ Crisis Group interview, Lima, 28 October 2004.

⁸⁸ *El Peruano*, 7 January 2005.

⁸⁹ Crisis Group interview, Lima, 28 October 2004.

⁹⁰ Ministerio de Asuntos Campesinos y Agropecuarios/Viceministerio de Desarrollo Alternativo, Plan Nacional de Desarrollo Alternativo 2004-2008, La Paz, June 2004, pp. 11-12.

⁹¹ Crisis Group interview, La Paz, 11 November 2004.

⁹² "Acta de entendimiento entre el Gobierno Nacional y las seis Federaciones de productores de coca del Tropic de Cochabamba", Cochabamba, 3 October 2004.

⁹³ The agreement contrasts with one of May 2004 that said no coca crops would be destroyed in the region until the study

Clearly, this move by Mesa, who was under increasing pressure from parliament, the MAS party and the civic associations in Santa Cruz because of his hydrocarbons bill,⁹⁴ aimed at temporarily pacifying the "coca front". While the agreement also reflected Morales's disposition to negotiate with the government, it was only grudgingly accepted by the U.S. embassy in La Paz. The agreement did not specify who would carry out the study⁹⁵ or require the growers to produce proof of end use (traditional consumption or drug processing), and it opened the gates for renegotiation of the amount of coca permitted to be grown in the Chapare. This goes against government policy, which aims at ridding the region of "excess coca". Cocalero protests have ended in the Chapare as a result but not in the Yungas region.⁹⁶

D. COCALERO MOVEMENTS AND SOCIAL PROTEST

The Andean region has been rocked by social protests in 2003 and 2004.⁹⁷ In Ecuador, Bolivia and Peru, protests, lynchings, and strikes in opposition to government failure to deliver basic services, unpopular economic reforms, coca crop eradication and corruption have had a destabilising effect on already fragile democracies. In a context dominated by U.S anti-terrorism rhetoric, the U.S and Andean governments eager to retain funding have been quick to equate social unrest, coca movements and armed movements/terrorist organisations. The involvement of Colombian armed groups with the drugs business has bolstered Washington's insistence that drugs are an issue of national security.

Peru's internal conflict with the now all but wiped out leftist armed insurgent group which terrorised the

had been concluded. "Acuerdo que suscriben el Gobierno de Bolivia y las Federaciones del Tropicó de Cochabamba", Cochabamba, 15 May 2004.

⁹⁴ See Crisis Group Report, *Bolivia's Divisions*, op. cit.

⁹⁵ In November 2004, the word in La Paz was that the EU delegation in La Paz would do it but the mission head told Crisis Group that his office had not even been approached by the Bolivian authorities. Crisis Group interview, La Paz, 10 November 2004.

⁹⁶ On 27 January 2005, police ended a ten-day blockade during which 3,000 cocaleros in the Yungas area (Caranavi) blocked the main access road in protest against the building of an anti-narcotics base. Shortly after the signing of an agreement in the Chapare in November 2004, cocaleros in Undavi (Yungas) claimed that agreements regarding alternative development between the government and cocalero federations in July had not been respected and threatened to blockade the roads, *La Razón*, 13 November 2004.

⁹⁷ Michael Shifter, "Breakdown in the Andes", *Foreign Affairs*, September/October 2004.

country throughout the 1980s and early 1990s, the Shining Path, its past links with drug trafficking and current "cocalero" mobilisations have been tarred with the same "narcoterrorism" brush. In Bolivia, the situation is different because the cocalero movement has gained national political standing under the leadership of Evo Morales and his MAS party. Nonetheless, the MAS is faced with the challenge of reconciling radical cocalero demands, opposing what it calls "criminalisation of social movements" by the elites, some traditional political parties and the U.S. embassy, and Morales's clear goal to succeed Mesa in the presidency. MAS has to show that the charge it represents not only the interests of traditional and licit coca growers but also those of cocaleros involved in drug processing are unfounded.

1. Bolivia

Under Evo Morales, the MAS party has become a formidable political force. Over the last few years, it has broadened its political agenda to include issues such as hydrocarbons and the constituent assembly scheduled to be established in August 2005. While it continues to represent the coca growers, in particular those of the Chapare, it has broadened its support base across the country to include workers, parts of the lower middle class and some urban intellectuals.⁹⁸ In the December 2004 municipal elections, it emerged as the strongest party nationally, with 18.4 per cent. The Movement without Fear (Movimiento Sin Miedo, MSN), a new, non-traditional political force with a focus on combating corruption and poverty, was second with 8.7 per cent and retained the mayor's office in La Paz. The Movement of the Revolutionary Left (Movimiento de Izquierda Revolucionaria, MIR), with 7 per cent, and the Nationalist Revolutionary Movement (Movimiento Nacionalista Revolucionario, MNR), with 6.6 per cent, were the only two traditional parties to win more than 5 per cent.⁹⁹

Since the late 1990s, Evo Morales has been a key figure in orchestrating cocalero opposition to government counterdrug policies, especially eradication of coca crops in the Chapare under Plan Dignidad. When the

⁹⁸ Crisis Group interviews, La Paz, 10 and 11 November 2004.

⁹⁹ Contrary to expectations, the citizen groups (agrupaciones ciudadanas), which for the first time were allowed to run independently, achieved only very modest results. While the MAS clearly emerged as the strongest political party across the country, it failed to equal its historic presidential election victory in 2002, when it won 21 per cent. See electoral data at www.georgetown.edu/pdba/Electdata/Bolivia; www.ifes.org/eguide/resultsum/bolivia_pre_02.htm, www.bolivia.com/noticias/AutoNoticias/DetalleNoticia24237.asp.

"water war" broke out in Cochabamba in April 2000,¹⁰⁰ he led the six coca grower federations in the Chapare. Felipe Quispe, then the head of the rural workers union of Bolivia (Confederación Sindical Única de Trabajadores Campesinos, CSUTCB), sparked the spread of the protest across many other parts of the country, including the highlands, but Morales joined in forcefully by blockading the main highway between Cochabamba and Santa Cruz. Those protests were ended by agreement between the Banzer government and Quispe.¹⁰¹ That did not include the demands of Morales's cocaleros for an end to coca eradication and human rights violations committed by joint police-army eradication forces in the Chapare. Reflecting the deep division within the campesino and worker movement, Quispe later accused Morales of sidelining the CSUTCB during the so-called "congress for unity".¹⁰²

In September 2000, Morales called for a complete halt of coca eradication and made a famous request to the government to allow the cultivation of "one coca field per family" (*un cato de coca por familia*) in the Chapare. He also stressed that coca leaf was not being diverted to drug processing. As eradication continued, so did the protests. Slowly gaining in political stature, he made a point of visiting depressed highland towns and villages while Quispe's support began to wither because he was seen as too conciliatory toward the government.

In May 2001, during the interim government of former Vice President Jorge Quiroga following Banzer's death, Morales led a new round of protests from Cochabamba, this time including not only coca growers but also teachers, workers and the coordinating group of the water protests (Coordinadora del Agua de Cochabamba). The government tried to take down the road blockades and strikes by force and in June 2001 deployed troops to the Yungas highlands to eradicate coca. While Quispe again coordinated the resistance of farmers to the military incursion, which led to the abortion of the operation, he had to rely on support from Morales, Dionisio Nunez, a prominent cocalero leader of the Yungas, and the leader of the water protests, Oscar Oliviera. This time, the agreement signed by Quispe and government officials

included amendments to Law 1008 as well as land reform and economic policy.

The presidential election in 2002 consolidated the standing of Morales and the MAS. According to a senior MAS member, the party emerged as the second-strongest political force in Bolivia because "it was a direct expression of the social movements and represented an interesting alternative that prioritised the equitable socio-economic development of Bolivia, its sovereignty and national dignity".¹⁰³ The rioting that rocked La Paz in February 2003 in reaction to announcement of a new income tax¹⁰⁴ and left 31 dead and at least 100 wounded is, in hindsight, interpreted by the MAS leadership as a moment of real danger to national stability.¹⁰⁵

At the time, however, Morales steered a hard-line course, demanding the resignation of President Sanchez de Lozada and organising campesino protests.¹⁰⁶ According to press reports, he also contacted army and police officers, and it is possible that MAS members were involved in instigating a short-lived rebellion of a police detachment in La Paz on 11 February 2003.¹⁰⁷ Subsequently, Morales changed tune and began to look for alliances with other, less radical forces, such as the Nueva Fuerza Republicana (NFR) led by Manfred Reyes.¹⁰⁸ He also called off mass mobilisations following government concessions on coca eradication in the Chapare.

The ousting of President Sánchez de Lozada on 17 October 2003, amid grave street violence, was sparked by a decision to export natural gas through a Chilean port to Mexico and the U.S.¹⁰⁹ The MAS joined the protests only after they had begun close to Lake Titicaca in the highlands of La Paz in late September. The centre of violence was El Alto, a large shanty town above La Paz, where the CSUTCB under the command of Quispe was mobilising support against the gas exports, and confrontations with state security forces claimed the most

¹⁰⁰ See Crisis Group Report, *Bolivia's Divisions*, op. cit.

¹⁰¹ The signing of the agreement was facilitated by the Catholic Church, the Permanent Assembly for Human Rights of Bolivia and the Ombudsman.

¹⁰² In effect, Quispe and Morales had tried to join their forces during that *congreso de unidad* exercise. However, the two leaders did not attend, and it ended in fistfights between their followers. Magdalena Cajias, "Rebelion y negociacion en el mundo aymara boliviano", in Gonzalo Sanchez & Eric Lair, eds., *Violencias y estrategias colectivas en la región andina* (Bogotá, 2004), p. 508.

¹⁰³ Crisis Group interview, La Paz, 11 November 2004.

¹⁰⁴ See Crisis Group Report, *Bolivia's Divisions*, op. cit., p. 4.

¹⁰⁵ Crisis Group interview, La Paz, 11 November 2004.

¹⁰⁶ On 13 February 2003, Morales reportedly stated: "The struggle in the countryside and the cities is beginning, and it will not end until the government has left the Palace. We want Gonzalo Sanchez de Lozada and Carlos Mesa to resign because they don't know how to do the job, and they are assassins". Morales also contacted his rival, Felipe Quispe, who at the time was in Mexico, to obtain his support in the protests. *La Razón*, 13 February 2003.

¹⁰⁷ *La Razón*, 12 and 13 February 2003.

¹⁰⁸ This move was criticised by Felipe Quispe, who stated that the NFR "is a double-sided sword". *La Razón*, 11 February 2004.

¹⁰⁹ See Crisis Group Report, *Bolivia's Divisions*, op. cit., pp. 4-5.

lives.¹¹⁰ A senior MAS official told Crisis Group that "October was the climax of the government's refusal to listen to the social movements", and "the MAS called upon people to remain calm".¹¹¹ While this ex post facto account tries to qualify the responsibility of Morales and the MAS for the violence that surrounded the ousting of the president, it also reflects the fact that in the beginning the cocaleros and their leadership were not at the frontline of the protests. This was probably because the issue at stake was not coca eradication but the export of natural gas.

During most of the first year of the administration of President Carlos Mesa, Morales further mellowed his tone, oscillating between tacit support and opposition to government policies.¹¹² While negotiations about crop eradication, commercialisation of legal coca and alternative development were ongoing,¹¹³ four other issues dominated the political scene: the referendum on natural gas held on 18 July 2004, the new hydrocarbons bill, the calls for regional autonomy from Santa Cruz and Tarija and the December 2004 municipal elections.¹¹⁴

The above-mentioned agreement between the cocaleros of the Chapare and the government, and the Mesa administration's efforts to broaden alternative development programs in the Yungas helped to take some of the pressure off the eradication struggle. However, government officials in charge of U.S. Agency for International Development (USAID)-sponsored alternative development projects told Crisis Group that "excess" coca crops will continue to spread in the north Yungas, particularly owing to the eradication in the Chapare.¹¹⁵

¹¹⁰ BBC World, "La crisis paso a paso", 18 October 2003.

¹¹¹ Crisis Group interview, La Paz, 11 November 2004.

¹¹² In November 2003, shortly after the ousting of Sanchez de Lozada, Morales met President Lula of Brazil in Santa Cruz. Reportedly, Lula urged the MAS leader to adopt a more moderate stance. Crisis Group interview, La Paz, 10 November 2004.

¹¹³ In 2004, the government signed at least five agreements with the cocalero federations: "Acta de entendimiento entre la ADEPCOCA y el Gobierno Nacional", Unduavi, 7 April 2004; "Acuerdo que suscriben el Gobierno Nacional de Bolivia y las Federaciones del Tropico de Cochabamba", Cochabamba, 15 May 2004; "Convenio entre la Confederación Sindical de Colonizadores de Bolivia, federación Agraria Provincial de Colonizadores de Caranavi y Gobierno Nacional", Caranavi, 12 July 2004; "Acuerdo entre el Gobierno y el Consejo de Defensa de la Hoja de Coca de Origen Milenario e Historico (COADECOM)", Unduavi, 27 July 2004; "Acta de entendimiento entre el Gobierno Nacional y las seis Federaciones de Productores de Coca del Tropico de Cochabamba", Cochabamba, 3 October 2004.

¹¹⁴ See Crisis Group Report, *Bolivia's Divisions*, op. cit.

¹¹⁵ Crisis Group interviews, La Paz, 8 and 10 November 2004. For speculation that the well-irrigated North Yungas will start to attract farmers from the rest of the Yungas and the

Violence in the Yungas is increasing, though not dramatically. During the last three years, there reportedly have been three bomb explosions and coca growers have abducted several people, including a government official. The state has virtually no presence in the higher regions of the North Yungas, where most coca in the five provinces which make up Yungas is grown.¹¹⁶

Whether coca and counterdrug policy will return to the forefront of politics and spark new popular mobilisation will be affected to some degree by the conclusions of the promised independent study on traditional coca demand. But it would be naïve to assume that decisions on political protests or acceptance will be decided by this. Even if thoroughly professional and accepted by some of the federations, politicians and criminal organisations will not take kindly to acceptance of a strong eradication move against illicit coca. The results of much broader alternative development programs in the Yungas will be of great importance. And since the definition of success in that effort is not the same to all actors, there will be fertile ground for political manipulation. Morales is determined to become president and will continue to focus on a broader political agenda in which coca is only one issue among many but he will have to show that he does not tolerate coca leaf diversion to illegal drug trafficking.

2. Peru

Social protest has marked the presidency of Alejandro Toledo, who was voted in following the collapse of Alberto Fujimori's autocratic regime in 2001. Peruvians, disappointed that the election of the country's first president of indigenous descent did not provide a break from the past and the legacy of Fujimori's corrupt administration, have all but withdrawn support, and his approval ratings are below 10 per cent.¹¹⁷ According to its own figures, from January to September 2004 there were 8,956 protests against the government.¹¹⁸

Altiplano due to the attractive coca growing opportunities, see "Cocales de Nor Yungas se extenderán hasta Caranavi", *La Prensa*, 10 November 2004.

¹¹⁶ Most of the coca grown in the Yungas is at an elevation of 1,200-1,800 metres. Only 700 hectares are cultivated above 2,100 meters. "Bolivia Coca Cultivation Survey", op. cit., p. 19. 5,914 hectares are believed to have been cultivated in total in 2003, a 14 per cent increase from 2002.

¹¹⁷ Nineteen of President Toledo's relations and several of his senior advisors have been implicated in a series of influence peddling cases, and he is has replaced eight ministers since the start of his mandate.

¹¹⁸ Defensoría del Pueblo, *Conflictos de Distinta Intensidad entre Población y Entidades Públicas Conocidas por la Defensoría del Pueblo*, 13 September 2004. "Conflicts" were

The widening gulf between the majority and the political class in Lima is at the heart of many of the protests which have destabilised Peru over the past year, creating a climate ripe for individuals or groups with radical, mainly anti-government views to expand. There is a risk that such individuals may seek to capitalise on coca farmers' demands and lack of organisation to involve them in their anti-government rhetoric.

Coca farmers associations have not followed the same rise to power as in Bolivia. What has been called the "Evo Morales effect" has so far not spread, though government officials assert that Peruvian cocalero organisations could "Bolivianise" the country in the wake of marches and protests that reached Lima in February 2003. Officials in the capital claim the coca farmers in the south, around the San Gaban area, are frequently in touch with their Bolivian neighbours.¹¹⁹ However, it is far from clear how close the links are given the atomised structure of cocalero associations in Peru.

Those associations, scattered as they are throughout the vast, isolated coca growing valleys, do not pose a serious threat to the government. They lack the cohesion and unified organisation that Bolivian cocaleros have built. They also lack a charismatic leader like Morales and a unified political view.¹²⁰ Rather Peru's coca farmers are loosely woven into a patchwork of federations. They have negotiated some agreements with the government. However, many of these, they say, have not been respected.¹²¹ After protests in April 2003, the government committed to discussing alternatives with coca farmers

defined as: "the physical expression of circumstances that have been present for a long time, mostly in rural areas", Crisis Group interview, Lima 26 October 2004.

¹¹⁹ The San Gaban -- Puno area relies heavily on trade with Bolivia (legal and illegal -- there is a thriving contraband business as it is on the main highway to La Paz). Crisis Group interview, Lima, 28 October 2004.

¹²⁰ Nelson Palomino de la Serna, the general secretary of the Confederación Nacional de Productores Agropecuarios de las Cuencas Cocaleras del Perú (CONPACCP), is often cited as the most prominent cocalero activist but has nowhere near the political following of Evo Morales. He is also currently serving a ten-year prison sentence for kidnapping a journalist and using a radio station to incite civil unrest. Other radical figures such as the Umala brothers, former army officials with ultra right-wing views and his supporters (mostly Peruvian army reservists) have sought to use the cocalero movement as a springboard for anti-government rhetoric and to join cocalero movements in their protests (see below). Crisis Group interviews, Lima, 26-28 October 2004.

¹²¹ Crisis Group interview, Lima, 27 October 2004.

through a presidential decree encouraging adoption of "gradual and concerted reduction programs".¹²²

Coca farmers have reacted to what they perceive as lack of attention for their cause by marching and striking over the past three years for an end to eradication, withdrawal of NGOs from the coca valleys and an alternative development program that gives money directly to them. Recent protests, such as those against forced eradication of 400 hectares of coca in San Gaban in October 2004 when 800 farmers took over a power station, have been less organised and have concentrated on an end to forced eradication. In San Gaban, violent clashes with the police left three people dead and fifteen injured. Though farmers were not supported by an organised coca farmers association,¹²³ local authorities in nearby Puno expressed solidarity, said the protesters were only reacting to being left without viable economic alternatives, and asked that a state of emergency be declared in Puno's agricultural sector.

Even though no larger coca-driven, political agenda appeared to be behind the protests in San Gaban, Peruvian analysts were concerned by the violence after a period of relative calm since the major protests in February and April 2003. Crisis Group was told that San Gaban was evidence of blocked channels of communication between coca farmers and the government and warned of further violent confrontation, particularly in the current context of democratic meltdown. Coca farmers in the Monzon Valley (Upper Huallaga region) have reportedly threatened to mobilise, and cocalero movements across Peru are said to be preparing a unified legal claim for protection (*recurso de amparo*) based on the argument that their rights under two international conventions are being violated.¹²⁴

The four-day siege of a police station in January 2005 in the town of Andahuaylas, in the coca growing Apurímac-Ene region of the south, by former army major Antauro Umala and 150 army reservists took the country by surprise though it followed a pattern of sporadic outbreaks of violence in remote areas. Analysts were quick to point out that the failure of government intelligence services

¹²² Decreto Supremo No. 044-2003-PCM, adopted on 24 April 2003, authorizing DEVIDA to establish a program of gradual and concerted reduction of coca cultivation.

¹²³ Government officials in Lima claim the coca farmers in southern Peru, around the San Gaban area, are frequently in touch with their Bolivian neighbours. However, it is far from clear whether such close links exist given the highly atomised organisation of cocalero groups in Peru.

¹²⁴ International Labour Organisation (ILO) Convention No. 169 concerning Indigenous and Tribal Peoples in Independent Countries, and the 1988 UN Drug Convention (Article 14). Crisis Group interviews, Lima, 27 October 2004.

to detect the existence of armed radicals was yet another sign of President Toledo's faltering grip. Four policemen and two rebels died, Umala was arrested and his followers gave up.¹²⁵

What drug analysts warn of in Peru is that eradication is putting increasing pressure on farmers, the weakest and least lucrative link in the cocaine chain, and it will not be long before further violence occurs, most likely via the authorities seeking to repress protests.¹²⁶ Events in San Gaban have shown that there is real opposition to U.S.-driven coca eradication policies. The danger lies in the combination of massive, country-wide discontent with the government, simmering anti-U.S. sentiment as a result of drug policies, and armed, radical anti-government elements. The Andahuaylas siege shows that large armed plans can go undetected until too late.

E. COCA AND ARMED ACTORS

Unlike in Colombia, the other coca growing Andean countries do not have the added complication of extricating the illegal drug trade from armed insurrection.¹²⁷ The Shining Path, a Maoist group that waged war against the government throughout the 1980s and early 1990s until the capture of its leader, Abigael Guzman, in 1992, carved out a significant role in the drug trade in the Upper Huallaga Valley, first as an intermediary between farmers and Colombian drug traffickers and later regulating social relations surrounding the trade. However, drug trafficking was never really part of its nationwide project. According to the Truth and Reconciliation Commission, the involvement of some of its fronts resulted more from an

"inability to resist the corrosive forces of the illicit drug trade" than instructions from their central command.¹²⁸

The threat of organised violence by remnants of the Shining Path has been greatly diminished.¹²⁹ Although two columns still operate (one in the Upper Huallaga Valley, the other in the Ene River Valley), it is widely believed that neither has the capacity to act beyond its present zone of influence.¹³⁰ However, there are confirmed reports that the Shining Path has stepped up political "campaigning" in some provincial universities and has co-opted university unions and social organisations.¹³¹

The remnants of the Shining Path are less involved in drug trafficking than the organisation once was.¹³² They are too weak to provide serious protection for traffickers.¹³³ Crisis Group was told they are as involved if not more so in illegal logging along the northern border with Colombia, Ecuador and Brazil.¹³⁴ Given Shining Path's brutal history of abuse of civilians, rural populations would most likely not allow it to re-establish a strong presence.¹³⁵ Nevertheless, the military is taking no chances. It decided in 2003 to rearm local self-defence committees which it relied heavily upon in the early conflict as well as against the Tupac Amaru Revolutionary Movement (MRTA) during the same period.¹³⁶

¹²⁵ Apurimac-Ene, considered one of two "lawless" coca growing areas in Peru, is home to some Shining Path remnants. The "ethnocacerist" movement led by Umala, his brother Ollanta Umala, a retired lieutenant colonel now Peru's military attaché in South Korea, and mentored by their father, is not taken very seriously. Aside from demanding the immediate resignation of President Toledo, its wider aim is a nationalist indigenous movement modelled on the ancient Inca Empire. The Umala brothers' first attempt to wrest power was in October 2000 when they led a 50-man uprising against President Fujimori shortly before his regime collapsed. They were briefly jailed but pardoned. Although in the past Umala has sought to use cocacero discontent to push his anti-government message, coca appeared to have nothing to do with this latest event. Peruvians were also surprised by violence in May 2004 in Illave, in the south, where residents lynched a mayor they accused of corruption.

¹²⁶ "Un conflicto anunciado", *Peru 21*, 21 October 2004; "Diálogo con verdaderos cocaceros; firmeza con los narcotraficantes", *El Comercio*, 22 October 2004.

¹²⁷ For more on drugs and armed actors in Colombia, see Crisis Group Report, *War and Drugs in Colombia*, op. cit.

¹²⁸ Report of the Truth and Reconciliation Commission, op. cit., pp. 769-770.

¹²⁹ The opening of the retrial of Abigael Guzman, former Shining Path leader, in November 2004, which was marked by his and his fellow defendants' courtroom antics, has inflamed anti-terrorist sentiment and elicited calls for stricter conduct of the proceedings lest the trial provide Shining Path a political platform.

¹³⁰ Since 2003 when the Shining Path Ene River column, comprised of some 70 men, briefly kidnapped 71 pipeline workers and ambushed a marine patrol resulting in seven government dead, the organisation has not been very active.

¹³¹ "Refocusing on Sendero Luminoso Resurgence", *Latin American Security and Strategic Review*, September 2004.

¹³² Crisis Group interviews, Lima, 25, 26 and 27 October 2004.

¹³³ *Ibid.*

¹³⁴ Crisis Group interview, 25 October 2004. For this reason, Crisis Group was told, some alternative development projects in the forestry sector are being looked at. Illegal logging is linked to coca growing.

¹³⁵ Crisis Group interview, Lima, 26 October 2004.

¹³⁶ The Peruvian Minister of Defence, Roberto Chiabra, was reported to have provided 80 rifles to twenty self-defence committees in the Ayacucho region, the birthplace of the Shining Path, in December 2004, *Peru 21*, 1 December 2004. These self-defence committees have also been criticised for brutality. Report of the Truth and Reconciliation Commission, op. cit.

There have been isolated reports of Shining Path and MRTA militants¹³⁷ operating in Bolivia, in the coca-growing regions of Cochabamba, and planning establishment of "liberated zones".¹³⁸ Rumors of FARC Amazonian front commander Isafías Perdomo's connections with drug mafias in Peru's northern jungle region have also suggested that links between the FARC and the Shining Path are being developed.¹³⁹ Such reports must be considered anecdotal at best given the weakness and isolation of Shining Path and MRTA remnants.

In Bolivia, every now and then rumours of links between cocaleros and armed groups from Colombia or Peru hit the headlines. Probably the best known case is that of Francisco Cortez, a Colombian who was arrested with eight cocalero leaders in the Chapare on 10 April 2003 on charges of membership in a terrorist organisation and planning a terrorist attack. Allegedly Cortez also served as adviser to the former mayor of La Asunta municipality in the Yungas, who was arrested for possession of three kilograms of cocaine.¹⁴⁰ In late December 2004, a Bolivian court allowed Cortez to leave prison for house arrest while awaiting his trial.¹⁴¹

In La Paz Crisis Group heard different accounts as to his alleged links to a Colombian armed group. Some observers said he belonged to the ELN, others that he was a FARC member.¹⁴² The head of the anti-narcotics police (Fuerza Especial de Lucha Contra el Narcotráfico, FELCN) ruled out any links between the coca grower movement and "subversive groups".¹⁴³ A former minister of the interior insisted that it was never proven the ELN was building a clandestine network in Bolivia of which Cortez could have been a part, and the story was launched by the U.S. embassy to put pressure on Evo Morales.¹⁴⁴

Morales was again accused of links to the Colombian insurgents following the arrest of FARC member Rodrigo Granda in Colombia in December 2004 because

his name was found in a notebook carried by Granda.¹⁴⁵ The MAS leader reacted strongly, denouncing an international campaign to discredit him and threatening legal action against former U.S. Southcom Commander General James Hill, who told a U.S. newspaper it was probable that Venezuelan President Hugo Chavez had channelled funds to him.¹⁴⁶

Given the strong organisation of the cocalero movement in Bolivia and its high degree of social cohesion, it would be difficult for any clandestine organisation from abroad to take root in its territory. Bolivia has also not had any domestic insurgency over the last decades.

¹³⁷ Maoist insurgents responsible for the Japanese embassy siege in Lima in December 1996.

¹³⁸ "Peruvian terrorists, aided by drug ties, re-emerge", *The Washington Times*, 11 November 2004.

¹³⁹ According to a report by the Spanish intelligence firm Análisis y Inteligencia, in *El Nuevo Herald*, 28 October 2004.

¹⁴⁰ Crisis Group interview, 10 November 2004.

¹⁴¹ Dirección Nacional de Comunicación Social, *Monitoreo de noticias*, La Paz, 23 December 2004; *El Tiempo*, 11 January 2005.

¹⁴² Crisis Group interviews, La Paz, 8 and 10 November 2004.

¹⁴³ Crisis group interview, La Paz, 9 November 2004.

¹⁴⁴ Crisis Group interview, La Paz, 11 November 2004.

¹⁴⁵ Granda's arrest caused one of the most serious diplomatic clashes between Colombia and Venezuela in recent years. Colombian police first said he was arrested in the Colombian city of Cucuta on the Venezuelan border. In early January 2005, it transpired that he had actually been caught in Caracas by Venezuelan police who took him to Cucuta and received money from the Colombian authorities.

¹⁴⁶ *The Miami Herald*, 25 January 2005.

III. COUNTER-NARCOTICS POLICY

A. THE ANDEAN COUNTERDRUG INITIATIVE

The U.S. government is the main financier of the war on drugs in the Andes. Assistance is mainly channelled through the Andean Counterdrug Initiative (ACI), which encompasses the region as a whole, in order to enhance support to Bolivia as well as Colombia's neighbours Peru, Ecuador¹⁴⁷, Venezuela, Panama and Brazil and fortify their efforts to preempt "spillover" of the drugs problem. A large part of the ACI focuses on providing the military and police with assistance and counter-narcotics training. The bulk of this aid, some \$464 million of \$731 million in 2005, is allocated to Colombia, with priority given to counterdrug and counter-terrorism activities; \$272 million is destined for alternative development programs in Colombia.¹⁴⁸ The rest of the assistance is distributed among the other countries of the region. In 2005, \$91 million has been earmarked for Bolivia and \$112 million for Peru,¹⁴⁹ with an emphasis on eradication and law enforcement. The FY2006 budget just presented by President Bush to the Congress proposes similar allocations but would cut alternative development and institution building by 20 per cent in Peru and 10 per cent in Bolivia.¹⁵⁰

Hundreds of millions of dollars have been spent on involving Andean security forces (mostly the police but also the military), in counter-narcotics operations. Although Colombia has so far been the main recipient of military aid, other Andean countries, which produce less than half of the coca Colombia produces, have also received assistance. In 2003, largely in support of eradication programs and to counter what was considered the emerging threat of cocalero movements, Bolivia received significant military and police aid.¹⁵¹ Assistance to Peru has been somewhat more restrained in light of the anti-democratic behaviour of the former

¹⁴⁷ Ecuador is home to the only U.S. Southcom Forward Operating Locations (FOL) on the South American continent. The air force base in Manta is crucial for drug monitoring in the entire region.

¹⁴⁸ See Crisis Group Report, *War and Drugs in Colombia*, op. cit.; S.2812, Foreign Operations, Export Financing and Related Programs Appropriations Act, 2005.

¹⁴⁹ Ibid.

¹⁵⁰ Correction version of FY2006 budget submission for foreign operations. Corrected%20International%20Affairs%20Budget%20062.doc/C58EA28C-18C0-4a97-9AF2-036E93DDAFB3/Corrected%20International%20Affairs%20Budget%20062.doc?attach=1.

¹⁵¹ www.ciponline.org/facts. In 2005, \$49 million is destined to police and military assistance and \$42 million to economic and social programs.

Fujimori government.¹⁵² Overall, however, despite past evidence of questionable human rights records and corruption, few objections have been raised about U.S. assistance to Andean security forces.¹⁵³

While a regional approach to the illegal drugs problem is essential, applying the same militarised strategy as in Colombia to Peru and Bolivia dangerously ignores local coca market dynamics as well as the destabilising political undercurrents that have developed in "defence of coca". U.S.-driven counter narcotics policies in Peru and Bolivia have contributed to straining relationships between farmers and the government, increased anti-U.S. sentiment, been identified with human rights abuses and sparked mass protests by coca farmers resulting in violent confrontations and deaths.

The elimination of coca crops, whether voluntary or forced, has not resulted in the expected substantial and sustained reduction of coca crops. Much of this is due to the absence of sufficiently broad alternative development efforts that could provide coca farmers a reasonably comparable income than they stand to earn from growing coca. Throughout the 1980s and 1990s, a number of alternative development projects offered to coca growers who agreed to eradicate their crops failed to get off the ground, and farmers returned to coca. In part, this was also prompted by farmers seeking rewards by replanting coca and eradicating it again.¹⁵⁴ In some areas, such as the Yungas in Bolivia, farmers distrustful of any government initiative are more than reluctant to participate in alternative development programs.¹⁵⁵

Yet, eradication alone cannot eliminate coca. Alternatives are needed. Development projects implemented by European agencies which do not condition participation on coca eradication might serve as an example for future "preventive alternative development". But at some point illegal coca cultivation must actually end if the assistance programs are to continue.

U.S. aid has also taken the form of trade preferences. In 1991, the Andean Trade Preferences Act was passed to benefit Colombia, Ecuador, Bolivia and Peru by providing "real alternatives to drug production and trafficking for farmers and workers".¹⁵⁶ Close to 50 per

¹⁵² Ibid. In 2005, \$62 million goes to military and police assistance and \$50 million to economic and social programs.

¹⁵³ "Country Reports on Human Rights Practices - 2004", U.S. Department of State, 28 February 2004, at <http://www.state.gov/g/drl/rls/hrrpt/2004/41750.htm>, <http://www.state.gov/g/drl/rls/hrrpt/2004/41771.htm>.

¹⁵⁴ Crisis Group interview, La Paz, 9 November 2004.

¹⁵⁵ Crisis Group interview, La Paz, 8 November 2004.

¹⁵⁶ "Renewal of the Andean Trade Preferences Act", presentation by Alan Larson, Under Secretary for Economic,

cent of the exports of the Andean Community of Nations (CAN) go to the U.S. The Andean Trade Promotion and Drug Eradication Act (ATPDEA) was approved in August 2002, expanding the earlier act to extend further benefits unilaterally until December 2006.¹⁵⁷

The ATPDEA, as a tool for creating economic alternatives, has potential but opportunities created by reduced trade barriers need to trickle down to the rural sector -- the thousands of farmers who work in the coca fields. Even though there is much opposition to free trade with the U.S. from sectors that see it as more a concession that allows Washington to exploit Andean markets and take advantage of their lack of competitiveness, Andean countries could bolster their position by negotiating as a bloc. However, the U.S. has said that the eventual signing of the projected agreement on a Free Trade Area of the Americas (FTAA), will end drug-related trade preferences.¹⁵⁸

B. THE TERRORIST CONNECTION?

In 1989, the first President Bush announced the "Andean Strategy" to reduce illicit narcotics entering the U.S. Over the last decade, this strategy has expanded, and "source country" counter-narcotics operations have been intensified. In April 2001, President George W. Bush announced the ACI, including \$731 million per year funded through the State Department's International Narcotics and Law Enforcement (INL) account and an estimated \$107 million more through the Defence Department. While the majority (57 per cent) of the aid was (and still is) set aside for Colombia, the package included a relative increase for security assistance to other countries in the region, ranging from 34 per cent for Brazil to 20 per cent for Bolivia. Alternative development was increased in the last fiscal year though only for Peru, but a cutback is proposed in the FY 2006 budget.

That Colombia remains at the centre of ACI is justifiable considering it is the world's leading producer of cocaine. However, the counter-terrorism spin that counter-

narcotics assistance has been given is not appropriate for Peru and Bolivia, which do not have (or no longer have, in Peru's case) terrorist organisations but rather a myriad of small family unit-based coca farms that produce for the legal market as well illegal trade.

The introduction of terrorism rhetoric into the war on drugs and the branding of them as delinquents and terrorists has not improved the chances of dialogue with coca farmers and has polarised the issue further between farmers and the government. In Peru, owing to the armed conflict with Shining Path, the government has a legal framework with which to bring a terrorism charge, as when cocalero leader Nelson Palomino de la Serna was arrested in the midst of violent coca farmer protests on 21 February 2003. However, the introduction of terrorism into the coca equation in Peru simply does not reflect today's reality.

U.S. pressure for increased involvement of the armed forces in anti-narcotics is particularly delicate in countries with histories of human rights abuses by the military such as Bolivia and Peru. In the latter memories of drug-related corruption in the military are still fresh. Human rights abuses committed by the military during the two decades of internal armed conflict have been exposed by the Truth and Reconciliation Commission, which found that state officials, self-defence committees and paramilitaries were responsible for over 37 per cent of the deaths and disappearances in its cases.¹⁵⁹ It further found links between the military and drug trafficking, after the government regained the Upper Huallaga Valley from Shining Path.¹⁶⁰

Drug-related corruption scandals have reached high levels in the Peruvian government as well. The most notorious scandal involved Vladimiro Montesinos, the national intelligence adviser to former President Alberto Fujimori. Montesinos's extensive connections with the drug business are unquestioned today and reach back to the early 1990s when he cemented them by acting as a defence lawyer for drug traffickers. The "protection" he provided came to light through the testimony of convicted drug trafficker Demetrio Chavez Peñaherrera

Business and Agricultural Affairs, Senate Finance Committee, 3 August 2001, at www.ustr.gov/Trade_Development/Preference_Programs/ATPA/Section_index.htm/.

¹⁵⁷ Despite requests of the Andean governments, it does not extend the preferences to Venezuela. The largest beneficiary of the ATPDEA has been Colombia.

¹⁵⁸ Governments in the region have stated that a key reason for negotiating the FTAA is to ensure that market access provisions in the ATPDEA are made permanent. However, in the negotiations rounds in Atlanta in June 2004, the U.S. position was that all tariffs on all products are on the table for negotiation, and preferences would not be taken in account.

¹⁵⁹ "Peru: The Truth and Reconciliation Commission -- a first step towards a country without injustice", Amnesty International, AI Index: AMR 46/003/2004, 26 August 2004.

¹⁶⁰ The Commission found that: "Between 1990 and 1992 the corrosion of drug trafficking reached many members of the army to the extent that we cannot accept as mere coincidence the fact that most of the counter-insurgency bases in Upper Huallaga were located close to clandestine landing strips". Of the 56 officials belonging to the Peruvian army Huallaga Front accused of being involved with drug trafficking in the 1980s and 1990s, only five have been sentenced. Truth and Reconciliation Commission Final Report, op. cit., p. 770.

("El Vaticano") in 1996, who claimed he paid Montesinos \$50,000 a month to operate a clandestine landing strip in the Huallaga region in the early 1990s.¹⁶¹

Throughout Fujimori's regime and despite an increasingly questionable human rights record, Peru was one of the closest U.S. allies in the fight against drugs, with Montesinos acting as the main contact despite mounting concerns in the U.S. Congress due to allegations of corruption and human rights violations.¹⁶² It was not until mid-2000, when Montesinos was connected with an international arms trafficking deal involving the sale of 50,000 Kalashnikovs to the FARC, that Washington completely severed ties with him. Montesinos is now serving a prison sentence in Peru on charges of corruption, arms smuggling and homicide.

The history of the Peruvian military's involvement with drug trafficking has meant that the U.S. has not pushed for a greater role for it to have a greater role in counter-narcotics activities. Eradication activities in Peru are carried out by civilians employed by Control and Reduction of Coca Leaf in the Upper Huallaga (CORAH, Special Eradication Project), a government entity tasked with coca leaf eradication throughout Peru. The antinarcotics police (DIRANDRO) are limited to providing a security cordon around the areas being eradicated.¹⁶³

In Bolivia, the U.S. has promoted eradication by joint police-army units.¹⁶⁴ In the Chapare region, where most eradication has been carried out, human rights organisations documented dozens of deaths at the hands of security forces, arbitrary detentions, arbitrary searches,

suppression of peaceful demonstrations and excessive physical violence. The implementation of Plan Dignidad from 1997 to 2002 and its emphasis on eradication above all else, resulted in the death of 33 coca growers and 27 members of the security forces in confrontations.¹⁶⁵ Many abuses by the security forces have never been investigated.¹⁶⁶ Beyond funding several of the human rights offices where complaints are received, the U.S. has done little to press Bolivia to address the impunity of security forces.¹⁶⁷

C. ERADICATION AND ALTERNATIVE DEVELOPMENT

Eradication of illegal coca crops is a cornerstone of U.S. counter-narcotics policy in the Andes. Regional governments set yearly targets with Washington in exchange for which they receive assistance in their counterdrug efforts. A country previously ran the risk of being decertified for non-cooperation by the State Department, which generally meant suspension of aid, unless, as frequently happened, this penalty was waived for national security reasons. Following frequent protest from Latin American countries, the certification requirement was altered in 2001, to require adherence to an international standard, with the OAS playing a role.

Coca crops are aerially sprayed in Colombia but not in Peru and Bolivia. Eradication can take place with the agreement of the farmer, under government supervision, and in the past on the basis of monetary compensation, technical assistance and other benefits, or it can be forcefully carried out by security forces or specially hired eradication workers.¹⁶⁸ In recent years, agreements have been made with the communities for eradication in exchange for access to alternative livelihood opportunities and the financing of community infrastructure. Coca farmers see eradication as a government attack on what frequently is their only means of survival in bleak rural conditions. Even if offered technical assistance and other benefits, they often are mistrustful. The various USAID counterdrug programs linked to voluntary community agreements normally last one or two years after eradication occurs before being phased out, usually then

¹⁶¹ Ibid., op. cit., p. 765.

¹⁶² Reports of Montesinos's shady connections were known to the U.S. government early on. In 1990, the Peruvian press released reports of his links with drug traffickers and members of the military violating human rights. In 1992, the U.S. embassy in Lima reported to Washington: "Montesinos has reached near mythical/sinister proportions in Lima rumour mill. Of concern for U.S. policy is the existence of inconclusive evidence and recurring allegations linking Montesinos to drug trafficking corruption. There are significantly more rumours than facts concerning Montesinos" The U.S. embassy in Peru has published on its website a number of declassified State Department documents from 1990 to 2000, related to Montesinos and more generally to drug trafficking, at <http://peru.usembassy.gov/wwwsclasse.shtml>.

¹⁶³ DIRANDRO was brought in to provide security after a number of coca eradication workers were killed. Some 40 coca eradication workers have died in the past years in individual incidents of armed confrontation or booby traps placed on paths leading to coca fields. Crisis Group interview, Lima, 28 October 2004.

¹⁶⁴ Crisis Group interview, La Paz, 8 November 2004.

¹⁶⁵ See Kathryn Ledebur, "Coca and Conflict in the Chapare", Washington Office on Latin America (WOLA), *Drug War Monitor*, vol. 1, no. 1, Washington DC, July 2002.

¹⁶⁶ Ibid.

¹⁶⁷ Colletta E. Youngers and Eileen Rosin, eds. *Drugs and Democracy in Latin America, the Impact of U.S. Policy* (Boulder, 2005), p. 145.

¹⁶⁸ Crisis Group interviews, La Paz, 8-10 November and Lima 25-28 October 2004.

to be complemented by regular development aid. But overall funding is less than sufficient.

Eradicating coca crops without giving farmers a viable alternative has meant that in many cases Bolivian and Peruvian growers have gone back to planting coca. Farmers who willingly gave up their coca plants in exchange for compensation have also returned to coca after failed attempts to introduce alternative licit products or, in the 1990s, because they sought to get additional money by replanting and again eradicating.¹⁶⁹

Agroyungas, an alternative development project started in 1985 with \$21 million in UN funding in Bolivia's Yungas region that eventually fell apart was typical. The basic idea was to substitute an improved variety of coffee not indigenous to the area. There were problems with pests and shortfalls because coffee can only be harvested once per year (unlike coca which has three or four crops). The death blow came when the coffee market collapsed in 2000.¹⁷⁰

There is little evidence that reduced dependence on coca through alternative development alone has translated into less coca. In the past, the main objective was to encourage farmers to move to licit crops and alternate incomes. However, the policy now focuses increasingly on providing community infrastructure. Thus, alternative development projects in Peru and Bolivia have provided remote areas long abandoned by the government with roads, bridges, schools and other facilities. Such improved infrastructure provides a boost as it enables farmers to get products to the market.¹⁷¹ The health benefits of water systems are also considerable.

The current strategy sensibly combines acknowledgement that licit crops have to be paralleled by support for off-farm income-producing activities as well as community infrastructure. But funds are rarely sufficient to the task or sustained over a long enough time frame.

Alternative development has had a range of individual successes, which have produced social infrastructure and generated significant exports -- some sustained, most not. But the primary objective of producing a sufficient alternative to coca has failed. Only in those rare instances where it has been combined with intelligent law enforcement, interdiction and community-based voluntary eradication has it had success over time. UNODC in Peru, for example, has

done well with some projects but says the needs far exceed its budget.¹⁷² A palm oil extraction factory in north eastern Peru called OLAMSA, located in the remote Ucayali region which was once a Shining Path stronghold, generates earnings of \$8,000 to \$10,000 per year for each of 370 palm producers involved but was described to Crisis Group as "the exception, most are not as successful".¹⁷³ The EU Commission has financed an infrastructure and productive initiative project worth €2.6 million in Pozuzo and Palcazu called.¹⁷⁴ Germany has financed a project through its development agency, GTZ, in the Alto Huallaga valley.¹⁷⁵

In Bolivia, USAID has financed the largest alternative development programs with crop substitution components in the Chapare region since 1979.¹⁷⁶ An estimated \$229 million has been spent in the country since the beginning of the 1980s.¹⁷⁷ The strategy has had some success as licit crops in the region have increased in the last decade from 40,000 hectares to 135,300 hectares, along with farmer income.¹⁷⁸ U.S government reports concluded that the total value of agricultural produce from alternative development projects exceeds that from illegal coca.¹⁷⁹

The Consolidation of Alternative Development Efforts in Bolivia Project (CONCADE), started in 1999 and based in Cochabamba, has improved on the concept the Cochabamba Regional Development Project (CORDEP) introduced earlier in the decade with a market-driven approach to licit products such as

¹⁷² Crisis Group interview, Lima, 25 October 2004.

¹⁷³ By way of comparison, the estimated yearly earnings for a family growing coca are \$1,344 (\$112 per month), UNODC, "Peru Coca Cultivation Survey", op. cit., p. 33.

¹⁷⁴ Programa de Desarrollo Alternativo en las Areas de Pozuzo Palcazú (PRODAPP). "The Contribution of the European Commission to the Implementation of the Panama Action Plan on Drugs", December 2004, www.europa.eu.int/cgi-bin/etal.pl.

¹⁷⁵ GTZ is currently funding a €2 million alternative development project in the Tocache area of the Upper Huallaga. There are somewhere between 400 and 4,000 hectares of coca in the area.

¹⁷⁶ From all its donors, the government managed to gather \$381 million to finance alternative development projects from 1983-2003, Plan Nacional de Desarrollo Alternativo, Ministerio de Asuntos Campesinos y Agropecuarios, p.13.

¹⁷⁷ According to the U.S. Government Accounting Office, 2002, p.6. Other sources, quoted in Linda Farthing, "Rethinking Alternative Development in Bolivia", WOLA, February 2004, go as high as \$310 million.

¹⁷⁸ There are 40,000 families assisted by alternative development projects in the Chapare region, each receiving \$2,275 per year compared with the average per capita income of \$869. "Alternative Development Successes", January 2004, USAID Briefing.

¹⁷⁹ Ibid.

¹⁶⁹ Crisis Group interview, La Paz, 9 November 2004.

¹⁷⁰ Crisis Group interview, La Paz, 11 November 2004.

¹⁷¹ Residents say the roads built in the Chapare are not suitable for their vehicles but rather for the four-wheel drives used by development workers and the army. Spedding, op.cit., p.332.

bananas, pineapples, palm hearts, black pepper and citrus fruit.¹⁸⁰ For a period, USAID was unwilling to work with municipal governments led by those who were seen as directly financed by or linked to coca growers' associations. Where MAS candidates have won, however, that practice has changed, and municipal development support is now more broadly available.

The EU Commission has contributed over €30 million to alternative development in Bolivia, the largest project (€19 million) being in the Chapare region.¹⁸¹ Its policy is based on four lines: not conditioning assistance on eradication of coca; participation of communities in operational plans; a holistic approach taking into account health and education; and simultaneous implementation of projects in coca producing areas as well as areas which farmers leave.

Some alternative development projects run by local farmer associations have been successful. For example, a banana project in the Ivirgarzama sector of the Chapare region, with 26 members, has stayed afloat by supplying a local company, which places the bananas on the national and international markets. Marketing support, multiple annual harvests, and the constant supply of labour required by banana crops, which is similar to that required on the coca plantations, have meant that farmers have stuck with the project.¹⁸² Where forced eradication has occurred, it has led to some violent protests and increased radicalisation.

The balancing act that the Andean governments have to carry out -- between eradicating coca crops in order to maintain aid levels from the U.S. and preventing violence against eradication -- is paid lip service to by policy makers. The U.S. State Department's 2003 report on Peru states: "due to the potential for social unrest, forced eradication was limited to 'non-conflictive' areas."¹⁸³ The UNODC report for the same year states: "thus far, no eradication measures have been carried out in Apurimac, mainly because of continuous social unrest and demonstrations by growing coca organisations".¹⁸⁴

Crisis Group was repeatedly told there are areas in which coca is grown and to which few outsiders have access because they are "controlled by narco-traffickers".¹⁸⁵ However, where known "narco-controlled" areas are left out of eradication plans, new coca growing areas are targeted to make up annual quotas.¹⁸⁶ This can result in areas where eradication should be at its most focused being untouched at the same time as the government risks creating new tension -- as in San Gaban (Peru) in October 2004 -- by moving against other areas.

Alternative development does not always go hand in hand with voluntary eradication. In Peru, government technicians attempt to convince communities and then supervise the eradication once there is agreement in writing. Government agents are only able to meet with "not so hard core communities" as areas under the control of drug traffickers are off limits.¹⁸⁷ Under voluntary eradication, communities are given 200 days to eradicate their crops. Each family receives \$180 as seed capital, is paid day wages for participation in community projects and is given technical assistance in titling its lands. DEVIDA, which receives a large portion of its funding from the U.S. and a lesser amount from EU governments, gives the money but the communities decide whom they want to execute the project.¹⁸⁸ In 2004, in Peru, 7,605 hectares were eradicated, 2,733 voluntarily.¹⁸⁹ In Bolivia, 8,425 hectares were eradicated in total.¹⁹⁰

Like CORAH, the entity responsible for forced eradication, the CADA agency responsible for the technicians who seek to work with the communities depends on the Ministry of Interior. But coordination between agencies is lacking. Crews on the ground are often not informed of eradication plans and claim to have been placed in the unfortunate situation of being present when helicopters for forced measures land unexpectedly in the very community they are trying to convince to cooperate.¹⁹¹ Such blunders accentuate coca farmer distrust.

¹⁸⁰ "Alternative Development in the Cochabamba Tropics, 1999 to 2003", Vice Ministry of Alternative Development, Ministry of Agriculture and USAID, April 2004. USAID has also supported a series of initiatives in the Yungas region.

¹⁸¹ Programa de Apoyo a la Estrategia de Desarrollo Alternativo en El Chapare (PREDAEC), "The Contribution of the European Commission", op. cit.

¹⁸² However, in order for banana crops to be profitable, each producer should ideally have an average of ten hectares (some in this project have up to 30), which is considered an above average holding in Bolivia and not within every farmer's reach. Spedding, op.cit., pp., 328, 329.

¹⁸³ U.S. State Department, INCSR 2003, Peru section, op. cit.

¹⁸⁴ UNODC, "Peru Coca Cultivation Survey", op. cit., p. 22.

¹⁸⁵ Crisis Group interviews, Lima, 25, 26 and 27 October 2004.

¹⁸⁶ Crisis Group interview, Lima, 28 October 2004.

¹⁸⁷ Crisis Group interview, Lima, 28 October 2004. The technicians belong to the Alternative Development Assistance Unit (CADA).

¹⁸⁸ "Estrategia de desarrollo alternativo en el marco de la lucha contra las drogas", in *Reflexiones sobre El Desarrollo Alternativo en los países del área andina*, Fernando Larios, Fernando Hurtado, eds, (Lima, 2004), p. 89.

¹⁸⁹ According to CADA, Crisis Group interview, 9 February 2005. This is 1,044 hectares less eradicated (in total) than in 2003.

¹⁹⁰ *La Razon*, 31 January 2005. Over 9,000 hectares were eradicated in the previous year.

¹⁹¹ *Ibid.*

On the lessons learned scale, Peru is somewhere between Bolivia, where alternative development started earlier, and Colombia where due to the armed conflict and the sheer amount of coca, alternative development poses special challenges. There are further reasons for alternative development being easier in Peru and Bolivia. First, many coca farmers grew other crops before they started planting coca, as opposed to moving to the country from the cities to plant coca and become rich as in Colombia.¹⁹² This facilitates their conversion to other crops. Secondly, there are social structures in many rural sectors, an essential component of any alternative development endeavour. Thirdly, many coca growing areas are near small villages where transport and communication infrastructure already exists.¹⁹³

In Peru and Bolivia, there is a marked difference between USAID-funded alternative development projects and those of European development agencies. The latter have the objective to increase the efficiency and productivity of licit crops without forcing farmers to eradicate. Growers can join and still plant coca -- "we do not ask them if they have coca".¹⁹⁴ When asked how this approach relates to the increase in coca crops, the answer was: "there may be an increase in coca but this does not take away the fact that people want to work with licit crops". Basically, there is European acknowledgment that for the time being alternative development must coexist with the strong drug industry.¹⁹⁵

By contrast, U.S. funded programs work on the principle that all assistance is conditioned, at some point, on eradication, and if coca leaf farmers fail to comply or simply refuse their coca will be eradicated. Some farmers pretend to eradicate their plants but replant the bushes days later; others dig up old plants that are no longer productive and use alternative development money to start new vigorous plants.¹⁹⁶

In the face of a number of failed projects in Bolivia and Peru, alternative development funded by USAID, European national agencies and the EU now focuses more on integral development, with emphasis on "area development". However, more funding is needed.¹⁹⁷ Donor interest in the projects, in particular from Europe, has waned because of lack of coordination with U.S. programs, opposition by parts of the coca growing constituencies, and failure to produce convincing results with respect to sustainable long-term reduction of coca production.¹⁹⁸

D. INTERDICTION

Interdiction has not prevented the domestic drug business from continuing and evolving in Bolivia and Peru following the withdrawal of Colombian buyers in the 1990s. Although Peruvian coca production has been much larger than Bolivia's, the seizure figures for both cocaine and coca leaf are similar.¹⁹⁹

The anti-narcotics police, DIRANDRO, claim that Peru's criminal "*firmas*" have remained small "family businesses" and have not mushroomed into cartels but their main battle is to control a massive territory, particularly the borders with Brazil, Colombia and Bolivia, where traffickers have virtually free run. There are 2,400 kms of coast and 500,000 square kms. of jungle bordering on Brazil. Both UNODC and the U.S. point to the authorities' apparent inability to stem the export of large quantities of cocaine from seaports.²⁰⁰ A third vector for export of Peruvian cocaine is through Bolivia to Brazil, Argentina and Chile.²⁰¹ In 2003, the police seized some seven tons of cocaine and coca base,²⁰² a significant decrease from the average of thirteen tons seized annually since 1994.

A Bolivian official engaged in alternative development projects in the Yungas region complained to Crisis Group that the government was unable to have an impact because there was no control of cocaine base or cocaine processing facilities or interdiction of drug

¹⁹² Crisis Group Report, *War and Drugs in Colombia*, op. cit.

¹⁹³ Crisis Group interview, Lima, 25 October 2004.

Interestingly, the Peruvian government's latest alternative development strategy focuses on productive development in areas which have the most potential because they have better soil, some infrastructure, and are socially better organised. This is in response to lessons learned from when alternative development in its "substitution of illegal crops" mentality sought to follow illegal crops to ever more remote areas without tangible results. "Estrategia de desarrollo alternativo en el marco de la lucha contra las drogas", op. cit., pp. 83, 88.

¹⁹⁴ Crisis Group interview, Lima, 26 October 2004.

¹⁹⁵ Crisis Group interview, Lima, 26 October 2004. The same official told Crisis Group that it is only when "drug trafficking dominates" that the space for alternative development closes.

¹⁹⁶ Coca bushes are eradicated by using a specially designed tool called "cococho", which pulls the plants up at the roots.

¹⁹⁷ Crisis Group interviews, Lima 25 and 28 October 2004 and La Paz, 8 and 10 November 2004.

¹⁹⁸ Crisis Group interviews, La Paz, 8-11 November 2004.

¹⁹⁹ U.S. State Department, INCSR 2003, op. cit.

²⁰⁰ UNODC, "Peru Coca Cultivation Survey, op. cit., p. 1 and INCSR 2003, op. cit., Peru section. U.S. government-sponsored port security projects are progressing slowly as they are hampered by inter-government agency rivalries.

²⁰¹ "National Drug Control Strategy 2004", Washington, March, 2004, White House Office of National Drug Control Policy, p. 39.

²⁰² U.S. State Department, INCSR 2003, op. cit.

shipments.²⁰³ In effect, since a military operation in June 2001, which had to be aborted because of strong coca grower resistance, the state has been unable to get a foothold in the region. The Narcotics Affairs Section (NAS) of the U.S. embassy contributed to the building of a police post on the only road leading into the Yungas but it has not gone into service because of resistance from farmers of the traditional coca growing areas.²⁰⁴

The Bolivian authorities lack of interdiction capability was admitted by the head of the anti-narcotics police, according to whom of the 36 to 40 tons of cocaine base produced in 2004 just ten tons were intercepted. While it is known that there are a few drug processing facilities in the Yungas and many more in El Alto just above La Paz and in the Chapare, the government refrains from acting because of well-founded fears that vigorous law enforcement and interdiction could spark cocalero mobilisation with the potential to bring down the Mesa administration. Officials also acknowledge they are wary of the influence of Evo Morales among the coca growers of the Yungas. According to one, MAS controls the combative cocalero federations in the municipalities of La Asunta and Caranavi in the Yungas.²⁰⁵

Legislation for prosecution of drug related offences throughout the Andes has been modelled on tough U.S. narcotics laws with mandatory minimum sentences for offenders. Most U.S. antinarcotics assistance is skewed towards law enforcement; little has helped strengthen judicial systems.²⁰⁶ In Ecuador, for example, drug laws tend to target low level offenders, such as drug couriers (*mulas*, "mules"), and drug users, usually from the poorest and most vulnerable sectors of society, rather than the big fish.²⁰⁷ The numbers arrested in the past four years are relatively high but the law makes no distinction between an international drug trafficker and a "mule".²⁰⁸

Although the number of arrests does not necessarily correlate to advances in the war on drugs, governments quote them regularly for this purpose. As an official put it to Crisis Group: "If they want to beef the numbers up, they just will go out and round up a bunch of drug addicts".²⁰⁹ The prisons are full of small time traffickers, individuals whom the bigger players have paid to carry a few capsules of cocaine across the border.

²⁰³ Crisis Group interview, La Paz, 8 November 2004.

²⁰⁴ In late January 2005 farmers were continuing to block the building of the police post, although the authorities had several times offered to suspend construction until a consensus with the farmers was found. *La Razon*, 26 January 2005; Crisis Group interview, La Paz, 8 November 2004.

²⁰⁵ Crisis Group interview, La Paz, 10 November 2004.

²⁰⁶ Crisis Group interview, Quito, 9 November 2004. See also, "Illicit Drug Control Policies and Prisons: The Human Cost", WOLA Special Update on Ecuador, Washington, November 2003.

²⁰⁷ The mandatory minimum sentence for all drug offences is twelve years, recently raised from ten. WOLA Special Update on Ecuador, op. cit., p. 3.

²⁰⁸ In 2000, 2,383 persons were arrested on drug-related charges, in 2003 2,939 and in 2004 2,930. Crisis Group interview, Quito, 17 January 2005. Since 2002, the prison

population has increased by 2 per cent. A disproportionate number of women detainees are in prison for drug-related offences -- 76 per cent in 2003. Many are single mothers who were lured into carrying drugs for money. In prison, they face sexual abuse by male guards and the additional costs of raising their children who accompany them. *El sistema penitenciario ecuatoriano en cifras, 2003-2004*, Direccion Nacional de Rehabilitación Social, p.16; WOLA Special Update on Ecuador, op. cit., p. 7.

²⁰⁹ Crisis Group interview, Quito, 18 October 2004.

IV. THE LURE OF THE ILLEGAL DRUGS TRADE: ENABLING FACTORS IN THE REGION

A. THE ECUADOR GATEWAY

The Andres region has vast potential for expansion of coca crops. The existence of a deeply rooted coca growing culture, grinding poverty and unemployment drive farmers to plant more. Weak state institutions and the rising influence of radical movements which defend coca growing essentially combine to make law enforcement all but impossible. Peru and Bolivia could become easy prey to larger criminal interests seeking to turn their coca plantations into more profitable large-scale illegal drug enterprises. Although it is unlikely this will happen on a large scale in either country in the immediate future, a number of enabling factors in the region could facilitate conversion of a small coca growing market into a major illegal enterprise in the hands of criminal drug interests.

Policy makers should start considering seriously the fact that some countries in the region, although not coca growers themselves, serve as gateways to the international cocaine market and financial safe havens for the laundering of illicit proceeds. Further, the emergence of a South American market for cocaine consumption has obviated much of the need for small time traffickers in Bolivia and Peru to look to the U.S and Europe.

Ecuador is situated in what an official calls a "drug triangle".²¹⁰ Sharing poorly controlled borders with Colombia and Peru, it is an important transit country for drugs from neighbouring Peru and Colombia. It is estimated that between 50 and 80 tons of export quality cocaine leave Ecuador annually.²¹¹ As a transit country, its highways and multiple clandestine border crossings provide routes for shipments of drugs from Colombia and Peru. According to police, Ecuador is also a storage place for larger shipments of cocaine coming from those countries until they can be shipped out.²¹² Further, its oil fields along the northern border with Colombia are a source of chemical precursors, such as "white gas"

(petroleum ether), used in washing coca leaves in order to produce cocaine base.²¹³

Although some of Colombia's most extensive coca growing regions are along the border, coca cultivation has not moved into Ecuador. There are many, frequently cited reasons for the apparent lack of interest in coca of the country's farmers. The absence of a coca leaf consumption tradition and a more sustained state presence throughout a smaller country are two. However, a more convincing argument is that Colombia's left-wing insurgencies, the FARC and to a lesser extent the ELN, do not want to ruin "their Switzerland" sanctuary by attracting law enforcement to the area.²¹⁴

The worldwide trade in illicit drugs is estimated to be worth \$400 billion a year according to UNODC.²¹⁵ For the Peruvian and Bolivian economies in 2003, the value of exports was estimated at between 2 and 4 per cent of their GDP.²¹⁶ While as much as \$100 billion a year of Andean trafficking proceeds are laundered in the U.S., increasingly money laundering also occurs where cocaine is produced,²¹⁷ or the nearest accessible alternative. Its geographic proximity to Peru and Bolivia and its use of the U.S dollar make Ecuador attractive.²¹⁸

The absence of broad anti-money laundering legislation has made prosecutions there of suspicious transactions extremely complicated. Efforts to beef up the existing legislation have led to the drafting of a comprehensive new bill. However, it has been awaiting approval by Congress since February 2004, and the delays are

²¹⁰ Crisis Group interview, Quito, 21 October 2004.

²¹¹ "National Drug Control Strategy 2004", op. cit., p.40.

²¹² With increased anti-narcotics pressure in neighbouring Colombia, storage of drugs is no longer as easy. Crisis Group interview, Quito, 21 October 2004.

²¹³ For more on the smuggling of white gas, see Crisis Group Latin America Report N°9, *Colombia's Borders: the Weak Link in Uribe's Security Policy*, 23 September 2004.

²¹⁴ Crisis Group interview, Quito, 18 October 2004.

²¹⁵ UNODC, at <http://www.un.org/av/special/drugs/drugrad.htm>. Other sources indicate that the figures may be somewhere between \$590 billion and \$1.5 trillion based on 1996 International Monetary Fund statistics, see www.moneylaundering.com.

²¹⁶ The U.S. estimates the value of the drug trade in Peru between \$1.2 billion and \$2.4 billion annually, INCSR 2003, op. cit., Peru section.

²¹⁷ Although Peru is not a major financial centre or offshore money laundering haven, it is vulnerable to money laundering related to drug activities due to its own drug trade and links with that of Colombia. In Peru the financial intelligence unit began operations in 2003 but banking secrecy laws enshrined in the constitution limit its operations. Peru has had no money laundering convictions to date. U.S State Department, International Narcotics Control Strategy Report (INCSR) 2003, vol.2, "Money Laundering and Financial Crimes", country report on Peru..

²¹⁸ Ibid, country report on Ecuador.

starting to raise suspicions.²¹⁹ The U.S. State Department reports that as a result of the refusal to share financial reporting on suspicious financial transactions between the police, the National Narcotics Council (CONSEP), the Central Bank and the Banking Superintendency, "during the past five years there have been no serious investigations of drug money laundering in Ecuador".²²⁰

B. CONSUMER MARKETS

The emergence of regional consumer markets is also a strong pull factor for illegal drug interests behind coca production in Peru and Bolivia. For small scale drug trafficking businesses in those countries, the growing South American market for cocaine is less risky than North America and Europe given practically uncontrolled borders, in particular with Brazil and Argentina.

According to UNODC, the U.S. remains the world's largest cocaine market (5.9 million consumers in 2002) despite relative stability in cocaine use since 2002. By contrast, consumption has increased in South America. Brazil is the second-largest single country market for cocaine in the world. However, Argentina shows the highest lifetime prevalence rates, indicating it is the oldest cocaine consuming country in South America, followed by Chile and Colombia.²²¹ Cocaine use in Chile grew in the early 1990s when Peruvian and Bolivian coca markets were at their most productive. However, use decreased and stabilised at an annual prevalence rate of 1.6 per cent of the general population between 2000-2002.²²² Cocaine abuse trends in 2003 show an increase in Argentina where, according to

UNODC, between 1 and 1.5 per cent of the population use the drug, the highest rate on the continent.²²³

Originally, Brazil was a trafficking route for cocaine produced in Colombia. However, increasing domestic consumption has made it a market for Peruvian and Bolivian cocaine.²²⁴ With an estimated population of 170 million, the rising incidence of illicit drug use is of concern, particularly in the south eastern cities where two thirds of the cocaine users live.²²⁵ However, Brazil has chosen to tackle its drug consumption problem through something of a harm reduction approach, which recognises "a chemical dependant person as a person suffering from an illness, guaranteeing him or her access to the means of treatment or social reinsertion", as well as the promotion of education amongst young people.²²⁶ A drug decriminalisation decree which takes enforcement responsibilities away from the police and places them in the hands of the Health Ministry was made into law in November 2004.²²⁷

Meanwhile, the power held by drug gangs in the urban slums (*favelas*) and the number of confrontations between drug gangs (out of 704 *favelas* in Rio de Janeiro, only two are estimated not to have drug trafficking)²²⁸ and the police have risen, as have homicide rates.²²⁹ The gangs are suspected of having ties with the FARC. In 2003, a FARC explosives instructor was captured in a Rio slum.²³⁰ Violent gangs backed by drug financing have become such a force to reckon with in the face of insufficient police forces, that in May 2004 the government authorised the dispatch of 4,000 elite troops in Rio, and in June legislation was passed allowing deployment to combat crime and violence throughout the country.²³¹

Peru and Bolivia also have to deal with the problem of increasing domestic drug consumption, mostly marijuana, cocaine base *pasta basica* (or *basuco*) a low-

²¹⁹ The draft law provides for the creation of a financial intelligence unit to look into suspicious transactions. Previously, financial intelligence came under control of the National Narcotics Council (Consejo Nacional de Estupefacientes-CONSEP), which was disbanded when it came to light that information was being used to extort those under investigation. Under the new law, it is not clear who will control intelligence. A proposal that it be the Banking Superintendency (Superintendencia de Bancos) is still under discussion. It is precisely the lack of inter-agency cooperation that has made enforcement of money laundering laws so complicated in Ecuador. Crisis Group interviews, Quito, 15 and 21 October 2004.

²²⁰ INCSR 2003, vol. 2, op. cit., country report on Ecuador.

²²¹ The prevalence of cocaine use among youth (age ten to 24) in Colombia in 2001 was 4.5 per cent compared 2.3 per cent for roughly the same age group in Brazil. UNODC, "World Drug Report 2004", June 2004, p. 117.

²²² Ibid, p. 117.

²²³ UNODC, "Global Illicit Drug Trends 2003", 2003, p. 133.

²²⁴ Ibid, p.22.

²²⁵ "Brazil Country Profile", UNODC Regional Office, Brazil, 2003, at http://www.unodc.org/pdf/brazil/brazil_country_profile.pdf.

²²⁶ "Recent developments in national drug policy laws", General Paulo Roberto Yog de Miranda Uchoa, National Anti-drug Secretary, in Senlis Council, "Global Drug Policy: Building a New Framework", February 2004.

²²⁷ www.drugpolicy.org/news/11_16_04brazil.cfm?

²²⁸ "A Pointless War, Drugs and Violence in Brazil", Transnational Institute Briefing Series, November 2004, p. 26.

²²⁹ Between 1983 and 2002, the homicide rate in Rio increased by 444 per cent. Ibid., p. 23.

²³⁰ "Las FARC ayudan a narcos en Brazil", *El Pais*, 7 April 2003.

²³¹ "Brazil plans to combat crime with troops", *Financial Times*, 10 June 2004.

grade derivative of the coca leaf and cocaine. According to UNODC, abuse of *pasta basica* is high in Peru but stable over the 1998-2003 period.²³² If *pasta basica* and cocaine consumption figures are combined, abuse levels "exceed those of Western Europe".²³³ In 2002, according to DEVIDA, some 164,000 persons consumed coca leaf-based derivatives, and each year a further 44,000 become drug abusers.²³⁴ In 2003, the Peruvian government, with U.S. support, produced a widely televised commercial that linked coca cultivation to violence, delinquency and corruption by explaining that 90 per cent of all Peruvian coca leaf is used to make cocaine. According to some analysts, campaigns of this nature have not only reduced the space for discussion with coca farmers, who are increasingly portrayed as delinquents, but are also targeted at the wrong segment of the drug business -- coca farmers -- while leaving out the bigger players. As an analyst put it: "the financial black market [behind the cocaine business] doesn't even know what color a coca leaf is".²³⁵

V. CONCLUSION

The much hailed reduction in coca growing in the Andean region should not be mistaken as a success of the war on drugs. While coca crops have been reduced in Colombia, there has been some recurrence of cultivation in Bolivia and Peru, where today farmers are able to get more out of the coca fields and obtain higher prices. Peru and Bolivia now have the capacity to operate independently of Colombia, local trafficking networks have been established, and new consumer markets have emerged. International drug traffickers are also increasingly part of the scene in both countries.

Legal coca leaf markets in Peru and Bolivia will continue to absorb a portion of production in both countries. A more open acknowledgment of the legal coca crop would make the distinction between it and illegal uses of coca leaf easier to monitor. However, the potential for legal coca production to fall into the hands of criminal drug networks remains a concern particularly as weak states, corruption, and instability are prevalent in the region.

Although source country efforts alone will not solve drug problems in consumer countries, there are a range of policy options that could support Andean governments' efforts to confront drug trafficking, violence and corruption caused by the drug trade. However, anti-narcotics policies must first become more sensitive to the political tides within Andean states. Social unrest combined with more radicalised coca farmers identifying with indigenous movements and their claims for more inclusion in the political system will continue to undermine efforts to stop coca from being grown. In the current context of popular discontent and political disenfranchisement of the poor rural sectors, Andean governments cannot risk putting in place stronger anti-drug measures. The current manner of pursuing the war on drugs contributes to undermining regional governments' decision making and worsens the perception pushed by opposition groups that they are submissive to U.S. demands.

Secondly, the amount of legal crops allowed in relation to the local coca leaf consumer market must be clarified. This requires an effort by government to update/revise the legal framework and a firm commitment by coca farmers to stop selling coca leaf on the illegal market.

In Bolivia, there is hope that Evo Morales, given his hopes for a large political future, will be willing to place more direct pressure on coca leaders to obtain such a commitment from farmers. In Peru, in the absence of a national-level interlocutor and with the proliferation of farmer protests, the government must take more conciliatory steps toward coca farmers in an effort to

²³² UNODC, "World Drug Report 2004", op. cit, p. 118.

²³³ "Peru Country Profile", UNODC office, Lima, 2003, pp. 17-18. Abuse of *basuco* and cocaine started rising in the mid-1990s when the air bridge to Colombia was disrupted, and traffickers forced to look for an outlet for their production pushed it onto the local market. However, marijuana continues to be the most consumed drug.

²³⁴ Ibid.

²³⁵ Crisis Group interview, Lima, 27 October 2004; "La coca tiene sus frutos", *Peru 21*, 25 April 2004.

create a platform for meaningful resolution of their demands for more alternative development. In short, the state must show that it takes farmers' concerns seriously or risk losing ground to drug traffickers and radical political elements which capitalise on popular unrest.

U.S. drug control assistance should incorporate strengthening investigative capabilities of civilian judicial institutions, strengthening and reforming Andean democratic institutions, particularly local judiciaries, and enhancing confidence in historically weak state institutions. Funding efforts to support the judiciary in order to clear the courts of low level offenders and prosecute international drug traffickers and money launderers would go some way to attacking the upper echelons of the drug trade and serve as something of a dissuasion to traffickers seeking to abuse the regulatory weakness of intermediary countries such as Ecuador.

Further, an essential aspect of the fight against drugs needs to be taking a firm stand against corruption. Illicit economies and industries take advantage of weak states

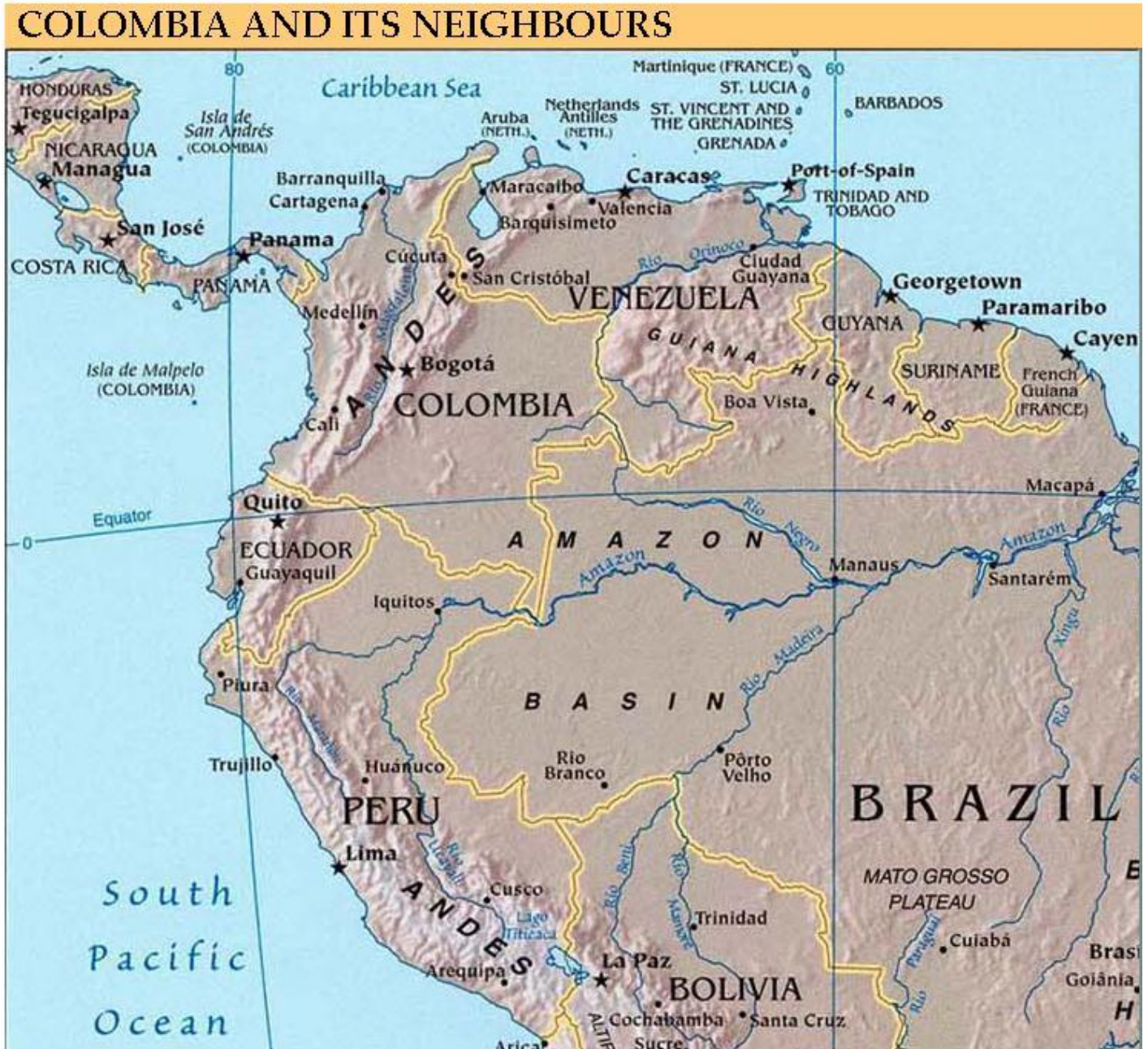
and self-interested elites, and U.S. policies in the region do little to stem this.

The allocation of funds under the Andean Regional Initiative needs to be rebalanced so as to place less emphasis on eradication and to improve economic prospects of coca farmers by creating viable alternatives. U.S. drug control assistance should strongly shift toward stimulating a comprehensive rural development policy aimed at poverty reduction in which sustainable alternative development activities for farmers currently involved in illicit crop production are a major element. Forced eradication should not leave farmers without alternatives, as experience has shown they will then return to planting coca. Further, alternative development efforts must fit in wider national policies for land reform, major physical infrastructure work (roads, communication), human capital development, and the development of more diverse rural livelihoods including agricultural production.

Quito/Brussels, 3 March 2005

APPENDIX A

MAP OF COLOMBIA AND ITS NEIGHBOURS



APPENDIX C
 MAP OF PERU



APPENDIX D

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