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Reform or Perseverance:

Comparative Perspectives on Global Drug Policy and UNGASS 2016

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**Liu Zhilin:**

Good afternoon and thank you very much for attending our panel today. Today we are very happy and very honored to have four panelists come to visit Beijing and to give us a panel discussion on the topic of global drug policy from a comparative perspective. As you might already have read in our brochure, our panelists recently have developed a series of policy briefs on the topic of global drug policy and its implications for UNGASS 2016. Our panelists today will present their key findings and also will discuss their case studies, and particularly their implications for UNGASS 2016, and also the implications for China. First off, I would like to introduce our panelists starting from my right hand side. Vanda Felbab-Brown is a Senior Fellow with the Center for 21st Century Security and Intelligence in the Foreign Policy program at the Brookings Institution. She is an expert on international and internal conflicts and nontraditional security threats, including insurgency, organized crime, urban violence, and elicit economies.

Harold Trinkunas is the Charles W. Robinson Chair and senior fellow and director of the Latin America Initiative in the Foreign Policy program at the Brookings Institution. His research focuses on Latin American politics, particularly on issues related to foreign policy, governance, and security.

Tom Kramer is a political scientist and researcher for the Transnational Institute's Drugs & Democracy Program. His work focuses on developing a better understanding of the drug market in Asia as a whole and the relationship between drugs and conflict, and alternative development.

Martin Jelsma has directed the Drugs & Democracy Program of the Transnational Institute in Amsterdam since its start in 1995. Jelsma has written extensively on the United Nations drug control system and has participated since 1996 in the annual sessions of the UN Commission on Narcotic Drugs.

So today we're going to have two sessions. In the first session, Harold Trinkunas and Martin Jelsma will give an overview of the project and also an overview of UNGASS 2016. After that, we will take about a 15-minute break. In the second session, Vanda and Tom will each present their case studies for three different countries and will also discuss their implications for China. To start our panel today, let us first give a round of applause to welcome our panelists and then we will give a special welcome for the first two presentations. Our first presentation will be given by Harold Trinkunas.

**Harold Trinkunas:**

Thank you very much for joining us today. It is a great pleasure to be here. This is my first time in Beijing. I'm looking forward to discussing the results of the project that Vanda and I have co-directed and which our colleagues, Tom and Martin, have collaborated. It is a project on improving global drug policy. What motivated us to focus on this issue is the sense that the UNGASS 2016 was the first time in probably the history of the international regime that regulates narcotics where there has been a serious debate at the UN level about the prospects for reform. My colleague Martin Jelsma will talk more about the evolution of the regime and what's at stake and how it will work at UNGASS. But let me talk to you a little bit about what we think is different today when it comes to global drug policy and why the global narcotics regime created in 1950 faces profound challenges. And this challenge essentially arises from the fact that a number of countries find the regime's emphasis on drug suppression and punitive approach on drug use to be problematic – these are the countries that are asking for reform. By and large, countries in Latin America are at the forefront of pushing the reform agenda.

Now we see based on our comparative study which includes 15 country studies and two thematic papers, which you can find at the Brookings website, that you can find that there are significant and detrimental side effects to the regime. But the fact is as we look at the debate and the review process at UNGASS and in the run-up to UNGASS, critical players, critical countries such as Russia and China, remain committed to strong enforcement and strict interpretation of the treaties. So what's changed besides the fact that Latin America now disagrees, some countries at least, is also what's going on in the United States. And we have two case studies on the changes in US drug policy. The United States, due to changes at the state level and at the international level, finds it increasingly difficult to play the role of the world's toughest drug enforcer. The war on drugs in the United States, declared on President Nixon back in the 1970s, is increasingly winding down in certain ways for the United States. The United States is deeply ambivalent. And as Ambassador Brownfield, the state department head of international narcotics and law enforcement programs, has said 'how can I advocate for strict enforcement when two of my own states are pushing for legalization of cannabis?'

So we expect UNGASS 2016 to showcase sharply contradictory views. Based on the country studies that we included in this project, we are examining both drug traffic and drug use, and we are also examining policy responses from multiple perspectives across Asia, Africa, Europe, and Latin America. So the goal of the project is to produce better drug policy. Let me talk for a moment about what the proponents of reform criticize about the present regime. The first thing is that the punitive emphasis of the regime

leads to increased prison populations, increased violations of human rights, and decreased capacity for healthcare systems to reduce morbidity and mortality – meaning reducing the health costs associated with drug use. There is also a belief, particularly among the Latin American countries, that counter-narcotic policies have frequently increased violence, increased political instability, and increased the chance that states might collapse. This is a particular concern, for example, for the countries in the northern half of Central America – Guatemala, Honduras, and El Salvador. But Latin America's concern about the present regime is reflected in the fact that the organization of American states, the regional multi-lateral body, issued a report in 2013 called the Drug Problem in the Americas, in which it called for a public health approach to dealing with drugs. So the thing we would underline though is that beyond this emphasis of public health measures, reducing the harms to users of drugs, there's not much agreement among the reformers. In particular, when it comes to dealing with violence, when it comes to law enforcement strategies, and also alternatives to drug production for those that are gaged towards the peasants that grow coca and poppy – what should be done about their economic livelihoods? Short hand is alternative development.

So basically as we look at UNGASS, we see that there is no longer a consensus among the major players – Russia, China, and the United States – which at a previous UNGASS in 1998 and1990, had enforced a strict interpretation on the rest of the countries, and many countries agreed with that, particularly in Asia. In fact, one of the stories that I think is important to highlight form our study is the big difference in opinion between East Asia and Latin America on drug policy. And we want to try to explain that to you now. So what has changed between UNGASS in the past that has lead to this division of opinions?

We point to three things that come out of our study. The first is that the drug trade has really become transnational. So drugs always cross state boundaries, but what's happened is that drug policies, strict drug policies that have been advocated and enforced so far, have no managed to reduce drug consumption. Drug consumption globally is still going up. But what's changed is that there's no longer a difference between the countries that produce drugs and the countries that consume drugs. It used to be, in the 1980s or 1990s, that countries in Latin America could say, 'We just produce coca and cocaine, we don't consume it. The only reason there is a problem is because the United States and Europe are big consumers. If you consumed less, we would produce less.' So there was very much a north-south flavor to drug policy debates in the 1980s and 1990s. And in response, the United States, in particular, advocated very strict policies – particularly in Latin America which was the biggest source of cocaine consumed in the United States; the only source, in fact. Policies designed to eradicate coca production

interdict drug trafficking organizations and generally suppress supply. Those policies by and large did not work and what we see today is that the traditional production-consumption division is gone. Countries like Brazil and Argentina which might have once simply been countries that have drugs passing through on their way to Europe, let's say, are now experiencing levels of cocaine consumption per-capita that are on par with those in the United States. So that is a major difference, countries like Argentina and Brazil are major drug consumers. They are also becoming drug producers, especially in the area of synthetic drugs.

So the UNGASS 2016 will have a very different atmosphere because countries can no longer divide neatly along the producer-consumer divide. They might try, but that's an accurate reflection of reality. We also found that the harms and costs of drug trafficking and drug use aren't evenly distributed. I already alluded to this in the beginning of my remarks when I mentioned that the violence associated with drugs in Latin America is much higher than in Asia, Europe and the United States. Whereas in Asia or China for example, violence measured in terms of homicide, intentional homicide, might be one, two, three per hundred thousand. In Latin America, it's 10, 20, 30, 50, 80 per hundred thousand. There are vastly greater levels of violence, which Latin American countries attribute to the role of drugs. Now we don't exactly agree with that because Latin America was always more violent than other parts of the world, but nevertheless, drugs have contributed to the problem.

The strategies that have been pursued targeting the top-level leaders of drug cartels, for example, have simply increased violence. What we've seen in countries like Mexico where 7 or 8 drug cartels ship drugs to the United States, since President Calderon declared war on the cartels in 2006, Mexico has experienced 150,000 deaths from drug violence. Many more times than in countries like Iraq and Afghanistan where they have actual wars going on. Instead of having 7 or 8 cartels, they have 70 or 80 smaller cartels all fighting each other for territory. We also find that prisons in Latin America have become overcrowded because of strict drug sentencing policies and these then tend to produce more criminals by mixing non-violent low-level offenders with violent criminals and gangs. Latin America experiences greater costs and harms from the current regime than other countries, which is why we argue that they are pushing to reform. In East Asia, you don't have the same appetite for reform because the problem here is not violence that's associated with drug trafficking, it's the health consequences of use, it's based on petty crime; it's not violence the way that Latin America experiences. So the result is a lack of consensus among countries about what they should be doing, although

reformers advocate for public health approaches, other countries still think there needs to be a strict interpretation of the regime in defense of the treaties as they currently stand.

In the last few minutes of my presentation, let me just point to what the bottom line is. To start off, what I will say is that this study is not a consensus study. All 17 authors have different opinions and different views on the drug policy issue. There is no Brookings position on drug policy. So go read the individual policies to get a sense on what people say and the fact is that drug policies need to be tailored to local circumstances. This we believe makes them more effective. Now, there are four lessons that I think we can draw from looking across the cases and looking at the discussion around us, and this is what I will focus on. When it comes to law enforcement, there is a sense that the strategy followed in Latin America to focus on the top leaders of the drug market and this was a mistake. This tended to produce fragmentation of organized crime, increased violence. The argument that Vanda makes in a book of hers is that focusing on the middle managers, that middle layer is much more important than focusing on the leaders. After all, Mexico has captured or killed, at least once, every top drug cartel leader. Every one of the 7 or 8 leaders has been captured or killed. Some of them get away afterwards, but nevertheless, they get captured or killed and still violence has gone up. So focus on crime's middle management.

The second lesson that I think we can draw is to de-emphasize mass incarceration. One of my colleagues put this very well, saying that there are also costs to drug enforcement policies. Putting people in prison has a cost too, and therefore, on people's futures, on people's lives, and as I mentioned, mass incarceration leads to overcrowded prisons that are difficult to control and tend to generate more experienced criminals rather than reduced crime. In fact, there is a general tendency that we're seeing around the world towards reducing sentences for drug crimes and focusing instead on modifying and using short, focused measures and punishments to persuade users from continuing to use.

The third lesson would be, when we think about drug eradication, when we think about creating substitutes for countries where drug production is a major part of the economy – Afghanistan, Burma, Colombia, Bolivia, Peru – alternative livelihoods, alternative ways of making a living, really have to be put in place first. If you try to eradicate without providing alternatives, you generate resistance and you delegitimize the state. You basically drive people into the arms of organized crime or insurgency. In fact, the paper we have on Thailand, which Vanda will talk about after the break, has a very interesting case study of well-executed development of alternatives that lead Thailand to eradicating poppy production

after being one of the major poppy producers in the world, and eradicating it in a very humane, effective, and economically sound way.

And the final point is treating drug use as a public health problem. We basically see that efforts to stigmatize drug users or to punish drug users deter people from seeking help and increase the likelihood of unsafe behavior, such as sharing needles, that leads to the spread of HIV/AIDS and other communicable diseases. There is a number of programs like needle exchange and safe injection sites, and there is also a number of prevention programs. Prevention programs are cheap, but not always very effective but because they're inexpensive, they are worth pursuing. These policies that are designed to reduce use and help people who are using to reduce the costs of drug use and the harm to themselves are unfortunately not very well funded. And finally, I would say that the likelihood that UNGASS would lead to major reforms in the treaties – I mean there's not much agreement in the group – I think that most people think that is relatively unlikely. But the important thing that we think is that this debate at the UN next year is to preserve flexibility in the treaty interpretation, preserve space for countries to experiment in alternative drug policies, avoid setting unrealistic goals such as a drug-free world within a decade – which is a goal that's been set I think 2, 3, or 4 times in the UN system and still not achieved. The goal should really be to strengthen states as they cope with the costs, harms, and threats caused by drug use and drug trade, and to do so in ways that increase the legitimacy of the state, advance human rights, and strengthen rather than diminish the bonds between the population and the government.

**Liu Zhilin:**

Next let's welcome Martin Jelsma to talk more about UNGASS 2016.

**Martin Jelsma:**

Thank you and welcome everybody and thanks to the hosts and organizers for the possibility to share some thoughts about UNGASS. This is going to be the third UNGASS on drugs in the UN history. The first one was in 1990, the second was in 1998, and now the third one. My goal today is to explain the dynamic of these special sessions and what happens in the UNGASS meetings. I first want to take you back briefly to the year in which the first UNGASS was triggered, which was 1989. And I think for several reasons that was a very significant breaking point in political history but also for the history of UN drug control for a few reasons. First of all, it was the year, not just after the adoption of the third UN drug control convention. In 1988, the third UN drug control convention was adopted and before that in 1961 and 1971 you have the first two treaties. The whole international legal framework was in place and

ready at that moment for drug control. Also, the year 1989 was established as sort of a first deadline or target date in the UN system by the 1961 convention. The convention gave grace periods of the possibility of a gradual transition to build down all of the traditional users of coca, opium and cannabis because the situation was that with those plants, in the south, there was widespread traditional medicinal use but also religious use, social users; and there was a recognition that that could not be ended from one day to the other. So for opium there was a 15-year period, and for coca and cannabis there was a 25-year period, and because the 1961 convention came into use in 1964, that 25 years ended in 1989.

That's the same year, also in broader political terms, that the world shifted. It was the fall of the Berlin Wall, the Soviet withdrawal from Afghanistan, the last two main military dictatorships in Latin America, the military invasion of the US in Panama which was the first military invasion legitimized with drug control, and also it was the beginning of the end of the Cold War. The feeling was that after big divide ended, it would now be possible to start to solve international problems in a more cooperative way because the big political divide was starting to end. Then the thing that really triggered the first UNGASS was in 1989, the assassination in Colombia of Luis Carlos Galan. He was the presidential candidate and it was sure that he was going to win the election, and he was assassinated by the Medellin cartel Pablo Escobar. So then, a month after the assassination the president of Colombia goes to the general assembly in New York and says, "This is getting out of hand. I call on the international community to get together in this new spirit of collaboration internationally and we need help because we cannot solve this on our own and we have been fighting these cartels for many years now and it is completely undermining our state." And he calls special attention for what Harold already referred to as the north-south issues that work in the background of drug control. So he says too much emphasis has been paid on the supply reduction side, and the only laws that the drug traffickers do not break are the laws of supply and demand. So as long as demand is not also given attention, supply reduction will never change the dynamic of the market. He also says that all of these killings in Colombia now are done with weapons that are coming from abroad so you need also to control small arms. He calls attention to the money laundering issue and that our sense of justice is warped when a poor farmer who feeds his family by growing coca is seen as a greater villain than the wealthy international banker who illegally transfers millions of dollars of drug money. Regarding alternative development, he says that it is important and that we need assistance, but it's more important that we need fair trade and international fair prices for our agricultural products. And he says that we cannot afford to talk idealistically of crop substitution while sabotaging Colombian farmers' main cash crop and the country's largest export.  Also in 1989, it

was the end of the International Coffee Agreement and that year alone meant a loss of income for Colombia of $400 million dollars. It was that moment when many small coffee farmers went bankrupt and started to grow opium poppy.

All these issues are then going to play an important role in the agenda of the special sessions. So the year after this dramatic call from Virgilio Barco directly asking for a special session of the general assembly to discuss all of the issues, the first UNGASS took place. And what happened there was mainly that a series of proposals were elaborated and adopted about the restructuring of the UN drug control system, also in terms of institutions, also the graph of the UN drug control program, which is a direct outcome of the first UNGASS. In the years after the first UNGASS, the first attention went to strengthening the system and institutions and then already after a few years, Mexico again calls for a second UNGASS to go more into the proposals of the main themes that were raised by Colombia. And then preparations start about all of these issues of alternative development, money laundering and the demand side, etc. and preparations for the second UNGASS in 1998.

You can say that the 1998 UNGASS adopted a series of useful rebalances in the international drug control system, although it definitely gives more attention to the demand side. It develops an action plan and guiding principles on demand reduction but also exit plans on basically all the main issues that were raised by first Colombia and then Mexico. It also established a new deadline – to have a drug-free world by 2008 – ten years to eliminate or significantly reduce the international drug market. So in the decade thereafter, what you see happening is that many countries at the national level start to diverge from drug control, that they start to see the negative consequences and several countries start to recommend policies that deescalate the real war on drug. Several countries in that decade after the second UNGASS decriminalized drug use and possession of personal use. But at the UN level you can say that that whole decade is a bit frozen, that those divergent policy developments at the national level make it more and more difficult to find useful compromises at the UN level. And then of course, after the ten years, they have to evaluate to what extent it has worked to make the world drug-free by 2008. They struggle with that and basically the only thing that they can come up with is to decide in the political declaration of 2009 to have another decade and to postpone the deadline by ten years. So by 2019, now, that should have happened. So then looking now at the preparations for this third UNGASS, normally it would have been around the time of the 2019 deadline that would have been a normal time for another special session. But it was again Colombia and Mexico and the Mexico violence that I've already mentioned that played an important role in calling to advance the UNGASS to move to 2016

simply because it was too urgent in their view to wait until 2019 to have another global moment of reflection.

In these past years, with the preparation starting, you can see that the earlier corrections in the consensus around reduction and decriminalization developed into what we have called systemic breaches. So for the first time, the treaty regime itself is being questioned. The first country to do it is Bolivia when they say they can no longer live with the obligation of the 1961 treaty to abolish the traditional chewing of coca leaves and they first tried to amend the convention, which doesn't work and then they withdraw from it and later adhere to it again with reservation. Then of course, the other breach is about cannabis which is happening in Uruguay and as Harold already mentioned, several states in the US. Now the big question is – to what extent do systemic breaches that are clearly leading to tension at the international level. It will be very difficult to find any consensus at the UN level at the UNGASS next year.

There are clearly positive trends in the discourse, and Harold already mentioned them but I will talk about more health approaches, more development approach, more proportionality of sentences, and also better access to essential medicines. Those are all clearly positive shifts that more and more countries are supporting. So there will be several positive outcomes that we do expect around a number of these issues, but no consensus will be able to find agreement on cannabis regulation and the need to at some point also review the whole treaty system. That will be an issue that will probably come to the re-evaluation in 2019, because that is still the target date of the political declaration, which still stands so it will have to be evaluated again then. Then as a final point, where this UNGASS will play a very important role, you can say that after the second UNGASS in 1998, for the UN system, everything became concentrated in Vienna. The strengths in institutional structure of the drug control system that was designed at the first UNGASS will become fully implemented and gets its base in Vienna with the UN overseeing the commission and they get a sort of monopoly within the UN about the drug issue. Now, the tendency is to try to make it more a system-wide coherent approach again by asking all of the other UN agencies like UNDP from the development side, the WHO for the health side, the human rights bodies, to also give their input about what drug control means for their mandates. And that can have a very positive influence on the debate and I think that's one of the possible important outcomes to have at the broader UN-wide approach to drug control again instead of the monopoly of the specialized agencies.

**Liu Zhilin:**

We're going to start with our second part of today's panel. The second part will include two presentations on the case studies. Vanda Felbab-Brown will present first on her case studies on Afghanistan and Thailand.

**Vanda Felbab-Brown:**

Good afternoon, it is really wonderful to be here for many reasons including that Brookings' home base in Washington, DC has another opportunity to partner up with Brookings-Tsinghua, our center, and it's a great opportunity for us in DC to interact with our counterparts here. And so I'm very grateful for you all for helping to organize the session, I'm also grateful for to you all for coming today because drug issues in China are rising in prominence and significance both on the domestic side. And encourage you to read, among the papers, the paper on China's domestic policies, as well as the comparative studies from Vietnam and Thailand.

For the first time in a long time, the issues of drug supply and the role of supply policies and its interaction with foreign policy is also rising for China, in a way that China perhaps has not experienced for a while. It goes back to the question that was asked earlier – how is it that drugs fuel violence? You heard some of the answers focused on how drug trade and drug policies produce or suppress violence in domestic markets, but then it is also very much of a focus and key aspect of the counter-narcotics regime which has been about so-called narco-insurgencies. The relationship between internal or external military conflict and how that is augmented by groups having access to drug markets. And so all three cases that we will talk about – Afghanistan, Thailand, and Burma – are exemplars of deep interconnections and complex relationships between insurgency, terrorism, civil war, and drug trade. I also want to emphasize that I did not write the Thailand case study; it was another one of our colleagues who did not come today. Nonetheless, I have written about it in other work and in my book so I feel quite confident briefing the Thailand case.

Afghanistan today is a country that really faces an unprecedented level of challenges, resulting from drug cultivation, drug trade, and also drug policies. Until this year, the levels of production have been 6,000 metric tons or 8,000 metric tons, and then 3,000 metric tons at the lower level. That doesn't tell you much in absolute terms but let me just say that for decades, drug experts believe that the entire yearly consumption of global opiates was 3,000 metric tons. For about a decade now, Afghanistan has produced alone at least as much and often more. The only other country that has ever produced more

opium than Afghanistan was China in the 1920s and 1930s when it produced 21,000 tons of opium, and in the middle of the 19th century, peak production was perhaps as much as 41,000 tons, which dwarfs the current production in Afghanistan. Since World War II, since the eradication of poppy crops in China after 1949, the level of production in Afghanistan has never been seen anywhere. But what also sets Afghanistan apart, even from China, is the economic significance of opium poppy – both at the macro-level and at the micro-level.

At the macro-level, with some exaggeration, at least a third of the Afghan economy comes from drugs, at least a third comes from foreign aid, and as foreign aid has declined and war dynamics in the country are changing, those proportions could even be higher. Think about running a country when at least a third of your overall growth comes form an illegal economy, another third comes from foreign aid, so you have very little control over either, and that the country is perhaps the second or third poorest country in the world. This is a very difficult problem; one that China didn't experience in the 1920s, one that Colombia never experienced. At the peak for Colombia, the percentage of GDP from cocaine was maybe 5%. Now, at the micro-level, the economic dependence for rural households can be even greater. For some rural households in Afghanistan, and in places like Peru, Bolivia, or Colombia, the economic dependence can be as much as 90% of income generated from opium poppy cultivation or coca cultivation from an illegal economy. Essentially entire food security, any access to any healthcare, any access to education, basic daily survival would be linked to opium poppy. That's something that certain segments of China experienced at various times as well, but again, many decades ago.

In this context, it is very difficult to design policies that will suppress the production of poppy, which has often been identified as the preeminent goal of the counter-narcotics regime. You heard from Martin earlier saying that by 1989, illegal drugs were supposed to be eradicated. But what makes it all the more complex and all the more imperative is also the fact that military conflict, very intense insurgency, in Afghanistan just like in Colombia and previously in Peru and Thailand, is fueled by the drug economy. The Taliban, the major insurgent groups operating in Afghanistan make a lot of money off of the opium poppy, 10s of millions, perhaps a hundred or two hundred million a year. Those are extraordinary resources available to an insurgency. And so many governments say that the insurgents are so powerful because they make so much money, money that can radically improve the logistical channels. So the best way to defeat them is to destroy the opium poppy economy, take away the money. This is the mantra of counter-insurgency, the mantra of counter-terrorism; get the money away from the bad guys.

In the case of illegal drug cultivation, this policy has not only been fully ineffective anywhere in the world, in China during the 1940s and 1950s, in Thailand, in Burma, in Peru, in Colombia, but it's also been counter-productive. Why? Because first of all, the silent song that destroying the illicit poppy – burning down the poppy, burning down the coca, or manually destroying it to eliminate it – rarely happens. Both the farmers and the drug traffickers have many ways to adapt to suppression policies. They can find ways to replant, move cultivation, and might be displaced. In fact, for eradication to be successful, state control needs to be improved. However, these policies of suppression in the context of conflict come with tremendous cost of pushing the rural population into the hands of the terrorist groups. The very important goal of getting intelligence and cooperation from the population for the government, depriving the insurgents from that cooperation is hampered.

This policy – destroy the coca in order to win the country insurgency – was the dominant policy in Colombia for many years. Ultimately, my analysis is that it did not help Colombia to fight the problem. What made a big difference was direct military assistance to Colombia that radically approved the capacity of the Colombian government. And that eradication that was very much part of the policy was hampering that effort. Today, Colombia is negotiating after being in a military stalemate for a number of years and coca policy, suspension of eradication, is a core part of the negotiation. In Afghanistan, this wholesale policy of eradication was never quite fully adopted because there was very much of an understanding that the Taliban would get great support from eradication. And indeed, in the areas were some eradication was maintained, and where bands of poppy cultivation were implemented, the bonds between the Taliban and the population were greatly strengthened. The bonds between the government and the population, which were already weak, were further undermined. There were many negative social effects and counter-insurgency effects. So both a big hardship for the population, but also precisely the opposite effect that one would want to achieve in terms of stabilization, counter-insurgency, and counter-terrorism.

Ultimately it led them to think about how to deal with the illegality, with the corruption that it generates, also in the government, with the very problematic macroeconomic situation where vast illegal economy has disastrous macroeconomic consequences in terms of inflation. One policy that the state cannot manipulate is to think about whether illegal economy can be developed to reduce the political dependence on illegality. And this basic concept applies not only to countries that cultivate poppy, but to other settings where organized crime groups like in Brazil and Mexico provide basic economic livelihoods and public goods to the population. So this concept is often called alternative development

of alternative livelihoods. Bring about a legal economy that will reduce the dependence on the illegal economy. There are two versions of what happens next. One is that the population simply switches away from engaging in illegality, cultivation of poppy for example, or possibly eradication might have to be brought in simply new opportunities are not sufficient so law enforcement needs to come in. But it won't be politically explosive because people will not face the law or lack of economic survival. Fortunately, there are very few examples were alternative livelihoods approach is very effective. And at the countrywide level, the only real example of effectiveness is Thailand.

I want to spend three minutes discussing what made Thailand so uniquely effective and why it is a very important model for China to study as it engages in Burma and Afghanistan and why it is such an important model, more broadly, to be studied. So an important element of the policy was that eradication was suspended until alternative livelihoods started to generate income. There was eradication in Thailand in the 1960s. It was hampering counter-insurgency. The royal family and the Thai military realized that they were losing so-called hearts and minds and essentially suspended eradication. Counter-insurgency won in the late 1970s and at the time, the Thai state decided to implement robust alternative livelihoods, packages that came in the early 1980s. And there was quite a bit of experimentation from them but eventually they emerged into comprehensive rule development that consisted both of economic elements and of policies to change political and social modernization, and they were crucial. If these broader policies of political and social modernization were not brought in, many of the economic development policies at the village level may not have been effective. So the minority groups that cultivated opium poppy were given citizenship for the first time.

For the first time, they were given travel passes that were used to access markets that were previously denied to them physically. There was a systemic investment in basic healthcare and education in those rural areas and there were many agricultural policies as well as policies seeking to develop off-farm income. Indeed, off-farm income was often crucial for any alternative livelihood policies, whether they are for drugs or whether they are for logging. And it took 30 years of focus and realization that eradication would come in, and it did come in but often 8 or 10 years after alternative livelihoods were started, when they were already generating alternatives. And with very good funding, both from the royal families, strong political sustain commitment and from international actors. And these very good comprehensive rule development policies and policies to reduce social marginalization also coexisted with the big overall economic growth. Thailand was an East Asian tiger at the time. The country was growing robustly. Many people who were legal farmers left the rural areas and became employed in

factories. This generated economic employment opportunities in the legal agricultural sector to which farmers that previously cultivated poppy moved in.

If either of these two elements were missing, if there was simply rule development without job creation, without off-farm income, many of the policies likely would have not been effective. This is one of the reasons basic macro structures, exclusionary structures, fight rural development. In Colombia, it has not worked because growth produces capital accumulation but not job creation. And even if there was job creation, people could not move into those spaces. But equally, if there only were macroeconomic growth in Thailand, and people did not get citizenship, did not get basic education, did not get access to new technologies and value-added chains, they would still not have been able to enter the new legal economy. Now Thailand faced many auspicious circumstances and they are difficult to replicate elsewhere. They take a lot of time, patience, and all of the stars to line up, and often they don't. Burma is one example where getting all the stars to line up, getting all of the policy pieces together, is very challenging.

**Liu Zhilin:**
I think that these are really two contrasting cases, and now Tom Kramer will present a third case.

**Tom Kramer:**
Thank you very much for inviting me here today and thank you for coming here on a Friday late afternoon. As mentioned, I will talk about Myanmar. I am from the Netherlands but I live in Yangon, the former capital of Myanmar. I will talk about the drug issues in Myanmar, why it's relevant for China, and what are some of the policy debates going on in Myanmar. Let me first look at a map. This area is the main opiate production region in Myanmar, but why is this relevant for China? I think that there are several issues as to why it is important for China. Most of the opium that is grown in Myanmar is grown in an area, which is bordering China. A large proportion of that opium is produced inside Myanmar and then exported to China. If you ask policy officials in China, they will say that the highest amount of heroin on the market here is coming from Myanmar; Afghanistan is number two, but most of it is still from Myanmar. To make heroin, you need chemicals which are produced in China and India and then imported into Myanmar so there's also a back and forth relationship there.

Now we move onto, who is doing the drug trading in the region? Well, we find it both inside Myanmar as well as in China. These are Chinese networks that evolve in regional drug trade that tend to be rather

small organizations, but they used to be large organizations. What the studies are showing, and we've also seen evidence to the same effect, is that a lot of the drug trafficking groups have become smaller groups who also do other illicit trade and illicit activities. Because China has very serious drug use problems within the country, especially with heroin, China started an opium substitution program in the northern part of Myanmar and also in Laos. And the final point as to why I think this is relevant for China is that China has now become involved in the peace struggle in Myanmar. China has a special envoy, special government meetings, and has armed opposition groups in Myanmar, in a lot of areas where opium is being grown and drugs are being produced. So clearly these things are closely linked.

A bit of background on Myanmar, for those who are not aware – it's seen decades of ethnic conflict and civil war since its independence in 1948 with armed ethnic groups demanding more autonomy and ethnic rights, it has seen military rule since 1962, apart from that there are a lot of ethnic armed opposition groups formed along ethnic lines. There are also a lot of militia groups. The Myanmar army's main objective is economic issues, and not so much political because they are involved in the drug trade. Like Afghanistan, Myanmar is a very poor country and until recently, there were political sanctions by the west due to reasons regarding its lack of democracy and human rights violations, but the country had very good relations with China. There's a political reform process since 2011 and now we've seen this trend has been reversed – the end of western isolation, normal sanctions, but we have seen the relationship between Myanmar and China deteriorate. And what you see is a lot of fighting along the China border, especially where a lot of the drug problems are.

So what are the drug issues in Myanmar? From a production side, Myanmar is the second largest opium producer in the world after Afghanistan. To put it into perspective, Afghanistan is much higher in terms of production than Myanmar and it depends from year to year what kind of levers there are, but it's still the second one, so it is still very important. And of course, most of it is going into China. We've also seen a decade of decline in cultivation in Myanmar and now since 2006, opium cultivation is increasing again and it actually has tripled since 2006. As I said, most of this is going to neighboring countries and increasingly supplying the Chinese heroin market. Another trend that's also increasing is the production of methamphetamines, including via export. There is a lot going to Thailand via Laos, but definitely also into China.

Myanmar also has a lot of consumption problems, not only production. So what you see of course in many of these areas is that opium use is traditional – it's used in a recreational way, it has medicinal use

and cultural use and often this is not problematic. Sometimes it's even offered at weddings or funerals to guests. Also in areas where you have no access to medicine, and you see how isolated these places are, no health services, no medicine – opium can help against diarrhea, it's a painkiller, and it's even used to treat animals. For these people, opium has a lot of positive meanings and positive use, but there are some other serious problems in Myanmar for drug use and one of them is a trend from smoking opium, to smoking heroin, to injecting heroin, which is a huge issue in Myanmar today. There is a large number of injecting drug users in the northern part of the country especially. Young people, people at universities, male and female; and many of them are infected with HIV/AIDS and hepatitis. This is a very serious problem and this has also been increasing in the past few years to very high levels of methamphetamine use. A lot of it is not problematic, but it has definitely been rising a lot. People also use opium as a bank account because you can keep opium for quite a long time and you even used to be able to sell it at the local market.

I want to talk a bit about why people grow opium, and I've mentioned some issues already, but you see that most of the people who grow opium are impoverished people from ethnic minority groups living in isolated mountain areas. They grow it mainly for food security. Many people in those areas cannot grow enough rice to feed their families for the whole year. So you need to grow something else that you can sell. They grow opium to buy food, very basic resources like chili and cooking oil, and they also use it for their children's access to health and education. There's medicinal use, as I already said. A big driver is also decades of conflict. Like one of us explained about Afghanistan, and we also have a very long civil war in Myanmar, and in this kind of area where there is war, opium is a perfect crop because the market will come to you. If you grow other crops, you have to carry it over the mountain, to a market, to a very insecure area, which is very difficult and very dangerous. With opium, traders will come to your village I advance, give you credit for the crop that you will grow later. So in isolated mountain areas, opium is a very secure crop for people.

A final big driver of cultivation in Myanmar is the demand from the region, and China is the major destination of heroin originated from Myanmar. Like I said, these are the areas where opium has been cultivated in the past – very isolated, lack of services, no infrastructure, etc. What can you do if you don't sell opium? Well, there are some opportunities, like this woman sells honey, but people like this are struggling to make a living. Myanmar's also a major producer of heroin in the region. It's mostly produced in the northern part of the country, very close to the China border. Heroin is mainly produced by militia groups and these militia groups are under the control of the national army. Some of these

militia leaders are now in power in Myanmar. They have a very close relationship with the government and this is all for political reasons because for the Myanmar army, security is their main concern. Security comes first and these militias deny other armed opposition groups territory and act as a buffer. They play a very important role in the drug trade and at the moment they can do so almost freely because of political reasons where drugs are not a priority.

Drug trafficking, similar to an earlier speaker, shows a lot of links between drugs and conflict. I think in the northern areas of Myanmar that produce drugs, many of the actors that are there are in some way involved in the drug trade, whether it's fetching an opium farmer or fetching a drug convoy, fetching an amphetamine factory in your area, or even becoming more involved in drug trade yourself. The point is that there are very few people and armed groups that can claim they have clean heads and that includes the national army. It's easy to blame the kings of opium and the narco-armies, but the reality is nobody has clean hands I think, and it makes us ignore the high levels of corruption that we see in this region. It's not just Myanmar, it's also Thailand, Laos, and even China and India. These border areas that have a lot of stuff going on are linked to this issue here and I think that we need to address it. A lot of people who write about the issue always ignore it and look at blaming everything on Myanmar or blaming everything on narco-armies, kings of opium, etc. I think we really need to move away from that. Also, there are financial incentives for opium cultivation from abroad, including from China. These farmers are getting cash and credit in advance. Although it's an illicit market, it's still a market, so we cannot ignore that. At some of these markets, opium acts as cash. You can go to the markets and pay in opium and buy food and medicine.

There is a lot of pressure on Myanmar and drug policy issues there and of course from China; they put a lot of pressure on the armed ethnic groups along the China border to stop opium cultivation. Another big pressure is a drug-free deadline along the border by the end of 2015, and there are only a few months to go. It looks like it will not happen but it creates an enormous amount of pressure on countries like Myanmar to do something. What Myanmar has done is postpone their own drug-free deadline out to 2019 but I think these are very dangerous policies. This is a country with very little resources – human resources, financial resources – they are very limited. But this is pressure is forcing a government to set in a number of goals that are unachievable. So you put all of your few resources into this goal, and if you talk to government officials in Myanmar privately, they openly admit that it is not possible, but they have to do it. They should be using their limited resources for something they can actually achieve and use them in a more positive way.

A lot of pressure is also on Thailand for the export of amphetamines, less pressure now from the US because a lot of the heroin made in Myanmar used to go to the US, but this is no longer the case you can see that US pressure is reduced. At the domestic level, they are very serious about the drug use problem.

Let's talk a little bit about the current government policy in Myanmar. You can get very long sentences for drug use and small trafficking. Many of them are in jail and the jails are overcrowding. Very few large dealers are arrested, and some of them are even in parliament. So the pressure of drug control is on small traders or drug users. They are the ones who bear the brunt of policies. There are not so many services, and there is some eradication of poppy fields by the government, by some armed groups, but there are very few development programs to address the reason why they grow opium – and it's poverty, of course. Lack of resources in the country is another reason; it's a very poor country, and of course now there's the pressure to make the country drug-free by 2019 and I think we know the answer to the question of whether that is possible or not already.

There is an opium substitution program from China and it's also in Laos, not only Myanmar. And the main focus is to blanket economic development in those areas by giving Chinese companies incentive to invest in plantations in northern Myanmar and Laos. These incentives are things such as tax returns, cheaper loans, and import quotas. The problem is that the benefit seems to go to Chinese companies and local leaders in those areas, especially local warlords or Myanmar army authorities. Much less benefit goes to people who actually grow the poppy and we have seen in many cases that the people move their land because of these foreign plantations. Another thing is that a lot of investment has been in rubber, and rubber price has been down, and of course the whole system relies on being able to sell that rubber to China; that is where the market is supposed to be. In Laos, I know some people are cutting down rubber trees because of this decreasing price. I don't know what's happening in northern Myanmar but if you only grow one crop, you become very dependent. If you only grow one crop, there are also environmental issues to think about.

As Vanda already mentioned, we look at alternative development and there has already been a lot of discussion around it. There will be a big meeting in Thailand in November actually about this whole issue about alternative development. These are some of the principles that have come out of those discussions – including don't eradicate poor farmers unless they have an alternative, because you're just going to drive them deeper into poverty and away from the government, and into the hands of

opposition groups that the government is trying to deal with. We think it is very important to have a community-based approach and to involve the people that we are talking about like farmers who grow it. We need to see poverty as not just insufficient income but as a wider issue that includes health issues, access to education, etc. The reality is that there are very little international resources available to make this kind of approach a reality. For many farmers, this is a virtual reality because it just can't exist. The challenges for Myanmar include continued fighting on the China border which is a big issue, the fact that the Myanmar army's priority is security and not the drug issue, and the drug-free deadline having an unachievable target put a lot of pressure. They focus too much on law enforcement and there is still resistance to certain harm-reduction measures including from communities.

I will end here with some recommendations. I really believe that we should look more, when we talk about cultivation issues and production issues of opium, towards a development-led approach. This is important as a concept. When we talk about drug use, we should want this to be guided by a health-oriented approach, which is a very important lesson that we've learned. And I think this is also crucial for us – that we should also involve, in any policy that we make, the people we talk about, whether these people are drug users or opium farmers. If we sit in an office and design beautiful policy but we never talk to these people and listen to what they have to say, and design a project and implementation, the prospects of success are not very good. I think it is also very important to focus on achievable objectives, like drug-free. Should we put all of our resources into becoming drug-free? Is that our goal? I doubt that that's possible so let's try to do some other things. We could look at goals like reducing the number of overdoses in Myanmar, or providing more drug users with access to health services, or having more access to health education, or providing people better access to credit who use it to grow opium. These are things we can also set as targets. Thank you very much.

**Liu Zhilin:**

Thank you. I think this panel provided a lot of insight not only on the international framework and its possible direction of reform, but also to help us to understand domestic policies from a comparative perspective. With that, I would like to thank our panelists and thank you for attending today's session.