COUNTERNARCOTICS IN PERU - A COMPREHENSIVE APPROACH

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ABSTRACT

Coca production has a long history in Peru. It is a key component of Peru’s indigenous cultures and traditions as well as a social cancer, contributing to addiction, corruption, and crime both inside Peru and beyond its borders. This paper examines the economic, political, and social dimensions of coca production and counternarcotics strategies in Peru, and it offers recommendations for improving the current strategy in a manner that both recognizes the economic needs and cultural traditions of its rural citizens, but also provides a sustainable solution to the global problem of coca production.
I. INTRODUCTION

The coca leaf has been a mixed blessing for the Peruvian people. Centuries of traditional use have made the coca leaf a significant part of Peruvian cultural identity, and today the production of coca provides livelihoods to thousands of Peruvian families. However, the illicit trade in coca leaves, the essential ingredient in cocaine, has brought significant international pressure to reduce production and has fueled internal conflict by providing income to narco-trafficking gangs and violent dissident groups such as the Sendero Luminoso. Though coca production in Peru is well below the 223,500 metric tons of leaves that it was at its peak in the early nineties, even in 2005 the coca leaves produced in Peru alone had the potential to create 180 metric tons of cocaine.\(^1\) With the cocaine trade worth billions of dollars a year and over 13 million people worldwide using the drug, the negative consequences of coca production are felt around the globe making it an international problem.\(^2\) There has been some significant success in Peru over the last decade. Eradication efforts have been successful in reducing the number of farms and with the influx of international aid tied to coca eradication, farming communities are facing new economic avenues.

Nonetheless, in creating a policy towards coca production that balances both the desires of the Peruvian citizens to continue traditional uses and to grow a crop which provides a reasonable income with the desires of the international community to reduce the cocaine producing capacity, Peru faces a challenging political situation. Through research and interviews with various actors involved in the coca issue and in an attempt to bring to the table truly workable solutions to satisfy the domestic constituency and the community of international donors and trading partners,

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\(^2\) Ibid.
this paper puts forth an analysis of the issue and a series of recommendations for creating a more coordinated and effective national policy.

II. COCA AND COCAINE PRODUCTION IN PERU

Historically, the height of Peru’s coca production occurred during the mid 1990’s. In 1995, Peru produced 115,000 hectares of coca, which accounted for 53% of global coca production. Because of favorable political conditions in Colombia, and a greater emphasis placed on eradication polices in Peru, in 1996 narcotraffickers began to shift their production to Colombia. This shift, coupled by a decline in the global price of coca, led to a decrease in production in Peru.³

Currently, Peru is the world’s second largest producer of coca. Since 2000, Peru’s annual coca production has generally remained constant. In 2000, Peru produced 43,000 hectares of coca, which accounted for 20% of global production. In 2005, Peru produced 48,000 hectares of coca which accounted for 30% of global production. While total global coca production fell from 221,000 hectares in 2000, to 160,000 in 2005, Peru’s coca production remains relatively constant. These numbers demonstrate that while international and regional polices that are aimed at curtailing coca production in the Andean region have been working, the policies since 2000 have not produced significant results in diminishing coca production within Peru.⁴

⁴ Ibid.
In Peru, the predominant coca growing regions are areas that have mountainous mineral rich soil, cool temperature and adequate sunlight. Coca cultivation occurs primarily in the Upper Huallaga Valley region of northern Peru which includes the departments of San Martin, Huanuco, and Ucayali. Other areas under cultivation include the valleys of La Convencion and Lares in the department of Cuzco, and the provinces of Huanta and La Mar along the Rio Apurimac in the department of Ayachucho. There are also smaller growing areas located in the departments of Puno and Pasco. Coca leaf can be harvested between two and six times per year depending on the area where it is grown. Coca that is grown in lower attitudes is generally harvested more often than coca that is produced in higher altitudes.5

According to the Inter-American Drug Abuse Commission, Farmers that are involved in illegal coca reside in the poorest of rural communities. These areas are characterized as lacking the most basic infrastructure, such as roads, schools, health services, electricity and sanitary

5 “Coca Cultivation and Cocaine Processing: An Overview” United States Drug Enforcement Administration September 2003 Executive Summary
facilities. These areas are also characterized by a lack of government presence and services. In these regions, farmers turn to coca as a crop because they can make more money growing illegal coca than regular crops. Farmers also turn to coca because of a lack of viable alternatives.⁶ According to USAID, the majority of illegal coca farmers grow coca as a secondary crop to supplement their already meager incomes. In these areas coca can be viewed as a “tool” that enables the poor to generate additional income that enables them to barely make ends meet.⁷

According to a study commissioned by the United Nations Office of Drugs and Crime, the potential amount of cocaine that can be manufactured has remained stable in Peru since 2000. In 2000, 141 metric tons of cocaine was predicted to have been manufactured in Peru, which constitutes 16% of the global cocaine supply. In 2005, 180 metric tons of cocaine was predicted to have been manufactured in Peru, which accounts for 20% of the global cocaine supply. These numbers suggest that policies aimed at curtailing the production of coca have not been effective in diminishing the production of cocaine within Peru.⁸

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⁸ Ibid.
Cocaine production is a complex chemical process. It consists of three steps: 1) extraction of coca paste from the coca leaf; 2) purification of coca paste into cocaine base; and 3) conversion of cocaine base into cocaine hydrochloride (99% pure cocaine).^{9}

1) *Extraction* – coca leaves are soaked in an alkaline solution of sodium bicarbonate, and then water and an immersible solvent, most commonly kerosene, are added. This process extracts the active cocaine alkaloid from the leaves, which are then discarded. The cocaine alkaloid forms into a paste precipitate, which is filtered off and dried. This is the most input-intensive stage of the production process, with high volumes of both kerosene and coca leaves required to create paste.

2) *Purification* – the paste is dissolved in an acidic solution, and a potassium permanganate and water solution is added. This solution is filtered through paper to further separate the alkaloid

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into a new precipitate. Ammonia is added and then the precipitate is further separated and dried, creating a more pure coca base.

3) *Conversion* – acetone or ether is added to the base to remove unwanted materials. Hydrochloric acid is then added, which causes the cocaine to crystallize. After drying under heat lamps or in microwave ovens, the pure cocaine remains.

Coca paste is often produced near the original coca fields, but the latter steps occur in clandestine processing laboratories that are often located far from the source. Production requires a number of chemicals that must be imported, and counter-narcotics efforts have historically focused on controlling some of these chemicals, such as potassium permanganate, which is monitored as an essential precursor by the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. However, other essential precursors, such as kerosene, remain uncontrolled.

*Traditional Uses of Coca*

Peru’s indigenous population utilizes coca for a variety of medicinal, nutritional and spiritual purposes, which complicates efforts to curtail coca production in Peru. Peruvian policymakers aim for a balanced approach to the coca issue that strives to accommodate for the traditional uses of coca, while hampering the ability of coca to be used for illicit purposes.

As the principal ingredient used in the production of cocaine, coca is classified as a narcotic drug and outlawed by the 1962 International Single Convention on Narcotic Drugs. While Peru is a signatory to the International Single Convention on Narcotic Drugs, the 1988 Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances permits the use of Coca for
“traditional purposes.” This convention, which Peru is also a signatory too, reemphasizes that coca can not be produced for illicit purposes.10

In Peru, the Government enterprise ENACO is charged with purchasing coca for traditional uses. ENACO also serves to promote the market for legal coca by manufacturing and distributing coca products. Under Peruvian law, the only legal coca producers are the cocaleros who register with ENACO. Those who are registered with ENACO can only sell their coca legally to ENACO. The amount of coca that ENACO is permitted to purchase from registered cocaleros is 9,000 tons per year. This figure is set by the Peruvian government with the goal of purchasing enough coca to meet the demand for traditional uses.11

However, the amount that ENACO is authorized to purchase by law is not capable of meeting the amount produced by registered farmers who produce over 50,000 tons of coca annually. This means that a substantial quality of coca that is produced by registered ENACO farmers is being sold on the illegal market. The cocaleros also have a monetary incentive to sell on the illegal market because narcotraffickers are willing to purchase an arroba of coca leaf for as much as $113 while ENACO can pay only $53 for an arroba of coca.12

III. HISTORICAL APPROACHES TO ILLICIT COCA REDUCTION

The eradication and interdiction of illegal coca leaf started in the 1980’s during the Presidency of Alan Garcia. When Garcia came to office in 1985, he tried to regain control over parts of the country that were under control of the Sendero Luminoso, a Maoist communist guerilla group

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11 Meeting with ENACO Representative. ENACO- Cusco, Peru. 26 February 2007
12 IBID
that had control over a significant part of Peru’s countryside. During this time the Sendero Luminoso had significant control of the Huallaga Valley region of Peru, which accounted for 40% of the world's production of coca.

In 1985, under the Reagan Administration, Huskisson notes that the United States funded Peruvian operations to destroy airstrips used by drug-trafficking aircraft. This initiative was a part of the Air Bridge Denial Program (ABDP), a policy of interdiction. The targeted destruction of airstrips was designed to prevent drug traffickers from using aerial methods of transportation. Denying drug traffickers the means to export their production outside of Latin America was seen a viable approach to reduce the supply of coca.

Most production of the drug actually occurred, then as now, in Colombia, but Sendero Luminoso's control of the biggest illicit coca producing region helped to finance their operations. By 1990, cocaleros (coca growing farmers) became violent and more organized and many became affiliated with the Sendero Luminoso. Making matters worse, Garcia's economic policies proved disastrous, thus increasing discontent with the government in those parts of the country that were still relatively free from terrorist activity and paving the way for Fujimori's victory in the 1990 presidential election.

President George H. W. Bush, in 1989, implemented a strategy called the Andean Initiative, which involved the deployment of Special Forces teams and military advisors to Colombia,
Bolivia, and Peru.\textsuperscript{15} The Andean Initiative provided training to Peruvian military forces in order to aid them in combating drug traffickers. The objective of this initiative was to reduce the production and trafficking of cocaine in Colombia, Bolivia, and Peru. Coupled with the training that Peruvian military forces received from the Americans, the government of Peru was entitled to debt-for-drugs exchanges. These exchanges forgave bilateral debt held by the “United States and other creditor countries in return for commitments by Andean governments to use the savings in debt service for anti-drug programs” (Congressional Budget Office Papers, 1994).\textsuperscript{16}

In contrast to the agreements Garcia had made to crack down on the coca trade, after coming to office in 1990, Fujimori did not renew Peru’s anti-narcotics agreement with the US and refused to apply their strict eradication policies. Fujimori believed that these measures would push poor coca farmers toward drug traffickers and terrorists (Sendero Luminoso) and instead, he wanted to provide alternative opportunities to farmers, so they would not feel discriminated against by the government. In this way, the Peruvian government temporarily put off US concerns of Peru’s role in the production of cocaine and instead focused on the more immediate internal concerns associated with the economy and the increasing power of Sendero Luminoso.

In December 1990 the President Fujimori introduced the “Fujimori Doctrine” to the US government. This agreement reflected the different priorities of each country and outlined acceptable ways for each to pursue their goals. It was intended to integrate coca farmers into the Peruvian legal system, rather than marginalizing them. The “Fujimori Doctrine” called for reforms in Peruvian law so that farmers were decriminalized and the government could provide

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resources to farmers even if they grew coca, including allowing them to get titles to their lands. After a series of negotiations the US signed the anti-drug agreement with Peru in May 1991.\(^7\) Under this US-Peru agreement coca growers were not drug traffickers by definition but extralegal producers.

The 1991 agreement acknowledged that Peru’s coca policy would focus more on drug traffickers, rather than poor coca growers. Although Fujimori’s initial idea had been to replace the eradication campaigns with alternative development programs, these were left out in the beginning of discussions and weren’t reflected in the final agreement. In subsequent renegotiations, however, alternative development was included as part of the official strategy.

In early 1990s, the United States Southern Command initiated a program called Support Justice. This program supported the Peruvian government in intelligence and surveillance. The Peruvian government was able to use information gathered by United States surveillance aircraft to interdict cocaine transporting aircraft at points of departure and arrival. This provided the Peruvian government with real-time data that facilitated a more active role in interdiction activities by the Peruvian military.

In 1993 Peru began the implementation of Peruvian Decree Law Number 25426 which authorized the Peruvian military to use force against suspected drug aircraft in flight. Intelligence information was gathered from the United States, which under President Clinton’s Presidential Decision Directive 14, provided the Peruvian government with radar stations and aerial tracking platforms to provide real-time intelligence (Huskisson, 2005).\(^8\) Though an

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\(^7\) ILD History, 20 February 2007.
effective policy, the United States suspended its support for this component of the ABDP in 2001. This suspension was the result of the downing of OB-1408, a Cessna floatplane transporting members of an American Baptist Missionary Group.

In response to the intensity of the Fujimori’s eradication programs, rural Peruvian coca growers targeted their grievances towards Fujimori’s government through large scale public demonstrations. Demonstrators called for the halt of the use of chemical and biological herbicides and would often confront fumigation brigades at the local level. These demonstrations often caused roadblocks, which shut down public and private locales, and brought together crowds of as many as thirty thousand people, often with the support of labor and mining unions. In late March of 2000, in response to the growing trend of the large scale demonstrations in Peru’s coca growing regions, the Fujimori government issued a decree banning the use of chemical herbicides in the eradication process.

After the decree was issued, the Fujimori government vowed to work with the coca growers to address their concerns and a permanent governmental working group was established under the direction of Fujimori’s national security advisor Vladimiro Montesino to facilitate the concerns of the coca growers. However, Fujimori’s decision to flee the country in November of 2000 put this policy in jeopardy. Under the interim government of Valentin Paniagua, eradication policies resumed. While Paniagua’s government sought to continue the workings of

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20 Ibid.
Montesino’s group, Paniagua felt that he needed American support to maintain the legitimacy of his temporary government. Thus, the government resumed eradication polices on public lands.\(^{21}\)

While the United States benefited from the Fujimori regime's cooperation against narcotics trafficking, the consolidation of power under his rule was undermining the foundation of Peru's unstable democracy. In Peru, human rights groups worried that the US was providing expanded counternarcotics assistance to security forces, despite the undemocratic and repressive nature of Peru’s government. In its anti-drug policy, US officials did not have a system to ensure that intelligence was not being used for purposes other than counternarcotics actions. Also, because of the financial and geographical link between coca farms and armed groups like the Sendero Luminoso, US embassy officials sometimes had difficulty distinguishing insurgents from drug traffickers. As a result, the Peruvians associated the US as working side by side with some of the most egregious human rights violators in the world, and the decision to work with foreign military officials allied the US in the public’s eye with some of the world's foremost drug traffickers.

Alejandro Toledo came to office in 2000 without any distinct policies to fight against coca. After Toledo took office, however, the US officials began insisting on "zero coca" within five years. This was more than was ever asked of the authoritarian Fujimori regime and failed to take into account the difficult democratic transition underway. With the US pressure, Toledo continued the eradication of coca on public lands. However, Toledo’s goals emphasized alternative development as a substitute for coca production. He worked with US administrators on securing funding and strengthening Peru’s governmental capacity to promote alternative

development programs in coca producing regions. However, largely in the face of the US pressure, Toledo was forced to continue with the eradication of coca on public lands. While Toledo’s administration launched an unprecedented microfinance initiative that sought to pay coca farmers to substitute other crops for coca, these policies were met with contempt by coca growers.  

By June of 2002, coca farmers had resumed their protests. General strikes were common in the coca producing regions and the political clout of the coca growers continued to grow. The Toledo government had difficulty in meeting the demands of the coca growers because the US government was attempting to renegotiate the Andean Trade Promotion and Drug Eradication Act. Given Peru’s reliance on US assistance, the Toledo government had difficulties in securing concessions from American negotiators who viewed eradication as the key component of their drug strategy. In the American view, coca growers were “narco-growers” and eradication was a central component of US assistance. While, Toledo was successful in gaining increased assistance for alternative development programs, relations with the coca growers continued to be poor during his Administration. By May of 2004, roughly 3,000 coca growers traveled to Lima to stage demonstrations.  

In June 2005, the regional mayor of the Department of Cusco signed legislation essentially legalizing coca production in three of the department's valleys by declaring the leaf a "cultural patrimony." In July, the regional mayor in the Department of Huanuco followed suit. In September, Peru's constitutional tribunal ruled on the matter, unanimously deciding that the regional governments did not have the authority to take such action. The tribunal members


23 Ibid.
questioned the focus on coca eradication as opposed to interdiction efforts and the lack of an adequate agricultural policy, which pushes poor farmers into coca production.

In December 2005 the Toledo government announced the "Upper Huallaga Plan" to increase security - largely by declaring a state of emergency - and the state's presence through development initiatives. The plan was met with skepticism by coca farmers who for the most part have failed to see past promises lead to any significant improvements in their living standards.

IV. RECENT POLITICAL CONTEXT OF THE COCA DEBATE

The 2006 Presidential Elections

The coca growers and their supporters represent a significant constituency within Peru’s political landscape. Coca supporters have the power to win elections and influence the positions of candidates. Coca played a significant role in the 2006 presidential run off election as the former president Alan Garcia of the left-wing social democratic Peruvian Aprista Party faced the leftist Ollanta Humala of the leftist-nationalistic Union for Peru Party. During the campaign, Humala openly sought to win the support of Peru’s cocaleros and called for the end of forced coca eradication programs. Humala cited the role coca played in Peru’s cultural traditions, and openly supported the rights of coca growers to grow cocaine for tea, traditional medicines and religious purposes. He borrowed a slogan from his nationalistic counterpart Evo Morales in Bolivia and stated that the Peruvian government should enact policies that aim for, “zero cocaine - not zero coca.” Humala campaigned on the premise that his presidency would strengthen the legal marketplace for coca by promoting such products as coca teas and herbal medicines. To combat
hunger, his campaign proposed the daily distribution of 27 million loaves of bread made with coca to be given to schoolchildren.24

Contrary to the positions of Humala, former Peruvian President Alan Garcia avoided the coca issue during his campaign. Given the fact that Humala had strong support from rural areas, and the support of the cocaleros, Garcia’s decision to avoid the coca issue signified his desire not to further ostracize Peru’s coca growing population.25

President Garcia and Coca

Alan Garcia was sworn in as President on July 28, 2006 after receiving 53% of the vote. While Garcia’s positions on coca during the campaign were vague, Garcia’s preliminary positions signaled a willingness to tolerate a greater role for the coca plant, while simultaneously combating the illegal trafficking of cocaine. On August 31, 2006, President Garcia sent a letter to President Bush that stated that for the first time in Peruvian history, Peru would allow convicted drug traffickers to be extradited to the United States.26

On September 1, Garcia sent his Prime Minister Jorge Del Castillo to a meeting with representatives of Peru’s National Confederation of Coca Growers, who are led by Nelson Palomino, the leader of a minor political party called Kuska Peru. At the meeting the cocaleros advocated for policies that would halt the forced eradication of coca, lead to the withdrawal of

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25 Ibid.
NGO’s from coca growing regions, and permit the marketing of coca food products, such as cakes, tamales and biscuits.  

While the government was willing to listen to the ideas of the Cocaleros, Prime Minister Castillo expressed concerns about the increasing coca production rates within Peru. Castillo emphasized that an increase in production leads to an increased presence of drug traffickers within Peru, whose activities Garcia has vowed to crush.  

In October of 2006, Garcia traveled to Washington for a formal meeting with President Bush. While the meeting focused largely on regional trade issues and Latin American politics, Garcia and Bush reaffirmed the two countries shared commitment to fight drug trafficking. Specifically, both leaders stressed the need to share responsibilities in the fight against drug-traffickers, with Peru expressing its support for continued US assistance to provide for alternative development projects to people in former coca-growing areas.  

However, Garcia’s public statements on Coca production seem to indicate a willingness to let coca’s alternative uses be tested in the marketplace. In December 2006, Garcia told a group of reporters that the calcium rich coca leaf should be consumed in salads. In December Garcia also publicly indicated his desire to renegotiate counter drug assistance with the US government, indicating that he favors a greater emphasis on funding for the detection and seizure of illegal cocaine shipments rather than eradication.

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27 Ibid.
28 Ibid.
29 “Remarks Following Discussions with President Alan Garcia of Peru” Public Papers of the Presidents 16 October 2006
Recent policy developments within Peru highlight the difficulty that Peruvian policymakers have in supporting eradication policies. On March 15, 2007, the Peruvian agricultural minister Juan Jose Salazar announced that he had signed an agreement with coca farmers that would suspend the eradication of coca in the Tochahe region of northern Peru. This decision was announced after several days of protests, roadblocks, and a two day general strike that paralyzed commerce in the region. Under this agreement the government would halt the forced eradication of coca in a 7,000 hectare area which would be zoned and titled for the legal production of coca.  

This agreement came at the surprise of President Garcia who tried to diffuse the issue by announcing a renewed focus on narcotraffickers. On April 2, 2007, during public remarks aimed at Peru’s Interior Minister (who is charged with disrupting illicit coca networks), Garcia called for the “bombing” of cocaine labs, and stressed that the government should use greater military resources in destroying drug labs and airstrips used to distribute illegal cocaine. Garcia also stated that the government would resume eradication activities.  

This incident highlights how Garcia’s government faces challenges when pursuing eradication policies and how a renewed commitment to interdiction might appease criticisms from the United States.

IV. OVERVIEW OF THE CURRENT STRATEGIES IN PERU AND HER NEIGHBORS

A. Peru’s National and Regional Strategies

Peru’s nationwide counternarcotics strategy is largely a continuation of past approaches, and it consists of 5 pillars.

32 “Cocaine Labs Should Be Bombed” Reuters. 2 April 2007.
1) *Eradication* – focuses on reducing illicit coca cultivation, as well as the opium poppy and marijuana crops, by eradicating these crops before they reach the market. This is led by CORAH, the civilian eradication agency.

![Coca Cultivation and Reported Eradication 1983-2005](image)


2) *Interdiction* – focuses on the intercepting and arresting drug production and trafficking, money-laundering, and the importation of chemical precursors for production. This is led by the Peruvian police.

3) *Alternative Development Program* – focuses on promoting viable licit crop alternatives through the integral development of the coca valleys. Alternative livelihood programs are the most recent addition to the arsenal against narco-trafficking. The UN and other international donors in association with local governments and non-profits are attempting to provide farmers with more attractive alternatives to growing coca for the illicit drug trade. Through training, start-up investments, expanded market access, improvements to infrastructure, and other
incentives, communities are assisted in developing other paths to sustainable development. Alternative livelihood programs aim to create alternatives appropriate for different geographic and cultural areas. In Peru, these projects range from encouraging coffee cultivation on the steep and lofty peaks, to improving conditions for raising cattle on the lower plains, to establishing fish farms in the depths of the jungle.\textsuperscript{33} The Alternative Development National Program (PNDA) focuses on the 14 areas in the Amazon basin ("Selva alta") which have favorable climate conditions for the cultivation of coca.

4) \textit{Environment conservation and degraded ecosystems recuperation} – focuses on preserving biodiversity and educating farmers in environmental management, especially in native communities, to avoid new coca cultivation. It also fosters reforestation and agro-forest programs, where they are viable.

5) \textit{Drug Prevention and Rehabilitation Program} – focuses on reducing drug consumption, stimulating recovery from addiction, and reinsertion into society. Its goal is to reduce drug consumption and to recover the health of the drug addict, reinserting him in society.

Peru focuses on different aspects of its counternarcotics strategy according to the problems of the region. This approach resulted in a 4\% decrease in coca production in the last year, there has been little overall change in the amount of coca since 1999.\textsuperscript{34} Since the counternarcotics strategies vary by region, as well as the degree of local participation and the climate, soil conditions, and overall environment, coca cultivation decreases in some regions have been largely offset by new production in other areas. The drop in cultivation between 2004 and 2005

\textsuperscript{33} Chauvin, Lucien O. "In Peru, a Move to Get Farmers to Trade in Fish Rather Than Coca." The Christian Science Monitor 4 Jan. 2007.

\textsuperscript{34} United Nations. Office Of Drugs and Crime. Coca Cultivation in the Andean Region. 2006. p.190
can be attributed to two primary areas: San Gaban experienced a 91% decrease and San Martin in Upper Huallaga saw a 72% decrease in cultivation. But increases were seen in other areas of the Upper Huallaga, in Apurimac-Ene, and in Aguaytia.\textsuperscript{35}

\begin{table}[h]
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\begin{tabular}{|l|c|c|c|c|c|c|}
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Alto Huallaga & 14,481 & 15,286 & 13,646 & 16,900 & 16,039 & -861 & 33\% \\
Apurimac-Ene & 12,600 & 14,170 & 14,300 & 14,700 & 15,530 & 830 & 32\% \\
La Convención - Lares & 13,980 & 12,340 & 12,700 & 12,270 & 12,503 & -197 & 26\% \\
Inambari - Tambopata & 2,520 & 2,430 & 2,260 & 2,000 & 2,250 & 250 & 5\% \\
Aguaytia & 1,051 & 1,070 & 510 & 500 & 917 & 417 & 2\% \\
Marañón, Putumayo & 1,250 & 1,250 & 450 & 500 & 917 & 0 & 1\% \\
San Gaban & n.a. & n.a. & 470 & 2,700 & 292 & -2,408 & 1\% \\
Paucar - Pichis - Pachitea & 350 & 350 & 250 & 300 & 211 & -89 & 0\% \\
\hline
\textbf{Rounded Total} & \textbf{46,200} & \textbf{46,700} & \textbf{44,200} & \textbf{50,300} & \textbf{48,200} & \textbf{-2,100} & \textbf{100\%} \\
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\end{tabular}
\caption{Coca Production by Region in Peru 2001-2005}
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\textit{Source: National monitoring system supported by UNODC}

In Upper Huallaga expansion of the coca industry is still a difficulty. Deforestation presents an ever growing problem as farmers create new fields in the hills. While in the area of San Martin government forces were successful in reducing cultivation through the use of eradication campaigns targeting seedbeds, new un-harvested fields, and mature fields; in one of Peru’s most prolific coca producing areas, Monzon valley, production remained constant between 2004 and 2005.\textsuperscript{36} Here, limited reduction strategies were implemented. Rather than the usual combination of eradication and alternative livelihoods programs, police targeted laboratories for breaking down the leaves into paste instead. At the same time farmers in this usually underproductive area were also trying new techniques to increase yield such as interspersing young plants among the old to increase density. Insecurity in the Monzon valley has reduced the options for trying to curtail coca production in the area. Alternative livelihoods programs are kept out by groups of

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farmers who use violence to resist plans of reducing coca production. While some farmers have expressed interest in alternative development opportunities, it is a very small minority of the 35,000 residents in the area.\textsuperscript{37}

In the high slopes of Apurimac-Ene, the topography is suitable only for growing a limited number of crops (such as coffee or legumes). In this area coca cultivation increased by 6\% from 2004-2005.\textsuperscript{38} Unlike in Monzon valley, here coca yields are very high because of more sophisticated production techniques. People have been drawn to this area for the jobs that the coca fields provide, so the population has been growing. Like in Monzon, organized farmers’ groups were effective in preventing eradication in the area and limited the efficacy of the alternative livelihoods programs. UNODC has been working in the area since 1995 to increase production of coffee and palm trees, however this alternative development program has reached only 1,100 of the estimated 93,000 people in the area. Again, authorities relied primarily on police efforts to destroy maceration facilities to reduce the product outflow from the region.

A different strategy has been taken in the province of La Convencion. This region has transformed the market for its coca leaves into the licit trade in coca products. Because of the screen of legalized production, in 2005, no eradication or police destruction of maceration pits or laboratories was reported in this region.\textsuperscript{39} However, the prices and market size of the licit coca trade is too small to absorb all of the coca produced in the region. It is estimated that significantly more than half of the coca grown by registered growers in the region is ultimately

\textsuperscript{37} United Nations. Office Of Drugs and Crime. Coca Cultivation in the Andean Region. 2006. p.198
\textsuperscript{38} United Nations. Office Of Drugs and Crime. Coca Cultivation in the Andean Region. 2006. p.203
sold for illicit purposes.\textsuperscript{40} The legitimacy of the legalization of coca grown in this area is still up for debate because laws passed supporting the industry have been rejected by the courts.

The Inambari and Tambopata areas used to be another focus of coca grown for traditional uses, however this has changed in the last decade and now the region is increasingly difficult to access because of the presence of narco-traffickers. Because of this and the fact that the area still represents only 5\% of Peru’s coca cultivation, authorities have not been active in reducing coca production in the region. Interestingly, in this area most farmers have chosen to have a diverse crop and rely on products other than coca. Should security risks be reduced, it is possible that this trait will make the farmers particularly responsive to alternative development programs.

As mentioned above, one of Peru’s most active eradication campaigns took place in San Gabon. These efforts were so successful that the coca production decreased by 90\% from 2004-2005.\textsuperscript{41}

There was an increase in the small coca producing areas of Aguaytia. Here, UNODC supported alternative livelihoods programs have been implemented to keep the farmers from supplementing income from other crops with coca cultivation. Production here is only 2\% of the country’s cultivation despite a 74\% increase in area planted with coca. Also, in this area, voluntary eradication programs have been instituted. Despite these measures, UNODC also reported seizing not only coca paste but also cocaine.\textsuperscript{42}

The area including Palcazu, Pichis, and Pachitea was also the target of alternative livelihood movements rather than eradication campaigns. Unlike most other regions limited in crop varieties, because the land used for growing coca here is unusually flat and of lower altitude,

\textsuperscript{40} United Nations. Office Of Drugs and Crime. Coca Cultivation in the Andean Region. 2006. p.210  
\textsuperscript{41} United Nations. Office Of Drugs and Crime. Coca Cultivation in the Andean Region. 2006. p.214  
UNODC focused its programs on improving cattle and latex production.\textsuperscript{43} While official reports showed a decrease in recognizable coca fields. However, this does not reflect a true reduction in growth, and instead is a result of farmers more successfully hiding their coca farms under the canopy of trees. The efficacy of programs in this area is also drawn into question because of the detection of new fields being prepared for planting next year.\textsuperscript{44}

B. Strategies of Peru’s Neighbors

Due to cross-border nature of the problem, it is important to evaluate the counternarcotics strategies employed by Peru’s neighbors.

\textit{Colombia}\textsuperscript{45}

Colombia currently provides the largest share of coca to the world drug market, and this quantity again increased from 2004 to 2005 despite very high levels of both aerial and manual eradication. Unlike both Peru and Bolivia, Colombian reduction strategies depend heavily on aerial spraying of coca farms with herbicides. While in past years increased spraying reduced levels of cultivation, since 2001 the high mobility of farmers has resulted in reduced impact from increases in eradication. In this period alone, 44\% of the coca fields were newly developed fields in 2005 compared to 2001. Areas such as Cauca where alternative livelihood programs were implemented alongside eradication campaigns also appear to be less effective over the years. While alternative development projects have been given credit for reduced cultivation in Colombian central regions since 1999, in Cauca this trend was reversed in 2005. Additionally, in Caldas we see a reversal of the ideas behind alternative livelihoods programs with coca replacing

\textsuperscript{43} United Nations. Office Of Drugs and Crime. Coca Cultivation in the Andean Region. 2006. p.218
\textsuperscript{44} IBID
\textsuperscript{45} This section draws from United Nations. Office Of Drugs and Crime. Coca Cultivation in the Andean Region. 2006 pp. 110-169.
coffee growing on some farms. Alternative livelihood programs face the challenge in that the factors that make it difficult to profit off of coca production – poor roads and limited access to market – are an essential part of what the programs try to improve. But in areas that are not traditional centers of production such as the Sierra Nevada region, projects may be more successful in curtailing the spread of coca farming. Between 2004-2005 cultivation there decreased by 57% due to increased budgets for alternative development and reduced spraying.

Colombia’s primary alternative livelihoods program is the Forest Warden Program. It aims to keep farmers from growing coca and reduce deforestation by providing farmers with environmental training, giving lessons on community saving and organizing, and by paying families a monthly salary for three years. While the government has more than 50 on-going Forest Warden Programs, enrollment in the program depends on a commitment of all families in the region to stop coca production. Thus, such a program is extremely difficult to implement in areas where armed groups control the trade and use force to encourage farmers to continue to supply coca.

Despite claims by farmers that the greatest risk to crop loss is aerial spraying, the efficacy of this technique has also come into question. Reduced spraying in Guaviare region was reduced by more than 60% but the decrease in cultivation dropped by only 11% from the year before. And in Antioquia, cultivation has more than doubled between 2000 and 2005 despite increases in the area sprayed by more than 400% resulting in 16,800 hectares sprayed in 2005.

This suggests that while aerial spraying does reduce coca production, increasing the amount of area sprayed is likely to have diminishing returns.
Interestingly, the same relationship holds true for the price of the end product—cocaine. Whether such effects are modified by the inclusion of alternative livelihoods projects with eradication is unclear, but in Putumayo, where the geography makes aerial spraying difficult, without any active alternative development projects, reduced spraying by 30% lead to 105% increase in cultivation.

However, if one of the goals of aerial eradication programs is to increase the price of illicit drugs, the strategies have been effective. Prices for cocaine track the levels of spraying when measured in local currency, but the relationship is not so consistent as to be able to predict the exact price increase associated with a given amount of increased area sprayed.

_Bolivia_ 46

The combination of sustained eradication and alternative development programs has worked well in places like Chapare region of Bolivia. Like Peru, Bolivia allows coca to be produced for traditional purposes. In all, 12,000 hectares have been approved for legal coca production, but individual farmers are limited to cultivating only .16 hectares per family. Agreements between the farmers and the government on limiting production areas has led to more peaceful and efficient eradication and reduced replanting after eradication. There are fewer demonstrations and roadblocks set up in response to government actions to reduce coca cultivation. These agreements also lead to reduced numbers of fields hidden under the canopy or through interspersing the field with other crops. In Bolivia in general, UNODC is supporting 9,100 Bolivian farmers through alternative livelihood programs to get them to grow licit crops instead.

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46 This section draws from United Nations. Office Of Drugs and Crime. Coca Cultivation in the Andean Region. 2006. pp.16-98
While Bolivia’s eradication programs are also limited to manual techniques rather than aerial spraying, eradication of seedlings was particularly effective in decreasing replanting.

VI. ANALYSIS OF PERU’S CURRENT STRATEGY

This section will analyze the efficacy of Peru’s counter-narcotics program with an explanation of mitigating factors in general and those specific to each of the three pillars: 1. eradication; 2. interdiction; and 3. alternative livelihoods. We preface the analysis by noting that the US plays a major role in Peruvian counternarcotics policies. While the majority of Peruvian coca gets trafficked throughout South America and Europe, the US views eradicating the coca supply in Peru as a key component of its overall eradication strategy that also includes Colombia and Bolivia.47

A. General Mitigating Factors

A number of mitigating factors have hindered the efficacy of counternarcotics programs in Peru.

*Historical traditions of cultivation and usage complicate the regulation of coca cultivation* – for centuries, indigenous people in Peru have cultivated coca for medicinal and ritual purpose, and these traditional practices complicate any regulation of coca cultivation. While the Government of Peru (GOP) created ENACO to develop legal products to meet this demand, and sanctioned the legal production of approximately 11,500 hectares of coca accordingly48, all other cultivation of coca, including for medicinal or religious self-use, is currently illegal. Many indigenous

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farmers, especially in the highland areas, protest this criminalization of their traditional uses\textsuperscript{49}, while others promote these demands as cover for the illicit cultivation of coca. Furthermore, the legal production of coca through ENACO is poorly monitored. Farmers on the legal list, which has not changed since it was originally determined, by decree, in 1974, quota, can produce illicit coca in excess of their quota, and, absent monitoring, falsely claim this production as legal production if questioned by authorities.\textsuperscript{50}

\textit{Rural anti-government tensions} – general rural discontent towards the GOP for its perceived indifference and inability to address to rural poverty, improve infrastructure, and provide access to general services such as education and health care has fueled antagonism towards GOP counternarcotics programs.

\textit{Political mobilization of “cocalero” groups in Peru and the region as a whole} – rural discontent and indigenous solidarity in general and around coca production in particular have coalesced into the political mobilization of coca farmers into political parties and organizations. While this movement remains largely fragmented and incipient in Peru, in neighboring Bolivia, Evo Morales and the MAS party have successfully transformed these issues into a successful political movement.

\textit{Increasing anti-Americanism} – due to a number of factors, including the end of the cold war, dissatisfaction with past US economic policies and political interventions in the region, and general anti-colonialist/anti-imperialist antagonism, Anti-American sentiments in Peru and across Latin America as a whole have increased in recent years. Regional leaders such as Hugo Chavez in Venezuela have fueled these sentiments with frequent verbal attacks. Peruvians

\textsuperscript{49} Meeting with Representatives of the Cusco Government. Cusco, Peru. February 27, 2007.
\textsuperscript{50} Meeting with special correspondent of \textit{The Economist}. Lima, Peru. March 3, 2007.
generally perceive illicit coca cultivation as an “American problem”\textsuperscript{51}, and counternarcotics operations in Peru are considered in the American interest, and not necessarily for the benefit of Peruvians, anti-Americanism complicates counternarcotics efforts and stimulates opposition.

\textit{Ungoverned areas} – the majority of Peruvian coca cultivation occurs in areas outside of government oversight and control, so-called “ungoverned areas”. The remoteness of these areas allows producers to expand and shift production easily, while traffickers can refine and transport coca paste and cocaine with little chance of detection. While satellite imagery can aid with detection, the absence of quality roads and adequate funding hinders eradication, interdiction, and alternative livelihood efforts.

\textit{B. Eradication:}

Forced eradication efforts in Peru have largely been ineffective and even counter-productive.

\textit{Shifts production instead of eliminating it} – while past efforts at forced eradication were successful in reducing Peru’s coca production, it is now apparent that these efforts only shifted production to other parts of the region, specifically Colombia, as coca production for the region as a whole has only increased over time. Intensive eradication efforts recently implemented in Colombia as part of Plan Colombia and the Andean-Counterdrug Initiative (ACI) have successfully reduced production in Colombia, however, these reductions have been accompanied by parallel increases in Bolivia and Peru, a phenomenon commonly referred to as “the balloon effect”, where crops squeezed in one area only resurface elsewhere.

\textit{Unfairly punishes Peruvian farmers for their poverty} – mountainous terrain as well as poor access to markets, fertilizers, and modern agricultural techniques makes it difficult to sustain a

\textsuperscript{51} Meeting with representative from AgendaPeru. Lima, Peru. February 28, 2007.
living through agriculture in much of Peru. The majority of Peruvian farmers focus on the cultivation of licit crops; however, they often cultivate a small amount of coca in order to make ends meet and as insurance.

_Fosters instability and anti-government hostility_ – forced eradication efforts provoke anti-government sentiments and protests among local people, and this phenomenon has only increased with the development and organization of cocalero groups. In October 2004, 800 farmers in San Gaban took over a local power station in response to forced eradication, and clashes with police left 3 dead and 15 injured.\(^{52}\)

_Builds support for local militias/armed groups_ – in recent years, armed groups such as the Sendero Luminoso (“Shining Path”) and Tupac Amaru (MRTA) have found new purpose in protecting farmers from forced eradication. While these terrorist groups remain unpopular across much of Peru, these activities have helped them to mount a limited resurgence, according the US State Department. Furthermore, there have been reports that the revolutionary armed forces of Colombia (FARC), have been trying to establish connections with Peruvian drug traffickers as well as members of Shining Path.\(^ {53}\)

_Security concerns preclude eradication in difficult areas_ – the Peruvian government has often refrained from undertaking forced eradication efforts in areas where there were concerns over social unrest tied to cocalero groups, security concerns tied to Sendero Luminoso and, especially, drug trafficking groups. According the International Crisis Group, instead of pursuing these areas, the Peruvian government targeted new, less difficult areas to meet annual quotas and

\(^{52}\) “Coca, Drugs and Social Protest in Bolivia and Peru”; the International Crisis Group; March 3, 2005.
\(^{53}\) Ibid.
secure continued funding from the US government. This policy creates a perverse incentive for coca growers and drug traffickers to foment unrest in order to preserve coca production levels.

*Past history of human rights abuses by the Peruvian military further limits eradication* – under President Alberto Fujimori (1990-2000), the Peruvian military committed extensive human rights abuses in pursuit of Sendero Luminoso, MRTA, and other “dissidents”. Popular concerns over further abuses have heretofore precluded military involvement in eradication efforts, despite strong pressure from the United States. Absent military participation, Peru has utilized a civilian agency, CORAH (Control and Reduction of Coca Leaf in the Upper Huallaga Valley), to undertake eradication, which has limited eradication efforts in dangerous areas.

As an alternative to forced eradication, the GOP, in cooperation with USAID, has recently begun voluntary eradication in conjunction with alternative livelihood assistance. While this approach is promising, it faces problems as well.

*Inability of communities to pressure non-resident cultivation* – some communities that are willing to voluntary eradicate coca in exchange for alternative livelihood assistance are limited in their ability to guarantee community wide eradication because land-owners from outside the community do not share community interests. This is especially problematic when the non-resident land owner is a narco-trafficker, who can resist community pressure with force or competitive provision of social services.

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54 Ibid.
56 Meeting with ENACO Representative. *ENACO*- Cusco, Peru. February 26, 2007
C. Interdiction:

Interdiction efforts have been hampered by internal and external factors, such as:

*Porous borders* – lack of sufficient government control over Peru’s borders prevents successful interdiction of drug traffickers.

*Lack of government resources, capacity, and will* – the GOP is limited in their number of counternarcotics officers, regional police, and regulatory officials, which limits interdiction efforts and precludes effective monitoring of legal and illegal coca cultivation as well as control of precursor chemical imports, sales, and diversion from legal to illegal uses. Furthermore, there is a general lack of will to prosecute interdiction efforts among Peruvian officials.

*Corruption* – accusations of drug-related corruption have been leveled at the Peruvian military and government. After Fujimori’s government succeeded in pushing back the Shining Path in the Upper Huallaga Valley, the Peruvian military developed a working relationship with drug trafficking networks, according to Peru’s Truth and Reconciliation Commission. In 1996, a convicted drug trafficker testified that he had paid $50,000 per month for “protection” to Fujimori’s intelligence chief, Vladimiro Montesinos. Given these known instances of drug-related corruption, plus the extensive profits available from coca production, it is possible that corruption in the government, police, and military could hinder efforts to arrest and prosecute drug traffickers in Peru.

*Family-based trafficking networks are more difficult to disrupt* – illicit trafficking is not centralized into major cartels or organizations; it is dispersed across a number of small, local and often family-based networks. This “ant-traffic” is more difficult to track and intercept, and
families are more difficult for Peruvian authorities to penetrate. Furthermore, these family networks have concentrated on regional markets, specifically Argentina, Brazil and Chile, countries that have not heretofore developed sophisticated counter-trafficking efforts.

_Ecuador’s dollar economy hinders money laundering efforts_ – Ecuador’s geographic proximity and use of the US dollar provides a convenient location for money laundering efforts by Peruvian drug traffickers.

_D. Alternative Livelihoods:_

Alternative livelihoods programs are currently far from reaching their potential.

_Lack of sufficient funding_ – international funding heretofore has overemphasized eradication at the expense of alternative development and institution building measures. In 2006, the USG further reduced funding for Alternative Livelihoods by 20%.

_Short-term nature of most AL_ – the majority of current USAID alternative livelihoods programs currently last approximately one to two years after eradication. Since the development of alternative crops requires farmer education, the development of roads, irrigation, and other infrastructure, as well as the development of markets for new products, the short duration of AL programs to date has proven impractical. Due to the difficulties and risks involved with alternative development, farmers have often returned to coca production shortly after the program was completed, or even replanted coca with deliberate goal of receiving more financial assistance.

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57 Ibid.
58 Ibid.
59 Ibid.
Pressure from cocalero groups and narcotics traffickers – community agreements for alternative development programs are increasingly being challenged by politically-active cocalero groups, who have turned to strikes, demonstrations, and even threats of violence to deter local communities. Narcotics traffickers have increasingly intervened, often in cooperation with the cocalero groups. In 2005, kidnapings of development workers, protests, and general security concerns forced a key US government implementer to close its regional office for nearly a third of the year. Narco-traffickers have also turned to providing social services for communities, creating competition with alternative livelihoods programs.

Mistrust among local communities of GOP and US intentions – past efforts at eradication have left Peruvian farmers highly skeptical of alternative livelihoods programs, leaving farmers unwilling to surrender their primary source of livelihood.

Limited scope – while the farmers targeted by alternative livelihood programs account for 90% of the coca producing population, they only account for 10% of the total illicit production of coca in Peru, with the remaining 90% of production attributed to narco-traffickers. While alternative livelihoods are important to affecting public support for coca cultivation, they are limited in their ability to address the heart of the problem.

VII. RECOMMENDATIONS

Based upon the interviews conducted on the ground in Peru, the IEDP security group concluded that the Peruvian government lacks both the political will and the governmental capacity to conduct comprehensive eradication programs. According to information our group gathered

while meeting with representatives of the Cusco government and representatives of ENACO, the Peruvian government has little governmental presence and no security presence in the coca growing regions of Peru. This lack of governmental presence makes it very difficult to enact successful eradication policies.\footnote{Meeting with ENACO Representative. *ENACO*- Cusco, Peru. February 26, 2007}

While the ENACO representative believes that as the world’s largest consumer of cocaine the United States has the right to participate in the development of coca policies, he believes that there is a disconnect between Washington policymakers and Peruvian governmental officials. Specifically, American policies are too heavily influenced by political sentiments in Washington, without taking into account the sentiments of the Peruvian people and what is actually achievable on the ground in Peru. He would rather see American efforts funneled towards reducing demand within the American market and a focus on improving Peru’s capacity to interdict cocaine.\footnote{IBID.}

The elected leaders from the Department of Cusco advocate for the removal of all restrictions on the amount of coca that can be legally grown. They stress the traditional role that coca plays in Peruvian culture, and that the government should not be in the practice of curtailing the ability of Peruvian’s to grow their own coca for traditional uses. It is also important to note that Peruvian governmental leaders lack the political will to eradicate coca because they do not wish to ostracize the cocaleros who constitute a powerful political constituency.\footnote{Meeting with Representatives of the Cusco Government. Cusco, Peru. February 27, 2007.}

Based upon our research on previous policy initiatives, the current settings of the coca problem in Peru, and conclusions from the meetings the IEDP security group conducted in Peru, we recommend the following set of policy actions:

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\footnote{Meeting with ENACO Representative. *ENACO*- Cusco, Peru. February 26, 2007}
\footnote{IBID.}
\footnote{Meeting with Representatives of the Cusco Government. Cusco, Peru. February 27, 2007.}
1) *Increase monitoring and control over the import and sale of kerosene as a precursor to the production of cocaine* – in an effort to better isolate coca farmers from narco-traffickers and cocaine production, the GOP and the USG should extend their monitoring and control of the chemical precursors of cocaine to include kerosene. The GOP has been successful in its regulation of the import and sale of other chemical precursors such as potassium permanganate as part of Operation Purple and the regional initiative Seis Frontera, and it should promote similar monitoring and control for kerosene.

Kerosene is an ideal target for chemical control for a number of reasons. It accounts for approximately 75% of the inputs into cocaine production\(^\text{65}\) (30 gallons of kerosene are required to process 8.5 kg of coca leaves)\(^\text{66}\); constituting an essential ingredient in the initial transformation of coca leaves into coca paste, which is significantly easier to smuggle than unprocessed coca leaves. While kerosene has a number of licit uses in both commercial and private settings, the existence of viable alternatives should allow the GOP to restrict kerosene trade to a limited number of registered buyers, which can be monitored for legal usage. Like other chemicals that have been successfully controlled in the past, kerosene is difficult to manufacture independently, and its retail production is limited to a select group of companies which facilitates regulation. Kerosene is a hazardous material and difficult to transport, which, coupled with large amounts required for processing, should make smuggling and shipment to remote areas difficult.

While this policy would most likely be resisted by the petroleum industry and representatives of narco-traffickers, it could prove difficult to justify the status quo, where “large numbers of

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kerosene trucks deliver kerosene to the middle of the jungle." Furthermore, since the large amounts of kerosene used in the production process are unsafely dumped into the soil and neighboring rivers, kerosene pollution also negatively affects the health and ecology of nearby communities by destroying fish populations, damaging water supplies, and destroying potential farm land for the foreseeable future.

2) **Incentivize interdiction** – the IEDP Security team believes that there is an opportunity for policymakers to enhance the capabilities of Peru’s coca interdiction teams. During our series of meetings we learned that historically, Peruvian’s security teams were composed of forces that hailed from the urban and western regions of Peru. These security teams had little familiarity with the coca growing regions of Peru, which contributed towards inefficiencies in coca interdiction policies. USAID has recently completed an initiative to train 750 new Peruvian security personnel that hail from the eastern regions of Peru. These new forces have more familiarity with the people, geography, and culture of the coca producing regions then their predecessors. While these new forces are expected to be more efficient and capable in combating illegal coca, it is unclear whether these new forces have sufficient incentives to effectively combat illegal coca production. Given the rampant corruption in the Peruvian police and military and the support that narco-traffickers have in some coca producing communities, the IEDP Security team recommends that the US government institute an incentive based approach to coca interdiction policies. Specifically, this policy would require the US government to provide a small monetary reward to members of the Peruvian security forces that successfully interdict cocaine or destroy facilities and infrastructure that is used in the production and transport of cocaine. A representative of the Drug Enforcement Agency would work in concert

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with the Peruvian security forces to certify and distribute the financial rewards once a successful interdiction was certified. Funding for this program can be diverted from current eradication operations.

3) The US should consider the use of new money laundering measures as a stick for noncompliance – while the US and GOP currently emphasize the prosecution of money laundering as part of interdiction efforts, in reality these measures have largely been ineffective. One Peruvian bank has recently opened numerous branches near the jungle, with the implicit goal of serving the illegal narcotics trade, while a large number of the restaurants, construction, and casinos across Lima are purported to be associated with money laundering as well.69

The USG can pressure the GOP and Peruvian banks to increase their money laundering efforts through the new measures created under Section 311 of the Patriot Act, which allows the US Treasury to designate financial institutions that are of “primary money laundering concern”, effectively cutting them of from the US financial system.70 Designated banks are unable to clear dollars or conduct transactions with US financial institutions, which, given the integrated nature of the global financial system, essentially extends the US quarantine to other banks throughout the world. This measure was first used in 2005 on Macao’s Banco Delta Asia, the chief money launderer for the North Korean government. Fearing the repercussions of the quarantine to their overall financial system, the government of Macao quickly intervened and froze $24M in North Korean assets. Section 311 has recently been implemented against Iran as well. If the USG quickly and effectively tackle the money laundering associated with narco-trafficking, it could implement Section 311 against the Peruvian bank most closely associated with the drug trade.

69 Anonymous interview.
4) Require legal coca growers to sell 100% of their coca to ENACO – the government should require that all registered legal coca growers sell all of their coca to ENACO and submit to eradication of any excess coca. This would require a more elaborate regulation and monitoring system including an improved purchasing process to ensure purchasing from only registered farmers. This strategy will add legitimacy to legal growers and uses while making fighting illegal coca easier because it will more clearly differentiate legal and illegal coca production. While the existing ENACO purchasing quota has room to absorb a significant amount of extra coca that registered farmers are currently selling to the illegal market, there is still likely to be excess that will need to be eradicated as farmers’ transition to the new system. This type of system has been tried successfully in Bolivia where farmers were more accepting of eradication when done in conjunction with agreements for legal production. Such a policy will also have the added expense associated with hiring more people to regulate the purchasing process and ensure that farmers are only growing as much coca as they sell to ENACO.

A policy that establishes a clearer line between legal and illegal coca production can provide a more politically feasible option for government officials in Peru who are interested in reducing the illegal market but do not wish to alienate the coca farmers. While it is not the complete legalization that some government officials have advocated, it is also a more palatable option than the complete eradication that the U.S. has lobbied for. If implemented with sufficient incentives and buy-in from registered farmers, this policy can also help to change public sentiment toward the coca issue by dispelling the myth that eradication efforts hurt traditional growers.
5) Increase the marketing as well as the research and development budgets for ENACO – while ENACO is currently exploring a range of legal coca products for the Peruvian market, including tea, soap, flour, liquor, and energy drinks, a 1961 UN convention restricts the export of these products beyond the Andean region and non-signatories. However, ENACO has the technological capacity to extract the alkaloid from coca, and it can export products without the alkaloid to other countries, including the US.\footnote{Meeting with ENACO Representative. Cusco, Peru. 26 February 2007} ENACO should increase its marketing budget in order to conduct market research and new product development with a focus on the possibility of exporting alkaloid-free products (such as the extract currently used in Coca-cola) outside the region. In support of this initiative, ENACO should commission scientific research into the potential health benefits of alkaloid-free coca products. Bolivia is currently pursuing similar initiatives, but ENACO’s history and current product development gives it a competitive advantage over its competitors.

Establishing new markets for legal coca products would increase legal demand for coca, and, if current quota restrictions remain in place, increase the price competitiveness of legal coca sales for Peruvian farmers. While licit coca prices will never be able to approach illicit prices, illegal prices carry hidden costs including risks of eradication, danger of cooperation with narco-traffickers, as well as the general psychological costs of avoiding detection and police action. Increasing foreign demand would help raise the legal price closer to the true price of illegal coca sales, and thereby reduce illegal sales by the 90% of regular farmers who produce the 10% of illegal coca in order to make ends meet.

6) Continue eradication program with alternative development through entitlement - From the meeting with Chemonics Alternative Livelihood (AL) in Lima, it was clear that AL works and
has success in some regions of Peru. Alternative development program is welcomed in the communities where coca is not the main part of their cultivation and where communities are willing to eradicate their coca with the assistance of AL program. These are about 90 percent of coca farmers who grow coca on the side to have steady income and they produce about 10 percent of country’s illegal coca production. The government of Peru should continue its eradication program with the assistance of AL in these regions by gradually moving to the areas where the bulk of coca growing is taking place.

However, in areas with substantial coca farms, where the government has a little presence and where property rights are not well established, narco-traffickers provide social services to the population which undermines the role of government and the importance of alternative development programs. According to the representative of Chemonics, among other difficulties that AL projects faces in the region, absentee farmers and the lack of property rights in the region are serious obstacles. Absentee farmers are part of the problem, since they themselves are not working on the land, but rather hire migrant farmers from the Andes to work on the coca field. Thus, in association with the eradication and alternative livelihood program, the government of Peru should also start an entitlement policy in that region. Through entitlement the government can gradually establish its presence and implement eradication and alternative development program with the help of local governments. Entitlement will also solve the problem of absentee farmers and will help government to hold responsible the owner of the land rather than migrated contractor-farmers.

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A multi-pronged approach to managing the coca problem is essential. The above recommendations can be used to establish a strategy that addresses the needs of the farmers, the local governments, coca regulation bodies, and national governments while still making it easier to meet the international goal of reducing the cocaine trade.
References


“Coca, Drugs and Social Protest in Bolivia and Peru”; the International Crisis Group; March 3, 2005.


Remarks Following Discussions with President Alan Garcia of Peru” Public Papers of the Presidents 16 October 2006.


IEDP Security Team Meeting Schedule

February 26- March 3, 2007

Monday February 26- Cusco

Abog. Raul Campana Ramos
Gerente General
ENACO S.A. Calle Tenerias #103- Urb. Santutis
San Sebastian- Cusco

Thursday March 1 - Lima

Garace Reynard
Narcotics Affairs Deputy Director
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Tel: (51-1)618-2522

Lic. Adm. Alfredo Arauzo Alipazaga
Administrador
ENACO S.A. Av. Universitaria #602
Urb. Pando, San Miguel

Friday, March 2- Lima

Aaron Drayer
General of Operations
Programa de Desarrollo Alternativo
Av. Republica de Panama 3055
Lima 27, Peru
* These meetings are meetings that were specific to the IEDP security group. Thus, this list does not include other meetings attended by the security group members.