C1 – Spreading the Addiction

Martha Olcott of the Carnegie Endowment for International Peace explicates

The ongoing process of globalization only exacerbates many of the problems associated with the drug trade. **Improved communication has increased human mobility and has spread the pattern of drugs to other regions. Also, diffusion of technical expertise facilitates production of drugs in remote places. Growing integration of the financial system has made money laundering easier. There is a tendency for drug dealers and traffickers in various countries to unite to create transnational crime organizations and divide up the territory.**66 One group is responsible for transporting drugs from Tajikistan, and another group is in charge of the distribution. The number of criminal groups involved in drug trafficking is on the rise. In 1998 Kyrgyzstan had 64 drugtrafficking crime groups. During the first three months of 1999 law enforcement agents had already discovered 35 similar groups.67 The Kazakh Security Committee identified 125 organized crime groups operating in Central Asia, 30 of which were involved in drug trafficking in Kazakhstan alone.68 They are also becoming more sophisticated. **If earlier truck drivers served as the main carriers of large quantities of drugs, now unmarked planes or helicopters move large loads.** Customs officials are bribed or blackmailed with impunity. As a result, in many places there are no obstacles in the way of this dangerous cargo, and traffickers are continuously informed about law enforcement operations.

The UN Office on Drugs and Crime explicates

The report concludes that while organized crime groups can become problems in themselves, **eliminating** these **groups is unlikely to stop the contraband flow. National efforts have successfully diverted production or trafficking to other countries, but so long as there is demand, national law enforcement alone cannot solve the problem.** Rather, global strategies, involving a wide range of both public and private actors, are required to address global trafficking. In many instances, this means regulating **international commercial flows** that **have grown faster than our collective ability to manage them.**

Olcott puts it

When one route disappears, another quickly appears, as the market is driving the process. After the February 1999 explosions in Tashkent, Uzbekistan has strengthened its border with Tajikistan and increased border controls with other neighboring countries. Uzbekistan has traditionally been a strong influence in this part of Tajikistan, but with the border closing its role is ebbing. As it does, drugs are starting to concentrate on the Khujant (Leninabad) route that has recently emerged as a main hub.

Tom Feiling in his book *Cocaine Nation* notes

The neo-liberal economic reforms that have been foisted on the Third World also favour the international drugs trade. The logic of neo-liberalism is to reduce governments' ability to withstand external market pressures, thereby forcing them to conform to the dictates of the international marketplace. Unfortunately, **there is depressingly little the world market wants from countries like Peru and Bolivia other than coca.** Despite wide-ranging economic reforms, the legal export sector is stagnant in both countries, and **coca generates most of the reserves of foreign exchange, because it is the export commodity which provides both countries with the best returns in the global economy.**

Merrill Singer in the International Journal of Drug Policy writes

There is extensive evidence of "drug-corruption" among government officials and employees from numerous countries. **In Afghanistan, the illicit opium industry has been found to be "a massive source of corruption [that] undermines public institutions"** (Byrd & Buddenberg, 2006, p. 1). Antonio Maria Costa, the United Nations anti-drug chief, reports that in Afghanistan police chiefs, governors, and various other government officials are profiting from the opium trade (Barker, 2006). **Similarly, in Brazil,** Arias (2006b, p. 51) documents the insidious ways that **drug corruption "progressively undermines the rule of law, leads to higher levels of human rights abuses, and can pose profound challenges to democracy."** Drug corruption was rampant in Colombia during the height of Pablo Escobar's rule as a key figure in the illicit cocaine trade during the 1980s. In dealing with offi- cials, Escobar implemented an approach he called placa o plomo (silver or lead) in which government representatives were given a choice between accepting a bribe and facing assassination (Singer, 2007).

Robert Kaestner from the National Bureau of Economic Research finds

Figure 12.1 provides a simple overview of the various ways that drug use may affect poverty. In figure 12.1, poverty is primarily determined by labor market outcomes, but it is also affected by family composition. Family composition affects poverty by altering family size, and sources and quantity of nonearned income. Labor market outcomes are determined by a person's human capital, which in this case is summarized by a person's level of education and other human capital investments (e.g., training and health). Labor market outcomes may also be affected by family composition. For example, single parents may not be able to work as many hours as childless individuals.5 Drug use and poverty are related because **drug use affects the determinants of poverty: education, human capital investments, marriage, and fertility.** Finally, person- specific factors such as ability, preferences, and family background affect drug use, as well as educational achievement, skill accumulation, marriage, and fertility.

In this paper, I have obtained a variety of estimates of the effect of marijuana and cocaine use on poverty using two national samples of young adults. A large preponderance of the estimates indicated that marijuana and cocaine use significantly increase the probability of being poor. **Drug users had lower family incomes and were more likely to participate in public assistance programs than nonusers. In some cases, estimates were quite large, implying 50 percent or higher increases in the rate of poverty**, as measured in this paper. These results indicate that drug use is a serious problem, and they suggest that public policies focusing on reducing drug use would have some positive economic effects on people's lives.

C2 – Fuelling the Engine

Michael Klare in his book *Rising Powers, Shrinking Planet* outlines

The relative plenitude of petroleum, along with its liquid character and high energy yield per unit of weight, also spurred the creation of the automobile culture that is perhaps the defining feature of American civilization—and is now being embraced by rising economic powers like China and India. **Today, approximately 95 percent of the world's transportation fuel is provided by petroleum, propelling virtually all the cars, trucks, buses, trains, planes, and ships in use around the globe. Because the international exchange of goods is largely performed via these means of transport, low-cost petroleum has also fueled the onrush of globalization and a vast explosion in international trade.** "Oil is the lifeblood of modern civilization," notes energy analyst Robert L. Hirsch. "It fuels most transportation worldwide and is a feedstock for pharmaceuticals, agriculture, plastics, and a myriad of other products used in everyday life."6

Jeff Rubin in his book *The Big Flatline* underlines

Unfortunately, a zero-sum world will be no more liberating for the world's poorest countries than economic conditions were in the last century. **The closer Chinese and Indian households come to achieving first-world lifestyles, the higher their extra resource consumption will drive commodity prices, limiting access to those resources for the rest of the developing world.** As we will see later, those dynamics are already apparent in today's food prices. **The cost of basic staples** such as wheat, rice, and corn **is heading ever higher, increases that are creating shortages in places that need food the most.**

Nafeez Ahmed from the Institute for Policy Research and Development details

"**Global market forces can only increase the likelihood of conflict, most notably when a contested resource is seen as being so valuable in monetary terms that none of the claimants involved is willing to accept its loss.** The risk of internal conflict over resources is further heightened by the growing divide between the rich and the poor in many developing countries a phenomenon widely ascribed to globalization. Those at the bottom are finding themselves increasingly barred from access to such vital commodities as food, land, shelter, and safe drinking water. As supplies contract and the price of many materials rises, the poor will find themselves in an increasingly desperate situation and thus more inclined to heed the exhortations of demagogues, fundamentalists, and extremists who promise to relieve their suffering through revolt or ethnic partition"27

World Bank continues

The stakes are high. **A civil conflict costs the average developing country roughly 30 years of GDP growth, and countries in protracted crisis can fall over 20 percentage points behind in overcoming poverty.** Finding effective ways to help societies escape new outbursts or repeated cycles of violence is critical for global security and global development—but doing so requires a fundamental rethinking, including how we assess and manage risk.

Michael Roll in the book *Fuelling the World – Failing the Region* highlights

As Soares de Oliveira has argued convincingly by calling the region's oil exporting countries "successful failed states" (2007: chapter 1), **it is the very interest of oil consuming countries in this resource which allows these otherwise weak states and rulers to exist and survive. It enables incumbents to "build a political order that is violent, arbitrary, exploitative"** (Soares de Oliveira 2007: 61). **By making the government largely autonomous from external as well as domestic pressure, consumer countries and companies assist in maintaining anti-developmental and anti-democratic regimes.** It is this 'co-responsibility' which is as real as the interest in oil which has to push consumer country governments, international organisations and oil companies to intensify their contribution to helping the countries and citizens escaping the multiple resource-related 'curses'. We hope that the contributions in this book offer some new insights and ideas on how domestic and international actors can contribute towards this aim.

C3 – Betting the Farm

Al Gore in his book *The Future* writes

China, India, the Republic of Korea, Saudi Arabia, and other **countries, along with multinational corporations and even hedge funds** investing money from U.S. universities, **are buying up large amounts of land in Africa to produce wheat and other crops for their own consumption and for sale in global markets.** "It's a new colonialism, it's like the scramble of Africa in [the] 19th century whereby our resources were exploited to develop the Western world," said Makambo Lotorobo, an official with a Kenyan NGO, Friends of Lake Turkana.

Frederick Kaufman in his book *Bet the Farm* underscores

In the first decade of this century, **hundreds of billions of new dollars poured into food derivatives and changed the market forever. Food had become just another avenue of asset allocation, and the more the price of food rose, the better for the investor – and the more money poured into the grain markets.** If no one contemplated the effects that this accumulation of long-only futures would have on the grain markets, perhaps it was because no one had ever seen such a massive pile of long-only grain futures.

It is rational to invest in a commodity when its price rises, even if the effects of the investment spark conflagrations of irrationality. For the boom in global grain, edible oils, and livestock had created a vicious cycle. **The more the price of food commodities increased, the more money poured into the sector and the higher the prices rose. And so, from 2003 to 2008, the volume of commodity index fund speculation increased by 1,900 percent.**

Kaufman quantifies

As $200 billion new dollars plunked into commodities, 250 million new people descended into poverty. From 2005 to 2008 the worldwide price of food rose 80 percent, and no one was surprised when the *Economist* announced that **the real price of food had reached its highest level since 1845**, the year the magazine first calculated the number.

Despite the predictions Thomas Malthus made in the last decade of the eighteenth century, **there was enough food** to feed the seven billion people who inhabited Earth **in the first decade of the twenty-first century and even enough for** the nine or ten or twelve billion people due in **2050.** The problem was price. **The problem was a billion of the poorest people on Earth bidding against a billion of the richest people for the same corn, soybeans, rice, and wheat.**

Joachim von Braun with the International Food Policy Research Institute explains

Watkins discusses the agricultural trade and domestic farm policies of industrialized countries and their adverse effects on developing ones and on poor rural households (these are also mentioned in several other chapters). He notes that **the United States and the European Union dominate global markets for a wide range of commodities**, such as meat, dairy, sugar, and cereals, **which they also subsidize or protect heavily. He argues that the subsidies and protection, besides benefiting mostly a small percentage of farmers who are already relatively rich while hurting small farmers and the environment in industrialized countries, have important negative implications for developing countries. Indeed, subsidies and protection artificially depress world prices for staple food producers and may drive them out of their own domestic markets, undermining incentives for agricultural investment, creating additional employment problems in rural areas, and promoting dependence on imports** (with food imports representing significant foreign exchange costs in many low-income countries). And, according to Watkins, the potential welfare gains for consumers from lower prices, when viewed in a broader context of poverty reduction, may not compensate for the negative effects. Further, **as a result of these industrialized-country practices that insulate their producers from world market trends, world prices may become more volatile. Finally, these practices also restrict market access for exports,**

denying opportunities for poverty reduction in developing countries by limiting opportunities for livelihood diversification and reducing incentives for investment in developing countries. The points highlighted by Watkins in his criticisms of industrialized countries' agricultural policies are crucial and have been ignored by some studies (see, for instance, Panagariya 2004), which argue that they benefit some poor countries as consumers. These studies oft en tend to take short-term and static views of the effects of such policies (see a more detailed discussion in Díaz-Bonilla, Frandsen, and Robinson 2006).

Kaufman again iterates

As of today, bankers and traders sit at the top of the international food chain – the carnivores of the system, devouring everyone and everything below. **Near the bottom toil the farmers. For them, the rising price of grain should have been a windfall, but speculation has also created spikes in everything the farmers must buy to grow their grain – from intellectually licensed seeds to transnational fertilizer to diesel fuel. At the very bottom of the food chain lie the consumers.** Average Americans, who spend 8 to 12 percent of their weekly pay checks on food, may not immediately feel the crunch of rising costs. But **for the roughly two billion people across the world who spend more than 50 percent of their income on food, the effects are staggering.**

The International Fund for Agricultural Development

While higher food prices can be an opportunity for small farmers, **price volatility hurts both consumers and producers. The extreme range of price variation – especially upward – hurts net food consumers. Moreover, the unpredictability of prices inhibits planning, makes investment risky and discourages farmers from producing more for the market. This represents a lost opportunity for farmers to raise their incomes, and for countries to develop the potential of smallholder agriculture to contribute to global food security.**