



# Drug Policy and the Development Fallacy

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## KEY POINTS

- Contemporary debates surrounding drug policy and illicit cultivation have adopted a modern and flawed interpretation of ‘development’.
- Symptoms have been mistaken for causes, and this has led to ineffective policy proposals. Economic policy decisions and national development models, which can create overwhelmingly powerful incentives to cultivate illicit crops, have been ignored as irrelevant.
- The focus has become local and project-based, forgetting the hundreds of years of development experience which emphasises structural factors and the nature of economic activity.
- Drug policy analysts should learn from the field of economic development, and widen their understanding of why illicit cultivation takes place.
- If it is recognised that socioeconomic factors cause poor farmers to cultivate illicit crops, then it is questionable whether ‘drug policy’ or ‘counter-narcotics’ on the supply side are a useful lens through which to view the issue.

## INTRODUCTION

Today the causes of illicit drug cultivation are, at least on paper, almost universally recognised to have socio-economic causes: the recourse to illegal activity is considered to be a response to poverty, marginalisation and a lack of economic opportunities.<sup>1</sup> It is by now a platitude to argue that what is needed in response is ‘development.’ And the initiatives which claim to address this problem are known as Alternative Development (AD) programmes.<sup>2</sup>

The history of AD, and the variety of criticisms to which it has been subjected, have been discussed in an important paper by Julia Buxton. Summarising, Buxton writes that AD is ‘framed by a concept of ‘development’ that is unclear, contested and securitised.’<sup>3</sup>

It is true that the term ‘development,’ as it is employed in the literature, is often nebulous. It is common to read of the need for ‘sustainable

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development' or 'integral rural development' to complement AD and reduce cultivation levels. But the precise meaning is not clear. Consider, for example, the following statement taken from an influential report by the Organisation of American States:

'Alternative development as a strategy for social integration should build human and social capital by implementing production projects that incorporate criteria for economic, environmental, political, and social sustainability. In short, alternative development in the area of drug production makes sense if it is part of a broader development plan. It is in the framework of such a plan that initiatives on the ground, in actual communities, families, and small organizations, will find the resources and partnerships they need to place their products in a market from which they can receive fair compensation.'<sup>4</sup>

Ambiguous recommendations such as these provide support for Buxton's conclusion. This report, however, will argue that AD is taking place under a certain conception of development, and it is one that is divorced from the historic understanding of the term. Furthermore, the failure to comprehend the real nature of development is symptomatic of wider problems, common to the approach taken by drug policy analysts. The notion of development which has been adopted, this report argues, has constricted the possible solutions, which focus on symptoms rather than causes, and has narrowed the range of the factors considered relevant to the issue of illicit cultivation.

## **ECONOMIC DEVELOPMENT; HISTORY AND PRACTICE**

The historic lesson of economic development, as practised by the advanced economies, is that industrialisation is the means to progress. In the past, the advanced economies sought to develop manufacturing industries that

experienced increasing returns and had the potential for large productivity gains. The great development success stories, from England, Germany and the United States, through Japan, South Korea and the Asian Tigers, were defined by structural change towards higher value activities. Copying, or 'emulating,' the progress made in other countries was a recognised step in achieving successful economic development. In the 19<sup>th</sup> century, for example, Germany and the United States sought to replicate the changes taking place in England, and their policy makers realised that the doctrine of 'comparative advantage' had to be ignored if development was to take place. Later, the capacity for innovation in these economies became a source of sustained economic growth.<sup>5</sup>

Tariffs, infant industry protection and other measures were crucial means of developing economic activities with value-added and possibilities for productivity advances; a recent World Bank study acknowledges no country has been able to develop without recourse to these measures.<sup>6</sup> 'Historically,' writes development economist and historian Erik Reinert, 'successful development policy – from the late fifteenth century until the beginning of the twenty-first – has achieved structural change away from dependence on raw materials and agriculture, adding specialized manufacturing and services subject to increasing returns with a complex division of labour.'<sup>7</sup> Margaret S. McMillan and Dani Rodrik, development economists from Tufts and Harvard, have made a similar point:

'One of the earliest and most central insights of the literature on economic development is that development entails structural change. The countries that manage to pull out of poverty and get richer are those that are able to diversify away from agriculture and other traditional products. As labor and other resources move from agriculture into modern economic activities, overall productivity rises and incomes expand. The speed with which this structural

transformation takes place is the key factor that differentiates successful countries from unsuccessful ones.’<sup>8</sup>

A key observation, with implications for the proposed responses to illicit cultivation, is that industrialisation is the engine of agricultural productivity. Rising wages in the cities pull agricultural wages with them, and the migration to urban areas also contributes to pressure for higher wages, which in turn creates incentives to increase agricultural productivity. Over two hundred years ago, David Hume had recognised that: ‘Promoting husbandry is never more effectually encouraged than by the increase of manufactures.’ Reinert, citing Hume’s remark, makes the following comments:

‘From an economic point of view, the poor populations in the world periphery may be seen from two different angles: either in terms of consumption or in terms of production. From the consumption point of view we are faced with about 2 billion people whose extremely low purchasing power causes them to live near the brink of famine and disease. A normal gut reaction is to give them more purchasing power through aid. This is the gut reaction that has created the Millennium Goals [later replaced by the Sustainable Development Goals] and traditional development assistance. Since many of the victims of poverty are farmers, another normal gut reaction is - in isolation - to attempt to make their farming more efficient. However, these gut reactions go squarely against 500 years’ experience of successful development policy. Only the presence of manufacturing industry produces efficient agriculture.’<sup>9</sup>

Even when the process of structural change is distorted or poorly executed, the results are beneficial to growth. Latin America experienced a period of state-led industrialisation between the 1930s and 1970s, during which the region increased its manufacturing capabilities. The process was flawed, and for a number of

reasons did not culminate in the dynamism of the Asian Tigers. However, despite these problems, a comprehensive study of the region observes: ‘In comparative terms, state-led industrialisation produced the best economic growth performance of Latin America and the Caribbean in over half a century, with respect to the region’s own history and to that of other regions of the world.’<sup>10</sup> During this period, another study notes, ‘Social development indicators improved more rapidly than at any other time in the region’s history.’<sup>11</sup>

One of the effects of industrialization and the subsequent urbanization ‘was the erosion and ultimate elimination of long-standing forms of servitude that had existed in rural areas.’<sup>12</sup> The industrialisation period also combined a decrease in employment in agricultural sectors with the strongest growth in agricultural productivity in the history of the region.<sup>13</sup> Following a similar pattern, during the structural transformation of the East Asian ‘Tiger’ economies there was ‘a rapid absorption of labour into industry and a labour-intensive industrialization process.’ This was assisted by state policies designed ‘to both protect their infant industries from competition and safeguard rural food security, thus insuring agricultural and industrial productivity increased in step.’ This can be contrasted with the situation in Afghanistan today, discussed below, where there is support for ‘market-driven, agriculturally focused development.’<sup>14</sup>

The countries which have focused on agriculture have been the historic failures in terms of development. Africa is an example of a region which focuses on low-value activities at the cost of genuine development, and therefore needs constant support in the form of development aid. Shortly after the region achieved independence, the new policy-makers were in fact criticized by development economists for this reason:

‘...genuine agricultural modernisation in Africa implies the integral transformation of the national economy, including the

development of a modern industrial sector... Progress in agriculture, therefore, depends on the growth of a viable industrial sector. There can be no really effective development without industrialisation.’<sup>15</sup>

The roots of these problems lie in the colonisation of these countries, and the deliberate policy of the colonisers to prevent the development of manufacturing industries.

The term ‘development’ was, historically, a synonym for altering the economic structure and moving towards more advanced economic activities. This changed in the 1970s. The transformation that took place as the ‘neo-liberal’ period was emerging has been described by economist Stephanie Seguino:

‘... the dominant theoretical framework and mode of analysis in development economics came to largely reflect structural conditions in developed rather than developing economies. Gone was the attention to the arduous task of industrialisation in countries with limited assets—physical, human and otherwise.’<sup>16</sup>

Previously, notes a study by Antonio Andreonia and Ha-Joon Chang, development economists had argued that ‘employment creation and improvement in job quality via learning-based industrialisation [were] the only pathway to truly inclusive and sustainable development.’ After the conceptual shift, development became a question of ‘consumption deprivation,’ while ‘development and poverty reduction [became] synonymous.’ That a country’s productive structure is the ‘most fundamental dimension of development’ was forgotten.<sup>17</sup>

The ensuing process of deindustrialisation, based on the new conception of development, had dire effects for the developing world. In Latin America, during the last two decades of the 20<sup>th</sup> century ‘little or no progress was made’ in terms of human development indicators relative to the advanced industrialised countries.<sup>18</sup> This was also the period in which

illicit drug cultivation greatly expanded. One overlooked aspect of this process is the link between deindustrialization and urban violence. As stable jobs disappeared, a new generation grew up with little hope of dignified, formal employment. In a hopeless situation, drug trafficking or violent gangs provided a viable option. The story repeats across the region. This was the case, for example, in Medellin, once a major textile centre, and the port city of Buenaventura in Colombia. And also in Rosario, Argentina, at one time the location of national chemical processing operations - an industry later destroyed during the economic liberalization of the 1990s under the Menem administration. This link provides a clue to possible solutions, yet it is extremely rare to read of industrialisation being recommended as a counter-narcotics initiative. An isolated example was the Russian proposal to create ‘new large-scale industries such as mining, engineering, chemical industry, machine-building and others’ as a means to overcome the reliance on poppy cultivation in Afghanistan.<sup>19</sup> Genuine or not, the proposal, which has been ignored, has more historical support than the approach recommended by the occupying forces, or the governments and international institutions that argue for a development model based on national ‘comparative advantage’ in order to reduce illicit cultivation.

A 2016 report by the United Nations Conference on Trade and Development (UNCTAD) argues that ‘many developing countries have not been able to develop sufficiently their manufacturing sector (experiencing a ‘stalled industrialization’) or have even endured a ‘premature de-industrialization’ since the 1980s owing to a policy strategy centred on unilateral trade opening, financial deregulation and the retreat of the developmental State.’ This is a significant problem, the report adds, because what is needed are ‘proactive industrial policies’ which can ‘encourage the shifting of employment and resources from low-productivity agriculture to higher productivity industrial and modern services

sectors. Manufacturing activities play a key role in such processes, as they create formal employment, incomes and demand, and accelerate productivity growth; this in turn further boosts incomes and demand.’<sup>20</sup>

However, under the new interpretation of development, the role of the state was largely ignored, and the focus on production was replaced by consumption. Now development was a question of human capital, education and productivity, with less attention paid to the nature of economic activity. The ‘arduous task’ of development could be replaced by aid and localised projects. ‘Those who in earlier periods,’ write Jayati Ghosh, Erik Reinert and Rainer Kattel, ‘would have been studying development as structural transformation now focus on poverty alleviation. This idea reached its apotheosis in the Millennium Development Goals, and their newly anointed successor, the Sustainable Development Goals, which effectively are directed towards ameliorating the conditions of those defined as poor, rather than transforming the economies in which they live.’<sup>21</sup>

And they continue:

‘This shuttered vision is particularly evident in the neglect of the international dimension in such analyses, and particularly of the way in which global economic processes and rules impinge on the ability of states in less-developed countries to even attempt economic diversification and fulfillment of the social and economic rights of their citizens. They apparently inhabit a world in which their poverty is unrelated to wider social, political and economic contexts, or to historical processes. Since these larger issues are not addressed at all, the only dilemma posed for policy practitioners is which particular poverty alleviation scheme to choose and how to implement it.’<sup>22</sup>

These points, which are discussed below, are related to the core problems with supply-side drug policies as they are currently advocated.

If we exclude India and China - both of whom relied heavily on state-supported industrialisation - the development achievements since the 1970s have been extremely poor. In Latin America, for example, economists now refer to a ‘lost’ quarter century following the structural reforms of the 1970s and 1980s.<sup>23</sup> Investment levels in the region have still not returned to those of the 1970s; in some countries, neither have real wages. ‘The unhappy truth,’ observes a study of economic growth experiences, ‘is that anti-poverty programs in developing countries have quite often failed or have had limited success. The reason is that they did not enable poor economies to generate long-term growth of real per-capita income.’<sup>24</sup>

Drug policy emerged under this new conception of development and duplicates two of its core weaknesses: the rejection of important context; and the focus on poverty alleviation, rather than structural change.

Economics, Development and Drug Policy  
In order to discuss the way in which important context is often ignored, it may be useful to begin with an example. For around half a century, ‘counter-narcotics’ operations have taken place in Colombia, the world’s largest producer of cocaine, without success: coca cultivation levels reached a historic peak in 2017. The national economy has also undergone a gradual liberalisation, which accelerated in the 1990s. This process culminated in 2012, when the Colombian government signed a Free Trade Agreement (FTA) with the United States. Before the agreement was implemented, Oxfam USA released a study in which they argued that the flood of subsidised agricultural products into the country from the United States would cause a significant drop in income for 1.8 million farmers. The poorest 400,000 - already earning less than the minimum wage - were expected to lose as much as 70% of their income. These farmers, said the report, would then face three choices: join the illegal armed groups, cultivate coca or migrate to the cities.<sup>25</sup>

It would be assumed that this agreement - which could be correctly called a 'pro-narcotics' policy - would be of paramount importance for the drug policy community. But not only was it ignored, in certain cases it was supported.<sup>26</sup> When cultivation levels rose in subsequent years, not a single drug policy analyst, questioned by the media, referred to the effects of the FTA. But the implications were as predicted. 'The initial damage is occurring in agriculture,' the press reported eight months after the agreement was ratified, 'where the country's tariffs have been relinquished and U.S. subsidised goods accepted.' Agricultural imports had increased 50%, the report noted, and the economy was 'becoming more dependent on foreign investment and the mining model.'<sup>27</sup>

This is not an isolated example. The economic policy of a government can create overwhelmingly powerful incentives for farmers to cultivate illicit crops. But as long as those crops are occasionally destroyed, or farmers are offered alternatives, the government is considered to be doing 'counter-narcotics'. Colombian President Juan Manuel Santos, for example, was universally considered to be deeply concerned with reducing illicit cultivation; the economic model he supported was deemed irrelevant. In Afghanistan, despite its importance, the drug policy community has little to say about economic policy; there is almost no comment on the national development model and its implications for illicit cultivation.

Graciela Del Castillo, a development economist, has written an informative study linking the national economic model in Afghanistan with the causes of illicit cultivation. Castillo criticizes the 'restrictive monetary and fiscal framework - in conjunction with a dogmatic belief of the economic authorities and their foreign supporters in trade liberalization, privatization, and private sector-led development,' which has 'severely restricted the role of the state in reactivating

investment and employment.' A less stringent monetary framework, she argues, 'would have allowed [the government] to carry out critical programs to divert farmers from drug production.' The economic development model adopted in Afghanistan, passed without parliamentary approval, followed 'the so-called 'Washington Consensus', which combined liberalisation, privatization, private-sector-led investment, and sound monetary, fiscal, and exchange-rate policies.' This macroeconomic framework 'deprived the government of the ability to support pro-poor policies in the rural sector, despite the rhetoric to the contrary in many governments' and donors' reports.' Del Castillo predicted, correctly, that the model would largely benefit 'a local elite and foreign investors.'<sup>28</sup>

When development models have been advocated as a response to illicit cultivation, the results are revealing. A 2008 World Bank report, for example, concerned with illicit cultivation in Afghanistan, praises the national economic model, with its minimal state intervention, commitment to fiscal prudence, lack of tariffs and import restrictions, and its focus on private-sector and market-led development.<sup>29</sup> As a means to reduce illicit cultivation, the authors recommend an export-based model designed to meet foreign demand, and adherence to production strategies implied by the country's current 'comparative advantage.' The recommendation is remarkable at a moment when Afghanistan lies at the bottom of all indicators of human development, and at a low point in its history.<sup>30</sup> As discussed above, this is the advice which every advanced economy has ignored, from the United States and Germany in the 19<sup>th</sup> century to South Korea and Japan in the 20<sup>th</sup>.<sup>31</sup>

According to surveys conducted by the Human Rights Research and Advocacy Consortium, Afghans have repeatedly identified 'poverty and unemployment as the driving forces behind insecurity', and called for these issues to be

addressed as a priority.<sup>32</sup> An Oxfam study found a similar result: ‘Seventy per cent of Afghans surveyed see poverty and unemployment as the major cause of the conflict in their country.’<sup>33</sup> The structural factors which engender this situation, which serve to increase incentives to cultivate opium and constantly confound the palliative policies recommended by drug policy analysts, are clear, and policies which attempt to support ‘development’ or reduce cultivation without addressing them, will inevitably end in failure and frustration.

Alongside the promotion of a regressive economic model, the foreign forces in Afghanistan have collaborated since the beginning of the occupation with major narco-traffickers.<sup>34</sup> Remarkably, this has not undermined the common interpretation of a concerted fight against drug production. Criticisms instead focus on the lack of sensitivity to local dynamics, poor implementation, under-funding, and so on. This tendency to compartmentalise issues, it is important to note, has been recognised in other fields. An article in the *International Journal of Health Services*, for example, argues that health advocates should not neglect the broader economic context:

‘Despite the many well-known problems with the politics, bureaucracy, and inefficiencies of public health systems in developing countries and the efforts to address these, it is not so much the failure of the health systems or the health policies, or what the health ministry does or does not do, but a much bigger, underlying problem that gets back to why countries have failed to develop in the first place and, specifically, the failures of the dominant neoliberal economic development model promoted by IMF for the past 30 years. It is easy to understand why health advocates do not generally wish to touch such questions. Many simply want to be health advocates, calling for more foreign aid for universal health goals and staying in more

comfortable, apolitical zones, while keeping their distance from broader and more controversial questions of development economics. But such macroeconomic issues cannot be avoided; they are inextricably tied to health outcomes.’<sup>35</sup>

Marco-economic and structural issues are, in the same manner, inextricably linked to illicit cultivation and the failure of ‘counter-narcotics’ policies.

## A NEW NOTION OF DEVELOPMENT

The neglect of broader issues and the economic framework in which drug policy takes place is a serious problem within the drug policy field. And it is compounded by the notion of ‘development’ that is recommended as a response to illicit cultivation.

The United Nations, in an overview of global AD projects, describes AD as ‘a sustainable strategy because it does not uniquely focus on reducing illicit drug crop cultivation (which is the case for eradication strategies), but aims to improve the socioeconomic situation and overall well-being of affected communities to provide households with an incentive to voluntarily cease cultivating illicit drug crops.’<sup>36</sup> Most of the world’s AD programmes, the report notes, are focused on introducing high-value crops; in Afghanistan the proportion is 90%. The UN also claims that AD takes place ‘in the context of sustained national growth and sustainable development efforts in countries taking action against drugs.’ This is demonstrably not the case. As was discussed above in regards to Afghanistan and Colombia, the argument could be made that the facts are exactly the opposite: AD takes place because the government refuses to pursue ‘sustained national growth’ or initiate ‘a sustainable development effort.’<sup>37</sup> From this point of view, there is no contradiction in the fact that Colombia accounts for both the world’s highest levels of coca cultivation and, at the same time, the largest number of AD programmes.

AD in practice is a rural aid programme, funded in many cases by international agencies or foreign governments, with the aim of reducing illicit crop cultivation. The problems with this approach, from an economic perspective, were referred to earlier: a focus on localised projects, on agricultural development in the absence of structural change, is a largely futile enterprise. As noted in a recent research paper by the World Bank Group, which reviewed historic development experiences in poor and middle-income countries:

‘We do not have any examples of countries that have successfully developed through diversification in agriculture. Typically, agricultural transformation represents the early stage of a growth take off. If not followed by rapid industrialization, growth peters out.’<sup>38</sup>

A related problem, rarely addressed, is the nature of the global agricultural market. US and European producers are beneficiaries of vast agricultural subsidies. Moreover, the US, a major wheat producer and the world’s largest source of food grain, has intermittently dumped these products on international markets at enormous costs to developing economies. The tariffs and subsidies in OECD countries, the UNDP has observed, entail an ‘extraordinary distortion of global trade’ and mean developing countries lose out on hundreds of billions of dollars of potential agricultural exports. The FAO notes that these subsidies make it ‘almost impossible for farmers in developing countries to compete internationally.’<sup>39</sup>

Latin America has been a victim of this process, which is exacerbated by the passing of free trade agreements. So too has Afghanistan, where ‘given the extraordinarily open nature of [the] economy, domestic commodity production is often severely undermined by low-cost imports from neighbouring countries that protect or subsidise their own agricultural sectors.’<sup>40</sup> Agriculture - generally a low-value activity, with few possibilities for innovation,

and taking place in roughly perfect global markets with volatile prices and low income elasticities of demand - understandably requires subsidies.<sup>41</sup> Nevertheless, the World Bank and others regularly reject their use in developing countries, largely on fallacious grounds of ‘price distortion.’<sup>42</sup> A US government report on Afghanistan, for example, rejects subsidies on the grounds they would ‘undermine competitive markets’ and ‘distort economic activity.’<sup>43</sup> In Europe and the United States the very purpose of subsidies is to ‘undermine competitive markets’: if they were not granted, European and American farmers, despite being the most efficient in the world, would largely disappear, displaced by the cost advantages in the less developed countries. The end of subsidies in the advanced economies, however, is not the answer to the problems of the developing world. In this unlikely scenario, the result would only be a greater specialisation among developing countries in agricultural production. Agreements or trade regimes in the developing world that expose domestic agriculture to foreign subsidised competition are the central problem.

Much of the ‘development-based’ response to illicit cultivation is, at its core, an attempt to increase agricultural markets for national products, as if this was a route to development. The concern is therefore with technical problems - credit, infrastructure, irrigation, assistance etc - and the focus is necessarily local as opposed to national. When illicit cultivation spikes in Afghanistan or Colombia, analysts therefore look to the regions with high cultivation levels for the answer, not national economic policy in Kabul or Bogota. Given the context in which these policies take place in Afghanistan, it is understandable that Barnett Rubin should refer to AD as ‘at best long term and at worst a joke.’<sup>44</sup>

There are further issues to be considered. In the context of a regressive economic model, the implementation of AD may, if successful, help to solidify a structural situation in which



agriculture is dominant. Afghanistan is again a pertinent case. According to the Food and Agricultural Organisation, around 60% of the labour force in Afghanistan currently work in agriculture.<sup>45</sup> If we look at other countries with a similar percentage - Mali, South Sudan, Tanzania, Cameroon, Laos - we find that their common feature is that they are all poor. In the traditional conception of development, these two facts are understood to be related; the inverse relationship between GDP per capita and the percentage of the workforce employed in agriculture is well established.<sup>46</sup> AD implies an agriculture-focused development policy, largely financed with foreign aid. The real development challenge for the Afghan government is to initiate structural change that encourages the movement from low-productivity to high-productivity activities. Generally, this will lead to greater productivity in agriculture, as fewer available workers combined with higher wages elsewhere encourage producers to invest in more modern production methods. AD in isolation may work against this tendency, and, if funded by the government, create a permanent financial burden on the state that it does not have the capacity to cover.<sup>47</sup>

In a similar way, AD may provide a tonic to governments who have long neglected development. It could be argued that this is what is happening in many countries where illicit drugs are cultivated: the national development model does not improve the production structure, agriculture suffers, and AD presents an image of 'doing something'.<sup>48</sup> Instead of taking the necessary steps to improve national income and, as a result, the state's capacity to subsidize agriculture - as takes place in all advanced economies - AD can provide a palliative veneer. Colombia in particular is a case in which the government has managed to improve its international reputation by prioritizing AD projects over eradication. Among the plaudits, it is forgotten that consecutive administrations have pursued an economic model which, quoting a coalition of British NGOs, creates 'security and economic growth for some, particularly

in cities; but insecurity, poverty and exclusion for most, especially in rural areas.'<sup>49</sup> AD under these conditions could serve to dampen calls for much needed development, or to obscure the deeper changes needed in order to improve the situation in the countryside.

The notion of 'development' to which the drug policy community has subscribed is a relatively new phenomenon. As mentioned above, the more recent conception of development informed the creation of the Millennium Development Goals and their successor, the Sustainable Development Goals. While an improvement on the MDGs, the SDG framework 'still under-values the central role of production transformation and good employment generation in sustainable development,' quoting a study by Ha-Joon Chang and Antonio Andreoni.<sup>50</sup> Another study observes how, within the SDGs, 'government intervention and planning in favour of the majority is reduced to the implementation of a few programmes aimed at making a market-determined strategy more inclusive,' and the result is an undermining of 'the larger development planning agenda.'<sup>51</sup> The SDGs have been subjected to numerous criticisms, many of which are included in a scathing final report by Philip Alston, the former UN Special Rapporteur on extreme poverty and human rights.<sup>52</sup> 'Rather than providing a roadmap for states to tackle the critical problems of our time,' writes Alston, 'the energy surrounding the SDG process has gone into generating colourful posters and bland reports that describe the glass as one-fifth full rather than four-fifths empty.'<sup>53</sup> This is the key point. The SDGs are not a useful guide for development policy.<sup>54</sup> Whatever their merit as targets, they provide little advice on how they can be achieved. It is therefore disheartening to read in a report by the London School of Economics that 'prohibitionist policies must now take a back seat to the new, comprehensive, people-centred set of universal goals and targets that we know as the Sustainable Development Goals.'<sup>55</sup>

The 'poverty reduction' approach of the SDGs is mirrored in the 'development-based' set of policies relating to illicit drug cultivation. The latest, most advanced work on drug policy and development, while being presented as novel, continues the theme of supporting localised attempts at poverty reduction.<sup>56</sup> To quote one example: 'If poverty is recognized as a key driver of emerging or persisting drug economies, then poverty reduction should be the key indicator to measure the success of AD.'<sup>57</sup> The assumption is that AD is the route to poverty reduction. The article goes on to praise the AD projects supported by Germany, one of the 'key proponents of a development-oriented approach to address the world drug problem.' But nowhere do the authors mention the European Union's FTA with Colombia, which caused 'changes in trade and investment flows' that had 'a negative impact on Colombian workers and small-scale farmers.'<sup>58</sup> If our approach to drug policy really is through a development lens, then such facts are of paramount importance.

From the perspective of a development economist, the fact that in Guatemala City thousands of young men decide to join local gangs cannot be separated from a production structure which revolves around exports of bananas, coffee and sugar. In Colombia, the key to the perennially high levels of coca cultivation is the government's exclusionary economic model focused on extractive industries, monoculture and finance, which cannot absorb large sectors of the labour force and leaves around half the working population in the informal economy. If Afghanistan's export basket is comprised mainly of carpets, rugs and dried fruits, its farmers will never have any other option than to produce illicit crops to survive. These are not novel observations: as noted above, they are the result of half a millennia of development experience.

Alice Amsden, the leading scholar of industrialisation in East Asia, wrote scathingly of 'poverty alleviation,' calling it a 'cult.' It was not a substitute for development, she

argued, because it 'does not alter structures of the economy that lead to poverty.'<sup>59</sup> Nevertheless, the faith today being placed in AD is remarkable. It is possible, for example, to read an EU statement which claims that AD is 'a long-term approach to tackle the root causes of drug crop cultivation: poverty, local conflicts, weak statehood, poor infrastructure, insufficient access to legal markets, lack of capacity to grow alternative crops.'<sup>60</sup> It would be generous to call these hopes 'misplaced.'

### CONCLUSION: SYMPTOMS AS CAUSES

In a famous paper written almost four decades ago, Robert Ramsay, a diplomat working with UNCTAD, condemned the organisation's functionaries who, he argued, 'deliberately shun a study of real power structures in the global economy and turn away from looking at brutal issues and bury themselves in technical assistance projects.' The results, he wrote, were barely beneficial for the poor countries, but they were of 'decided financial value to the bureaucrats and to the vast army of 'experts' who have made technical assistance their profession.'<sup>61</sup> This criticism of the development community, it could be argued, has been borne out over time. The drug policy community - accepting the 'technical assistance' approach, ignoring wider structural factors as irrelevant - is today susceptible to the same criticism.

The flawed interpretation of 'development', adopted implicitly, implies structural problems can have local solutions. Increased agricultural production can therefore be presented as the key to development.<sup>62</sup> In blunt terms, policies based on such assumptions can only, in the best case, assist countries to plaster over the major flaws in their production structure.

There are also a number of contradictions surrounding the 'development-approach' to drug policy which need to be resolved. The most important of these is the confusion between symptoms and causes. Within the drug policy literature, poverty and marginalization

are the causes of illicit cultivation. But from a development perspective these are *symptoms*, namely of the economic organisation of the country and national economic policy. These different perspectives lead to different conclusions regarding the appropriate response.

If the focus of drug policy is development, then we also face another contradiction: ‘drug policy’, as it relates to cultivation, should essentially disappear. In fact, the idea of something called ‘drug policy’ on the supply (cultivation) side is probably not helpful as an analytical device, or as a starting point for policy. If the concern is poverty, then the policy response is development. The challenge in Colombia, for example, is how to design a less exclusionary economic model, to adapt the structure of the economy so that development can take place; this is a genuine ‘counter-narcotics’ policy. At present, the problem is considered to begin when the poor engage in illegal activity, not when they are forced - in violation of their fundamental human rights - to live in dire conditions and to take desperate risks in order to improve

their situation. Under this interpretation, development-focused drug policy reduces to a technical problem: the keys to “development” are the proper sequencing of AD, sensitivity to local dynamics, farmers’ access to credit and land, infrastructure development, access to markets, development-focused indicators as measures of success, and so on.

A genuine development focus would look at the deeper causes and seek to rectify them. Unsurprisingly, efforts to treat the symptoms and ignore the cause have universally failed.<sup>63</sup> If the focus continues to be on technical rather than structural factors, and if the latter are continually ignored as irrelevant, then we face many more years of good money thrown after bad, and of analyses which criticize funding, implementation and sequencing, rather than seeking answers in the evidence gathered over hundreds of years of development experience.

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## ENDNOTES

- 1 This has only recently been acknowledged by the United Nations Office on Drugs and Crime (UNODC), and the US Bureau of International Narcotics and Law Enforcement Affairs (INL) does not share this position.
- 2 'Alternative Livelihoods' is also sometimes used. The key difference between the two appears to be that AL places less emphasis on the eventual need for substitution of illicit crops. It is in essence a rural development programme.
- 3 The criticisms include a short-term focus, a measurement of success based on crop reduction rather than poverty alleviation, poor-funding and implementation, corruption, a lack of empirical evidence of long-term success, a tendency for the programmes to become 'securitised' or co-opted and an inherent neglect of structural factors. Buxton, J. The Great Disconnect, Global Drug Policy Observatory, January 2015 <https://www.swansea.ac.uk/media/Drugs-and-Development-The-Great-Disconnect.pdf>
- 4 OAS, The Drug Problem in the Americas: Studies, Organisation of American States, 2013 [http://www.cicad.oas.org/drogas/elinforme/informeDrogas2013/drugsDevelopment\\_ENG.pdf](http://www.cicad.oas.org/drogas/elinforme/informeDrogas2013/drugsDevelopment_ENG.pdf)
- 5 The discussion which follows is necessarily limited. The broad structural transformations needed for sustained economic growth and development to take place are the focus. For a more nuanced discussion, particularly relating to the importance of innovation at later stages of development, see Porter, M. The Competitive Advantage of Nations, Harvard Business Review, March/April 1990 <https://hbr.org/1990/03/the-competitive-advantage-of-nations>
- 6 Lin, J. New Structural Economics; A Framework for Rethinking Development, Policy Research Working Paper No. 5197. World Bank, Washington, DC. <https://openknowledge.worldbank.org/handle/10986/19919>
- 7 Reinert, E. Development and Social Goals: Balancing Aid and Development to Prevent 'Welfare Colonialism', DESA Working Paper No. 14, United Nations, January 2006 [https://www.un.org/esa/desa/papers/2006/wp14\\_2006.pdf](https://www.un.org/esa/desa/papers/2006/wp14_2006.pdf)
- 8 McMillan, M. Rodrik, D. Globalization, Structural Change and Productivity Growth, National Bureau of Economic Research, June 2011 <https://www.nber.org/papers/w17143>; Rodrik's research has shown that 'manufacturing industries tend to close the gap with the technology frontier at the rate of about 3% per year regardless of policies, institutions, or geography. Consequently, countries that are able to transform farmers into factory workers reap a huge growth bonus.' Rodrik, D. No More Growth Miracles, Project Syndicate, 8 August, 2012 <https://www.project-syndicate.org/commentary/no-more-growth-miracles-by-dani-rodrik>
- 9 Reinert, 2006
- 10 Ocampo, J.A. Bertola, L., The Economic Development of Latin America Since Independence, Oxford University Press, 2012
- 11 Vernengo, M. Caldentey, E.P. (Eds) Why Latin American Nations Fail; Development Strategies in the Twenty-First Century, University of California Press, 2017
- 12 *Ibid.* This order of change is often reversed in the new conception of development, in which the focus on institutions comes before the production structure. But it has been long recognized that it is the economy of the country which will determine the institutions. Freidrich List, the German economist, recognised in the 19<sup>th</sup> century that: 'A primitive agricultural nation is characterized by despotism, superstition and ignorance, a low cultural level, the non-existence of transport and communications, poverty and political impotence.' A common mistake, evident today in Afghanistan, is the attempt to superimpose modern institutions on a retrograde production structure.
- 13 Ocampo, J.A. Bertola, L., The Economic Development of Latin America Since Independence, Oxford University Press, 2012; It should be noted that the process of industrialisation, while improving socio-economic indicators generally, can also lead to increased social tensions. In Latin America, because the process was distorted, many rural workers struggled to find new employment opportunities in the cities, and the result was the expansion of the urban slums now ubiquitous throughout the region. Recent empirical studies have found that 'the movement of workers to manufacturing unambiguously decreases income inequality, irrespective of the stage of structural transformation that a particular country is in.' Increasing inequality, the authors find, is more likely if the structural transformation is driven by services growth, rather than manufacturing. See: Baymul, C., Sen, K. Was Kuznets Right? New Evidence on the Relationship between Structural Transformation and Inequality, The Journal of Development Studies, Volume 56, 2020 - Issue 9, pp. 1643-1662
- 14 Pain, A. Growing Out of Poverty? Questioning agricultural policy in Afghanistan, Afghanistan Analysts Network, August 2019
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- 17 Andreoni, A. Chang, H., Bringing Production and Employment Back into Development: Alice Amsden's Legacy for a New Developmentalist Agenda, Cambridge Journal of Regions, Economy and Society, Volume 10, Issue 1, 1 March 2017, Pages 173-187 <https://academic.oup.com/cjres/article-abstract/10/1/173/2333823>
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- 20 UNCTAD, The Trade and Development Report 2016: Structural transformation for inclusive and sustained growth, United Nations Conference on Trade and Development, 2016 <http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1610>

- 21 Ghosh, J. Reinert, E. Kattel, R., Handbook of Alternative Theories of Economic Development, Edward Elgar, 2018. The authors add the following comments: 'Macroeconomic processes are entirely ignored, such as: patterns of trade and economic activity that determine levels of employment and its distribution and the viability of particular activities; or fiscal policies that determine the extent to which essential public services like sanitation, health and education will be provided; or investment policies that determine the kind of physical infrastructure available and therefore the backwardness of a particular region; or financial policies that create boom- and- bust volatility in various markets.' See also, Ghosh, J., From 'Development' to 'Poverty Alleviation': What have we lost?, Frontline Magazine, September 4, 2015 Available Online here: <http://www.networkideas.org/news/aug2015/Development.pdf>
- 22 Ghosh, Reinert, Kattel 2018
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- 30 The authors acknowledge that at least a third of Afghans live below the poverty line, households in rural areas are generally 'operating at subsistence level' and 'most of the rural population is at risk of falling into deep poverty in the face of fluctuations and shocks - economic, security-wise, or others,' although the connection to the market-led national economic model is not made.
- 31 The report does recognise there are some problems with the current model: 'Combined with cost advantages enjoyed by some neighboring countries and Afghanistan's relatively liberal trade and tariff regime, competition from imports may make it very difficult for even potentially viable businesses to get started.' The International Labour Organisation goes further, observing how the 'highly liberal tariff regime' means Afghan farmers cannot compete with their neighbours and criticising the 'eroding price competitiveness of the Afghanistan's agricultural value chains [which] is also reflected in the declining profits of both farmers and processors.' In response, it could be imagined that steps to protect nascent industry and businesses would be necessary to create a strong internal economy. Understandably, there have been 'pressures to increase protection', the authors note. But such measures are not to be recommended. Tariffs and protectionist measures, it is argued, could encourage 'over-investment in activities where Afghanistan does not have a comparative advantage' and therefore the market-orientated policies should not be obstructed. ILO/JICA, Afghan Competitiveness for Job Creation: Agricultural Value Chains, International Labour Organisation, September 2015 [https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-kabul/documents/publication/wcms\\_496311.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-kabul/documents/publication/wcms_496311.pdf)
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- 36 UNODC, Global Overview of Alternative Development Projects 2013-2017, Research brief, 2019 [https://www.unodc.org/documents/crop-monitoring/Research\\_brief\\_Overview\\_of\\_AD.pdf](https://www.unodc.org/documents/crop-monitoring/Research_brief_Overview_of_AD.pdf)
- 37 As the OAS study cited above notes, 'Alternative development in the area of drug production *makes sense if it is part of a broader development plan.*' (emphasis added) The problem is that drug policy analysts have not concerned themselves with the nature of that plan.
- 38 McMillan, M. Rodrik, D. Sepúlveda, C. Structural Change, Fundamentals, and Growth; A Framework and Case Studies, Policy Research paper, World Bank Group, 2017 <http://documentos.bancomundial.org/curated/es/684381493210845244/pdf/WPS8041.pdf>; As was noted above in the case of the Asian economies, rural development programmes can be used to accompany industrialisation, ensuring more even growth.
- 39 FAO, Subsidies, Food Imports and Tariffs Key Issues for Developing Countries, Food and Agricultural Organisation, September 2003 <http://www.fao.org/english/newsroom/focus/2003/wto2.htm>
- 40 Pain, A. 2019
- 41 Other industries with these characteristics also, by definition, need subsidies to survive. Fishing and mining in Europe, for example. Notice that this has nothing to do with efficiency: European and American agriculture are the most efficient in the world.

- 42 The idea is nonsensical, and rarely mentioned in Europe, where the Common Agricultural Policy accounts for a large percentage of the EU budget. In developing economies, however, subsidies are considered a violation of the principle of 'getting prices right' or are criticized for creating the wrong incentives. The World Bank report on development and illicit cultivation in Afghanistan, mentioned above, rejects agricultural subsidies on the grounds they would not induce a move away from opium cultivation. These comments misunderstand the purpose of subsidies, which, in various forms, should be a key part of the development tool kit. This is because they provide a decent livelihood for a rural population working in a low value economic activity, protect against the damaging impact of price fluctuations, ensure greater self-sufficiency and food security, and, crucially, spur aggregate demand, which can support nascent domestic industries.
- 43 Schweich, T.A., *US Counternarcotics Strategy in Afghanistan*, August 2007
- 44 Cited in Del Castillo, G. *Guilty Party: The International Community in Afghanistan*, Xlibris, 2014
- 45 FAO, Afghanistan, *FAO Regional Office for Asia and the Pacific* <http://www.fao.org/asiapacific/perspectives/agricultural-statistics/global-strategy/results-in-the-region/afghanistan/en/>
- 46 Roser, M. *Employment in Agriculture*, *Our World In Data*, 2013 <https://ourworldindata.org/employment-in-agriculture>
- 47 The notion of foreign aid, and its purposes, is an interesting topic, beyond the scope of this paper. However, it is important to note here that traditionally foreign aid served to relieve the foreign exchange pressures that developed during an industrialisation process, as the country needed to import more advanced goods. South Korea was able to avoid many foreign currency bottlenecks because of the large amounts of US aid flowing into the country for strategic reasons. Latin American countries have not had this advantage. For an excellent discussion see, Fischer, A., *Putting aid in its place: Insights from early structuralists on aid and balance of payments and lessons for contemporary aid debates*, *Journal of International Development*, John Wiley & Sons, Ltd., vol. 21(6), 2009, pages 856-867.
- 48 The UNODC overview of global AD projects seems to support this interpretation when it notes: 'For both short- and long-term AD projects, there is little sound evidence on their sustainability, primarily due to the absence of methodologically robust impact assessments.' UNODC, 2019. It may be that the host governments recognise the diplomatic benefits of supporting AD, regardless of the impact, which is considered less important. The recommendations of the United Nations Economic Commission for Latin America and the Caribbean have been used in a similar way in Latin America; policy makers recognised that foreign investment could be encouraged if the recommendations of ECLAC were built into national development plans, regardless of whether those plans were later implemented. Something similar may now be happening with the SDGs.
- 49 ABColombia, 'Fit for Purpose: how to make UK policy on Colombia more effective,' 2009 <https://www.abcolombia.org.uk/fit-for-purpose-2009/>
- 50 Andreoni, Chang 2017
- 51 Ghosh, Reinert, Kattel 2018
- 52 In many respects the SDGs conform to the 'development' model of the last half-century. An export-based development approach is advocated, although the term is largely meaningless given that rising exports can be accompanied by a deteriorating development situation; as was the case in many Latin American countries where exports increased along with a fall in real wages following deindustrialisation. Private capital is also preferred over public funds, but a reliance on private sources of financing for development is recognised to be problematic. Furthermore, an UNCTAD study has found that 'meeting the basic Sustainable Development Goals would result in an increase of public debt-to-GDP ratios from around 47 per cent at present to no less than 185 per cent, on average, if current expenditure and financing patterns prevail. By contrast, to achieve those Goals by 2030 without causing an increase in existing debt-to-GDP ratios, developing economies would have to grow at an average annual rate of close to 12 per cent per year.' Correa, E. Giron, A. *Financial Inclusion and Financialization: Latin American Main Trends after the Great Crisis*, *Journal of Economic Issues*, Volume 53, 2019 - Issue 2 <https://www.tandfonline.com/doi/full/10.1080/00213624.2019.1594544?src=recsys> UN, *External Debt Sustainability and Development*, Report of the Secretary-General, United Nations General Assembly, 26 July, 2019 [https://unctad.org/meetings/en/SessionalDocuments/a74d234\\_en.pdf](https://unctad.org/meetings/en/SessionalDocuments/a74d234_en.pdf)
- 53 Alston, P. *The parlous state of poverty eradication*, Report of the Special Rapporteur on Extreme Poverty and Human Rights, June/July 2020 <https://chrgj.org/wp-content/uploads/2020/07/Alston-Poverty-Report-FINAL.pdf>
- 54 For example, while SDG 9 mentions the need for industrialization, simply arguing that developing countries should increase their global share of manufacturing, which the UN has recommended for the past half century, simplifies the problem, and as Alston notes, does not constitute a road map. In fact, if this was to be achieved, many tenets of the World Trade Organisation may have to be violated. Manufacturing alone can also not be considered a route to development. Mexico is a case in point. While Mexico does have a significant manufacturing export sector, it is composed primarily of foreign firms operating on Mexican territory, taking advantage of low wages, and with low value added and little investment in research and development. Mexico therefore accounts for a large percentage of 'manufacturing' exports in the region, but has been a consistent failure in development terms. The broad targets contained in the SDGs can be contrasted with the work of UNCTAD and UNIDO, which place greater emphasis on the need for improvement in productive capabilities. Citing an UNCTAD study: 'Developing productive capacities is ... the key to reducing pervasive poverty in the LDCs. Although aid transfers to the LDCs are increasingly being used to alleviate human suffering, substantial and sustained poverty reduction cannot be achieved with such expressions of international solidarity alone. It requires wealth creation in the LDCs and the development of domestic productive capacities in a way in which productive employment opportunities expand.' UNCTAD, *The Least Developed Countries Report; Developing Productive Capacities*, United Nations Conference on Trade and Development, 2006 [https://unctad.org/system/files/official-document/ldc2006\\_en.pdf](https://unctad.org/system/files/official-document/ldc2006_en.pdf)
- 55 LSE Ideas, *After the Drug Wars*, September 2015 <http://www.lse.ac.uk/ideas/publications/reports/after-drugs>

- 56 See, for example, Gillies, A. Collins, J. Soderholm, A. Addressing the Development Implications of Illicit Economies: The Rise of a Policy and Research Agenda, *Journal of Illicit Economies and Development*, 1(1), 2019, pp.1-8 <https://jied.lse.ac.uk/articles/10.31389/jied.17/>
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- 59 Amsden, A. Ruling Out National Development? States, Markets, and Globalization, Tufts University, 2002
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- 61 Ramsay, R. UNCTAD's Failures: the Rich Get Richer, International Organization No. 28, April 1984.
- 62 For an example in Afghanistan, see: Leao, I, Mansur A. Kar, A. Jobs from Agriculture in Afghanistan. International Development in Focus;. *Washington, DC: World Bank, 2018* <https://openknowledge.worldbank.org/handle/10986/29312>
- 63 The 'counter-narcotics' success stories have unsurprisingly involved strong economic growth. In Bolivia in the early 2000s, millions entered the middle class as a result of national economic policy based on rising commodity prices. The subsequent increase in consumption and state revenue allowed support to be given to farmers. Thailand, another success story, had the world's fastest growing economy through the 80s, after years of infant industry protection gave way to a gradual economic opening; so-called 'export-orientated industrialisation.' The rate of industrialisation was so fast that by the 1990s there were labour shortages in the countryside. For comments on the Thai case see Buxton 2015.

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The Global Drug Policy Observatory aims to promote evidence and human rights based drug policy through the comprehensive and rigorous reporting, monitoring and analysis of policy developments at national and international levels. Acting as a platform from which to reach out to and engage with broad and diverse audiences, the initiative aims to help improve the sophistication and horizons of the current policy debate among the media and elite opinion formers as well as within law enforcement and policy making communities. The Observatory engages in a range of research activities that explore not only the dynamics and implications of existing and emerging policy issues, but also the processes behind policy shifts at various levels of governance.

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