THE DRUG INDUSTRY
IN PERU

FROM SACRED LEAVES¹ TO POLITICAL CURSE

Philip Reiser

The drug industry in Peru is dominated by cocaine. It has deeply rooted itself into the country that is the second largest producer of cocaine worldwide.² Despite this fact, drug trafficking remains hidden from public view and is seen as a secondary problem. Society and politicians have other priorities – combating poverty, civil commotions, and the satisfaction of basic needs. Still, the presence of the criminal drug industry is becoming more and more apparent. One example are the bloody murders that have been carried out in Lima over the past few years, mainly by Mexican and Columbian cartels trying to secure their supplies in Peru. The media registered 14 of such murders between 2009 and 2010.³

There is repeated news about confiscation of large cocaine shipments. The question remains how many such deliveries are not detected. The UN reckons in their World Drug Report 2010 that Peru produced 302 tons of cocaine in 2008, of which the Peruvian police confiscated about 16 tons, which amounts to about 5 per cent.⁴ The cultivation of coca leaves has rapidly grown and thus also the production of cocaine.⁵ The extent of the national production is approaching that of Columbia, the country that produces

¹ | Translation from the Spanish “hoja sacra”, a term usually used for the coca leaves.
⁵ | Ibid.
most, with 450 tons per year. The increased efforts against the drug industry in Columbia, concentrated on destroying illegal coca plantations, have shifted demand to bordering countries and in particular to Peru, where the fight against coca plantations is still handled relatively superficially.

The institutions of the Peruvian state are also in danger of falling in the hands of the drug industry. During the 1990s, the chief of Peru’s secret service (SIN), Vladimiro Montesinos, built a far reaching network of corruption under President Alberto Fujimori, partly financed with drug money. Since then, evidence has been found that Montesinos himself was active in drug trafficking, with the assistance of high-ranking Peruvian military officials, and even conducted business with the Columbian FARC.

Although Montesinos and Fujimori are in prison today, their traces continue to be felt in Peruvian politics. Fujimori’s daughter Keiko still leads the Fujimori-loyal party “Fuerza 2011.” She lost the second round of the presidential election by a slim margin to Ollanta Humala in June. Corruption in military circles also reappears repeatedly.

After the confiscation of 700 kilos of cocaine in the northern port of Paita in 2004, it was found that the drug dealers had been protected and supported by military officers in moving the load to a ship headed for Mexico.

The state’s institutions are alarmingly weak and easy to infiltrate. The combination of growing drug production, political uncertainty and mighty foreign cartels, could mean an opportunity for the drug trade to weaken the state and control it in its favour. The cases of Columbia during the 80s and 90s and Mexico today display similar patterns of development in this direction.

But the experiences of these two countries also teach important lessons. Whether Peru will escape this fate depends on several factors. International cooperation will be essential. The international community must not only support the Peruvian state, but also apply pressure and

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The leaves of the coca plant have been used in Peru for thousands of years. Coca leaves were found in graves of Inca rulers and were considered holy due to their healing properties. Today these leaves are consumed as tea or chewed directly, as a remedy against altitude sickness, stomach illness and fatigue. The coca leaf is an identity symbol of the Andean culture and its traditional use has therefore never been prohibited. These have been the arguments to keep coca cultivation legal.

With the discovery of cocaine, regulating the coca market became a problem in order to avoid its illegal use. For this purpose, the Peruvian state established the ENACO (Empresa Nacional de la Coca), the national coca company, in 1949. The ENACO is until today the only legal trader for coca leaves and its by-products, but statistics reveal that the current efficiency of this strategy is questionable. The Peruvian state estimates the national demand for coca leaves for legal use to be 9,000 tons per year, but in 2008 the ENACO bought only 2,417 tons for resale. The difference shows that even for legal use of the leaves there is a black market. But these figures are still far from the total production of coca leaves.
According to the UN, Peru produced 122,300 tonnes of coca leaves in 2008. If one deducts the estimated 9,000 tons for legal use, 113,300 tonnes remain for the production of cocaine. That amounts to 92.6 per cent of total production that is used for the production of drugs. If one only considers the amount purchased by ENACO as legal, then the amount for illegal use rises to 98 per cent. Faced with these facts, the arguments for legitimate use, as well as the national strategy against illegal cultivation, must urgently be revised.

One of the main parts in the fight against cocaine production is the destruction of illegal coca plantations. These are mainly distributed in the valleys of the mountainous rainforest. The areas where most of the coca leaves are cultivated are Alto Huallaga, the valley of the Apurímac River (VRAE) and La Convención-Lares in the Cuzco region. These are very secluded, poor areas, surrounded by high mountains and thick forests, where the state has little presence. With reinforced efforts the state has only been able to reduce the area of cultivations by about 10,000 hectare per year during the past few years. At the same time, the total area of coca-plantations increased from about 50,000 hectare in 2005 to 60,000 hectare in 2009. The government’s strategy also considers control of the chemicals used in preparing cocaine (kerosene, calcium oxide, hydrochloric acid). However, this seems to be even less effective than destroying the coca fields. A Peruvian study estimated that about 35,000 tonnes of chemicals

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**Fig. 1**

*Production of coca leaves (in tons)*

<table>
<thead>
<tr>
<th>Category</th>
<th>%</th>
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<tbody>
<tr>
<td>Drug production</td>
<td>93</td>
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<tr>
<td>Black market - legal consumption</td>
<td>2</td>
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<tr>
<td>Empresa Nacional de la Coca (ENACO)</td>
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are needed to produce cocaine in Peru. Of this quantity, the police confiscated an insignificant 500 tonnes per year between 2005 and 2008.\footnote{11}

In order to understand the influence of the coca industry in some regions of the country, the example of Ayacucho is rather insightful. A study from 2006 shows that 52.2 per cent of the total agricultural income in Ayacucho comes from coca cultivation. The same study calculates that 16.5 per cent of the total economy of the region depends on coca and its derivative products, mostly cocaine. Add services, construction and trade for the industry and this amount goes up to about 20 per cent.\footnote{12} The criminal drug industry in Ayacucho occupies an important part of the economy and thus becomes a decisive actor in local politics and culture.

As the coca leaf is not illegal and achieves higher returns than other crops, the resistance against destroying the plantations is very strong. The coca farmers of Peru have for years fought against eradication measures by pointing out that they have nothing to do with the cocaine trade. What happens after the sale of the leaves is not the responsibility of the farmers, the argument goes, therefore the farmers should not be punished. But even this argument has become increasingly difficult to defend. Coca farmers soon realized that producing the raw material awards them a tiny fraction of the profit, while the producers of cocaine achieve huge returns. As a consequence, farmers have started to produce cocaine themselves in order to secure a larger part of the value chain. The commandos in charge of eradication have found increasing numbers of maceration pools on the properties of coca farmers. These are used to process the coca leaves with chemicals in order to obtain the primary-product of cocaine, cocaine paste. In 2007, 1,081 of these pools were destroyed, while in 2008 this number was up to 2,340, an indication that more and more farmers are producing cocaine directly.\footnote{13}

\footnote{11}{Ibid.}
\footnote{12}{Ibid.}
\footnote{13}{Ibid.}
Many soldiers have died fighting this new narcoterrorism. The latest incident happened a day before the presidential elections.

The strategy of eradication is generally accompanied by development aid for alternative crops such as coffee or cocoa. The success of these programs has been hampered by the lower returns on these alternative products. Farmers often revert to producing coca within a short time. The resistance against eradication has increased to a point where coca farmers in some regions have struck alliances with the remnants of the terrorist group Sendero Luminoso (Shining Path). Their role is similar to that of the FARC in Columbia: the terrorists promise security and armed resistance against the state and in return are financed by the drug trade. The Peruvian army has come to feel this alliance already, as many soldiers have died fighting this new narcoterrorism. The latest incident happened a day before the presidential elections on the 4th June, when five soldiers transporting material for the elections to the VRAE valley were ambushed and shot dead by terrorists.14 This case underlines the general disregard of these groups against the state, as this was not an operation against the drug dealers but only a routine procedure of the election process.

The coca leaf has today become a symbol for social dissatisfaction across Peru. Its defenders paint prohibition of coca crops as an act of tyranny by the state. Thus a counter-culture is created that tries to weaken the state in favour of the drug industry. It is supported by the huge financial power of the drug trade and resonates especially with those people who freed themselves from poverty thanks to coca. The phenomenon can be observed in the pop culture of the coca regions. The music group “Sociedad Privada”, known in the Huallaga region for its cumbia music, sings lyrics such as: “Sigan sembrando más coca, para que haya plata. Si no, no hay plata hermanos.” (Carry on planting more coca, so there is money. Otherwise there is no money, brothers.) And another verse: “Nuestra coca es el pan de cada día, otras plantas en nuestras tierras no producen, es la tierra de la coca y de los incas.” (Our coca is our daily bread, other plants do not grow on our land, it is the land of coca and of the Incas).

During the 80s and 90s, Peru mostly exported cocaine paste, a primary product for cocaine powder. Today, the paste is completely processed in Peru. In this counter-culture, coca stands for money and tradition. The state’s presence in these regions is weak and the voices of the drugs industry fill this void. One author describes how teachers in the schools of the Huallaga valley recommend their pupils to work in the coca fields and maceration pools during the summer holidays.\textsuperscript{15} The drug industry enables youths to progress socially and financially, a possibility they would otherwise be deprived of. As long as this reality exists, it will be difficult to carry out programmes for alternative development that have an enduring effect.

**THE DRUG ROUTES**

During the 80s and 90s, when the Columbian cartels had a virtual monopoly over worldwide cocaine production, Peru mostly exported cocaine paste, a primary product for cocaine powder. It was generally transported to Columbia by plane, processed into powder and later on exported to consumer countries. Today, the paste is processed in Peru and the final product, cocaine powder, exported mainly by sea. The owners of the trade are mostly Mexican cartels, who benefit from buying the finished product at lower cost directly from the coca regions.

Most of the shipments head North along the Pacific Coast. The increase in availability of cocaine along the Pacific coast, the arrests of several drug smugglers with Peruvian cocaine in Ecuador and the numerous drug deposits that have been discovered along the North coast of Peru indicate that this sea route is seeing increasing drug traffic. In November 2010, the Peruvian police dealt a blow to the smugglers when 870 kilos of cocaine, destined for Spain, were confiscated at the port of Paita.\textsuperscript{16}

There are three known drug routes. The first goes from the Huallaga region to the already mentioned port of Paita in the north of the country. The second route runs across the centre of Peru, from Tingo María to the port of Lima in

The small country of Guinea-Bissau on the West coast of Africa is said to have become a favourite port of trans-ship-ment to Europe.

The third known route runs across the Ayacucho region to the port of Pisco, south of Lima.\textsuperscript{17}

The most common destinations for cocaine shipments are the U.S. and Spain.\textsuperscript{18} The supplies for the U.S. are transported by ship via Mexico and Columbia. There are two known routes to Europe. The first follows the ship route via Columbia and Mexico. The second, lesser-known route, does not use the ports of the Pacific coast, but rather follows the Amazon basin from the Peruvian region of Loreto, as this remote area is very difficult to control. The loads are shipped down the Amazon River through Brazil and handed over to larger ships in Brazilian ports. These often stop in West Africa, where the cocaine is re-packed into smaller packets in order to make them more difficult to detect when entering Europe. The small country of Guinea-Bissau on the West coast of Africa is said to have become a favourite port of trans-shipment. An indicator for this is that the use of cocaine has increased alarmingly among the population.\textsuperscript{19}

The Amazon route is also used for shipments into the Brazilian and Argentinian markets. The demand for cocaine has increased considerably in these countries, especially in big cities, to the point that Sao Paulo and Buenos Aires have now become major destinations for Peruvian cocaine.\textsuperscript{20}

**QUIET VOICES FROM THE DRUG INDUSTRY IN POLITICS**

The coca farmers are not an isolated power which only has influence in some regions. Their voices are also heard in the Peruvian congress, as several leaders of the coca movement have been elected as representatives and are advocating a complete legalisation of coca crops, so far unsuccessfully. Elsa Malpartida and Nancy Obregón, two

\textsuperscript{17} Cf. Ricardo Soberón, "El narcotráfico en el Perú y la ausencia de políticas de Estado," Perú Hoy, 2007.

\textsuperscript{18} Cf. Rospigliosi, "Narcotráfico, Cocaleros y Políticas Estatales," n. 7.

\textsuperscript{19} Cf. Philip Keefer and Norman Loayza, "Innocent Bystanders: Developing Countries and the War on Drugs," World Bank, 2010.

\textsuperscript{20} Cf. "Incautan 870 kilos de droga en Paita," n. 16.
representatives from coca regions, are examples of such advocacy. Both belong to the Nationalist Party (PNP) and are known for their protests against the ban of the plant.

The people behind the drug trade are rather unknown in Peru, contrary to Mexico and Columbia, where established cartels and known bosses manage the industry. The coca farmers and their leaders partly fulfill this role, but they only represent the first step of the supply chain. Those who organise the transport and sale of the drug to international organisations are much more powerful and dangerous. The newspaper *El Comercio* recently published a list of names of some Peruvian drug lords. Most of the names were widely unknown, but the names Sanchez Paredes and Cataño, the first on the list, have frequently reappeared in the media over the past few years.\(^{21}\) Remarkably, most names on the list are known as owners of legitimate companies. The Sanchez Paredes family owns mines, Cataño a car import company and an airline. These companies mainly serve to launder money and enable the drug shipments to be transported directly through the firms. They also help camouflage drug monies and their owners.

During the national elections in April, several congressional candidates were named for their supposed connections to the drug industry. Narcotics expert Jaime Antezana mentioned in an interview that at least ten elected congressmen could directly or indirectly be linked with the drug industry or money laundering. Most of them belong to Gana Peru, the party of Ollanta Humala and Fuerza 2011, the party of Keiko Fujimori.\(^{22}\) The candidates repeatedly confirmed that party members who could be linked to drugs would be excluded from the party immediately. So far nothing has happened in this regard.

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While the drug industry quietly tries to creep into politics, Peru cannot disregard its responsibility towards several international agreements. Only with the UN, the government has signed six different agreements to fight against drug trafficking and money laundering. Additionally there are agreements with the Organisation of American States (OEA) and the Comunidad Andina (CAN). There also exists a close cooperation with the European Union in its fight against drug smuggling, exemplified through the work of the German Association for International Cooperation (Gesellschaft für Internationale Zusammenarbeit, GIZ), which carries out programmes for alternative development in coca regions. The U.S. also has a strong interest in fighting the drug industry at its source. A free trade agreement ratified in 2009 between both countries stipulates an intense cooperation in this regard, especially pertaining to the removal of coca fields. The fact that the drug industry is still flourishing despite these numerous initiatives indicates the real extent and power of this billion-dollar industry. Faced with the statistics, it is questionable, whether all these agreements and obligations are truly upheld.

**FAR-REACHING IMPACTS**

Even if the majority of drug consumers come from the U.S. and Europe, this does not relieve the producing countries from their responsibility towards the drug problem. More importantly, it does not relieve them from the damage this criminal activity causes. The weakening of law enforcement is one dire consequence. Drug traffic thrives in countries with weak criminal prosecution and thus it is in its interest to fight and weaken these institutions. The revival of Sendero Luminoso should be an alarm signal for Peruvians that without a committed fight, the country may once again experience chaos and insecurity. A strong drug industry spreads lawlessness, as it is easiest to weaken security forces by force and intimidation, a recent example of this being Mexico’s increasingly violent drug war.
In Peru, drug dealing is the main cause for criminal activities.\textsuperscript{23} The representatives of order – military, police, judges, customs officers – most of them badly paid and incompetent, quickly become part of a network of corruption that enables the drug trade and thus become an instrument of this industry.

It is also a myth that drug production is only destined for export and does not influence national consumption. Increasing availability reduces the price, making it even more accessible. In the streets of Lima, one gram of pure cocaine can be purchased for about eight U.S. Dollars, while the same amount can cost up to 80 Dollars in the U.S.\textsuperscript{24} Statistics made available by the drug prevention institute CEDRO show that, between 2001 and 2005, the number of users of almost all kinds of drugs increased among the population.\textsuperscript{25} This indicates that the consumption problem is very pertinent for the producing country, since it represents a grave problem for public health.

The effects of the drug trade to the environment are hardly ever discussed. In a country such as Peru, where coca fields and production laboratories are often found in very remote forest areas, the production of cocaine often means the destruction of nature. This happens mainly in three steps of production: First, the ground must be prepared for the coca crops. This means the tillage and burning down of often-pristine forest grounds. In order to obtain one hectare for coca crops, on average four hectare of forest are destroyed. Desertification, the destruction of ecological niches and increased greenhouse gas emissions are the results. It also upsets the balance of water cycles and provokes changes in the climate of the region. It is estimated that during the past 30 years about 2.5 million hectare of rain forest have been cut down for coca crops.\textsuperscript{26}

The second step is the cultivation of coca fields. As the areas for the fields becomes restricted due to eradication, more chemical products are being used to increase the productivity of existing fields. It is estimated that 800,000 litres of insecticides, fungicides and herbicides are used for cultivating coca plants. These affect the natural cycle of the soil, poison the ground and contaminate the rivers.27

The third and most critical step is the processing of the coca leaf in order to obtain the end product, cocaine. Large amounts of chemical intermediate products are needed in this process, such as kerosene, hydrochloric acid, calcium oxide, sulphuric acid, ammonia, acetone and potassium permanganate. The leaves are soaked in these chemicals in maceration pools in order to extract certain chemicals to attain the finished product, cocaine powder, after several steps. After their usage, these chemicals are usually flushed out onto the ground or into rivers, with devastating effects for the health of the rivers. With about 35 thousand tonnes of chemicals used every year, the pollution continues to affect these ecosystems long after the actual spillage has taken place.28

The drug trade also has a distorting effect on the formal economy. The influx of immense sums through money laundering causes inflation in the country, as drug money is invested everywhere there is a possibility to do so. This causes prices to rise and the country’s citizens carry the burden. The president of the Peru’s Central Bank, Julio Velarde, indicated that about one billion U.S.Dollars worth of drug money are injected into the economy every year.29 One indicator of this effect are property prices. These have been rising disproportionately during the past few years.

HOW DOES ONE FIGHT THIS CURSE?

To speak of Peru as a failed state would be an exaggeration. However, the indicators in that direction are a real cause for concern. This pertains especially to the individual regions where the drug trade has reached such a powerful

28 | Ibid.
29 | Cf. “Incautan 870 kilos de droga en Paita,” n. 16.
The responsibility for fighting the drug problem cannot be split into consumer and producer countries. It must rather be tackled together in order to protect both interests.

The first priority of the state must be the strengthening of law enforcement and judicial institutions. Police, military, justice and prisons are currently in critical condition. These institutions should be competent and able to act quickly, as it is ultimately they who uphold and defend the rule of law. Without their committed efforts, even the best of strategies will remain fruitless. There is clear evidence that drug funds have already infiltrated these institutions on many levels, thus making it ever more important to act with a sense of urgency.

Second priority is the formulation of a new comprehensive strategy. Even though it must include international cooperation, it should first and foremost be carried out by the Peruvian state itself. An integral approach that includes all relevant state institutions is indispensable. The responsibility for fighting the drug problem cannot be split into consumer and producer countries, but must rather be tackled together in order to protect both interests.

Drug trade today is arguably the biggest threat to the Peruvian state. Its actions can be felt across the country, but remain rather hidden from everyday life for regular citizens. The highly profitable business has developed strongly in Peru during the past few years and has found dangerous allies in powerful international cartels. At the same time, the state has shown little progress to combat them. The development of these tendencies in the coming years could define the security and political unity of the country for decades to come.

AN OUTLOOK ON THE HUMALA GOVERNMENT: DANGEROUS CONTRADICTIONS

On paper the Humala government has promised to fight the drug trade with vehemence. The government plan announces a “national crusade against corruption, in particular against mafias and drug cartels”. Humala himself fought against the “Shining Path” as an officer in the 1980s, therefore he is now expected to reinforce the fight against the newly reviving terrorist group and its financiers. In the coca regions the position of High Commissioner for Peace and Development is to be installed, with the task of dealing with the social aspects of the coca conflict. The Humala government also plans to eliminate the ineffective ENACO-monopoly and include coca producers in the formal economy. There is also talk of a new “coca law” in the plan yet details of such a law are not specified.

During his election campaign, Humala was rather ambiguous with regard to this subject. On one hand he assured his country of a reinforced commitment against the drug industry, on the other hand he promised coca farmers that his government would immediately put a halt to the “compulsive destruction” of coca fields. Reduction of illegal fields should happen exclusively through a strong programme for alternate crops, his argument goes. Humala’s promise was made during an assembly in Huánuco, a main coca region, and can be viewed as a populist strategy in order to obtain votes. This promise could turn dangerous, as the interests behind the coca trade, as already mentioned, are very powerful. A failure to keep this promise could cause serious social conflicts. Since the eradication of the fields is part of the current strategy and is tied to international agreements, it will be rather difficult to stop completely.

In the two pages of Humala’s government plan dedicated to the fight war on drugs, the distinct nationalist undertone of his party can be clearly identified. There is talk of

32 | “Humala asegura que no permitirá erradicación de cultivos de coca,” InfoRegión, May 31, 2011.
an “autonomous policy” that should not be influenced by “external interests”, and about a commitment to “non-interference in the inner issues of a country”. Ironically, this is followed by a sentence that states that “the principle of shared responsibility” must be newly defined, “as the countries of the North should finance their share in the programmes for development, prevention, treatment and prohibition.” Funding is thus welcome; “interference” is not. How this scenario is to work in practice remains unclear. It is however clear that Humala needs to clarify the contradictions in his discourse before any strategy can effectively combat this flourishing business. All parts of the supply chain carry a responsibility for the harm caused by the drug industry. To protect the coca farmers and simultaneously lead a crusade against the drug cartels is thus an incomplete strategy with little prospect of success.