

# LTC Paper

**INTERPLAY AMONG LAND LAW AND POLICY,  
THE ENVIRONMENT, THE WAR ON DRUGS,  
NARCOTERRORISM, AND DEMOCRATIZATION:  
PERSPECTIVES ON PERU'S UPPER HUALLAGA VALLEY**

by

**Steven E. Hendrix**



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**LAND  
TENURE  
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An Institute for Research and Education  
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Resource Use and Development

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All views, interpretations, recommendations, and conclusions expressed in this publication are those of the author and not necessarily those of the supporting or cooperating organizations.

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## SUMMARY

Coca production is of obvious concern to the United States. It causes environmental damage. It threatens the health of our citizens. It has contributed to violence in the US, Peru, and elsewhere, and threatens the functioning of some newly formed democracies. It also distorts the economy and discourages productive participation by the poor. Policymakers are discussing land law and policy in this fight against coca.

Since 1969 in Peru's Upper Huallaga Valley (UHV), the Peruvian Department of Agriculture has carried out extensive land reform programs and titling efforts. Land is effectively titled, traded, and sold in an organized fashion. Unfortunately, the UHV is also now a world-leading source of the coca leaf used to produce cocaine.

Various experts have debated how to conquer the drug problem. Governments have taken steps against cultivation, refining, trafficking, selling, buying, consuming, and money laundering. In the fight against the element of cultivation, policymakers have suggested several solutions, including legalization, repression, government-sponsored coca purchases, and titling. Of these, the *Instituto Libertad y Democracia* (ILD) has advocated titling as the best means to restrict coca production. Governments have tried many of these solutions, but no single one is adequate. The current strategy is probably the best—making coca an economically unattractive good to produce relative to other agricultural commodities. This can be done through a multifaceted approach combining several of these efforts with attempts to decrease demand.

The ILD antinarcotics titling plan will not accomplish its goal. Coca producers neither want nor need title, and they are motivated not by legal formality but by economic interest. Further, the ILD plan does not properly consider: (1) titling and registration efforts already in place, (2) the dynamic of land markets and coca production in the region, and (3) the role of *Sendero Luminoso* (or "Shining Path," a Peruvian guerrilla group).

To be successful, we will need improvement of the property registry base created by the Department of Agriculture as one element of a broader package. This package would also include improved infrastructure, hard (roads, bridges, electricity, phones, etc.) and soft (basic education, university extension, credit, access to appropriate technologies, etc.). Repression can play a role by increasing the costs associated with coca production. Yet, it is not likely to succeed without corresponding efforts to make alternative crop-producing activities economically viable. Implementation of this plan will continue to be expensive and will involve continued research and definition of the problem.

In analyzing this problem, it would be intellectually dishonest to disregard the driving force of coca production—demand. The solutions above are designed to make alternatives to coca production less expensive and more lucrative. Yet, they are likely to prove futile while demand remains high.



## INTRODUCTION

On 18 August 1989, President George Bush and President Virgilio Barco of Colombia declared "war" on the drug traffickers.<sup>1</sup> Last winter, the Fujimori Initiative went into effect to control of drugs.<sup>2</sup> In the summer of 1991, the United States and Peru entered an agreement on drugs and development.<sup>3</sup>

Ambassador James H. Michel, Assistant Administrator for the Latin America and Caribbean Bureau of the Agency for International Development, has stated:

The production, trafficking, and consumption of drugs is a serious problem that affects every corner of the Hemisphere and threatens to interfere with the attainment of market-based economic growth and the evolution of stable, democratic societies. . . . Alternatives must be available in order to persuade individuals to stop growing, producing and processing illicit drugs.

The overall goal of the Andean Counterdrug Initiative is to disrupt and dismantle the multinational criminal organizations that support the production, processing, transportation, and distribution of cocaine to the United States and to other nations. It is only within this overall context that alternative development and income-substitution programs will have any chance of success. Sustained, vigorous law enforcement can successfully disrupt the coca market and lower the farm-gate price of coca leaf. Alternative economic opportunities then become viable.<sup>4</sup>

The Latin America and Caribbean Bureau of the Agency for International Development, in its statement of objectives, has dedicated itself to: "Contribute to the formulation and implementation of United States Government strategies for dealing with issues of particular concern, such as the production, trafficking and consumption of drugs, terrorism and environmental degradation."<sup>5</sup>

The war on drugs itself is a difficult one. "Peruvian coca leaves are processed by Colombians who ship their product through the Caribbean or Mexico. Jamaican middlemen distribute in the United States. Drug cash, often 'laundered' through Panama, Hong Kong or Liechtenstein, zips from Switzerland to Canada as electronic blips of bank funds. Cocaine barons troll Europe for customers, while assassins kill Latin American judges with weapons bought at Miami gun shops."<sup>6</sup>

In short, there is great interest in the drug issue which is itself difficult to solve. The United States<sup>7</sup> and other countries have tried to address issues of consumption,<sup>8</sup> money laundering,<sup>9</sup> corruption,<sup>10</sup> smuggling,<sup>11</sup> and apprehension of suspects.<sup>12</sup> Since Peru is the world's largest coca producer, attention has turned to this nation as a "cause" of the



problem.<sup>13</sup> Moreover, Peru's Upper Huallaga Valley (UHV) is the largest coca-growing area in Peru.<sup>14</sup>

This report examines the coca problem in Peru's UHV.<sup>15</sup> It is organized into the following sections: (1) background on Peru and the Upper Huallaga Valley; (2) coca production; (3) cash-flow and other economic effects of coca production; (4) environmental effects of coca production; (5) present land tenure situation of the UHV; (6) analysis of policy to combat environmental degradation, coca, narcoterrorism, and poverty; and (7) conclusions and recommendations.

## 1. BACKGROUND ON PERU AND THE UPPER HUALLAGA VALLEY

Peru is South America's third largest country. It borders Colombia and Ecuador in the north, Bolivia and Chile to the south, Brazil to the east, and the Pacific Ocean to the west. Land is categorized as (1) coastal<sup>16</sup> (where most of the population live), (2) sierra<sup>17</sup> (mountains), or (3) selva<sup>18</sup> (forest, jungle). The UHV is located between the Sierra and the Selva, northwest of Lima.

Between 1940 and 1970, Lima began a colonization plan for the UHV.<sup>19</sup> During this period, *campesinos* (peasant farmers) began to raise corn, yucca, pigs, and chickens, and, later, coffee, tea, cacao, fruits, and livestock,<sup>20</sup> with the centuries' old, traditional coca crop.<sup>21</sup> Manual labor flowed in and out of the valley from the nearby mountains to help in cultivation.<sup>22</sup> The UHV remains an area with the potential to be one of the world's important breadbaskets.<sup>23</sup>

In the 1960s, the Peruvian government built a highway to connect the UHV with surrounding areas. Next, it began a second push to colonize the land near Tingo María and Campanilla. The Inter-American Development Bank funded some colonization expenses.<sup>24</sup>

Then, in the 1970s, coca quickly became the only crop that was profitable to produce.<sup>25</sup> The economy became "cocalized." Narcotraffickers moved in and introduced violence through mafia-like practices. The greatest expansion in coca production has come in the last five years.<sup>26</sup>

Now, the UHV is also home to *Sendero Luminoso* ("Shining Path"). *Sendero* is a guerrilla movement which began in May 1980 and quickly spread from its original base in Ayacucho.<sup>27</sup> In 1983, *Sendero* moved into the UHV to increase its area of influence<sup>28</sup> and to impose taxes on the drug trade as a source of revenue for its insurgency. In 1984, the government placed the UHV in a "state of emergency" under military command.

In the UHV, propeller planes carry 1,000-kilo loads of coca leaves back to Colombia with little or no interference.<sup>29</sup> *Sendero* forces coca growers and narcotraffickers to pay *cupos* (taxes) at almost every step in the production process. Although this is a great expense to the growers and traffickers, they pay it, since the presence of *Sendero* keeps the armed forces, the police, and the US Drug Enforcement Agency (DEA) out.<sup>30</sup>

There is no clear, official connection between the indigenous terrorists "and the narcotics traffickers, although reports of arrangements between them have been made. However, traffickers and the terrorists tend to operate in some of the same areas. This complicates anti-narcotics efforts, since narcotics control cannot be accomplished in areas controlled by guerrillas."<sup>31</sup> Indeed, *Sendero Luminoso* advocates production of a diversity

of crops for self-sufficiency, and does not exclude coca. In this regard, *Sendero* and the narcotraffickers are at odds.<sup>32</sup>

In the UHV, there is a clear division of labor in coca production. Peruvians provide the coca leaves and sometimes coca paste.<sup>33</sup> Colombian drug traffickers refine the coca. The Colombians also transport it to the distribution centers in wholesale markets. Retailers purchase it there for sale in the United States.<sup>34</sup>

Some observers have tried to distinguish between the small farmer, who may grow coca with other crops, and the farmer who produces coca exclusively as a cash crop. The former produces coca to make ends meet—there should be no sin in having to produce coca out of poverty. The latter, however, earns a supernormal profit and is generally not accepted politically.<sup>35</sup> Yet, Peruvian law currently holds that both the *campesinos* and the Colombian narcotraffickers are criminals.<sup>36</sup>

Still, this distinction is becoming less and less useful. In the past, coca growers were cultivators, not processors. This has changed. In the last five years, the growers have educated themselves in chemistry and have entered the processing market as well. They are not simple, uneducated farmers anymore.<sup>37</sup>

Farmers have gone into processing for several reasons. First, it is lucrative. Second, products must be taken to a place to be sold, and carrying a week's supply of agricultural produce is very heavy work while hauling a week's supply of processed coca to market is easy. Further, a producer can often arrange for a pickup of coca paste by a person on a motorbike,<sup>38</sup> and this eliminates the hassle of carrying a product altogether.<sup>39</sup>

Coca production has led to a process of rapid fragmentation of land into smaller parcels.<sup>40</sup> It is estimated that coca growers can support themselves economically by cultivating as little as 2 hectares.<sup>41</sup>

Coca growers have insecure tenure because they have been unable legally to obtain title to land.<sup>42</sup> Generally, Peruvian law declares coca production unlawful,<sup>43</sup> and title can be rescinded if a farmer cultivates coca.<sup>44</sup>

The UHV is plagued by problems besides narcotrafficking. Infrastructure is spotty at best, and most of the rural area is without electricity.<sup>45</sup> The UHV has tremendous nutrition and health problems.<sup>46</sup> The population, having migrated to the region in search of employment, is now having to learn how to adapt to a new environment.<sup>47</sup>

Within the UHV, agricultural markets are few and often oversupplied.<sup>48</sup> In contrast, coca production provides a stable and increasing market with payment upon delivery.<sup>49</sup> Yet, attractive, external markets do exist in Lima and throughout the country for legal agricultural produce, provided growers can overcome transportation and security problems.