

‘Narco-Money Is the Foundation Of the Modern Financial System’

Victor Ivanov is the head of the Federal Drug Control Service of Russia. He gave the speech that we excerpt here at an international experts conference on “Alternative Development for Drug-Producing Regions,” which was held in Moscow on March 25. Subheads have been added.

... I will be presenting the views of the Federal Drug Control Service on the role of alternative development in eradicating planetary drug-production centers.

But I must add one more thing.

Our meeting of experts was originally conceived as a conference of leading experts on alternative development, to provide expertise in this area in support of Russia’s G8 chairmanship. However, our G8 partners decided to unilaterally break with that format, and, as you already know, yesterday’s session of the truncated (castrated) G7 in the Hague confirmed the U.S. and NATO policy of isolating Russia.

I call to your attention that the West’s disbanding of the G8 was done even while Russia, as part of its Presidency of the G8 this year, has made the fight against narcotics a priority; and that it is hard to evaluate this as other than a radical way for the USA and NATO to evade responsibility for the explosive growth of drug production in Afghanistan that has occurred since the occupation of that long-suffering country by U.S. and NATO armed forces in 2001.

Drug Production in Afghanistan

I would like to remind you, colleagues, that since the start of “Operation Enduring Freedom” in October 2001, the UN has objectively recorded an explosive and catastrophic rise in drug production in Afghanistan.

The production of heroin has increased

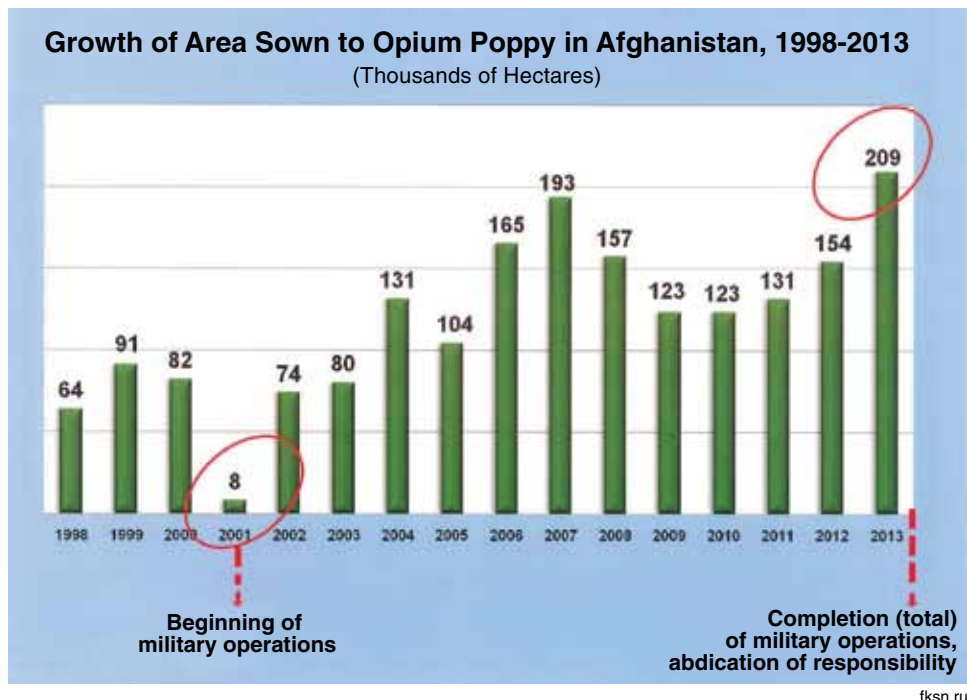
more than 40-fold (**Figure 1**). The same applies to areas under opium poppy cultivation in Afghanistan. According to the UNODC [United Nations Office on Drugs and Crime], the area under opium poppy cultivation there grew, in the past year alone, from 150,000 hectares to 209,000 hectares—i.e., by 36%.

Historically, under the Taliban, the area sown to opium poppy declined from 63,000 hectares in 1998 to 8,000 hectares in 2001—an eight-fold decline—while during the period of Operation Enduring Freedom, it increased to an unprecedented historical record of 209,000 hectares, that is, a 26-fold increase! And this means a 26-fold increase in the social base of narcotics production, so that more than 3 million farmers are in-



Director of the Russian Federal Drug Control Service Victor Ivanov, at a meeting in Moscow on March 26 of anti-drug experts of the BRICS countries.

FIGURE 1



involved in this criminal activity.

Furthermore, the result is that Afghanistan itself is now the world's top consumer of heroin!

Thus, the chief and a quite impressive result of the "Enduring Freedom" military operation has been the transformation of Afghanistan into a planetary-scale zone of drug production, which today produces twice as large a quantity of opiates as the entire world did ten years ago.

Colleagues, it is perfectly clear that it is not Russia that has been excluded from the G8 by the West, but that the West itself has withdrawn from trying to solve the world problem of drug production in Afghanistan.

Global Destabilization

During its Presidency of the G8, Russia had intended to propose a comprehensive strategy to address the problem, in which, following UN policy, modern alternative development programs would be the top priority, as well as the focus of our present expert meeting.

This is because a key problem facing the international community is the existence of

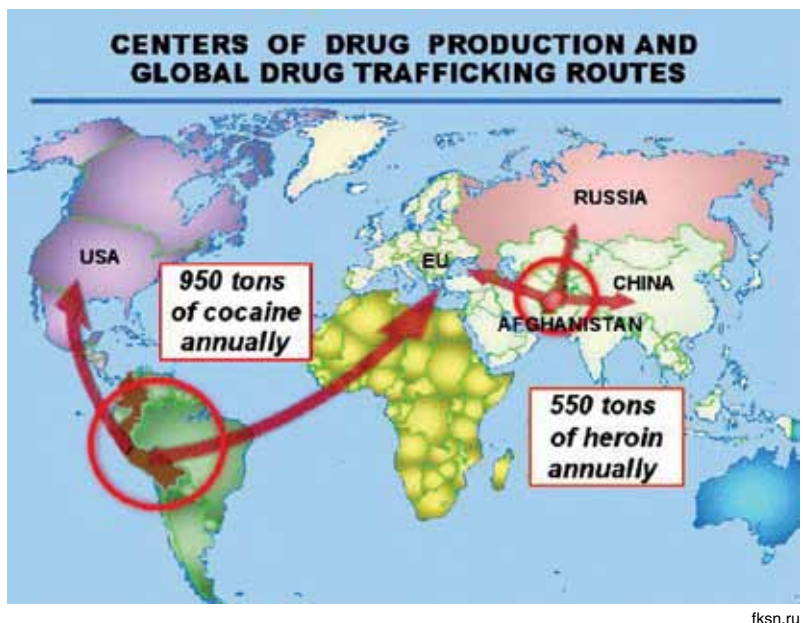
huge planetary drug-production centers (Figure 2), where production of heroin and cocaine has become truly industrial in nature, and has clearly turned into a powerful generator of an entire spectrum of threats, a systemic factor of political destabilization in both hemispheres.

The slide shows two centers of drug production—heroin in Afghanistan and cocaine in Latin America—that have become a global problem, common to both hemispheres.

This global problem can only be solved through the combined efforts of a large number of advanced countries—of course, we are talk-

ing about members of the Group of Eight—but our experience shows that it makes more sense to rely primarily on the BRICS countries [Brazil, Russia, India, China, South Africa] and those countries that are neighbors of regions of drug production, free of the

FIGURE 2



commitments and secret decisions of the NATO military Politburo.

The negative consequences of the planetary drug-production centers are enormous. This is particularly obvious in Afghanistan, which has become the main victim of large-scale drug production. Thus, for 14 years, since the start of Operation Enduring Freedom, more than a million people in Eurasia have died because of Afghan heroin, at least half of them Russian citizens.

Intensive transit of drugs from Afghanistan, estimated at \$80 billion annually, means the proliferation of paramilitary drug gangs, an increase in violence, and the involvement of several million people in the region in transshipment, which overall distorts the political landscape of Central Asia, the Caucasus, and the Middle East.

In other words, Afghanistan's drug production is a fundamental factor of destabilization for the whole of Eurasia, and means the assured destruction of the future of Russia and Europe, with respect to their security, demography, gene pool, and economic development.

Nevertheless, the eradication of Afghanistan's drug production is still not seen as a priority task by the world community, as shown by analysis of basic international documents.

For Russia, this is unacceptable—the more so, since a solution to the problem exists. That is, to place before all mankind the challenge of completely eradicating Afghan drug production.

There Are Solutions

There are two key ways of solving the problem.

The first is police methods—destruction of drug crops; planning and conducting Strategic Anti-Narcotics Operations (SANO), whereby the Federal Drug Control Service, in conjunction with the Collective Security Treaty Organization (CSTO), is currently creating a Center for Strategic Counter-Narcotics Operations.

The second method is the alternative development of Afghanistan on the basis of a crash program, accelerated industrialization of the country.

The second method should be the principal focus.

Drawing countries out of depression conditions and generating development are becoming the main resources for security. For this, we should adopt the idea of “Security Through Development” as a fundamental doctrine. Let me remind you that Russian President V.

Putin proposed this approach to the international community in his speech on Jan. 1 of this year.

“Security Through Development” means that development is the main resource and factor for security.

To implement this ideology or doctrine, it is necessary to organize the comprehensive development of Afghanistan from 2015 to 2025, with new-generation alternative development programs, including accelerated industrialization and construction of supporting infrastructure. This approach is the only productive solution for this priority task of the world community: eradicating the planetary drug-production center in the heart of Asia.

To this end, Russia considers it necessary to develop and present to the world a new generation of alternative development programs for Afghanistan, which will actually solve the problem of eradicating this planetary drug-production center and source of destabilization of all Eurasia.

The best experiences in alternative development show that modern programs for countries in which coca, opium poppy, or other narcotic plants are grown, should have three levels:

First is the creation of infrastructure for advanced agriculture, including stable markets, a system to extend loans to farmers at low interest rates, technical and technological support to agriculture (scientific and industrial seed growing, fertilizers, agricultural machinery), education and training of agronomists and other professional agriculturalists, as well as strict protectionist measures to protect farmers who are cultivating legal crops.

The second level is the creation of conditions for diversification of employment, with the goal of reducing the proportion of families whose well-being directly depends upon agriculture, in particular, the formation of national high-tech industry that can employ the local population. Malaysia is an example, in which a backward agrarian country became, over a few decades, a leading high-tech country.

The third level is the sovereign development of the state, including its independence in financial and credit matters. States must have the right to sovereign development. The existing world monetary and financial system, built on the destruction of national economies and the exhaustion of resources needed for development, is the main reason for the spread of the global drug trade.

The development of the power industry, electrifica-

tion, and energy self-sufficiency are of fundamental importance.

Eventually, modern programs for alternative development should completely uplift the economy and society, through creation of next-generation infrastructure that is technologically capable of providing most of the population of these countries with a quality of life that befits the modern world.

Creating new-generation infrastructure, without restricted access, but for use by all, will be an essential response to the planetary challenge of narcotics production.

I emphasize that this approach is fully in line with the decisions adopted at the July 2012 Tokyo International Conference on Afghanistan, and the program proposed there for the self-reliance and economic recovery of Afghanistan. The Tokyo Conference also proceeded from the fundamental premise, and I quote, that “there is a dire need to reduce the production of drugs.”

Similar ideas are currently also being developed by various non-profit organizations.

Alternative Development Programs

So, colleagues, among the handouts you have for your consideration, is the report by non-governmental organizations on *A New Generation of Alternative Development Programs* for the Elimination of Drug Production in Afghanistan.” It essentially describes a draft Russian plan for alternative development and an economic boom in Afghanistan and Central Asia.

Russia officially introduced a whole new approach to the problem of drug production back in 2010, at NATO Headquarters. This plan clearly and concretely presented key objectives and mechanisms to guide the efforts of the international community, with an emphasis on a consolidated and unified approach to alternative development in Afghanistan.

Dear colleagues,

In the final analysis, the basic idea of modern programs of alternative development should be that only ambitious economic decisions will allow us to end drug production and the economic ruin that accompanies it. The key idea must be that a planetary drug-production center *can be eradicated* and completely transformed, exclusively by placing it at the center of worldwide efforts for industrialization and development [author’s emphasis].

This is an absolute imperative for Afghanistan.

We see Afghanistan in the near future as a strong and prosperous nation; but this requires making the choice for development policy.

Narco-Money

I would like to draw your attention to the fact that the planetary drug-production centers are inevitably the flip side of the global economic crisis.

The extremely negative consequences of Afghan and South American drug production are well known and obvious. Liquid narco-money is killing the economy of the Eurozone and is even significantly affecting the Chinese yuan. Investigations on money laundering show that major banks depend for their very existence on dirty, but liquid money from the drug traffic.

Just recall the high-profile case of the American bank Wachovia, which, according to official data alone, handled \$378 billion in operations controlled by the Mexican drug cartels’ money-changers (*casas de cambio*). Two other banks, American Express Bank and HSBC, were also under suspicion and were fined in the United States.

What does that mean?

First of all, not only do narco-money and the global drug trafficking that it generates supply scarce liquidity to their sponsors, but they are also, in fact, a vitally necessary part of the entire monetary system, one of the components of the current financial crisis (**Figure 3**).

Moreover, it is this possibility of permanently supplying much needed liquidity, that is in many ways the driver of the financial, economic, and social demand for continuing narcotics production.

The very existence of the global financial bubble, in turn, is based on precisely this opportunity for banks to attract liquid narco-money. In fact, this garbage fertilizes the present economic system.

And considering that, according to generally accepted estimates, including by UN experts, the narco-money in the world is on the order of \$800 billion per year, and the negative consequences for the real economy are double to triple that level, the annual damage to the world economy is at least \$2 trillion, which is equal to the GDP of countries such as France or the United Kingdom.

And this allows us to confidently assert that narco-money is the foundation of the modern financial system. It is not surprising that during the first peak of the financial crisis of 2008-09, the Deputy UN Secretary-

FIGURE 3



General, Executive Director of the UNODC Antonio Costa, announced that the top banks in the world dumped in around \$352 billion of narco-dollars to use for interbank borrowing, to address the critical shortage of liquidity.

This means that the entire global economic system is not only dysfunctional, but headed for self-destruction.

Thus the world economy has become, in a way, hostage to drug production, while Afghanistan, in turn, is held hostage to the ailing global economy.

So the question of “how to clear up the financial bubble” is the same as “how to defeat global narco-crime,” and, above all, eradicate Afghan production.

The priority in eradicating global drug production is transforming the existing economy and shifting toward an economy that eliminates criminal money and guarantees the reproduction of net liquid assets—that is, an economy of development, in which decisions are based on development projects and targeted long-term loans.

In this way, properly organized alternative development will be able to lead the world out of the global crisis. That is why in January 2012, at the World Economic Forum in Davos, I suggested that solving the

problem of Afghan drug production would make it possible to heal the global economy.

Eight-Point Program

Dear colleagues,

In conclusion, I shall enumerate the measures that should be taken by the international community:

1. To raise in the UN Security Council the issue of eradication of the planetary drug-production centers as a self-standing and top-priority question for the world community.

2. To work out together an international plan, the Rainbow 3 Plan, to eradicate planetary drug-production centers, based on national and civilizational development.

3. To develop and adopt the fundamental concept/doctrine

of “Security Through Development,” with an emphasis on modern alternative development programs.

4. To consolidate efforts to develop programs for national, regional, civilizational, and planetary development, as the key instruments for eradicating planetary drug-production centers.

5. To form a Global Alliance for Alternative Development.

6. To initiate, under the auspices of the UN Secretary-General, a Commission on Alternative Development in Afghanistan, based on its accelerated industrialization, as a priority project for the UN.

7. To create an interactive map of alternative development in Afghanistan, as the organizational basis for eliminating Afghan drug production.

8. To hold a special international conference on the alternative development of Afghanistan; it could be in Omsk, in the Autumn of this year.

Dear colleagues,

I propose that we discuss these issues, and I hope for long-term multilateral cooperation in all of these important areas.

Thank you for your attention.

Translated from Russian by Susan Welsh