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RESEARCH

The Effect of Illicit Economies in the Margins of the State – The VRAEM

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The analysis focuses on the influence of illegal economies on local order and questions the conventional rationale of instability and violence through illegal activities. In an in depth-case study the analysis provides evidence that illicit economies can contribute to the development of local order rather than destroying it. The VRAEM is the current epicenter of drug production in Peru and therefore a well-fitting case for the analysis. The paper builds on qualitative data from participant observation, interviews and theory-based questionnaires collected in 2016 and 2017. The paper focuses on current center for drug production and on the social consequences, deepens our understanding of the influence of illegal economies on the local order. Understanding this influence is essential for designing policies for and understanding dynamics of state intervention. The drug economy played a significant role in the evolution of local order particularly in the areas of economy, security and rule. Even if this order does not resemble a normative state order, it is in itself stable and legitimate.

Keywords: illegal economies; local order; VRAEM; Peru; drug production; stability; violence

Studying Illicit Economies and the State

Illicit economies are often portrayed in the light of violence, armed criminal groups or drug cartels, and kleptocratic state officials. They are seen as a hindrance to a stable and 'strong' state. Grey and popular literature fuels the perception that 'Mafia states' pose a major threat to international security (Naím 2012). However, arguments presented for the 'illicit economies-weak state rationale' are often based on anecdotal evidence rather than robust proof.

Recent studies point out the *productive* aspects of illicit economies and its role for governance instead of highlighting its destructive aspects (Beckert & Dewey 2017; Gillies 2017; Arias 2017). Despite growing attention to illicit economies in academic literature (e.g., Andreas & Wallmann 2009; Felbab-Brown 2010; Lessing 2015), we still know little on the externalities of illicit economies for order and the state and only recently studies scrutinize the interplay of these factors. This represents a crucial gap and highlights the need to analyze the impact of an illicit economy more closely. This analysis contributes to the understanding of this field by studying the relationship between illicit economies and local order. Illicit economies can be an essential aspect for the provision of order instead of being a reason for disorder. Focusing on the center of drug production in Peru the analysis shows how local order is influenced by illicit economies in the margins of the state.

The effect of illicit economies at the margins of the state results in a complex structure of local order that does not necessarily bring about a single dominant actor. This might result in the rule of the state being contested, though not inevitably in a violent manner. At the same time, it might also result in no contestation at all or an entwined connection of formal and informal actors. By analyzing the dynamics of illicit economies in the margins of the state we will further our understanding on state-society relationship in remote regions. The analysis contributes to and bridges two debates: the effect of illicit economies and local order in the margins of the state. I focus on the externalities of illicit economies and move beyond an actor centric approach. Thus, the main research questions are: *How do externalities of illicit economies influence local order in the margins of the state? And how this effect on local order linked back to state policies?*

Drawing on literature on state formation, non-state local order and illicit economies, I develop a conceptual framework to analyze local orders at the margins of the state. Das and Poole argue that margins are an essential part of the state yet regions that function differently due to alternative practices and norms, which should be best analyzed by in-depth ethnographic research (Das & Poole 2004; see also Scott 2009) I make explicit the importance of the local preconditions and include the historical context as well as the key features of economy, security, and rule into the analysis. These factors are core components of local order and allow for an in-depth analysis on the socio-political consequences and their relation to each other. This structured analysis allows for the possibility of comparing the regions in focus. By questioning the link back to the state, I am interested in the dialogical relationship between the state and the local order (Migdal 2001). That includes how state policies work and how the state and its institutions are perceived in regions that are dominated by an illicit economy. The thematic focus of this paper is the drug business, more precisely on cocaine and *Pasta Basica de Cocaina* (PBC) production regions in the margins of the Peruvian state. I am concentrating on the consequences of illegal activities, and I examine the effects of these activities on local order once they became institutionalized. The analysis will show how alternative order developed and formed alongside an illicit economy and without greater state interference. Evidence suggests that despite the presence of a drug economy the result has not been disorder but instead the contrary. Furthermore, I will present the dynamics of state intervention in this environment.

In the first section I will propose a conceptual approach for the analysis of local order and illicit economies. This is followed by an extensive case study on the main drug producing region in Peru, the VRAEM. The third section discusses the implication for academic research on illicit economies and the state as well as policy implication.

Drugs, Local Order and the State

The discourse on the effect of drugs and illicit economies is still dominated by a Weberian understanding of the state as an ideal type. It is assumed that countries without a control over its complete territory are likely to experience violence or disorder and are described as 'fragile states' (Rosen & Kasaab 2017). Moreover, countries with a persistency of 'ungoverned spaces' and the presence of illicit economies are portrayed as a potential regional or even global threat (Clunan & Trinkunas 2010). The common ground for these studies is the potential threat by drug economies for state stability. However, they are neglecting that the Weberian liberal state approach cannot be transferred directly to the countries in question and puts limits to a thorough analysis. The variety of state formation processes and particularities of order within states needs to be considered and has been stressed by a number of studies (e.g., Schlichte 2005; Migdal 2001). Certainly, the spatial reach of most states is restricted and the infrastructural capacities to include regions at the margins of the state often remain limited (e.g., Mann 1993; O'Donnell 1993; Das & Poole 2004; Boone 2012; Soifer 2015). Within these margins often rules and order alternative to the state are in place. Hence, states should not be measured against their bureaucratic capacities or their monopoly of violence as is often the case in the fragile state debate (for a discussion see Grimm et al. 2014) Instead, analytically we will gain more by acknowledging the local particularities of each state in our analysis, including local practices and institutions that might be parallel or entangled with state institutions. The result can be a hybrid structure that is affected by local norms and practices and the state alike (Boege et al. 2009; Lemay-Hebert & Freedman, 2017).

Studies of the state have highlighted how informal and formal governance structures are intertwined and how state structures are entangled with non-state authorities within these territories (O'Donnell 1993; Davis 2010; Herbst 2014; Gillies 2018). In this regard, it is analytically more helpful to analyze the productive side of illicit economies or informal structures. In other words, by focusing on the evolution and the externalities of illicit economies, we gain a wider understanding for its social consequences, instead of simply assuming its damaging aspects. Against a popular common reading, I do not assume *a priori* that illicit economies create disorder or chaos and question the rationale that illicit economies lead to fragility and violence. Part of this complex reality is that criminal actors can take over service provision and control when there are no other dominant institutions to do so (Arias 2017). The relationship between these aspects of alternative order and illicit economies stands at the center of this analysis. I define illicit economies as locally bound economies that depend on the voluntary exchange of goods and services, whose production or consumption is officially banned (von Lampe 2016: 81; Beckert and Dewey 2017). These illicit economies produce externalities, which can not only affect actors but social realities and local order that need to be analyzed.

Norbert Elias has argued that notwithstanding the type, order is always the consequential result of human interaction and in itself an unplanned result of it (Elias, 1976). Based on this notion I acknowledge that local order even appears in regions that apparently seem in disorder, as also Gayer (2014) has shown in his study of Karachi. There is therefore a need to analyze the conditions and understand the dynamics ‘on the ground’ for the analysis of local order. For this analysis I will refer to local order as a frame that gives a predictability of clear rules (formal or informal) in a given territory and that offers guarantees to meet economic needs and personal security. It is a combination of institutions and practices that structure social interactions, and organization in a given region, which have formed in historical processes. Having in mind that order can vary across space and time, I regard the following categories as essential features to understand local order: the historical development, the provision of security, the provision of economic means and the presence of clear rules (North et al. 2009). These aspects are not stand-alone features of local order; nor is the line of influence a one-way street. Rather, structures are influenced and created by these aspects and linked in a dialogical relationship. Essential for the sustainability of local order is the belief of its rightfulness, which is based on the dialogical process between ruling institutions and the population (Beetham 1991). The state is seldom completely absent but often operates through institutions and policies in the regions as well. The question is how much they can influence local order by that or how they can influence (dynamic) processes.

In this analysis, I bring in the particularities of local historical settings, and local preconditions. Thus, I distance my research from studies that merely focus on state capacity, which has led to reductionist arguments on strengthening institutions. This notion challenges a normative Eurocentric approach to ‘the state’, which is based on Weberian ideal types (Weber 2010) and neglects regions where state control is limited or non-existent. At the same time, I acknowledge that these regions are not necessarily ‘ungoverned’. Instead, we can find a local order, which is not necessarily opposed to the state but can develop in parallel or be entangled with the state. These aspects have been widely recognized in recent studies on rebel governance (Arjona 2016), or criminal governance (Arias 2017) and more broadly with regard to areas with limited control by the state (e.g., Herbst 2000; O’Donnell 1993; Risse et al. 2018). By analyzing the role of an illicit economy for these regions, this paper contributes to a growing literature on local order alternative to that of the state.

The study further analyses how state intervention affects local order in these marginal regions with low state influence. While anti-drug policies and statements to tackle drug economies are often well formulated, the effects they have on the local level and on local order are often less anticipated. This study gives a better understanding of the interplay of local order and the state after state intervention. Hence, I argue that regions with a low presence of the state and a strong illicit economy (here: drug trafficking and production) can result in local order different to that of the state. This might establish an order that in fact prevents instability instead of provoking it. Analyzing and understanding this order is paramount for designing tailored state policies. The argument therefore stands against the crime-fragility rationale or that the presence of illicit economies results in disorder.

Method and Case Selection

The analysis follows a comparative case study design on the sub-national level that scrutinizes a region where the state recently destroyed the illicit economy and a region where the illicit economy is still present. I combine theoretical conceptualization and extensive field work in order to present a thorough analysis on the processes and implications of an illicit economy in the margins of the state. More specifically, I concentrate on the local level and analyze the processes and effects of drug production in the margins of the state. Studying local order in regions with low state control implies the understanding of aspects beyond written sources or data. Direct access to data on criminal activities is difficult since it stays hidden from potential interference. It implies getting to know *the everyday* and understanding local practices. Therefore, I include ethnographic approaches into my research whenever appropriate and whenever it contributes to understanding the phenomenon. During field work I mostly had the position of an observer but also changed my perspective when directly interacting with the local population. Choosing participant observation opened a unique perspective to analyze hidden structures parallel to the legal state system. This first-hand data allows me to triangulate my findings with official reports and data.

The data is mostly generated through a qualitative approach and four months of field research in the region. During the field research, I conducted 60 topic-guided expert interviews with community members, authorities, politicians, police officers, military officials, researcher, journalists, public servants, (ex) drug-traffickers, *cocaleros*, and prisoners. Due to the weak data availability, I included a questionnaire with 65 participants of the local population. The questionnaire focused particularly on the perception on

socio-economic aspects and trust in institutions and serves as additional source to test the data. Available secondary literature complements the study.

For the analysis I selected a major drug production region in Peru. The country has not only been historically one of the main producers of coca and cocaine but also showcases an unequal reach of state influence and territorial control, which allows us to focus on regions with low state influence and alternative types of order (Dargent 2012; Vergara 2015).¹ In addition to this unequal territorial and political control of the country by the state, Peru became the largest producer not only of coca but also of cocaine in 2012 (UNODC 2013).² The UN estimates that in 2012, land used for coca production comprised more than 60,000 ha with the capacity for producing around 340 tons of cocaine (UNODC 2013).³ While it is difficult to verify the absolute number, coca production levels are a good proxy of where to find variances in levels of illicit drug production. Much of the increase is due to the current epicenter for drug production, the VRAEM.

Named after the rivers Apurimac, Ene, and Mantaro, the VRAEM is located in the Selva Alta and parts of the departments of Ayacucho, Cusco, Huancavelica, and Junin. The VRAEM was created by a *Supreme Decree* (D.S. N° 074-2012-PCM) and is located in the Eastern part of the Andes in the center and south of Peru. Since 2016, the area consists of 66 districts in ten provinces, in the regions of Ayacucho, Cusco, Huancavelica, and Junin (D.S. 040-2016-PCM). The National Statistics Institute estimates that 654,017 people live in the VRAEM area, which is roughly 2% of the Peruvian population (INEI 2015), yet the official population growth of this area is at 2.4% (1.1% on the national level) in variation from 2005 to 2015. Since 2010, the VRAEM has had the highest levels of coca production in Peru. While the official numbers indicate that around 19,000 ha of coca grow in the area (UNODC 2016), unofficial estimations go up to 30,000 ha. For the analysis, I select cases on a municipality level. As major production sites of coca and PBC, the marginal municipalities of Santa Rosa and Llochegua are the most likely cases. Thus, the following case study will be mainly based on data from these two municipalities.

Local Order in the VRAEM

The case of the VRAEM shows that local order widely depends on the illicit economy. The drug economy evolved during the internal conflict and today deeply affects the local economy, security provision, and local rule. Instead of being a threat for the state or a source of instability, the illicit economy is deeply ingrained in the local society. The following will give a detailed analysis on this interrelation by focusing on local order.

Historical development

The internal conflict played a major role in the development of the illicit economy in the VRAEM and was an important period in the history of the VRAEM. In the early 1980s the Marxist guerrilla-group Sendero Luminoso moved into the valley and established a brutal regime (CVR 2003; Goritti 2013). In reaction to the guerrilla and a lack of state support, inhabitants of the valley formed self-defense force committees (CAD per its Spanish acronym). The CADs fought against the guerrilla, exercised control, and provided internal and external safety for the community. This role is still highly appreciated by the population and displayed in current narratives. This particular role of the CADs during and after the conflict is still a matter of self-esteem for the population, evident in remarks such as the often formulated 'we won against the guerrilla'. Furthermore, in order to defend themselves, the conflict led to an aggrupation and growth of settlements and thus set the basis for the growth of villages. In the absence of an effective state control, the CADs

¹ In a recent thorough comparative analysis, Alberto Vergara (2015) highlights the relationship of local powers in peripheries to the central state in the broader context of state formation, including structural and historical particularities. He highlights the relationship of regional elites for the overall state formation in Peru in comparison to Bolivia. This paper cannot provide a detailed analysis of the Peruvian process of state formation. For more information see Vergara 2015; Dargent 2012; Cotler 1996.

² Relatively little international recognition has been given to the impact of the Peruvian drug trade (Felbab-Brown 2010) even though Peru has always been a major contributor to the international cocaine market and, in fact, dominated this market in the beginning. The development of cocaine as a "global drug" is inseparably linked to Peru (Gootenberg 2008). While for centuries coca has been a traditional crop in the Andes, it was the discovery of cocaine that ultimately also led to a controversial discussion on coca. Coca is the basic ingredient in producing cocaine, which at first was used as a legal drug or as an ingredient in drinks. However, since the UN Single Convention of Drugs (1961) and the global prohibition regime on drugs, cocaine and also coca became an internationally illegal good. This did not stop coca or cocaine production but led to a now-illegal economy that still produces the drug. Parts of the coca production is regulated and not all coca is illegal in Peru. However, the vast majority is not sold legally to the national monopoly of coca commercialization Empresa Nacional de Coca (ENACO) but is sold on the black market instead (see Zevallos 2016 for a detailed discussion).

³ To an extent these changes have also been due to growing eradication efforts in Colombia, but it shows the potential of Peru for producing large amounts of coca and cocaine.

provided security and local order. In addition to this organizational and security aspect, the conflict gave rise to the coca economy we still see today.

The VRAEM has not been a traditional spot for growing coca. Until the 1980s, local economy and development was mainly driven by legal agricultural products. Peasants planted and sold fruits, vegetables, or coffee and the relevance of coca production for the VRAEM was low by the beginning of the 1980s, compared to other crops and in comparison to the national coca production (Soberón 2013: 4). During the conflict, the local peasant organization, FECVRA, fell apart. FECVRA suffered from attacks by state security forces such as the *Marina*, which accused them of being involved in drug trafficking (Fumerton 2002: 110). The organization was also attacked by Sendero Luminoso, which could not control it from within. In addition, the guerrilla saw the production of coffee and cacao only as a business for the rich class, and their actions against these economies led to a profound economic crisis (del Pino 1996: 127).

In the absence of other economic resources, coca became the major source of income. Coca production grew in the 1970s, and drug trafficking already existed since the beginning of the 1980s in smaller scale. By the end of the decade, drug trafficking and coca cultivation became the major sources of income. Before the CADs received weapons from the government, connections to drug traffickers allowed them to finance their fight against the guerrilla. Those who remained in the region used the abandoned fields to grow food and coca and sold them with the intention of buying arms and paying members of the autodefensas for their 'service' (Interview 2; Gorriti 2009: 2). A member of the CADs told me: 'The money from coca helped during these times to finance food, the weapons. With this one can fight in a war. Until now the coca continues to finance [us]' (Interview 4). In some cases, drug traffickers and parts of the self-defense forces formed a symbiotic alliance in order to secure the fight against Sendero Luminoso (Fumerton 2002: 144). Money from the drug economy allowed the groups not only to buy arms but also to be involved full-time in the fight against the guerrilla (CVR 2003 IV: 442; interviews StR., LI, Pi). This is different from the situation in the Upper Huallaga Valley, the historical center of drug production in the country. There the alliance was between Senderos and drug traffickers (Felbab-Brown 2009), while in the VRAEM, drug money was used to fight Sendero Luminoso.

Essentially, coca and the growing PBC trade became a 'war economy' and the financing of the anti-insurgent fight led to a growth of the coca economy. After the conflict, coca remained the primary source of income in the region. In the margins of the state, the coca economy became a valuable resource that was able to bridge the infrastructural shortcomings and provided income for the local population.

Economy

Today, the VRAEM accounts for 44 percent of the total coca production in Peru (UNODC 2016). At the same time, the efficiency of coca production has improved and more coca per hectare can be produced.⁴ Apart from PBC, cocaine production also started in the valley at the beginning of the 2000s. The production capacities in the VRAEM are at 3.6t/ha compared to 2.4t/ha nationally. This results in the potential production of 66,494t of dried coca, which is roughly 69% of the national production (UNODC 2016: 35). The majority of coca is produced in small scale farms of two hectares or less and is mainly destined for the production of drugs.⁵ A leading police official said 'We can assume that close to 100% are either profiting directly or indirectly from the illegal economy' (Interview 8). The prices of alternative products such as cacao or coffee in relation to coca are very low in comparison to the prices for coca sold for the production of PBC (Leyva & Mendoza 2017: 14). While the exact magnitude and dependency of the local economy is difficult to assess a since the illicit economy operates in 'the shadows', but the economy of the VRAEM is poorly diversified and its income based primarily on the illicit economy (see also Brombacher et al. 2012).⁶

The obvious connection of coca production to drug trafficking it is not denied by the population – 'No hay forma, no vamos a negar esto.' – There is no way that we will contradict this (Interview 9). At the same time, the direct responsibility for the production of drugs is de-emphasized with reference to the argument that there are no alternatives and therefore people would need to turn to producing coca. Additionally, there is a second argument that does not acknowledge the drug production chain:

⁴ The UNODC estimates that in some areas, a coca plantation of one hectare can produce about 200,000 plants (UNODC 2016: 35).

⁵ Officially 35.6% do have 2ha or less in the Southern part of the VRAEM (IV Cenagro 2012). Another important aspect are land titles in the area: <http://www.inforegion.pe/30823/cofopri-entregó-3-mil-619-títulos-de-propiedad-a-pobladores-de-tres-distritos-del-vrae/> accessed on 10.11.2016.

⁶ Peasants also produce other crops such as barbasco, pineapple, banana, and papaya, but the economy is primarily based on coca.

We as a farmer cannot do anything. Moreover, to my understanding as a coca farmer there was never a person who pressured me. I sell coca to anyone who offers me [money] like any other product. Supply and demand, the person who offers me a little more, I sell it to. But I do not know who this person is, he only comes in the night, he picks up the coca and leaves. (Interview 1, the leader of the local farmer organization, FEPAVRAEM).

While there is a legal market for the coca economy for farmers that are officially registered, the prices here are unattractive for farmers compared to the illegal market (Zevallos 2016). In addition, coca leaves are picked up at the fields by drug producers while a transport to legal spots for selling coca includes a costly logistical effort. Farmers are selling their coca crops to the drug industry since there is a lack of economic alternatives. At the same time, people stress that there is no pressure by drug traffickers. What is interesting about the farmer's argument is that there is a consciousness about the connection to the illegal drug economy. At the same time, people try to distance themselves personally from the drug economy and defend the coca economy either by pointing to the *cultural heritage* or the economic necessities. It is a legitimization of the local economy, stating that there would not be any alternative to the coca. As one owner of a coca field said: 'I know that I am doing something wrong, but not really wrong. (...) Look, there are simply no alternatives, if there were I would happily do other things but there aren't' (Interview 10). The connection to the drug economy is well known, yet, 'legitimizing' the illicit is not explicit – there is no open support for the drug trade – but an implicit support for economic necessity of growing coca. At the same time, in the VRAEM, the two aspects of coca production and drug production cannot be simply separated. There are clear signs of drug production in the region, including the proximity of drug labs to villages and coca fields – often the laboratories are located directly at the fields – the availability of drug money allowed investments in expensive cars or hotels and not least financing the acquittances of friends or family members that are in jail because of drug trafficking.

The drug economy brings social consequences as well. Many describe alcoholism as a major problem in the district, with bars and brothels bringing in booming business. The majority of the interview partners mentioned the abuse of alcohol and prostitution as the primary vices in society. In a district that has a total population count of around 11,000 (INEI), the official number of bars in the capital of Llochegua is 52. Those bars also serve as brothels, which are popular among the local population. Prostitution of underage women is frequently mentioned as a big problem. The effect on social life is particularly visible on weekends when people drink heavily in taverns. As we enter the center of Llochegua, the ex-president of the CADs of the area says:

All bars are brothels. Look how the 16-year-olds walk without shirt, all drunk. This is one of the great pains that this area has. And this is because of the drugs. It cannot be denied it is evident and undeniable (Interview 2).

The extent of the 'consuming industry' such as bars, restaurants, or hotels is striking in an area with high rates of poverty and shows the close relationship between the licit and illicit economy. At the same time, other businesses seem to do well from the coca economy. There are numerous shops to buy fertilizers and pesticides. Furthermore, a strikingly high number of pharmacies are in the area, most of them empty. But these pharmacies would allow for the import of chemicals that are used for drug production. Finally, also the high number of gas station is striking in the VRAEM, which is not only for the 4 × 4 pick-up trucks but which also provide gasoline as base for cocaine production (Llpolm). This relationship results in a network that connects actors involved in the drug economy with actors of the licit economy and blurs the lines between legal and illegal spheres.

Coca and the illicit economy is a common ground in a socially diverse population in two ways: first, economically, as the only possible income source; secondly, the coca economy seems to result in a common 'identity', which is defended against changes coming from the outside. While the political authority defines what is legal and illegal, in areas where this authority is contested or where it has restricted influence, this regulation of legality becomes more difficult (Mayntz 2017). In the VRAEM, with its historically low state presence, the economy is based on an illicit source. The drug production and trafficking already involves a high number of participants (especially young men). An even higher number of the society profits indirectly from the illicit economy, and we see an implicit connection between legal business and illegal drug trade.

Even if the majority of the population understands that involvement in this illicit economy is legally wrong, they argue that *morally* it is not. Instead, there is a common understanding that the coca (and implicitly also the drug production) is a necessity, because there are no economic alternatives. More precisely, it is understood as an *evil necessity* ('un mal necesario'). In the case of the VRAEM, the coca economy seems to be a bonding factor for society in the region.

Security and Rule

The perception of the security situation in the VRAEM is fundamentally different outside the region compared to the local security perception. Newspaper articles and reports typically portray the VRAEM as a dangerous place, which is not only dominated by drug trafficking but also plagued by terrorists and violent gangs. Before my research and subsequent stay in the region, I received various warnings, and during several discussions with colleagues and friends, it became clear that most people assume the region is a very dangerous place. Many pointed to the news reports on the region on drug trafficking and assaults by Sendero Luminoso on the police, which sketched a grim image of the region. The local security perception is the contrary, and people in the VRAEM told me that they felt demonized by the media and politicians. When talking about the security situation within the VRAEM it was defended with the words: in the VRAEM 'todo es tranquilo' (everything is calm) and often contrasted with the security situation in Lima: 'Mira a Lima es un infierno' (Look at Lima it's hell).⁷

The relationship towards coca and the illicit economy might be a factor that comes into play regarding the security. When relating the interview data on security perception to the perception of the coca economy, we find 28 persons in Santa Rosa and Llochegua that have talked about both aspects in the same interview. We find a correlation between those having a positive view on coca and those who identify positive personal security situations. On the other hand, there is a correlation between those who regard coca as a negative factor and those who perceive insecurity. However, in direct conversations, no incident of insecurity was mentioned that can be directly related to the drug trade. Even if the numbers are too low to give a statistical significance, it can give an indication for our interpretation: It seems that there is a tendency that those attempting to 'sell' their positive view on coca tend to highlight the positive aspects of security and vice versa. While none mentioned a negative or violent experience related to the drug trade, it is pointed out that being directly involved in the drug economy might put oneself at risk.

In the VRAEM there is a very important peculiarity, when one is not in the [drug] business (...) nothing happens, that is to say there is honesty here in that sense you do not need to lock [the door]. But (...) you know that people come from other places and the town is growing and there are also thieves (Interview 3).

The analysis of the survey and the interviews shows mixed results on security perception. Of those interviewees that talked about security, the majority mentioned incidents that pointed to security threats, but none felt personally insecure. During the interviews in Santa Rosa and Llochegua of those talking about security 72% mentioned situations or experiences that described insecurity that happened within the last year while only 15.6% explicitly described secure situations. These insecure situations included assaults, domestic violence, bar fights, or even killings. On the other hand, nobody said that they felt personally insecure or described a situation of personal insecurity. A comparison with the survey helps to clarify the perception of security. Here, we find a similar pattern.

Figure 1 shows the overall security perception in the communities. While 4 indicates an excellent security situation, 1 means the perception of a bad security situation. In the sample, people perceive the security as average, neither good nor bad. All three areas are located in the VRAEM and are defined as major drug production spots (DEVIDA 2015, Interview 11). In Santa Rosa as well as in Llochegua, the majority indicated that they felt personally safe in their communities (**Figure 2**). The average security perception, on the other hand, was on a medium level. Generally, security is related to petty crime such as robbery and bar fights and assaults that typically happen on the connecting roads between different villages. It is also often related to the police and their inability to provide for security. People even relate the presence of state security actors

⁷ Moreover, people interviewed and participants of the survey indicated the reports on the VRAEM would exaggerate the security situation. In fact, they perceive the security outside of their communities worse. Again, the argumentation might give an indication of a common identity of the local population against external definitions.

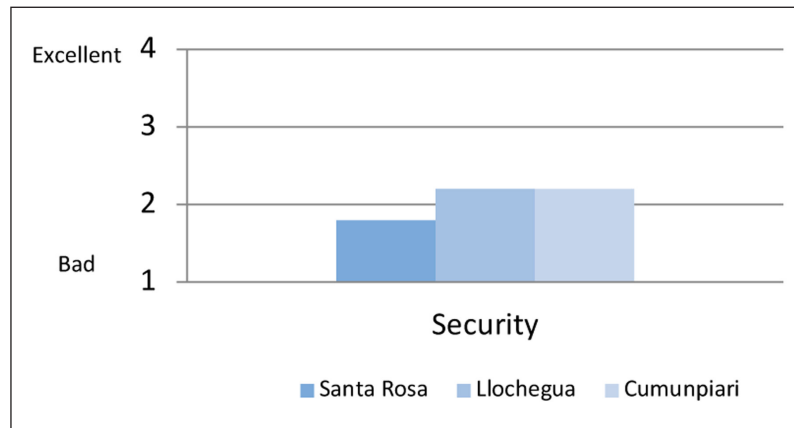


Figure 1: Security Perception VRAEM.

Source: Survey VRAEM (Santa Rosa; Llochegua; Cumunpiari) N = 65.

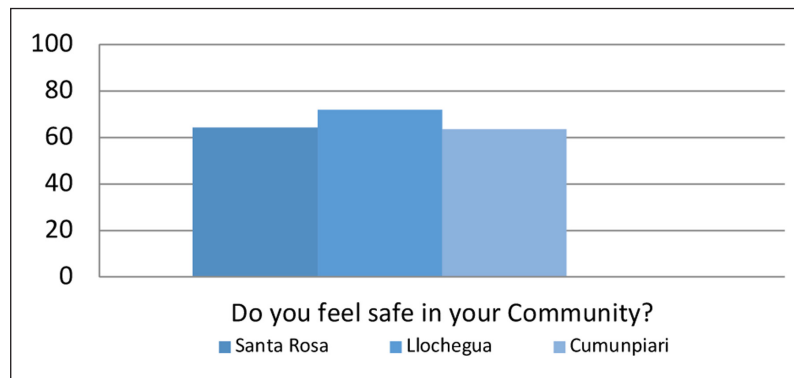


Figure 2: Perception of Personal Safety in %.

Source: Survey VRAEM (Santa Rosa; Llochegua; Cumunpiari) N = 65.

to more insecurity. There is even the perception that the presence of state security actors serves criminals more than they would provide security.

We do not trust the police. Since I became president [of the CADs], I have already arrested men two with a gun, a pistol, and I hand them over to the police with their documents, four days later they are already free in the streets again (Interview 4).

The perception of insecurity can be related to low levels of trust in state security institutions. In all areas, the police presence is mentioned frequently as the main reason for low results in security perception. These state institutions not only fail to prevent and punish crime, but they are also believed to curb the possibilities for castigation. Additionally, the perception on corruption and extortion can serve as an explanation for why this is the case. Non-state actors are seen as the primary providers of security. This perception is closely related to the experience in the internal conflict as autodefensas in the VRAEM and their role in pushing Sendero Luminoso back (Degregori 1996; CVR 2003; Zech 2014). Not only did they fight against the guerrilla, they also controlled the district centers and society rules during and after the conflict. The autodefensas are still perceived as an essential factor for local order and enjoy high levels of trust. Besides their present and historical role, a defining factor of their importance are statements like:

Who plays a very important role is the self-defense committee to give security to the entire population, there is a central self-defense committee and the fencing of the town of Llochegua, they are available 24 hours a day, when there are problems they come, when there are assaults they come, they carry weapons allowed by the state, simple but they are more effective than the policemen (Interview 5).

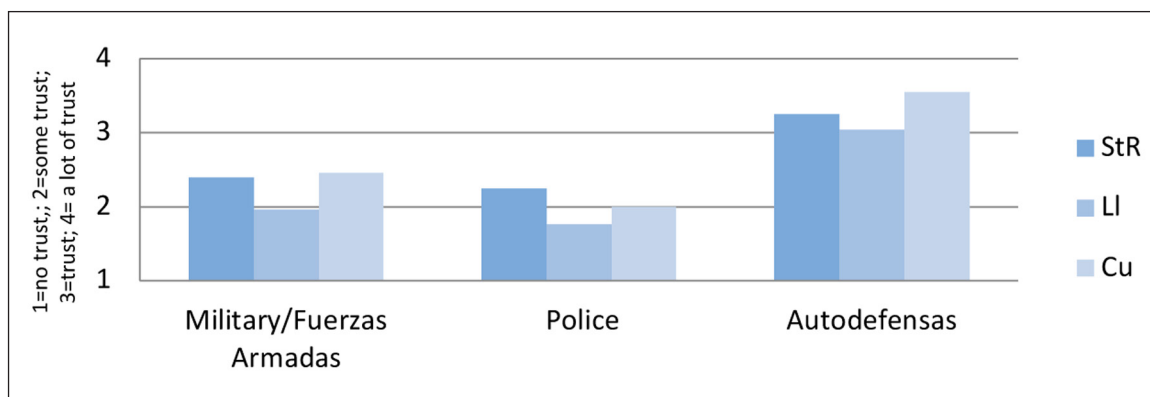


Figure 3: Trust in Security Institutions (Santa Rosa, Llochegua, Cumunpiari).

Source: Survey VRAEM (Santa Rosa; Llochegua; Cumunpiari) N = 65.

Nevertheless, the influence of autodefensas in the sector of security provision is decreasing, because of the presence of state security forces, especially the police. This affects the role of the autodefensas in providing security. Their activities are restricted since they now have to cooperate with the police and acts of corporal punishments are officially forbidden. But they still enjoy the highest levels of trust among security actors, reflecting their close connection to the population (**Figure 3**).

In the survey, the police has the lowest level of trust, which is supported by most interview partners. Historically, trust in the police is low in the region and mainly related to misconduct (Heilman 2018), but when asked, people in the VRAEM frequently explained their distrust in the police in two ways. One is that the police are seen as corrupt or unreliable, and the second claims that the police would only leave their base if they are hopeful of finding drugs. During my research in Llochegua and Santa Rosa, I did not see police patrolling in the street and heard constant complaints about police inaction. Some specified: ‘the police do not leave’ (LI20). ‘They are in their base they do not leave. They don’t have dignity, they are corrupt’ (StR9). The population sees the police critical and as a threat to the local (illicit) economy. The police understand that they are not completely accepted:

People still reject us, we are rejected mainly because of their work [coca and drug trafficking]. But others already feel identified with the police, because they know that we are not here to annoy them but to have a better quality of life (Interview 6).

A major difference between the autodefensas and the police is that the former do not interfere with the local illicit economy, while the police target precisely that. In the perception of the local community, this becomes a problem since most people see the police primarily as an anti-drug unit. That is related to the negative perception and also because of the feeling that people would suffer if anti-coca and anti-drug campaigns took off.

Look, I’m going to be honest, people here hate the police because they do not intervene when there are problems of robbery, but they intervene in drug trafficking issues (Interview 7).

The growing presence of the state has also changed rules. Before the arrival of the police, corporal punishment was a common penalty implemented by the CADs. While in the outskirts and in smaller villages, corporal punishments are still practiced, today this form of punishment is prohibited and the presence of the police makes these forms of punishments unlikely in or nearby the district capitals. That leads to expressions such as ‘Human rights are a menace. They only serve the thieves and do no good’ (Interview 2; Interview 11). Hence, even if coercive means have been important aspects of autodefensa rules, they have been supported by the population. State rules and rule implementation are regarded more negatively. A statement from the *Juez de Paz* in Llochegua can be seen as an example of the general perception on state rule in the VRAEM:

Look, more presence of the state, more police, more militarization, prosecutors all that, but there is more crime today. Why is that? Because the law protects you. I cannot grab him [the ‘criminal’] firmly, or shout at him, criminals rely on their rights and go on and steal undisturbed (Interview 5).

The police has another perception on rules in the region and on their influence. A police officer in Llochegua assumes that the rejection has to do with drug trafficking:

Before [the arrival of the police] people stole, beat each other up, everybody made up its own rules, but now it is different, we leave on patrol in the district, we impose our presence and if there is a delinquent they go to the remote areas where we cannot intervene (Interview 6).

Perception of police ineffectiveness is related to a different understanding of rules. There are clearly defined rules that are not only connected to coca, but also to the conflict-ridden history. State rules are not the most important and instead the communities are organized are still often organized by internal rules (Interview 7). Even though the state presence influenced the way of rule implementation, the perception of the most important rules is still very much based on local traditional rules. When asked an open question about the most important rules in society, people named 144 rules but many of them (49%) were just named once (**Figure 4**).⁸ Nearly half of the rules named in the survey were just named once, which signals how disperse the perception of rules in the region is. 'Not stealing' and 'being honest' were the most common answers, both were named in 15% of the answers.

None was referring directly to state laws even though those are now officially implemented in the region. While not stealing is of course also part of state laws, during my interviews it became clear that people are referring to 'not stealing' being implemented by traditional rules, similarly to 'hard working'. These main traditional rules were: not stealing, not being lazy, and not lying. The reference to rules and *practices* for the time before a growing state intervention can be interpreted as an incomplete assimilation of state rules.

Until recently, the autodefensas have been the dominant security actor in the region; their role has been supported by the local population. Furthermore, the autodefensas supported coca production and still advocate for it due to the lack of alternatives. Yet the increasing presence of the state erodes the former security structure without establishing a viable and effective alternative to security provision and rule implementation. The overall perception is that state security forces cannot provide for local safety. This perception of more insecurity undermines the perception of the state as security provider.

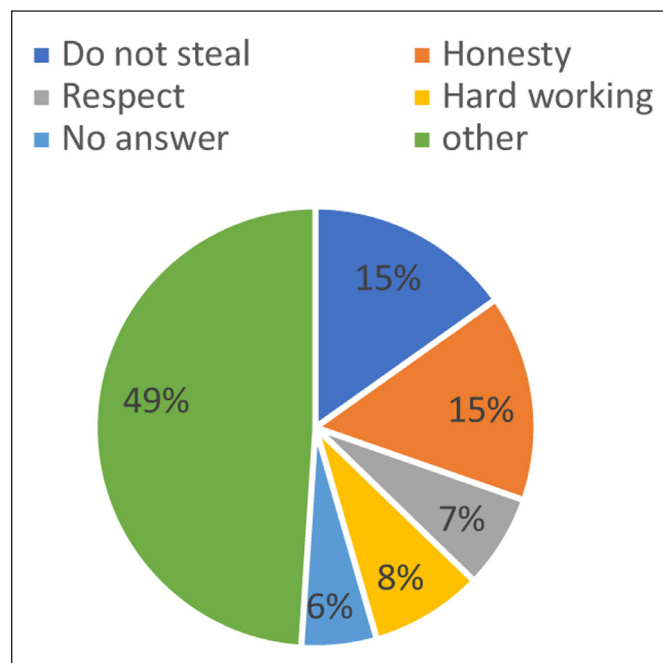


Figure 4: Most Important Rules in Society.

Source: Survey VRAEM (Santa Rosa; Llochegua; Cumunpiari) N = 65.

⁸ Please refer to the Annex for the complete list.

Discussion: The Illicit Economy and State Integration

Local order in the VRAEM is widely affected by the illicit economy. The analysis has shown that in the fields of economy, security and rules are different to what we might call 'state order' and evolved around the illicit economy. People applied learned behavior and actors carried out 'routine performances' which are labeled 'illicit' and resemble what Bourdieu (2008) calls 'practices'. These practices structure everyday life and become important elements for society. In consequence, they are not perceived as morally wrong but as a necessity. Moreover, these (illicit) practices serve as a binding element for society and consequentially gives stability to the region. This deep integration of the illicit economy results not only in a territorial marginalization, but also in a *normative* marginalization of the region from the state. That dependency on illicit economy still withholds further state integration.

As other studies have shown, many cocalero zones show a particular resistance to change and experienced instead other forms of order compared to the rest of the Peruvian state (Arroyo 2012: 35). In the VRAEM this formation was to a great extent due to the illicit economy, which was not alien to but instead deeply ingrained into society. The coca economy became the basis for social structure and 'illicit behavior' was 'socially embedded' in the society and commonly accepted. Social ties were constructed based on this social behavior (Bourdieu 1987; see also von Lampe 2016; Beckert & Dewey 2017).

The consequence of the illicit economy in the regions was not necessarily more violence but included social consequences, its own rules, practices and ultimately a local order different to that of the state. At the same time the security architecture is broadly affected by the illicit economy. Insecurity is mainly related to the presence of the state since it would be more interested in the fight against drug trafficking than of providing security to the population. The CADs, on the other hand, are not only able to provide for security but are also supportive of the coca economy. In fact, the narrative of being able to fight the guerilla because of income from the coca economy is still strong. At the same time, the CADs reflect the demands of society and also demand more state services such as legal alternatives or the provision of basic services. But until there is a viable alternative, it is likely that the majority of the autodefensas will support coca production.

The analysis has shown that the illicit economy affected local economic structures, but also the acceptance of security actors or local rules. As it has been argued elsewhere, an overstating of a 'law enforcement' approach in itself can damage the state-society relationship and harms the legitimacy of the state (Davis 2010; Arias & Goldstein 2010). This implies that the eradication of coca and the immediate termination of the drug business would not only destroy the livelihoods of the population in these areas but can also put local order and stability at risk.

Although state presence increased in the last ten years, there are no substantial changes in the amount of coca and drug production in the valley. The coca economy resulted in an alienation of the local order from the state-based legal order and is a key hindrance for integrating the VRAEM into the state. This implies the question if state policies that aim to change this local economy and install state order without providing a viable alternative are more likely to be perceived as an *outsider's interference* which might increase local resistance instead of improving development. And in a similar direction: state practices are primarily perceived as an invasion of the region and are related to the loss of economic opportunity or changes of rules. In particular, this might be the case when not only the economic alternatives but also the provision of security and implementation of rule seem to be incomplete. In consequence, this predominantly negative perception of state intervention can affect the acceptance of the state and make further state integration more difficult.

State intervention created a dynamic that involves local traditional actors and the state, while the illicit economy is intact at the same time. This dynamic implies divergences and potential conflicts between state and non-state actors. State policies towards the regions are primarily shaped by the main aim of changing or destroying the illicit economy. Hence, these policies interfere with the basis of the local order. Instead of an upfront rejection of the state, there is a negotiation process for further state integration. While the population demands more provision of goods and services by the state the state's policies against the illicit economy are rejected. For further state integration, more state services will be key, yet those are expensive and difficult to provide in a remote region such as the VRAEM. At the same time, the fight against the drug economy binds necessary resources and prompts negative perceptions to the state. In consequence, the state is only partly accepted, which can be related to the illicit economy and the historical development. Hence, even if illicit economies did not erode the state they predefine the dynamics of state and non-state interaction.

Conclusion

Focusing on the local level has allowed us to zoom in and to comprehend local order in relationship to an illicit economy. The local order that is present in the VRAEM is not created by single actors instead the illicit economy and the intention to keep that economy intact has led to state and non-state structures. While there are powerful actors, such as the autodefensas and cocaleros, there is no single dominant actor in the region, but the drug economy is the most important factor, which influences local order. A key factor for further state integration and for ensuring stability are nuanced policies by the state towards the provision of alternatives and improving of services.

Even though the regions have developed in absence of effective state control and in relation to an illicit economy, they are not *opposed* to the state. Instead, I have shown that there exists a clear idea of what is expected from the state. This includes not only the expectations regarding the provision of goods and services, but also the *recognition* of local structures and practices by the state. In other words, the *idea* of the state (Bourdieu et al. 1994) is well established in the VRAEM, notwithstanding the deviations in rules or practices. This key finding implies that despite the weak provision of goods and services by the state for most of the inhabitants, the state became a focal point when it comes to demanding goods and service provision. At the same time, the evidence suggests that the presence of an illicit economy affects the relationship to the state and that most of the distrust towards the state and state institutions is related to the illicit economy. Before the arrival of the state, the drug economy was a natural part of community life and security actors did not interfere in the business. With a stronger presence of state security forces, this has changed. Today, one of the most important tasks of state actors includes the fight against the drug economy when there is a lack of social integration that encompasses dialogue with society, which is crucial for building trust and legitimacy of the state. The observance and inclusion of local social preconditions is thus another important factor.

The findings of this study present a profound dilemma for the state at the moment, from which we can draw on similar cases: Overly focusing on the illicit economy and the destruction of this economy by force increases distrust among the population towards state actors. Leaving the illicit economy intact, while at the same time creating pressure on the majority of the population because of their economic practices, also results in high levels of skepticism and distrust. In both scenarios, the state remains an alien actor providing a hollow frame. In a third scenario, the state could look out for cooperation with local powerful actors who might act as *brokers* for state influence, such as cocaleros or autodefensas.

The question remains whether this cooperation might result in difficulties because of the opposing approaches towards coca production. Nevertheless, this final point may thus be an indication for a way out of the dilemma. As the analysis has shown, there is a clear idea of the state and what it ought to do. Building on this knowledge and developing a coherent concept in connection with the existing local order instead of confronting it can facilitate state integration. Establishing a dialogical state-society relationship would enable the building of trust within the society and finally strengthen the state legitimacy within the regions.

Competing Interests

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