

Cato Handbook *for* Policymakers

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75. The International War on Drugs

Policymakers should

- declare an end to the international war on drugs and recognize that it has stimulated an increase in violence in drug source and transit countries while producing few intended results;
- recognize that prohibition creates a huge black-market premium and potential profit from drug trafficking that terrorist groups will exploit; and
- accept the legalization, decriminalization, and harm-reduction strategies adopted by Uruguay, the Netherlands, Portugal, and other countries as a better model for dealing with the problem of drug abuse.

Drug trafficking is one of the most resilient and lucrative industries in the world, with estimated revenues of \$300 billion a year. Despite the tens of billions of dollars that Washington and other governments spend every year trying to disrupt them, drug-trafficking organizations have shown tremendous ingenuity, adaptability, and entrepreneurship to satisfy over a quarter billion customers worldwide.

The debacle of the war on drugs is obvious to any independent observer. In 1988, the United Nations held a conference titled, “A drug-free world: we can do it.” Since then, consumption of marijuana and cocaine has increased by 50 percent. Even the U.S. government admits its own failures in stopping the flow of drugs: the 2015 *National Drug Threat Assessment* by the Drug Enforcement Administration states that, while cocaine availability in the United States has stabilized in recent years, marijuana, heroin, and methamphetamines are increasingly available across the country.

In the 1970s, leading economists such as Nobel laureates Milton Friedman and Gary Becker were among the first to point out the futility of drug

prohibition, citing the laws of supply and demand. These lessons became more relevant as drug violence reached gruesome levels in Mexico and Central America in the past decade. Former Mexican President Felipe Calderon kicked off his presidency in December 2006 by launching an all-out military assault against cartels that claimed over 100,000 lives, but even he had to acknowledge the futility. Describing the economic dynamics of illicit drug trafficking, he said: “If the price goes up [thanks largely to interdiction efforts] and the demand is the same, you will increase profits so you are creating more incentives for participants in the market. And it’s clearly a textbook case of an unstable economic system in which the more successful you are, the more criminals you are creating.”

The dynamics of drug trafficking are best illustrated by what happens to a kilogram of cocaine from its elaboration in the Andes to its distribution and sale in the United States. Nearly 350 kilograms of dried coca leaves are required to produce 1 kilogram of cocaine, at a cost of approximately \$385. Once it has been turned into white powder, the kilogram costs \$800, but its value goes up to \$2,200 by the time it is exported from Colombia. When it reaches the United States the product increases in value to \$14,500, but it can be sold at a retail price of \$122,000—a 32,000 percent markup from the raw product.

The logic behind prohibition is that the more the price of a drug goes up, the less consumption there will be. However, research shows that the demand for drugs is inelastic—that is, even if the price goes up, consumption remains more or less the same. Therein lies the problem with Washington’s supply-side campaign against narcotics: it significantly inflates the price of drugs, but it does not reduce demand meaningfully. The result is that the value of the market increases and thus its appeal to violent criminals. It is not a coincidence that, according to the *Global Study on Homicide 2013* published by the United Nations Office on Drugs and Crime, 8 of the 10 countries with the highest murder rates in the world were located precisely along the cocaine route from the Andes to the United States.

The international war on drugs has also unwittingly served to support terrorist groups that have benefited financially from the enormous profits that the anti-drug campaign has produced. Counternarcotic strategy thus conflicts with sound foreign policy goals, namely the encouragement of peace and the strengthening of the institutions of democracy and civil society.

Around the world, there is a growing realization that the current prohibition on most drugs needs to be replaced with more sensible policies.

Despite this mounting consensus, the nature of the “drug problem” is still hotly debated, and thus the alternative policies have yet to be agreed on.

Assessing Alternatives

The predominant view in Washington’s power circles is that the present strategy is a failure not because drug laws are flawed, but because of weak institutions in producing and transit countries. The solution, according to this analysis, is greater security and intelligence cooperation among nations; more expenditure in the security and judiciary apparatuses; and tougher laws dealing with corruption, gun trafficking, and money laundering.

Developing countries indeed suffer from weak institutions. But drug prohibition actually exacerbates this institutional problem by inflating the profit margins of organized crime to stratospheric levels, thus increasing its corrupting and violent power. For example, a study by the United Nations Development Programme pointed out that, in 2010, the seven Central American governments spent a combined \$3.97 billion on security and their justice systems. That sum represents a 60 percent budget increase since 2006. Yet the figure falls short of the estimated revenues of the Colombian and Mexican drug trafficking organizations, which, according to a report from the U.S. Justice Department, could reach up to \$39 billion annually.

Another challenge is the disparity among countries in their institution-building efforts, which leads to the balloon effect of criminal activities. This is perhaps the main feature of the drug business: its ability to adapt to changing circumstances. For example, in the early 1990s, as pressure grew on coca growers in Peru, those crops moved to Colombia. After a decade of eradication programs in that nation, coca growers moved back to Peru. Now Colombia has retaken its spot as the world’s leading coca producer. Despite the back and forth, the Andean region continues to produce the same amount of cocaine as it did 20 years ago.

Over the years, the most common approach to the war on drugs has been the attempt by governments in producing and transit countries to export the problem to their neighbors. Greater cooperation, harmonization of efforts, and same-pace institution building seems unrealistic.

In some countries, the challenge is even greater given the active presence of terrorist organizations. For decades, for example, the Revolutionary Armed Forces of Colombia (FARC) rebel group has derived hundreds of millions of dollars from the cocaine trade. That involvement has prolonged

and fueled a conflict for more than 50 years and will continue to be a destabilizing factor even if the government and the FARC reach a lasting peace agreement. In Pakistan, the Taliban reaps about \$700 million dollars per year from the poppy and heroin trade. In Syria and Iraq, the Islamic State of Iraq and Syria (ISIS) derives up to 7 percent of its revenue from the illicit drug industry. The huge black-market premiums that result from prohibition are obviously undermining efforts to strengthen democratic institutions in those cases and undermining legitimate national security goals.

An alternative is for one country or a group of countries to turn a blind eye to drug distribution, without legalizing or decriminalizing the drug trade, while focusing their police resources on violent crimes. However, as long as the drug trade remains illegal, such a policy wouldn't likely avoid the effects of prohibition.

In Mexico in the 1970s and 1980s, the authorities adopted a complicit approach to drug trafficking: the federal government looked the other way while drugs were shipped to the north. But drug trafficking at that time was conducted mostly by a single organization; today, several powerful and violent Mexican cartels fight each other for control of trafficking routes. Even if the Mexican government were to adopt a hands-off approach to drug smuggling, that would not prevent the cartels from engaging in bloody turf wars. Drug violence might decline, since government intervention adds volatility to a changing cartel landscape, but Mexico would likely remain a violent country.

Moreover, a drug-producing or transit nation that decides to abandon the fight against drug trafficking could become a safe haven for kingpins. Drug money would likely flow into that country's economy, potentially corrupting institutions and even civil society. Still, given Washington's obstinacy with prohibition, several governments in the region might be tempted to follow this path to reduce the staggering levels of violence afflicting their countries.

Finally, there is the increasingly accepted assessment that the problem with the international war on drugs is not the illicit substances but prohibition. In recent years, a growing number of high ranking officials around the world, including sitting and former presidents, have called for the adoption of a legal market for certain drugs, starting with cannabis. There are already well-known precedents: in 2013, Uruguay became the first country to fully legalize marijuana. In the United States, 28 states have legalized the medical use of marijuana; Colorado, Washington, California,

Nevada, Maine, Massachusetts, Oregon, and Alaska have legalized recreational use as well, and more states will surely do so in the near future.

Some European countries—such as Portugal and the Netherlands—have opted for implementing harm-reduction policies, either de facto or de jure. In 2001, Portugal decriminalized all drugs, including cocaine and heroin. Not only has the predicted spike in drug use and a public health crisis failed to materialize, Portugal’s drug usage rates compare favorably with many other European states that have maintained a more severe approach, and in some cases, its usage rates have dropped.

Even though the terms of the debate have shifted significantly in favor of legalization as an alternative to the war on drugs, the discussion has focused almost exclusively on marijuana. Indeed, the momentum toward a legal market for cannabis seems unstoppable: a poll in October 2015 showed that 58 percent of Americans favor legalizing the drug. Assistant Secretary of State for International Narcotics and Law Enforcement William Brownfield has said that legalizing cocaine, heroin, methamphetamine, and synthetic drugs would constitute crossing a “red line” for Washington. Tellingly, he did not mention marijuana. However, the problem in most countries around the world that are besieged by drug violence is not particularly marijuana trafficking, but the prohibition of other drugs, especially cocaine and heroin. Given the failure of the international drug war to stop the flow of narcotics into the United States, and given the benefits of the harm-reduction approach that treats drug addiction as a social problem rather than a criminal problem, clearly, the end of prohibition must include the whole range of narcotics.

Toward a Constructive Approach

Washington’s international drug war has been disastrous. Production of drugs in foreign countries has increased, and the flow of drugs to the United States has continued. As Tom Wainwright from *The Economist* summarizes, “the ‘all-out war’ approach has failed to cut the number of consumers, while it has driven up the price of a few cheap agricultural commodities to create a hideously violent, \$300-billion global industry.” The impact of the U.S. war on drugs has severely aggravated political, economic, and social problems in developing countries. Attempts to escalate the drug war, even in a dramatic way, will do little to change those realities.

As the world’s largest consumer of illicit drugs, it is the responsibility of the United States to encourage the worldwide shift away from prohibition

toward the creation of markets and civil society by ending its international crusade against drugs. Doing so will hardly affect U.S. drug consumption, due to the inelasticity of demand, but it would at least acknowledge that narcotics abuse is a domestic social problem that foreign policy cannot solve.

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