CATO HANDBOOK FOR CONGRESS

POLICY RECOMMENDATIONS FOR THE 108TH CONGRESS

CATO INSTITUTE
Washington, D.C.

56. The International War on Drugs

Congress should

- repeal the Anti-Drug Abuse Acts of 1986 and 1988 and all legislation requiring the United States to certify drug-source countries' cooperation in counternarcotics efforts,
- declare an end to the international war on drugs, and
- remove U.S. trade barriers to the products of developing countries.

Washington's international drug control campaign exhibits every flaw inherent in central planning. The war on drugs—a program whose budget has more than quadrupled over the past 15 years—has failed remarkably in all aspects of its overseas mission. Most telling, illicit drugs continue to flow across U.S. borders, unaffected by the more than $35 billion Washington has spent since 1981 in its supply-side campaign. The purity of cocaine and heroin, moreover, has increased, while the prices of those drugs have fallen dramatically during the same period.

The U.S. government has not only federalized the social problem of drug abuse by treating narcotics use as a criminal offense; it has intruded into the complex social settings of dozens of countries around the globe by pressuring foreign governments to adopt laws and policies of its liking. In the process, the U.S.-led war on drugs has severely aggravated the political and economic problems of drug-source nations and increased financing for terrorist groups. Counternarcotics strategy thus conflicts with sound foreign policy goals, namely the encouragement of free markets, democracy, and peace. For countless reasons, the international drug war is both undesirable and unwinnable.

Failure on Three Fronts

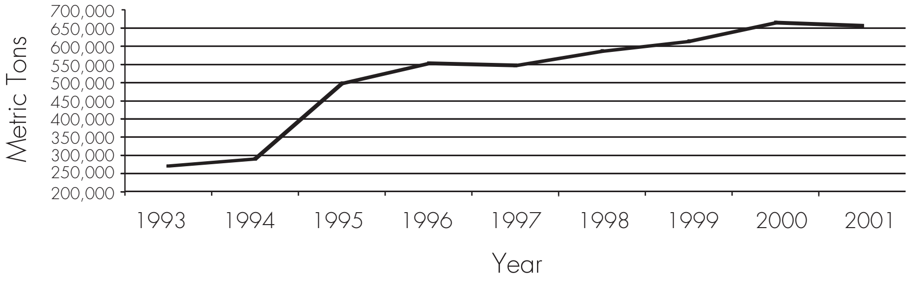
One component of the supply-side campaign has been interdiction of drug traffic coming into the United States. That approach has been ineffective at reducing the availability of cocaine and heroin because authorities seize only 5 to 15 percent of drug imports and because traffickers easily adapt to such disruptions by using new smuggling innovations and routes. In an implicit recognition of the failure of interdiction efforts, the Clinton administration began favoring strategies that focus on drug-producing countries. Yet there was little reason to believe that an approach that emphasized eradication, crop-substitution, and interdiction efforts in drug-source countries would be more successful than interdiction of drugs along transit routes. A principal reason that supply reduction efforts cannot be expected to affect the use of cocaine, for example, lies in the price structure of the illicit drug industry. Smuggling costs make up only 10 percent of the final value of cocaine in the United States. Those costs, combined with all other production costs outside the United States, account for only 13 percent of cocaine's retail price. Drug traffickers thus have every incentive to continue bringing their product to market; they view eradication and interdiction as a mere cost of doing business. Moreover, even if such efforts were successful at raising the price of coca paste or cocaine in drug-source countries, their effect on the final price of cocaine in the United States would be negligible. As analyst Kevin Jack Riley has observed, ''Using source country price increases to create domestic scarcities is similar to attempting to raise glass prices by pushing sand back into the sea.''

The efforts of international drug warriors are also routinely frustrated by drug traffickers' dynamic responses to counternarcotics policies. Already expecting interference in their business, traffickers build redundant processing facilities in case current ones are destroyed, for example, or stockpile their product inside the United States in case of smuggling interruptions. The massive resources available to the $300 billion global illicit drug industry also enable it to react to counternarcotics strategies with ease. At best, drug war ''victories'' are ephemeral as the industry accommodates itself to new conditions. That situation has reduced U.S. officials to citing drug seizure figures or expressions of political will by foreign governments as important gains in the U.S.-orchestrated war on drugs.

The evidence from the field is less compelling. According to the State Department's annual *International Narcotics Control Strategy Report*, the total area planted in coca from 1987 to 1995 grew from 176,000 hectares to 214,000 hectares, dropping subsequently to 190,000 in 2001. The area planted in opium poppy, mostly in South Asia, more than doubled from 112,585 hectares to 249,610 hectares from 1987 to 1996 and fell to 143,918 hectares in 2001. The decreases in recent years have resulted from a combination of oversupply, the Taliban's crackdown on opium production in Afghanistan, intensified crackdowns on coca-growing regions in Peru and Bolivia, and a fungus that has attacked the coca plant. However, since those figures do not reveal important qualitative information, they can be misleading. For example, the destruction of less productive older plants and the cultivation of new, more productive plants are not captured by those data.

Indeed, the State Department's estimates of net production of illicit drug crops illustrate the futility of its overseas campaign. From 1987 to 2000, opium production increased from 2,242 metric tons to 5,010 metric tons, dropping to 1,236 metric tons in 2001, a fall due almost entirely to the Taliban's ruthless enforcement policies in Afghanistan, a country where Washington has no influence. Yet as the State Department itself concedes, although "total potential world-wide opium production in 1999 was at its lowest point in a decade and a half, the approximately three thousand metric tons potentially available were more than enough to supply global heroin demand many times over." And despite increased eradication efforts—the U.S. government pressures source-country governments to eliminate drug crops by spraying pesticides, slashing illegal plants, or burning peasants' fields—coca leaf production increased from 291,100 metric tons in 1987 to 655,800 metric tons in 2001 (see Figure 56.1). Peasant farmers still view illegal drug cultivation as advantageous despite coercive drug control measures.

Figure 56.1
Potential Coca Leaf Production, 1993–2001
(Bolivia, Colombia, Ecuador, Peru)



SOURCE: U.S. Department of State, Bureau for International Narcotics and Law Enforcement Affairs, *International Narcotics Control Strategy Report*, 2002.

Less coercive schemes have also been tried. Crop-substitution and alternative development programs, for example, seek to encourage peasants to join the legal market in agriculture or other sectors. U.S. aid finances infrastructure projects, such as roads and bridges, and subsidizes the cultivation of legal agricultural goods, such as coffee and corn.

Here, too, serious obstacles and unintended consequences undermine the best-laid plans of Washington and the governments of drug-source countries. Coca plants, for example, grow in areas and under conditions that are thoroughly inhospitable to legal crops, making a switch to legal alternatives unrealistic. (Only 5 to 10 percent of the major coca-growing regions in Peru and Bolivia may be suitable for legal crops.)

Farmers can also earn far higher returns from illicit plants than from the alternatives. For that reason, even when they enter crop-substitution programs, peasants often continue to grow drug plants in other areas. Ironically, in such cases, the U.S. government subsidizes the production of illegal drugs.

Indeed, programs that pay peasants not to produce coca can have other effects policymakers did not anticipate, as analysts Patrick Clawson and Rensselaer Lee point out: ''The voluntary programs are similar to the crop acreage reduction program that the U.S. government uses to raise the income of wheat farmers. It is not clear why Washington thinks that a crop reduction program raises the income of Midwest wheat farmers but lowers the income of Andean coca farmers. In fact, in both cases, the crop reduction program really is a price support program that can raise farmer income.''

The drug industry also benefits from improved infrastructure. One World Bank report reviewed road projects, funded by the World Bank, the U.S. Agency for International Development, and the Inter-American Development Bank, in coca-growing regions in Peru. ''While the roads were useful in expanding coca production, they have severely hampered the development of legal activities.'' It is interesting to note that the major coca-growing regions in Peru and Bolivia—the Upper Huallaga Valley and the Chapare, respectively—were sites of major U.S.-funded development projects in previous decades.

Finally, even if alternative development programs were able to raise the prices of legal crops so that they exceeded or were at least competitive with the price paid for illegal crops, that situation could not last. The cost of growing coca, for example, represents such a small fraction of the final value of cocaine—less than 1 percent—that the illicit drug industry will always be able to pay farmers more than the subsidized alternatives could command.

Coerced Cooperation

The main components of the international narcotics control campaign have produced dismal results and hold little promise of improvement. Although that reality may be well recognized by drug-source nations, U.S. law ensures that most of those countries' governments comply, however reluctantly, with U.S. demands. The Anti-Drug Abuse Acts of 1986 and 1988 condition foreign aid and access to the U.S. market on the adoption of narcotics control initiatives in foreign countries.

That legislation directs the president to determine annually whether drug-producing and drug-transit countries are fully cooperating in the U.S.-led drug war. The certification procedure employs a series of trade and aid sanctions and rewards intended to gain that cooperation. If the president decertifies a country, or if Congress rejects the president's certification, the United States imposes mandatory sanctions that include the suspension of 50 percent of U.S. aid and some trade benefits. Discretionary sanctions may include the end of preferential tariff treatment, limits on air traffic between the United States and the decertified country, and increased duties on the country's exports to the United States.

U.S. Policy Is Not Just Ineffective

Efforts to "get tough" on drug-producing nations have caused an increase in violence and corruption, distorted economies, and undermined fragile democratic governments and the institutions of civil society. As long as drugs remain outside the legal framework of the market and U.S. demand continues, the enormous profit potential that results not only makes eliminating the industry impossible but makes the attempts to do so thoroughly destructive.

It is Washington's prohibitionist strategy—and not the narcotics trade per se—that is responsible for the problems usually associated with drug trafficking. Colombia, the principal target of Washington's international drug control campaign, has over the years seen its judicial, legislative, and executive branches become steadily corrupted by the drug trade. Crackdowns on leading trafficking organizations have produced widespread violence and even dismantled cartels, but they have not affected the country's illicit export performance.

The pervasive influence of the illegal drug industry in Colombian society, and the Colombian government's apparently insufficient efforts to escalate the war against traffickers, led to Clinton's 1996 and 1997 decertifications of that country. In 1998 Colombian journalist Andrés Cavelier complained that the decertifications had caused the private sector to suffer: ''Because of threats of economic sanctions, legitimate sectors such as the flower industry have been obliged to hire expensive public relations firms to lobby official Washington against the imposition of sanctions.''

Colombia's efforts to convince the United States that it wishes to cooperate in the fight against narcotics led Bogotá to undertake coca eradication and other counternarcotic initiatives. Those initiatives have created resentment among peasant populations, who have consequently increased their support of major guerrilla groups, and have reinforced the business relationship between drug traffickers and the rebels who protect illicit drug operations. Indeed, Colombia's various guerrilla organizations earn anywhere from $100 million to $150 million a year from drug-related activities.

Furthermore, the escalation of the drug war has provoked a wave of guerrilla violence that has destabilized Colombia and successfully displaced government authority in large parts of the country. ''If you can single out one act that has played a decisive role,'' Defense Minister Juan Carlos Esguerra explained as far back as 1996, ''I have no doubt that it is our frontal offensive against narco-trafficking in the southeast of the country.''

The United States has responded by massively increasing, in 2000, aid to Colombia to $1.3 billion, most of which has gone to the military, and by subsequently expanding the counterdrug initiative in the Andean region. Washington has also sent to Colombia U.S. personnel, including Special Forces trainers and hundreds of advisers from the Central Intelligence Agency, the Drug Enforcement Agency, the Defense Intelligence Agency, and other U.S. agencies. Because the drug war has helped blur the line between the illicit drug industry and various insurgent groups, U.S. antinarcotics aid is increasingly being used to fight the long-standing guerrilla movement—a use that is dragging the United States into Colombia's messy political and social setting.

The U.S.-orchestrated drug war in Colombia and elsewhere has thus weakened the rule of law and the institutions of civil society and financed terrorism. In Peru, for example, the Maoist Shining Path guerrillas received up to $100 million per year during the 1980s from their marriage of convenience with drug traffickers. That situation prompted Harvard economist Robert Barro to suggest that ‘‘the U.S. government could achieve pretty much the same results if it gave the aid money directly to the terrorists.’’

The crippling of the Shining Path came only after the Peruvian government suspended coca plant eradication programs and concentrated its efforts on anti-terrorist activities and market liberalization. Unfortunately, the administration of President Alberto Fujimori abrogated the constitution in 1992 in a move intended to fight the rebel groups and institutional corruption, problems nourished by the drug war. Peru later reintroduced democratic rule and initiated further market reforms. Renewed U.S. efforts to get tough on Peru (the country did not receive full certification in 1994 or 1995), however, may compromise those successes. The resumption of coca eradication and other traditional anti-narcotics measures is worrisome in a country that has recently experienced economic stagnation, the return of populist rhetoric, and outbursts of terrorist violence.

Washington’s heavy-handed ways have recently been evident in Bolivia as well. The livelihood of thousands of coca growers in the Chapare region has been wiped out by years of a vigorous, U.S.-backed coca eradication campaign that has not managed to provide the farmers with alternative sources of income. The result has been not only an increase in social unrest; the eradication program has also led to the rise of Evo Morales, an anti-American, anti–free market political leader representing the grievances of the dispossessed farmers. In the presidential elections of June 2002, Morales came in a close second to the market-liberal candidate, Gonzalo Sánchez de Lozada. The populist candidate received a further boost from Washington shortly before the elections when the U.S. ambassador warned Bolivians not to vote for Morales, a message that had the opposite effect. The prospects that the president will be able to advance market-oriented policies have been diminished by the new political prominence of Morales, whose party now controls the largest bloc in the congress.

Latin American societies are not the only ones threatened by the global prohibitionist model. Illegal opium production takes place in Pakistan, Afghanistan, China, India, Thailand, Vietnam, Burma, and other countries in South and Central Asia. Many of those nations are struggling to become more market oriented and establish the foundations of civil society. U.S. supply-reduction efforts are increasingly focusing on countries that produce those drugs. Yet, if aggressive prosecution of the drug war has managed to undermine relatively well rooted democracies such as Colombia’s, there is every reason to believe that U.S. drug policy in Asia may be even more reckless.

Mexico provides perhaps the most urgent warning to leaders of Washington's anti-narcotics crusade. Major Mexican drug cartels gained strength and influence as the U.S.-led interdiction campaign in the Caribbean, which began in the mid-1980s, rerouted narcotics traffic through Mexico. Unfortunately, the result has been a sort of "Colombianization" of Mexico, where drug-related violence has since increased. The 1993 killing of Cardinal Juan Jesús Posadas in Guadalajara, the assassinations of top ruling party officials, and the discovery of hundreds of millions of dollars in the overseas bank accounts of former president Carlos Salinas's brother all appear to be connected to the illicit drug business. The 1997 arrest and subsequent conviction of Mexican "drug czar" Gen. Jesús Gutiérrez Rebollo for protecting drug traffickers, the later indictment of the governor of the state of Quintana Roo, and President Vincente Fox's arrest of hundreds of police officers on drug-related charges only confirmed that the illicit industry has managed to corrupt government officials at all levels.

The destabilization of Mexico is especially unfortunate because of the country's efforts at economic and political liberalization. Unlike its treatment of Colombia, however, Washington has consistently granted Mexico full certification despite evidence of narcocorruption throughout the Mexican government. The inconsistency of U.S. drug policy toward the region is plain, but the internal contradictions of U.S. foreign policy would probably become too conspicuous were Washington to threaten sanctions against a partner in the North American Free Trade Agreement. An increasingly unstable Mexico also has serious implications for the United States. If Mexico experienced the level of social violence and volatility seen in Colombia or Peru, for instance, the United States would be directly affected—a development that would almost certainly provoke Washington's increased involvement in Mexico's complex domestic affairs.

The uneven standard by which Washington certifies nations is even more obvious when one looks outside Latin America. Where Washington has little or no influence, it is not hesitant to decertify a country—as has consistently been the case for Iran, Burma, and Syria. Yet, as the Council on Foreign Relations points out: "Iran pursues a vigorous drug control effort, forcibly eradicating opium crops, seizing large stocks of drugs, arresting users, and executing traffickers. By contrast, Russia is both a substantial opium producer as well as a transit country and money laundering center of growing importance but it is not included on the list of countries requiring annual certification.'' U.S. officials have fortunately, though far too slowly, recognized that the certification process is not serving U.S. interests and have deemphasized that aspect of the drug war in recent years.

Finally, Washington has not only created severe difficulties for drug-producing nations, its drug control efforts have helped disperse the narcotics industry to countries that might otherwise have avoided such penetration. Venezuela, Argentina, and Brazil, for example, have seen an upsurge in drug-related activity. Similarly, international disruptions in the various stages of illicit drug production have encouraged local traffickers to be self-sufficient in all stages of production. For example, the crackdown on Colombia's Cali cartel, which temporarily depressed coca prices in Peru in the 1990s, prompted the Peruvian industry to enter more advanced stages of cocaine production. More dramatic, while supply reduction initiatives have temporarily reduced coca production in Peru and Bolivia, in recent years those efforts have resulted in a more than 150 percent increase in coca cultivation in Colombia, making it the world's largest producer of the crop.

Toward a Constructive Approach

Washington's international drug war has failed by every measure. Production of drugs in foreign countries has increased, and the flow of drugs to the United States has continued. The Council on Foreign Relations notes, ''For twenty years, these programs have done little more than rearrange the map of drug production and trafficking.'' In fact, the impact of U.S. narcotics control policies is even worse, severely aggravating 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.

Similarly, a more multilateral approach to fighting the drug war—through the United Nations or the Organization of American States, for example—will not work. Involving more governments and bureaucracies may marginally deflect political criticism away from the United States, but that approach cannot solve the fundamental problems created by prohibition: corruption, political violence, the destruction of civil society, the distortion of economic activity, and increased financing of terrorism. The multilateral strategy will have especially low credibility if international organizations present wildly unrealistic solutions, such as the UN's 1998 plan to eliminate global drug production in 10 years.

Washington should instead encourage the worldwide shift away from statism toward the creation of markets and civil society by ending its international crusade against drugs and opening its markets to drug-source countries' legal goods. Doing so will hardly affect U.S. drug consumption, but it would at least be a recognition that narcotics abuse is a domestic social problem that foreign policy cannot solve.

Suggested Readings

Clawson, Patrick L., and Rensselaer Lee III. *The Andean Cocaine Industry.* New York: St. Martin's, 1996.

Carpenter, Ted Galen. *Bad Neighbor Policy: Washington's Futile War on Drugs in Latin America.* New York: Palgrave, 2003.

______. ''Ending the International Drug War.'' In *How to Legalize Drugs*. Edited by Jefferson M. Fish. Northvale, N.J.: Jason Aronson, 1998.

Council on Foreign Relations. *Rethinking International Drug Control: New Directions for U.S. Policy*. New York: Council on Foreign Relations, 1997.

Riley, Kevin Jack. *Snow Job? The War against International Cocaine Trafficking*. New Brunswick, N.J.: Transaction, 1996.

Thoumi, Francisco. *Political Economy and Illegal Drugs in Colombia*. Boulder, Colo.: Lynne Reinner, 1995.

—Prepared by Ian Vásquez