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Marcelo Bergman
Center for Latin American Studies on
Insecurity & Violence
National University of Tres de Febrero
Buenos Aires, Argentina

Preface and Acknowledgments

All books have their genealogy. This one began 12 years ago in Mexico where I was a professor at a Mexican university (CIDE) witnessing firsthand the initial stages of the "war on drugs" in this country. It continued in universities and research centers in the United States where I benefited from invitations to seminars and conferences, including research fellowships at Columbia University and Woodrow Wilson Center. And it finished in Argentina, where I directed a research center on insecurity and violence (CELIV) at the National University of Tres de Febrero. This book was originally written in Spanish and published in 2016 by Fondo de Cultura Económica (FCE). I was seeking to bring evidence-based research findings to the public debate on the impact of illegal drugs in the region. I thank Springer for the invitation to revise, update, and expand that text. I wrote a chapter on Mexico expressly for this new English version. My goal is to bring new perspectives on the public debates on illegal drugs in Latin America to the English-speaking world.

Finally, special thanks go to my sons, Adriel, Martín, and Eyal, who through the years have survived my "ups and downs" and were always on my side, and as always to Monica, my permanent support and my source of inspiration.

Buenos Aires, Argentina   Marcelo Bergman

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Chapter 1
Introduction

The use and trafficking of illegal drugs have become one of the greatest challenges facing Latin America today. All of the countries in the region are grappling with this issue, and all have witnessed a surge in the domestic market for narcotics. Millions of young people use marijuana, cocaine, and synthetic drugs, while hundreds of thousands work in the illegal industry that produces them. Each year, thousands of Latin Americans fall victims to the escalating violence associated with narco-trafficking. Contract killing had spread, and the rising number of addicts has left its mark on public health, labor, schools, and families.

Psychoactive substances, once an isolated problem involving a handful of addicts and peddlers, are now one of the biggest social concerns across the region. According to survey reports, Latin Americans have mentioned illegal drugs as the third largest problem facing their society, surpassed only by citizen security and unemployment. Drugs have become a headache and an unresolved challenge for parents, educators, police, and politicians alike, and although opinions and proposals abound, few agree on exactly what to do to solve the problem.

Like any traded good that enjoys a steady demand among a growing number of consumers, illegal drugs have the potential to become big business. Whenever there are users who desire a product, there will surely be "entrepreneurs" ready to supply them. The more difficult it is to sell a product, the more expensive this product will be and the greater the profits generated for those willing to take the risks associated with its sales. If the demand comes from a country in the region, there will be a vibrant domestic market with illegal earnings across the local supply chain. And if the demand flares up in other territories, the business will be focused on moving the product to these markets. The demand for drugs drives this business that has become very difficult to eradicate.

Drugs provide pleasurable effects for users but are also detrimental to human health. In some cases, users become dependent on their substance of choice, and these addictions can have adverse effects on individual health and often on the addict's family and his/her social circles. In 2012, for example, there were 4200

drug-associated deaths in Latin America and 183,000 deaths worldwide. The harm drug produces is one of the main arguments used to justify a comprehensive ban on illegal substances, which has been the path taken virtually all across the world. However, since drug prohibition has not successfully eliminated the demand, an important public debate has arisen on different ways governments could approach the illegal drug problem.

This book seeks to provide insight on the economic and political aspects associated with illegal drugs in Latin America. It discusses the most relevant topics associated with narco-trafficking, its social repercussions, the economics of the drug world, and the different public policy options adopted by different countries.

From a descriptive and analytical perspective, this book describes the most common types of psychoactive substances and the prevalence of local and international drug use in order to understand the size and scope of the business. Drug use and trafficking trends are analyzed to address why most countries have failed in their attempts to eradicate or even contain the challenges posed by illegal drug markets. This book goes beyond the traditional approach of laying out a structural analysis of the business to explain how cartels are formed, why they change, and how the industry oscillates between concentration and fragmentation.

Another key topic examined in this book is the relationship between violence, drugs, and trafficking. From an empirical perspective and many years of research on this topic, this book draws on studies and evidence from across the region. Although the available information does not establish a clear cause and effect between drugs and violence, it does indicate that the greatest danger of the drug business does not lie in the purchase and sale of substances but in the risk for criminal diversification among the groups involved in drug trafficking.

Given the steady demand for drugs, the growing market among young users, and drug exports from the region to all over the planet, the governments of Latin American countries are continuously assessing what they can do to curtail the distribution of drugs. This book examines different alternatives ranging from strict prohibition to broader legalization taking a positivist-academic perspective, that is, it evaluates the implications of each public policy option based on the best knowledge and research available.

Unlike many publications on this subject, this book does not take a stance or indicate a preference on the most suitable policies for controlling drugs and trafficking. The aim here is to examine how the drug business works, who wins and who loses, how cartels are formed, when violence erupts, and why punitive policies continue to be the predominant paradigm to address the problem. Other themes discussed in this book include how the drug trade expands, which individuals are most prone to addiction, and what real threats drugs pose to peoples' health, in addition to their social and political implications.

This book has been written for curious and intelligent readers interested in going beyond sensationalist stories and media reports on drug-related issues. It presents a large body of research from Latin America, Europe, and the USA, about the problem of drugs in Latin America. While the most relevant references are included, the reader will not be overwhelmed by citations or cross-references. This book

provides the elements each reader needs to reach an informed opinion on the social, political, and economic effects of the Latin America drug problem. In summary, the author takes no particular stance and leaves the reader to make his or her own judgments.

1.1   Brief Summary

1.1.1   Drugs and Illegality

The use of psychoactive substances can have detrimental effects for people's health along with other indirect social consequences. Governments prohibit the circulation of illegal substances for these same reasons. However, since the demand persists, an illegal market arises that is not easy to eradicate. Like alcohol, prostitution, gambling, and other "goods" in demand that have been prohibited, drugs have generated an illegal market that has its own structure and characteristics. In fact, the market for banned substances is now the world's biggest illicit market because there are more than 200 million people willing to use them. Three out of four of these users prefer cannabis (marijuana), and one-fourth use so-called hard drugs like cocaine and its byproducts, opiates (heroin), ATS (amphetamine-type stimulants), and others. Less than 5% of users take multiple drugs, and just a tiny fraction moves from marijuana to hard drugs.

Authorities have, broadly speaking, two options for dealing with illegal markets: the first is "lax" law enforcement and a toleration of a certain degree of circulation and use. The second is a tough policy of upholding the laws as written and fighting to abolish these markets. The array of measures that governments take alters equilibriums and modifies the behaviors of individuals and groups on these markets. In the USA, a country with a strong demand for these products, stringent drug enforcement has pushed the price of cocaine up 10–15 times what it costs in Latin America, where enforcement is more lenient. No other traded good has a price differential this great, and this is explained in part by the risk premium dealers and traffickers take by moving their product to and within the USA. Conversely, strict enforcement has kept drug cartels from developing in the USA or Western Europe, while these types of criminal organizations proliferate in Latin America.

1.1.2   Prevalence and Production

Drug use is quite heterogeneous. The vast majority are recreational users who do drugs between one and five times per year. Addicts who have grown dependent on their drug of choice are a minority, representing between 20% and 25% of users. However, these users account for 70–80% of the demand for illicit drugs. In other words, approximately 40 million users worldwide drive a great part of the world's

drug demand. Drug use is on the rise in the countries of Latin America as it is in the rest of the world. The most commonly used substance in the region is cannabis, and only a small fraction of Latin Americans consume cocaine in powder or in a smokable version like crack, paco, basuco, etc. There is also a growing market for ecstasy and other similar designer drugs. There are relatively few users of heroin in the region although Mexico and other countries have been producing opioids for over half a century.

Latin America is a major drug producer. All of the world's cocaine, in fact, is produced in Bolivia, Peru, and Colombia. Mexico, Colombia, and Paraguay are all large producers and exporters of marijuana. Moreover, in recent years there has been a surge in synthetic drugs (crystal, ecstasy, etc.) produced with chemicals imported from Asia that are commonly used in the region's industries. Mexico, Brazil, and Argentina—the three countries with major chemical industries in the region— import these chemical precursors in large quantities and thus have the raw materials necessary to process and manufacture new drugs.

1.1.3   The Effects of the Drug Trade

The drug trade includes different phases: production, transport, trafficking, wholesale distribution, and retail sale, which is handled by dealers. Drug prohibition and strict law enforcement lead to a concentration of the business in the intermediary stages (trafficking) and to fragmentation at the production and retail phases of the industry. Cartels monopolize the drug transport and smuggling phase, while great numbers of farmers produce the drugs and peddlers sell it. The most profitable part of the drug trade is concentrated at the intermediary phase. Most producers and sellers earn only a modest income, are actively targeted and prosecuted by the authorities, and are rapidly replaced if arrested by the police.

This structure creates an imbalance of power clashes and battles between groups who seek to control the trafficking routes and the right to sell to large distributors, especially in the OECD countries. These groups make net profits between ten and twenty thousand dollars for each kilogram of heroin or cocaine they sell. As groups and gangs vie for profit, violent disputes between them often arise, in addition to the ones that involve state forces. Drug cartels are concentrated groups in Latin America because a core part of the business involves moving the drug from the production sites to the markets where it is purchased.

The rise of a domestic market for illegal drugs is an emerging trait in Latin America. Until the 1980s, drug use was relatively low across Latin America. Since then, as we will see further on, the use of marijuana, cocaine (especially in its low-quality smokable version), and synthetic drugs has been rising. No rigorous study has provided adequate explanation for this growth, but it shares a global trend of epidemic cycles where new generations of youngsters experiment with drugs and a fraction of these users will develop a habit that can last many years. In large urban

centers of Latin America, the prevalence (percentage of the population) of drug use and abuse has risen, a trend that has created incentives for local gangs to compete for the profits this booming market offers. However, it is important to stress that drug sales and profits are much lower on domestic markets than in Europe and the USA. The biggest "players" (the syndicates) are focused on these large overseas markets and use certain Latin American companies as "export platforms." On the other hand, due to their ties to major traffickers, local gangs get the product and then supply the domestic markets.

1.1.4   Drug Trafficking, Violence, and Criminal Justice

This book argues that the largest threat of drug trafficking is the gradual criminal diversification of the delinquents involved in the business. The violent gangs that are formed to protect the cartels gradually increase their arsenals, their capacity to corrupt the authorities, their familiarity with the areas along drug routes, and their local networks. Though they were initially hired by the cartels to provide specific services, these gangs have become increasingly autonomous, generating a diversified criminal business structure that goes beyond the transport, trafficking, protection, and smuggling of narcotics—all of which are still controlled by the cartels. These gangs now do much more than merely protect shipments and smuggling the product; they dabble in extortion, kidnapping, human and organ trafficking, as well as other criminal enterprises such as stealing gasoline, minerals, vehicles, etc. Moreover, as they evolve, these gangs split into highly predatory and specialized groups that also fight among themselves to control certain areas and the "right of way," plazas (turf), and routes.

This is the most dangerous phase of the criminal business models and it is most clearly identified in the large-scale criminal organizations of Colombia, Venezuela, and Mexico. In other countries of the region, the degree of criminal diversification varies. With the exception of the three countries in Central America's Northern Triangle (Guatemala, El Salvador, and Honduras), the vast majority of Latin American countries do not suffer from severe citizen security issues, though cities and regions in several countries are currently suffering a latent threat of criminal diversification.

The social and political cost for countries that do not address this threat can be extremely high. The lessons here are clear. Countries that do not make significant and rapid efforts to curtail criminal diversification before it spreads can find themselves facing very serious risks to citizen security in a very short time. This is what happened in Colombia in the 1980s, in Mexico since the turn of the new century, and in Venezuela in the past decade. The case in Chile, however, is very different: in spite of having some of the highest rates of cocaine and marijuana use in Latin America, it does not have a serious criminal diversification problem because its security forces have kept gangs in check. In the other countries of the

Southern Cone and in Brazil, gangs and criminal organizations have evolved at different paces, and their capacity for undermining the social order is tied to the balance they strike with police, who retain a certain ability to deter crime but are also susceptible to collusion or corruption. In some slums or in poor neighborhoods in Brazil, gangs also have some ability to control the provision of basic goods and services and are in constant informal negotiations with the authorities and police, producing an unstable balance in which violence is barely held in check.

1.1.5   The Fight Against Drug Trafficking

Most of the countries in the region have had erratic responses to drug trafficking. All have ratified to international conventions and they continue to prohibit illegal substances, but some have applied the law much more strictly than others. While personal drug use has been decriminalized in a de facto manner—or is at least tolerated to some extent in many countries of the region—the street dealers are the ones who most frequently suffer from criminal prosecution. Authorities have also focused on crop destruction and fumigation to stop farmers from harvesting the raw materials for cocaine, marijuana, and heroin. As we will see in the following chapters, such policies have had very little success. Generally, street dealers and farmers are easily replaced, and their arrests almost never reduce the availability of drugs in the market. Criminal prosecution policies do, however, create an enormous backlog for courts and pack jails across the region with poor, disadvantaged inmates without achieving a meaningful reduction in drug use or drug trafficking. The last and weakest links on the drug trade chain are the ones arrested and prosecuted, and therefore the business structure is rarely altered. Such policies produce an additional negative externality as citizen security often further deteriorates when sellers or "outlets" disappear, leading to violent disputes between individuals and gangs to overtake that market share. Many of these conflicts involve the use of firearms and end in executions.

There is no evidence, thus far, that the prosecution of leaders at the top of the chain eliminates or even contains the supply of drugs. In Colombia, the leaders of the biggest cartels in the 1990s were eliminated or incarcerated; however, smaller and more flexible structures have taken their place, and the availability of drugs has remained steady. In Mexico, where almost all of the leaders of the biggest cartels are dead or in prison, the drug trade and violence persist. Shutting down major organizations and leaders does not ensure a reduction in the earnings of organized crime. Effective criminal prosecution may thus produce changes in the operational structure of the gangs, creating new winners and losers, but is unlikely to have a significant impact on the availability of drugs on the market.

1.1.6   Policy Alternatives

Over the last 40 years, there has been a heated debate over what to do about illicit substances. Though countries have made great investments and earmarked resources to fight drugs, the success has been limited. Even so, the willingness of nations to severely restrict access to drugs remains strong. Some advocates in favor of keeping the sale of drugs illegal call also for tolerating drug use. They insist on maintaining strict criminal prosecution, fearing that cheap and easy access to drugs could produce an upswing in demand with devastating social consequences. They claim that the legalization of alcohol in the USA since the 1930s provides an excellent example of the negative implications of legalizing an illegal substance.

Those who support legalization argue that insisting on prohibition is a losing battle, with incalculable economic costs and human suffering. Legalization should be regulated with steep taxes on drugs to keep their prices high and establish legal controls to keep the substances from being advertised and promoted. However, none of these systems are guaranteed to keep down demand, which is the greatest fear associated with legalization.

A third alternative is a change in the current paradigm: a public health perspective that relies on damage control. From this perspective, drugs are considered a health hazard like tobacco, alcohol, or obesity: a fairly common condition that requires public health programs to reduce the number of addicts. In other words, those who support a public health approach view drugs as an epidemic and argue that the focus should shift from criminal prosecution to controlling the damage it causes.

These different approaches can be combined in many ways, and there are many intermediate alternatives. In recent years, some have argued that drug prohibition should be abandoned or "relaxed," but there is still no agreement or even a consensus in the international arena on the optimal way to undertake this challenge. Latin Americans seem to be moving in the direction of selective decriminalization of "light" drugs like marijuana, tolerating recreational use of synthetic drugs while keeping most drugs illegal and continuing the battle against cartels and organized crime. The UN conventions and the policies of OECD countries as well as Russia and China will be critical to determining the paths international drug policy will take in the future.

1.1.7   Open-Ended Questions

Although drugs clearly have a detrimental effect on human health, we still know very little about their social, economic, and political effects. In other words, in spite of the many scientific and medical investigations on use and addiction among individuals, information is scarce on the social vulnerabilities that increase the likelihood of dependence, the consequences of use and abuse on family and community,

and fundamentally, the impact on the structural dynamics of the business and the political economy of drugs and trafficking.

This book poses several questions for a rational debate on illegal drug policies: What would be the consequences of legalizing or decriminalizing drug use? What level of effective containment does prohibition achieve? What can be said about the selective application of drug prohibition laws in different social contexts or even within a single country? Why is the drug business so resistant to criminal prosecution? How is the illegal drug business structure so rapidly is capable of changing and adapt to new restrictions, even as drug organizations experience intense fluctuation at the leadership levels? Why are illicit substances considered more problematic than alcohol and tobacco, whose detrimental impact on society is much greater? Why have treatment, rehab, and prevention programs had such limited success?

Other questions that this book explores address the factors and conditions that have spurred the growth of domestic markets and violence. Why has drug use surged in the region? How much further can this epidemic be expected to spread? What lessons can be learned from experiences in other countries? What can be said about the varying degrees of violence associated with drugs? If Santiago, Chile, has a similar rate of drug use as Rio de Janeiro, then why does Santiago have just one-tenth of the violence associated with the drug trade compared to the Brazilian city? Why does the Argentine city of Rosario have a murder rate three to four times higher than that of Buenos Aires, where drug use and trafficking are much more prevalent? In short, what explains different outcomes of violence in places with similar rates of drug use?

This book addresses some of these questions and many others. Although there is not always a single answer, the goal of this volume is to provide evidence and analysis in order to examine these questions with the best available information. The aim is to offer a critical analysis and lay the groundwork for a lively debate on viable and optimal alternatives to the social political and economic challenges posed by illegal drugs.

1.2 Book Chapters

The following chapters, far from being exhaustive, address a number of topics associated with the policies and economics of drugs and trafficking. I focus on singular cases in which available evidence counters the misinformation usually provided by the press and on critical topics that have been almost entirely overlooked. In other words, this book adds new perspectives to what has been published thus far about illegal drugs.

The first part consists of three chapters. Chapter 2 provides a detailed introduction to illegal markets and the unique characteristics of the drug business. It briefly explains why people want to use drugs and also analyzes why the majority of citizens support prohibition. These two factors are critical to explaining the current structure of the drug business. Chapter 3 describes different drugs and their effects

before presenting data on the prevalence of drug use in the region. The information is organized here to give readers a notion of the magnitude of the problem and the basic information about the world of drugs. Chapter 4 analyzes a topic that has received little attention in spite of its importance: why the economics and politics of drug trafficking generate cartels or large organizations at the business's intermediary stage but fragmentation in the production and sale stages. This issue has enormous implications on the social and political effects of different countries, and it partly explains the eruption of extreme violence.

The second part describes some of these effects. Chapter 5 analyzes a phenomenon that has not been adequately studied but is pivotal to understand extreme predatory violence and the criminal diversification that has evolved hand in hand with the drug business. In Chap. 6, I analyze the criminal justice and drug enforcement departments and policies used to reduce drug trafficking and drug availability; that is, I examine the actual role of police, prosecutors, judges, and jails in reducing the illegal drug markets.

The third part examines different public policy alternatives. Chapter 7 primarily focuses on the best existing evidence surrounding several key topics in the world of illicit substances including the actual damage they cause, the expectation for success of existing programs, the risks of drug epidemics, etc. In other words, this chapter provides information for a rational debate on public policy options. These alternatives are the subject of Chap. 8, which examines the advantages and disadvantages of prohibition, legalization, and public health damage control.

Finally, the fourth section provides an in-depth analysis of drugs and narco-trafficking in Argentina and Mexico. Although it is impossible to cover all the myriad of topics and issues in two chapters, this section provides a basis for an informed debate on the unique features of the drug trade in these countries. Argentina appears to be at a pivotal phase in terms of drugs and trafficking, and the next few years will prove critical, while Mexico is in the midst of a severe crisis that has deeply affected its social fabric. It is essential for decision-makers to avoid the myths and rhetoric associated with the illegal drug problem and to base actions on existing knowledge with the aim of social betterment, which is the ultimate goal of this book as well.

Part I
The Business of Drugs and the Political Economy of Narcotics

Chapter 2
Illegal Markets and the Demand for Illegal Substances

- You cannot call this a "war on drugs."
- Why not?
- Because wars end.

(Conversation between two policemen from the series "The Wire," Season 1, Episode 3)

All of the goods and services a society demands are legal until a legal rule or a court order prohibits their circulation. Many types of drugs are prohibited because established legal entity has decided to ban them while allowing other harmful substances such as tobacco to remain legal. When there is a strong demand for illegal goods and services or when the use of certain goods is harmful, societies often react by banning them, imposing a legal or moral sanction on their use. Philosophers, legal scholars, and sociologists have debated the right of authorities to ban goods and human actions for centuries. They generally agreed that the authorities have the right to ban certain behaviors and the use of some goods.

Prohibition, however, does not eliminate the demand for a given good. Laws can limit access to a product or service and in some cases, make it nearly impossible to find. When there is particularly high demand for a good, however, prohibition often comes short of successfully inhibiting the access to such goods because parallel or illegal markets develop to satisfy its demand. Although this obvious concept has been known for decades, there has yet to be an in-depth study on the impact that prohibition has had on the drug market in Latin America.

This region produces all of the world's cocaine, about 700 tons each year. It produces nearly one-third of the cannabis the planet consumes (marijuana and others) and a growing amount of synthetic drugs (WDR 2017). At the same time, at least one out of ten Latin American adults has used marijuana in the past year (around 40 million people), and at least one out of fifty people has used cocaine or one of its byproducts (some 10 million people, especially youth) (WDR 2014). This means that illegal drugs are an important market with a high demand, and like any other market, there will always be people who seek to profit from them.

Illegal markets produce unintended consequences: prohibition increases the cost of goods in demand as well as the profits of producers, traffickers, and vendors. In other words, prohibition generates higher earnings for those who decide to get involved in the business of supplying drugs to the illegal markets. Thus, if demand remains constant, the stricter the prohibition, the higher the earnings of sellers and traffickers. Moreover, prohibition in this context creates even more incentives for people and groups to get into the business. This chapter explains this logic and presents some data that help quantify it.[1]

2.1   Theoretical Toolkit

Illicit markets grow when there is a large demand for the goods they offer. Like any other market, price becomes the variable that determines the balance between supply and demand. The most important illegal markets in recent years include drugs, prostitution, certain types of gambling and betting, human trafficking (more than just prostitution), and kidnapping and extortion, among others.

It is important to distinguish between illegal markets and illicit trades. Smuggling, for example, is an illicit trade because smugglers avoid paying taxes to reduce the cost of goods. However, the products smugglers deal in are usually legal. The same occurs with piracy, which clearly violates the law, though the use of the products themselves is perfectly legitimate. The relationship between illegal markets and tax evasion is also complex. Of course, no taxes are paid on transactions involving prohibited goods. Yet tax evasion, though illegal, does not keep banned goods and services from being distributed in the marketplace. In short, markets are illegal when they involve the sale of products specifically prohibited by law. Drugs are one of the biggest markets of this kind.

As mentioned above, one of the main features of prohibition is that it drives up the price of goods. This rise in price can be attributed to several factors. In this work I will focus on three:

1. Sanctions and punishment for illegal traders increase prices. Since selling a prohibited good involves a risk of sanctions, the individual subjective value of that risk is transferred onto the price of the good. The more severe sanctions, the higher the price of the drug. The cost of a gram of cocaine in the USA or Europe is up to ten times greater than in major Latin American cities. This difference in price can partially be attributed to the high cost of getting caught dealing drugs in the northern hemisphere. Drug dealers factor in this risk.

2. Prohibition limits supply. As states allocate resources and efforts to controlling illegal markets, they reduce the availability of drugs. In the USA, where several states have partially or fully legalized the sale of marijuana, the supply of the product and the competition among vendors have increased, driving prices down

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[1] See CAF (2014) in Chap. 4 for a more in-depth analysis of this logic of illegal drug markets.

at least 30% per year. This drop can be attributed to the way prohibition affects prices (DOR Colorado 2014).

3. Prohibition increases operating expenses. In addition to the obvious additional cost of eluding law enforcement or bribing the authorities—expenditures incurred by those who produce, transport, and sell drugs—prohibition forces those involved on this market to resolve their conflicts extrajudicially. This also carries additional costs, especially the use of violence. Although other factors also affect the price of illegal goods, this book will concentrate in these three.

The demand for prohibited drugs in Latin America has grown over the past two decades. Chapter 3 presents data that illustrates this rising trend. Despite some fluctuations, there has been a steady demand for illegal substances in Latin America. Prohibition has shown no sign of reducing either drug trafficking or drug use in the region, both of which continue to grow. In fact, as it will be shown in Chap. 4, prohibition has generated big profits for some individuals and groups in many countries, and has created plenty of incentives for young people with limited skill for good earning jobs to join the ranks of traffickers and dealers.

2.2   Inelastic Demand and Control of Supply

One of the most noteworthy features of illegal drug markets is their inelastic demand. In other words, the aggregate demand of illegal substances is only slightly altered by price. For most tradable goods, when prices rise, demand drops. This also occurs with prohibited goods such as narcotics, although on a much smaller scale. International evidence shows that retail sales prices are much higher than production costs, but even so, aggregate demand remains steady. Becker et al. (2004) have argued that this feature of relatively inelastic demand poses many problems for the regulation and control of drug markets because policies that attempt to reduce supply and availability of drugs are much less effective.

The USA since the 1970s has launched a plethora of control policies as part of its "war on drugs" (see Chaps. 7 and 8). Other countries later followed suit. These policies are based on punitive measures that aim to raise the costs of drugs and thus push up the market price. Under normal conditions, a high price of any good diminishes the demand for it. Therefore, the goal of criminal prosecution and strict controls of transshipment and distribution is to stymie the drug market by raising prices for consumers. However, a central question remains unanswered: what happens in cases of inelastic demand, that is, in cases where demand for an illegal good does not drop significantly?

This topic is important because it partly explains the meager success of the "war on drugs" to date. Policies aimed at limiting supply (i.e., the availability of drugs on the market) have not had any significant impact on demand because there are millions of people eager to take these drugs. More importantly, evidence shows that many of these people are willing to pay an extremely high price for these products.

Some scholars argued that the war on drugs policy has not failed: if the market for illegal drugs is legal and regulated prices would drop significantly, the aggregate demand for drugs would increase, since there would be more consumers willing to pay for them (Inciardi 1993). For example, recent studies in the USA on the legalization of marijuana in two states estimate that the price of this drug could fall by up to 90%, and therefore, this reduction "should be compensated" with taxes that will make this drug as expensive as it was before cannabis was legalized.[2] Another argument that has received little attention suggests that the policy of supply reduction and the ensuing increase of drug prices have fostered a "migration" to more toxic and lower-purity versions of drugs, such as crack or *paco* instead of cocaine, by people with low income who are unable to afford the cost of the highest-quality drugs.[3] In other words, the high prices for drugs produce a "quality adjustment" effect. Strictly speaking, most drug users don't usually transition from one drug to another. Instead, different markets are formed for different drugs, each with their own structure and characteristics.

In summary, prices affect drug markets, though not necessarily in the same way they impact on "normal markets." This is because the demand for drugs seems to be highly resilient. A central topic to be analyzed in this book is the social consequences of limiting the supply of drugs while demand remains highly inelastic. In other words, the following chapters will analyze how the aggregate appetite for drugs and the governments aggressive efforts to controlling and prohibiting drug sales have affected the social fabric of some Latin American societies. This combination of reduced supply and inelastic demand has produced drug cartels, and their extraordinary levels of earnings, and in many cases, in conjunction with other factors, have led to the escalation of violence.

2.3   The Segmentation of Drug Use

Illegal markets are, first and foremost, markets which means that the transactions they involve are similar to those of other legal goods. One of these features is customer segmentation. As with any tradeable good, illegal drugs have an established customer base, and it is important to study this universe because it has significant effects on the public policies used to control it.

The study of aggregate demand for drugs obscures the internal makeup of the world of drug users. First, it is necessary to distinguish between different types of users. In the USA, for example, 144 million people reported having smoked mari-

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[2] This is the argument of Mark Kleiman, a drug policy specialist at UCLA. See "Rules for the Marijuana Market" by VIKAS BAJAJ NY Times Aug. 4, 2014.

[3] A note on "paco" and "basuco." These are cheap and highly toxic versions of smokable cocaine byproducts found in Latin America. Like different versions of crack, they produce brief highs and are among the most addictive drugs on the market.

juana at some point in their lives in 2012. That same year, more than 41 million had used cannabis in the past year but only 23 million within the last month. That is, while 43% of the population "tried" or used marijuana at some point in their life, only 7% had done so in the past month. For cocaine, the number of users is considerably lower: 37.6 million had tried or used at some point, 4.6 million in the past year, and 1.6 million in the past month (SAMHSA 2012a). I use the US data here because it was the most recent data available but also because the distribution of users (percentages) is quite similar in most countries.

Second, the enormous difference between those who used drugs within the past year compared with those who used it during the past month clearly shows that the vast majority are recreational or infrequent users. This does not mean that all of those who tried drugs within the past month are frequent users but that those who used drugs within the past year (but not within the past month) probably should not be considered addicts.

Third, there is an inverse correlation between the number of users and the amount of drugs they consume. Caulkins et al. (1999) showed that 23% of cocaine users take the drug frequently purchasing 78% of the total cocaine on the market. This will be referred to here as the 80–20 correlation. In other words, 80% of users buy 20% of the total product on the market, while the other 20% of users buy 80% of the cocaine available in the marketplace. To put this in numbers, it could be said that if 4.6 million people in the USA use 300 tons of cocaine per year, approximately 1 million of them use 240 tons a year and 3.5 million use the remaining 60 tons. Similarly, a study from the state of Colorado, where marijuana was legalized in 2012, shows that 30% of users purchase 87% of the total amount of cannabis sold (Light et al. 2014). This understudied dimension of the drug market has significant importance for public policy, because it allows policymakers to target policies focused on those who are most vulnerable to frequent use and on those whose high level of demand dynamizes illegal markets.

Fourth, the use of illegal drugs differs greatly for different population groups. It is a well-known fact that young people tend to use drugs more frequently than others. For example, 9.2% of Americans had used drugs within the past month in 2012, but this percentage stood at 16.2% among 16- and 17-year-olds and 23.9% among 18- to 20-year-olds. In other words, young people ages 18–20 are nearly three times more likely to be using drugs than the general population. Almost one out of four young people of this age group has tried some illegal drug within the past month (SAMHSA 2012b). Although no comparable data is available for the region, it is very likely that the age distribution for drug use is similar, as evidence in Chap. 3 will show.

In short, the illegal drug market affects different population segments in a myriad of ways and results in a wide range of public policy responses. Like any other product, this market attracts different cohorts, leading to consumer segmentation. That is, in spite of drug prohibition, these market traits are very similar to those of other legal products.

2.4 The Craving for Drugs

The use of illicit substances has grown steadily throughout the world, and Latin America is no exception. This trend, however, has not been the same for all drugs, while the demand for certain drugs has fluctuated. Worldwide 240 million people have used illegal drugs in 2012 which represent approximately 5% of the population ages 15–64. The number of users has grown by about 20 million since the end of the 1990s (WDR 2014 p.1). Next Chap. 3 presents data and trends in drug use for the countries of Latin America. In this section, several social outcomes associated with the rise in drug use are addressed.

Why has drug use continued to grow? Although it is not the aim of this book to analyze the question "Why drugs?," the following paragraphs list some of the causes for this growing phenomenon.

First, it is important to note that drugs are not the only goods whose use has risen steadily. The relative level of prosperity and economic growth over the past few decades has generated a surge in the use and consumption of thousands of goods and services worldwide. Rising incomes have produced a spike in discretionary spending, allowing millions of people to consume more products, including drugs.

Second, although the vast majority of people do not use illegal drugs, many young people experiment with them, a subgroup evolves into recreational users, and a much smaller share goes on to become addicts. For many young people, experimenting with drugs is a rite of initiation that later branches into different individual trajectories, ranging from quitting altogether all the way to addiction. In other words, while many youngsters might try illegal drugs, some will use it infrequently, and only very few will end up using illegal drugs very frequently.

Third, drugs are increasingly available. While, historically, certain drugs traveled thousands of kilometers from production sites to users—like the opium produced at the end of the nineteenth century in China and transported to Europe or the USA for use—the dynamic of current markets and the lower costs of international trade have increased the availability of drugs. Unlike five decades ago, today almost any substance is available in any urban center at an established international price.

Fourth, the literature abounds on the intrinsic motivations for individual drug use, including recreation, escapism, etc. (Goldstein 2001; MacCown and Reuter 2001; Mares 2006). Although this important dimension of drug use is not the focus of our analysis, it is important to acknowledge that in fact, the aggregate demand of illegal drugs masks the individual motivations of millions of people who are eager to use drugs as a way to deal with reality.

Fifth, for many users, drugs are also a typical product of a consumer society where individual pleasure is attained through its consumption. Drugs are very particular products, however, and their public use is frowned upon. However, illegal drugs can denote status in certain counterculture settings, in alternative spaces, and among specific groups.

Sixth, high levels of drug use can perhaps best be explained by the effects they produce: stimulation, hallucinations, sedation, and many others. They can produce

a great deal of individual pleasure and a soothing, fun, and/or relaxing effect. The availability of these rapid gratification products enhance their use among millions of people worldwide. Like alcohol and, to a certain extent, tobacco, illegal drugs activate nerve centers that produce various types of sensations that many people pursue. Like alcohol and tobacco, illegal drugs are thus highly appealing, despite their detrimental effects on human health.

In summary, there is a wide variety of reasons for the veritable explosion in drug use. However, no studies have provided conclusive answers to the following questions: Can the spike in drug use be attributed to their increased supply and widespread access? Or is the opposite true, that is, has demand for drugs pushed up production and led to more marketplace availability? As happens with many other markets, both legal and illegal, the evidence indicates the existence of supply and demand equilibrium.

2.5 Prohibition: Winners and Losers

Illegal markets naturally produce winners and losers. Unlike legal markets, however, there is no formal justice system, no property rights, and no traditional competition. Instead, those who impose order and control play an important role.

In this regard, there are lessons to be learned from other illegal markets. Prostitution, for example, has been historically an illegal market that has given police great power in most countries: without their complicity, it would have been very difficult for this market to flourish. It is a well-known fact that the police often earned kickbacks or were directly involved in controlling or tolerating this illegal business.

A second group of actors in the drug business are the manufacturers and the traffickers. Prohibition "raises" the cost for individuals who might be interested to enter the market. In other words, whoever seeks to gain a foothold in an illegal market must take certain risks along with material or physical costs that may be much higher than the comparable costs of entering legal markets. Cocaine and heroin, for example, are drugs that require territorial control for both production and trafficking, not to mention hefty investments in drug precursors and processing plants. Prohibition tends to restrict competition and, given the high entry costs, favors market concentration.

The natural high costs produced by prohibition laws create winners, that is, those who have the capability to regulate transactions and/or sanction subordinates or those willing to pay the entry cost needed to gain a foothold in the business. Users are clearly the losers in this business, as they pay much higher prices than they would if they were buying the same goods in legal markets. The other losers are those who attempted to enter the drug trafficking business and failed—paying for this attempt with prison time or, in some cases, even their lives.

2.6   Illegal Markets and Violence

Violence is one potential outcome of illegal drug markets. However, not all drug markets are violent. There are particular conditions that foster or set off rampages and bloodshed, and Chaps. 5 and 10 will address this topic in depth. This section merely highlights several aspects of the relationship between illegal drugs and violence.

First, illegal markets often involve violence because parties cannot set disputes of property rights litigation in courts. This has been widely studied (see, e.g., Rohstein 2005; Lagerloff 2013; Gambetta 2009).

Second, violence can escalate when there is no authority that settles conflicts among traffickers and/or dealers. Such authority can be legal (the police) or illegal (dominant gang or cartel). For example, the levels of violence associated with drug trafficking vary in the city of Rosario and Buenos Aires slums (both in Argentina): while, in Rosario, different groups resort to violence in the struggle for market control, in the Buenos Aires slums, the organizations that control the circulation and sale of drugs have virtually no competitors (usually, each slum has its own dominant gang).

Third, violence had both material and nonmaterial costs, and the decision to use violence is based on a cost-benefit analysis. If the benefits of using violence are significant, players are more willing to rely on it, provided the cost is not excessive. This is why drugs often foster violence, since the expected profits (benefits) are extremely high. However, when laws are applied effectively and sanctions are severe, the likelihood of detection and punishment of illicit trade increases, and the scope of violence diminishes. This partially explains the relatively low level of violence in Europe and the USA, where the greatest amounts of illegal drugs are sold.

While violence can be a core part of the drug business, its degree varies significantly. I identify four tiers of violence in the drug business: First-tier violence involves street-level aggression among vendors, the type of violence commonly seen in many markets (and movies or TVs series). At the second tier, violence is limited to actors directly involved in the business, that is, sellers, transporters, and traffickers. This level of violence can include the execution of street dealers and drug lords. This type of violence erupts when gangs seek to control a share of the business. One tier up, violence escalates when the business diversifies, i.e., drug trafficking spills over into other criminal activities like kidnapping, extortion, and human trafficking. Finally, the upper tier of violence peaks when a virtual "war" erupts between the legal authorities and drug traffickers.

The street-level violence is typical of markets where laws are strictly applied, and in these situations, the disputes over points of purchase and territories rarely end up in deaths. These are simply "unstructured" fights between individuals for the right to sell or control a "corner." At the second tier, violence grows considerably, and executions can occur in the fights between groups that attempt to dominate turf and routes or more commonly, as payback killings. These types of violence usually appear on expanding markets where the business locations and hierarchies have not

yet been established. At the broadest level, this occurs in many urban centers in the Southern Cone. The third tier involves escalating violence and business diversification. As it will be seen in this book, this violence emerges in societies where drug trafficking is deeply rooted and where government control of crime has collapsed. In these places, autonomous gangs—or those with ties to cartels—break into other profitable crime "businesses" where violence is rampant. Honduras, Guatemala, Mexico, and Colombia are four examples of the third-tier violence. Finally, the true "war" on drugs adds another layer atop third-tier violence, where the state attempts to reinstate order through the use of armies and specially trained forces to fight drug trafficking organizations. Clearly Colombia and Mexico are typical examples of this type of violence.

State capacities are not the only determining factor in the transition from one tier of violence to the next. The internal structure of the business—that is, the level of competition between actors—is also a determining factor, along with the rooted history of violence in certain areas (Michoacan, Mexico; Valle del Cauca, Colombia; Rio de Janeiro, Brazil), the strategic location of trafficking routes (Honduras, Guatemala, Venezuela), the sudden emergence of certain domestic markets (Rosario, Argentina; Fortaleza and Recife, Brazil), and the levels of police corruption and "institutional and state capture" (Mexico's northern border). These and other factors interact to generate high or low criminal equilibriums, which can be, in turn, stable or unstable. Tiers 1 and 2 can be considered low criminal and low violence, while tiers 3 and 4 are cases where there is greater social concern and extreme violence. From the public policy perspective, the greatest challenge of drug trafficking is to avoid the transition from level 2 to level 3, that is, from low to high violence, precisely because it is extremely costly and very difficult to move from high back to low violence. In the chapters to come, the role of violence in illegal drug markets will be analyzed in greater depth.

2.7 Prohibition and Public Opinion

The prohibition of narcotics has a long history. The sale of opium and marijuana were forbidden in many countries of the Americas since the beginning of the twentieth century, while, for cocaine, prohibition began in the 1950s. From a sociological perspective, measures to restrict drug use are indicative of more profound social processes (Gusfield 1986). For example, in the case of alcohol in the USA, prohibition law in 1918 was partly a reaction of white Anglo-Saxon Protestants to the social advancement of Italian and especially Irish Catholic immigrants. In the case of opium, prohibition emerged as a mechanism of gender control since in the first decades of the twentieth century women from all social classes were the most frequent users. Prohibitions are usually part of a "moral crusade" that reveals friction during times of social change when a hegemonic group perceives a symbolic threat to the status quo. Therefore, prohibition is also the outcome of broader

social processes in which some social sectors attempt to maintain positions of power over others.

With the exception of Uruguay, which has recently legalized marijuana, narcotics are prohibited in all the countries of Latin America. This does not imply that authorities actively arrest and prosecute all users. More likely, they mainly pursue the arrest traffickers and dealers. In some countries, personal drug use has been decriminalized, that is, possession and personal use of psychoactive substances are not considered crimes; in other cases, those accused of possessing or using drugs are not prosecuted although the law stipulates these are illegal activities. Yet, despite these laxed rules for possession and use, it is important to emphasize that narcotics are still illegal in all of the countries of the region.

There are several reasons for prohibition in the region. First is health protection. Drugs have detrimental effects on the mind and body of individuals and the law seeks to protect people's health. There is no doubt that illegal drugs, especially hard drugs, pose the danger of producing death or very serious health hazards. Worldwide, there were 183,000 drug-related deaths in 2012. In Latin America, where addiction is not yet a major problem, there is a relatively low number of drug-related deaths, about 4200 per year, compared to 44,200 in the USA and 16,200 in Europe.[4]

Even the use of marijuana, which is almost never lethal, has negative effects for users like affecting short-term memory and can be especially dangerous for drivers. In the USA, more than 10,000 traffic accidents are caused by drivers under the effects of THC (marijuana's psychoactive component) each year. Other drugs like heroin are highly addictive, and heavy drug use affects an individual's ability to function, causes immunodeficiency, and can even lead to death.

Despite the myths and some public overreactions to the effects of illegal drugs, it is clear they are harmful. Alcohol and tobacco, however, create just as or even more health hazards than other drugs. Alcohol-related deaths (traffic accidents and illnesses) outnumber deaths caused by marijuana. Similarly, death related from tobacco outnumbers those caused by cocaine. Why, then, do countries insist on keeping drugs illegal?

A second explanation for prohibition is public health policy. Those who are in favor of banning drugs argue that people use narcotics much less than tobacco or alcohol precisely because they are illegal. Considering that most drug users are recreational, from a public health standpoint, the challenge is to keep this great number of users from becoming addicts, due to the adverse social consequences widespread addiction would entail.

A third social factor is the so-called collateral effects of narcotics. In general, it can be said that drugs, especially addictive ones, diminish an individual school or job performance, encourage dependence, impose a burdensome cost on the individual and his/her family, and adversely affect one's social environment.

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[4] The United Nations Office on Drugs and Crime (UNODC) 2012 World Drug Report.

Table 2.1 Public approval for legalizing drugs

Country	Strongly agree	Agree	Disagree	Strongly disagree	N/A
Argentina	3.2%	16.8%	40.6%	34.1%	5.4%
Bolivia	2.6%	9.7%	45.5%	34.6%	7.6%
Brazil	6.6%	13.7%	12.6%	64.5%	2.6%
Chile	4.2%	12.3%	47.9%	28.9%	6.7%
Colombia	6.5%	22.8%	38.5%	30.2%	1.9%
Costa Rica	6.7%	16.5%	25.4%	43.8%	7.6%
Ecuador	3.3%	17.4%	24.8%	49.3%	5.1%
El Salvador	6.2%	21.2%	39.8%	28.1%	4.7%
Guatemala	4.1%	9.9%	50.4%	28.0%	7.6%
Honduras	4.8%	17.9%	42.8%	25.1%	9.5%
Mexico	4.8%	18.0%	36.2%	37.7%	3.2%
Nicaragua	1.8%	8.7%	45.8%	30.6%	13.2%
Panama	8.2%	18.1%	37.7%	29.3%	6.7%
Paraguay	3.7%	11.7%	38.1%	39.1%	7.3%
Peru	1.9%	9.1%	48.8%	33.0%	7.2%
Dominican Republic	7.3%	19.8%	33.6%	34.4%	4.8%
Uruguay	6.6%	23.9%	41.7%	17.2%	10.6%
Venezuela	53.8%	13.3%	9.6%	55.4%	15.9%

Source: "Legalizar el consumo para combatir el narcotráfico." Processed using data from Latinbarómetro 2011

A fourth and often overlooked feature of prohibition is the political-bureaucratic variable. Once drug prohibition is in place, a range of public agencies and offices have a vested interest in maintaining the status quo (Tokatlian 2010; Bagley 2001). For example, some have argued that American agencies like the US Southern Command receive large budgets in order to exert control over drug trafficking in Latin America. Drug trafficking has become a major justification to obtain funding and resources that would otherwise be reallocated to the US armed forces in other parts of the world such as Asia and the Middle East. Within the countries of Latin America, there are also antinarcotic offices and agencies interested in maintaining the bureaucratic perks associated with their tasks. The lobbying capacity and sway of these offices must not be underestimated.

Finally, an important reason for prohibition is the overwhelming public support for it. Table 2.1 shows levels of public approval for prohibition in the countries of the region. In democracies, incumbents and candidates are well aware of this approval rate and are unwilling to depart from policies that could alienate voters. This could explain the paradoxical resilience of the "war on drugs," which, in spite of all the efforts and financing, has done little to stop or even reduce drug traffickers. Most likely, the popularity of prohibition overshadows the real cause for continuing with this policy. Table 2.1 lends evidence to this hypothesis.

2.8   Control Strategies

Countries face a major dilemma in terms of what to do about illegal drugs. Only a few nations have opted to legalize drugs, though others have adopted different measures aimed at greater tolerance for use and availability of illegal substances, especially for cannabis. All countries exercise some type of control over these markets.

Governments can take steps to control either the supply or the demand for drugs. Controlling supply implies restricting or regulating people's access to these substances. This has been the most common strategy and prohibition its most effective tool. Yet experiences like the Amsterdam "coffee shops" where marijuana can be purchased for recreational use, needle and syringe exchange programs for heroine in Europe, or policies legalizing recreational use/possession in Latin America are also examples of measures that attempt to influence the market by regulating supply.

All of the options associated with curtailing the supply of drugs have their drawbacks, and there are major consequences associated with the two extremes policies, strict prohibition and open legalization. Legalization undoubtedly boosts the number of users since the prices of drugs fall significantly, and no tax can possibly compensate for this drop in retail cost without creating exactly what legalization aims to avoid: a black market for the product. McCown (2012) estimates that the cost of marijuana would drop to approximately 10% of its current market value if the drug were legalized. Any tax that aims to compensate for a fraction of this enormous price reduction will surely spark incentives for a new black market aimed at "evading" such a high tax.

Prohibition, on the other hand, also leads to a proliferation of illegal markets with many adverse social consequences—especially crime. In addition, overcrowded prisons, gang activities, and other outcomes are usually found in countries where drug laws are strictly enforced. In the middle, there is a range of alternatives that combine some legalization and prohibition, though these can be problematic as well. Some authors (Mazzittelli 2012; Kilmer et al. 2010) argue that legalizing drug use in a broader context of prohibition could spark a rise in demand for illegal substances and thus a surge in drug trafficking. This is because once drug use and the possession of small amounts becomes legal, a greater number of consumers will demand a desired good on a market that is, by nature, illegal.

Drug control policies can be based on strategies to reduce demand, that is, on discouraging drug use and addressing its consequences. The goal of such policies would be reducing the effects of substance abuse and helping users cut back, a public health strategy similar to the one used for tobacco, alcohol, and other substances that pose health risks. There are myriad of programs: education campaigns based on prevention, selective supports for groups at risk, programs to help addicts to cut consumption, and others that seek to contain and reduce the demand for drugs—or at least lessen their aftereffects—in a population targeted for assistance. People in favor of legalization argue that the costs of these policies is much lower than that of prohibition, that taxes for legal drug sales can offset the high costs of prohibition,

and that the investment in public health policies would curb the negative ramifications of legalization. In this regard, Caulkins et al. (1999) claims that in general, programs focused on demand are more cost-effective, that is, that every dollar invested in reducing demand yields better results in reducing drig use.

In effect, governments usually take a twofold approach to address the problems drug markets create, as they attempt to deliver policies that tackle both the supply and the demand for narcotics. The prevalent approach to curtailing supply has been prohibition, though some funding and specific prevention programs also aim to reduce people's desire to use drugs. Chapters 7 and 8 further develop public antinarcotic policies. Although the dominant paradigm in the past four decades has been the unwavering restriction of drug's supply, today this paradigm is being challenged. Different international initiatives have elicited a reconsideration of the effects of prohibition and the human toll drug trafficking has produced. They also encourage to explore new strategies to address a growing dilemma that is still relatively new in the region. Drug use and the growth of domestic markets became a central problem for most countries in Latin America, and no clear effective strategy has yet succeeded.

The following chapters will explore the unique features of the illegal drug markets in Latin America and the effects that violence, crime, and public policies have had on these markets.

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Chapter 3
The Use of Illegal Drugs in Latin America: A Brief Introduction

Colombia produces and exports coffee and cocaine. While retail coffee sells in the USA at four times what it costs to produce in Colombia, cocaine is sold for nearly one hundred times its initial cost. This large difference explains why drug trafficking is such a booming business.

Not all illegal drugs are this profitable, nor are the prices the same on all markets. The profit margins for marijuana, for example, are much lower than for heroin, and the street price of cocaine in major Latin American cities is much cheaper than in Europe or the USA. The structure and characteristics of each market and the efficacy of local drug enforcement agencies clearly affect prices and profits. However, since more than 70% of all illegal drug use is retailed in Europe and the USA, these countries are the benchmark for international prices. This high demand for illegal drugs creates strong incentives for the business to grow.

Many narcotics and psychoactive substances are illegal, and in the public debates they usually fall into a single category. However, it must be stressed that there are big differences between illegal drugs and, as a result, the markets for them vary greatly. Heroin, for example, reaches a very specific segment of the population and is highly addictive, and its unit cost is quite high. The number of users of a drug like marijuana, in contrast, is much greater, and the lower sale price makes it accessible for almost anyone, regardless of their income.

In addition to differences between substances and their prices, illegal drugs are often inaccurately portrayed as a single enterprise. Although trafficking is frequently considered a standalone business, it is in fact just one link on a chain that goes from production to users. Analytically, it is necessary to distinguish between the different stages of the illegal drug business, each with its own particular characteristics: production, processing, transport, and trafficking from the production centers to the locations where the product is sold and used.

This chapter offers brief overviews of the most common illegal drugs found on markets in order to provide an introduction to drug use both in Latin America and worldwide, along with estimated prices of these drugs. It identifies the salient features of the illegal drug production and commercialization and the role played by

Latin American countries at the different stages. This basic information proves useful for analyzing the drug business and the political economy of trafficking in the following chapters.

3.1 Illegal Drugs

There are a great number of substances that affect people's perception, mood, or behavior. Many of these drugs are legal in spite of the fact that frequent use of some—like Ritalin, anxiety medication, or sedatives—can lead to addiction and abuse. Here I focus exclusively on drugs that are strictly prohibited by law.[1] For practical purposes, we will keep to the classic grouping of illegal substances into four different categories. The most well-known drugs of each category are listed in parenthesis: (1) cannabis (marijuana and hash), (2) cocaine and its byproducts (cocaine, base paste, crack), (3) opiates (heroin), and (4) synthetic drugs (methamphetamine, ecstasy). The different drug categories can also be segmented into different markets. It is important to emphasize that drugs in all four groups are produced in Latin America.

Cannabis Cannabis is the plant used to produce marijuana, and it is found all across the region. Unlike coca, a crop that requires a very particular soil and climate, marijuana grows well in most mild climates. The plant's stimulant is the chemical compound THC (tetrahydrocannabinol), though the percentage of it in each plant strain varies. In the past few years, genetic modifications of crops in California have made marijuana up to a hundred times stronger than traditional cannabis (Caulkins et al. 2012). The most popular way to use marijuana is by smoking it, though in recent times people have been ingesting the drug in a variety of edibles (Light et al. 2014).

Mexico and Paraguay are the two biggest producers of cannabis in Latin America, with Mexico supplying North America and Paraguay supplying South America. The USA is the biggest market in the hemisphere, and Mexico has historically been its supplier (Astorga 2012), while the Middle East and North Africa supply most of Europe's cannabis. Chapter 7 offers a more detailed description of the effects of cannabis.

Opiates Opium is a narcotic with a long history in the hemisphere. Originally from the Far East, opium arrived to the Americas in the trunks of Asian immigrants during the nineteenth century. Its power as a sedative is so strong that doctors used it to develop pain medication like morphine. It can be taken in different ways, though it is most commonly injected, causing a rapid and powerful effect. The fact that heroin use involves a needle dissuades many potential users. The sharing of needles also

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[1] Over the last few years, some countries have legalized cannabis (as have a few US states). For analytical purposes, I include cannabis as one of the illegal substances addressed in this book, although the changes in its legal status in some countries are noted.

had a devastating effect in the early days of the HIV virus. In terms of the four drug categories, opium is the only one that is rarely produced in the region, as domestic use of heroin in Latin America is very low. Poppy plantations in Mexico's northwest date back to Chinese immigration at the beginning of the twentieth century, and more crops have been planted over the last decades to supply the US market. In the 1990s, Colombia also developed a modest level of heroin production. However, globally, more than 90% of heroin is produced in Asia, especially in Afghanistan.

Synthetics and new versions of natural opioids have surged over the past decade in the USA, unleashing a new epidemic and increasing the death toll exponentially.[2] The trend appears to have originated among patients addicted to physician-prescribed pain relievers who later sought similar narcotics on illegal markets (fentanyl is the most frequently mentioned). Dealers and networks linked to Mexican suppliers as well as Chinese web suppliers seized on the opportunity to make these opioids widely available across the USA. For the time being, there are no reports of a similar epidemic in Latin America.

Cocaine This is the most profitable illegal drug. Originally from the central Andes region (Bolivia and Peru), cocaine is a byproduct of the coca plant, which indigenous people and Spanish descendants used for centuries. In fact, these countries did not ban the drug until well into the twentieth century—Bolivia in 1961 and Peru in 1948—mostly as a result from political pressure from the USA (Gootenberg 2012). To produce this drug, the coca leaves are picked and then processed into a paste using various chemicals to produce cocaine hydrochloride, the powdered form of cocaine which, when inhaled, produces an almost instant euphoria. Cocaine and its byproducts are highly addictive, and their use has grown exponentially since the 1960s and 1970s, first in the USA and later in Europe as well. Today more than 15 million people use cocaine across the world.

The high cost of cocaine has led to the offering of other cheap byproducts such as base paste, an intermediate product obtained during the production of powdered cocaine, and other highly toxic versions made from the residue of pure diluted cocaine. In Latin America, the byproducts go by different names like crack, coca paste, paco, basuco, and others. Although there are differences among them, all of the byproducts are much cheaper than pure cocaine, in addition to being highly addictive and having even greater adverse effects on user's health.

The coca plant grows only in Latin America—specifically, in the Andes Mountains in Peru and Bolivia. In the 1970s and 1980s, Colombian farmers had success transplanting and began growing coca in this country. Since the mid-1980s and for over two decades, local Colombian traffickers have held a virtual monopoly over the US market. One important feature of cocaine production is that it requires a great quantity of coca leaves to produce just a few grams of cocaine. As a result,

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[2] In 2016 opioid overdoses took more lives than homicide in the USA, with more than 50,000 deaths attributed to the epidemic. See The New York Times Sept 2, 2017, https://www.nytimes.com/interactive/2017/09/02/upshot/fentanyl-drug-overdose-deaths.html.

coca plantations are large and prone to fumigation and other types of drug enforcement, which in turn can lead to inner migration displacement and violence, as seen many times in Peru and Colombia.[3] As I will show further on, the farming stage is completely independent from the laboratories where the drug is produced. The work of farmers is generally limited to harvesting and shredding the bulky leaves and then selling to drug producers the "raw material," i.e., the coca paste required for cocaine production.

Synthetic drugs Whereas the first three drug families are all derived from plants, synthetic drugs are man-made using inorganic chemicals. Amphetamines, methamphetamines (meth), ecstasy, a new synthetic marijuana known as K2, and other fast-acting drugs all fall into this category. These drugs are produced in small and sometimes even home labs using precursors like ammonium, acetic anhydride, and fundamentally ephedrine, which has a wide scope of medicinal uses. Generally stimulants, these drugs produce almost immediate euphoria. Some—like meth—are highly addictive, and others are thought as more recreational. They are particularly popular among youngsters at dance clubs, raves, and music festivals.

Among all illegal drugs, the use of designer drugs has risen the most in recent years. The 2017 World Drug Report estimates that 37 million people use amphetamines and prescription stimulants, and 22 million take an ecstasy-type drug per year (WDR 2017). The countries with the strictest control over the legal trade of chemical precursors and severe sanctions for violations have managed to keep production in check. As a result, the production of designer drugs has shifted to developing countries with laxer control over local chemical industries. Major Mexican cartels have gotten a foothold in production and trafficking by importing large quantities of drug precursors (particularly ephedrine) either directly from Asia or via third countries like Argentina and Brazil. Drug traffic organizations can only produce and traffic these synthetic drugs if they are able to obtain illegally imported chemical precursors.

3.2 Cost Structure and Profits

Like any other, the markets for illegal drugs require distinct types of expertise and divisions of labor. Due to the illicit nature of illegal drugs, users purchase a product that has been usually produced in faraway lands and under unhealthy working conditions and probably while harming the environment. As any other consumer good, the price of each illegal drug includes the costs of manufacturing, financing, transportation, payoffs and bribes for state employee and public officers, and the risk premium or "cost" of violence that can range from personal injury to death. With the

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[3] As occurs with heroin, a great amount of poppy plants are needed to produce heroin, and as a result, these plantations are also large. Afghanistan, for example, has suffered extreme violence for decades, partially due to the struggle among warlords to control the area of opium cultivation.

exception of homegrown marijuana crops, nearly all drugs have distinct production phases, division of labor, and actors whose profit level varies according to their role. In short, as with any other good, the price of illegal drugs to the final user includes the aggregate costs of the entire production and commercialization chain.

3.2.1 Production and Sales of Illegal Drugs: Several Important Considerations

Because drugs are illegal, the street price can be up to 100 times the cost of production, an unusually high ratio.[4] However—and this is important to emphasize—prices also depend on how much competitors are willing to sell the product for. There are no monopolies on illegal drug markets; in fact, there is intense competition between groups and gangs, which sometimes resort to violence to settle their disputes. This topic will be analyzed in detail in Chaps. 5 and 6. Here the focus is on the actors involved in production, in trafficking, and especially in sales, all of whom influence the price structure of illegal drugs. As it will be shown, the marijuana, cocaine, or synthetic drug markets differ from the beer or tobacco markets, where a handful of powerful corporations dominate the entire supply chain from production to sale.

Peter Reuter (1985) called this illicit market "disorganized crime" because instead of a mafia-type organization that centrally controls all (or most) of the business processes, the illegal drug market in fact has multiple actors and "enterprises" interacting but no "leadership" that coordinates them. For most scholars and policy-makers, the market for illegal drugs is a case of organized crime. However, it would be more accurate to define it as segmented, scattered, and competitive markets. The only phase of the business that has few dominant actors is transport and distribution, when the drugs are moved from producing countries to the major marketplaces by the so-called drug cartels. However, far from coordinating or even monopolizing drug distribution, these groups compete for routes and plazas (turf) to guarantee their shipments can successfully cross borders and be able supply drugs to the wholesale market.

Below is an outline of the different actors of the supply chain of illicit drugs from point of origin to consumption centers:

(a) *Farmers.* These individuals generally own or rent small plots of land for the production of marijuana, coca, or poppy plantation. The initial processing often takes place on the farms after the harvest.

(b) *Producers-processors.* The raw material is sold to processors who also acquire the chemical precursors or other products for the "industrial" production of the

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[4] José Miguel Insulza, former Secretary General of the OAS, said in an interview that the price differential is increasing due to an overemphasis on criminal justice. According to Insulza, it costs $650 to produce one kilogram of cocaine, and its retail sales price in certain locations can reach $330,000 (see the interview on the Inter-American Dialogue website: http://thedialogue.org/page.cfm?pageID=32&pubID=3662).

drugs, i.e., for a large quantity ready for export. There can be intermediaries and wholesalers involved in this phase. In general, a handful of cartels control the final production phase, especially for the production of drugs like cocaine that require costly and illegal drug precursors.

(c) *Traffickers.* This is the phase between manufacturing and wholesale distribution, that is, the transport/smuggling phase. Multiple actors are involved in this stage, including transporters (as we will see, drugs are shipped by air, sea, and land), security guards to protect shipments along the route, and smugglers who get the product across borders. Few groups, however, control this final stage, especially when the product is being smuggled into the USA or other countries with strong border controls like those of Western Europe. This is the stage dominated by so-called cartels or drug traffic organizations (DTO).

(d) *Wholesalers and distributors.* Once the drug shipments enter the destination country, they are quickly divvied up to avoid the burdensome costs of having an entire shipment seized. In some cases, major cartels control several wholesale centers or "hubs" but generally, the large distributors are relatively autonomous. That is, once the traffickers have successfully smuggled in the drug, it is sold to local distributors who have links to the DTOs but are not an active part of their organization. This is done to avoid the costs of losing members to arrest. Interestingly, in countries with laxer border control such as Brazil and Argentina, vertical integration between traffickers and distributors is found more often.

(e) *Retail sales (dealers).* This phase consists of hundreds of thousands of pushers who specialize in selling different types of drugs. There are a varied group of drug sellers, the classic street corner dealers, those who specialize in deliveries, and others who sell their product at concerts, dance clubs, etc. The majority of dealers are drug entrepreneurs who sell drugs to turn a profit, while others, sometimes referred to as "jugglers," sell illegal drugs to finance their own addiction. The most salient aspect of this phase is the great number of actors involved in the business with no direct ties to the large cartels. In some cities with poor law enforcement, some powerful groups control the street sales in neighborhoods or districts like the slums in Rio de Janeiro, Brazil, or in some cities of Argentina. When enforcement and sanctions are stricter, sales are more compartmentalized. As we will see, the first scenario yields lower prices, while compartmentalized sales push up retail prices. At the same time, multiple points of purchase create competition and contribute to the reduction of dealers' earnings.

3.2.2   Price Structure

Given the illegal nature of this market, drug prices vary greatly, and it is difficult to ascertain whether a high price in fact ensures a quality product. The retail price of cocaine depends on its purity level (90%, 60%, or 30%), while the price of marijuana depends on its THC level. For example, while Mexican marijuana has 6%

Table 3.1 Retail sales prices of illicit drugs (by gram and in US$).

Country	Cocaine		Heroin	
	2000	2010	2000	2010
France	82	80	111	53
Germany	68	87	45	48
Spain	63	79	75	80
Great Britain	94	82	107	62
USA	169	154	464	450
South Africa	22	32 (09)	45 (04)	35 (09)
Nigeria	26	32 (07)	NDA	7 (09)
Hong Kong	162	106 (09)	46 (04)	NDA
Indonesia	49	96 (09)	34 (04)	29
Japan	104	NDA	278 (04)	159
Colombia	3 (2)	3 (08)	9	20 (05)
Brazil	5 (97)	6 (05)	NDA	50 (05)

Source: UNODC for Europe and USA, https://www.unodc.org/unodc/secured/wdr/Cocaine_Heroin_Prices.pdf
Other countries.
First measurement: Cocaine http://www.unodc.org/pdf/WDR_2004/Chap5_coca.pdf
Heroin http://www.unodc.org/pdf/WDR_2006/wdr2006_chap5_opium.pdf
Second measurement: Cocaine http://www.unodc.org/unodc/secured/wdr/Prices_Cocaine.pdf
Heroin http://www.unodc.org/unodc/secured/wdr/Prices_Opioids.pdf

THC on average, the marijuana sold in California for medical purposes has between 10% and 25%, and Dutch crops have 15% on average (Kilmer 2013). This THC level affects the price structure in each case.

As indicated earlier, prices fluctuate also depending on the country. Although there is an international benchmark price, this value also depends on the challenge of smuggling the product into a country and then remains undetected during the commercialization phase. Given that the most important component of a drug's price is not the production cost but the authorities' ability to prevent its distribution and sales (we will call this the "law enforcement capacities"), retail prices also indirectly reveal the likelihood of sanctions for traffickers and dealers. The stricter the enforcement of drug laws, the higher prices will be.

Table 3.1 presents a list of retail sale prices of a pair of illicit substances over the course of a decade, and it reveals price variations among them (when no information was available for 2000 and 2010, data from other years is presented in parenthesis). For the USA and Europe, prices shown are adjusted for purity, i.e., prices assume 100% purity. It is unknown whether this is the case for the other countries, although it is likely that these prices do not reflect adjustment for purity.

These prices reveal the large retail price disparity between countries and the extreme fluctuation over a 10-year period. This data should be considered merely indicative since it comes from market studies, undercover agents, and reports from diverse sources. Because these products are illegal, it is particularly difficult to standardize the criteria for data collection among different countries and agencies.

However, several lessons can be learned from his data. At least three major factors contribute to the extreme price differential in street sales: quality, transportation, and risk.

First, as happens with any other good, price varies according to quality. In certain countries like Great Britain, cocaine prices have fallen greatly because the product is "all cut up" (The Economist 2012). It is not clear, especially in Latin America, how seriously the authorities assess the purity of cocaine and its byproducts they seized.[5] For example, in the USA, hydroponic crops have been incrementing THC levels for several years, and prices have risen accordingly. Similar products are not yet widespread in South America. In short, price comparisons in the case of illegal drugs can reveal differences in the product's potency as well.

A second variable that contributes to price fluctuations is transportation and trafficking "expenses." Moving drugs from a remote laboratory to major centers of consumption includes "shipping"—a relatively low cost—and the much higher cost of illegal transportation. Smuggling the product across borders, protecting the merchandise from robbery and seizure, paying off and bribing officers, as well as the potential costs of violence between gangs and/or in altercations with the authorities all entail significant costs. Therefore, in countries where enforcement is weak, the price tag is significantly lower than in countries with much tighter controls. As mentioned earlier, this explains the enormous price differential between Latin America and Western Europe/the USA.

The third variable that affects price is the risk the street dealers take. Applying the same logic as above, in countries where the likelihood of detection and sanctions is high, the dealer takes very high risks which are transferred to prices because it affects the opportunity costs of dealers. In the USA, illicit drug prices are higher than anywhere else because pushers are more likely to serve a long jail sentence if apprehended. Only the prospect of earning a large income (in relative terms) can compensate for this risk. At the same time, the violence between dealers and the risk of losing one's life in these conflicts also increase prices. The drop in the price of cocaine since the late 1980s can partially be attributed to the drastic reduction in clashes between groups for the control of points of purchase. When the risk of violence dropped, so did the price of drugs. On the other hand, the United Arab Emirates and Brunei provide another example. Marijuana costs more in these locations than anywhere else in the world—US$110 and US$74 per gram respectively. Both countries impose draconian punishments—including the death sentence—for traffickers and dealers.

The street prices of illegal drugs in Latin America are clearly much lower than in other countries with high demand for these substances. In addition to the above-listed factors, two other variables also affect prices of illegal drugs in the region: (1) a very high availability of drugs due to lax border controls and (2) a lower opportunity cost for a large portion of the population (workers make much less in Latin

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[5] To measure purity, samples of purchased or seized products must be processed in official labs. In many cases, it is not clear whether these measurements are actually done or how reliable the data is.

America, and the youth labor supply is greater. This reduces labor costs in comparison to Europe or the USA).

3.3   The Scope of Drug Use in the Region

Since the dawn of the twenty-first century, Latin America's drug markets have grown significantly. The region has gone from producing drugs for export to Europe and the USA to catering to its own vigorous domestic markets. The previous chapter has analyzed several factors that account for this expansion, including the greater availability of illicit drugs as well as the emerging demand among new users. In other words, a rise in both supply and demand has led to the growth of drug use in the region.

Latin America has some unique features in relation to drug use, including a proliferation of relatively cheap but highly toxic drugs. Very low-quality marijuana is widely available, as are some of the particularly hazardous cocaine byproducts like crack and paco. Although this trend has yet to be addressed by researchers in the region, cheap drugs are noticeably more prevalent among the poor. Second, "home labs"—which use imported raw materials and produce a finished product close to the point of sale—have popped up across the region. This means that the drugs on the market have vastly different quality levels, leading in some cases to intoxication and even death.[6] Third, most drug users in the region are young and urban. Although this pattern is similar in Europe and the USA, drug use in Latin America has overwhelmingly concentrated in major cities with over one million inhabitants over the past two decades.

There are two different ways to measure drug use. The most well-known and frequently used are the prevalence rates, that is, the percentage of individuals within a given population that has used a drug either at some point in their life, within the past year, or over the last month. Surveys are used to obtain this information from different target groups (i.e., teenagers, students, the general adult population, etc.). Using national surveys from different sources, the UNODC estimates that in 2012, more than 5% of the world population ages 15–64 (some 243 million people) had used some illegal drug in the previous year. For the vast majority, approximately 178 million individuals, the most widely drug used was cannabis; some 50 million used opium byproducts; 17 million, cocaine and its byproducts; 35 million, amphetamines and methamphetamines; and another 35 million, ecstasy (WDR 2014, section 2). This data should be only considered indicative since many countries have unreliable surveys, and many were conducted with different samples and methodologies. The UNODC usually informs aggregate country data and calculates rates of users; these estimates are usually considered maximum values.

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[6] In 2016, cheap and very toxic sales of synthetic drugs led to dozens of overdoses and even deaths at raves and concerts in Buenos Aires and Mexico City.

Table 3.2 Use of narcotic substances, general population (ages 15–64)

Countries	Drug use prevalence general population[a]			
	Marijuana	Cocaine	Heroin	Ecstasy
Argentina	3.75 (2010)[b]	0.70 (2011)[c]	0.09 (2010)[d]	0.05 (2010)[d]
Bolivia	4.50 (2007)[e]	0.35 (2014)[c]	0.60 (2007)[d]	0.10 (2007)[e]
Brazil	8.80 (2011)[d]	0.71 (2011)[d]	0.50 (2005)[d]	0.16 (2010)[d]
Chile	7.10 (2012)[b]	1.10 (2012)[b]	0.29 (2010)[d]	0.01 (2010)[d]
Colombia	2.27 (2008)[e]	0.70 (2013)[c]	0.02 (2008)[d]	0.28 (2008)[e]
Costa Rica	2.60 (2010)[d]	1.00 (2010)[d]	0.60 (2010)[d]	0.15 (2006)[d]
Ecuador	0.70 (2007)[e]	0.15 (2013)[c]	0.11 (2007)[d]	0.20 (2007)[d]
El Salvador	0.35 (2008)[b]	0.25 (2014)[c]	0.01 (2008)[b]	0.01 (2008)[b]
Guatemala	4.80 (2005)[d]	0.21 (2005)[d]	0.20 (2007)[d]	0.08 (2005)[d]
Haiti	0.70 (2009)[e]	0.87 (2005)[d]	0.20 (2006)[d]	0.56 (2005)[d]
Honduras	1.06 (2005)[e]	0.12 (2005)[e]	0.15 (2005)[d]	0.08 (2005)[d]
Mexico	1.20 (2011)[d]	0.50 (2011)[d]	0.38 (2011)[d]	0.04 (2011)[d]
Nicaragua	1.06 (2006)[e]	0.69 (2006)[d]	0.02 (2006)[d]	0.01 (2006)[d]
Panama	3.60 (2003)[d]	1.20 (2003)[d]	0.20 (2007)[d]	0.40 (2003)[d]
Paraguay	1.60 (2005)[d]	0.44 (2008)	0.03 (2003)[d]	0.09 (2005)[d]
Peru	1.00 (2010)[b]	0.67 (2010)[d]	0.18 (2005)[d]	0.05 (2010)[b]
Dominican Republic	0.31 (2008)[d]	0.35 (2010)[b]	0.07 (2008)[d]	0.05 (2008)[d]
Uruguay	8.30 (2011)[d]	2.10 (2011)[d]	0.18 (2011)[d]	0.20 (2011)[d]
Venezuela	1.66 (2011)[d]	0.64 (2011)[d]	0.03 (2011)[d]	0.12 (2011)[d]

[a]Information from the last year available (year in parenthsis)
[b]Official country sources.
[c]2015 World Drug Report
[d]UNODC: https://www.unodc.org/unodc/en/data-and-analysis/statistics/drug-use.html
[e]CICAD: http://www.oas.org/dsp/observatorio/database/indicators.aspx?lang=en

As mentioned in Chap. 2, the profile of users varies also by the type of market and the frequency of use, ranging from recreational users to drug addicts. Tables 3.2 and 3.3 reveal the percentage of the population that has used different drugs in Latin American countries (otherwise known as "drug use prevalence") for the past year. This information is obtained from a variety of reliable sources, including a special division of the OAS that studies crime and drugs (CICAD), the UNODC, and from several country statistics.

In order to assess the quality of this information, some important technical clarifications are necessary. The first is that the different country surveys used as basis for this information are not uniformly collected. In other words, many of the countries conducted their own surveys using their own methodologies. Therefore, comparisons between single countries are of little use. The rates are, once again, merely indicative. Second, because surveys are the basis for this information, the numbers have confidence intervals, that is, the expected value can fluctuate within certain ranges. Sample and population parameters are used to calculate these ranges. Given that confidence intervals often go unreported, the accuracy of these estimates is unknown. This is a sensitive issue, especially when the frequency rates of users for

Table 3.3 Use of narcotic substances, teenagers (year in parenthsis)

	Drug use prevalence student population[a]			
Countries	Marijuana	Cocaine	Heroin	Ecstasy
Argentina	10.30 (2011)[b]	2.80 (2011)[c]	NDA	1.20 (2011)[b]
Bolivia	3.60 (2009)[d]	1.90 (2008)[c]	0.50 (2004)[c]	0.46 (2006)[b]
Brazil	5.11 (2006)[b]	1.80 (2010)[c]	NDA	NDA
Chile	19.50 (2011)[b]	3.60 (2013)[e]	1.40 (2009)[c]	1.70 (2009)[b]
Colombia	5.20 (2011)[c]	1.66 (2006)[b]	0.40 (2011)[c]	0.80 (2011)[c]
Costa Rica	6.30 (2009)[b]	0.80 (2012)[e]	NDA	NDA
Ecuador	4.20 (2008)[b]	1.50 (2008)[b]	0.50 (2005)[c]	0.70 (2008)[b]
El Salvador	3.50 (2008)[b]	1.10 (2008)[b]	0.50 (2010)[c]	0.30 (2003)[b]
Guatemala	1.00 (2004)[b]	0.50 (2004)[b]	0.10 (2004)[c]	0.15 (2004)[b]
Haiti	0.70 (2009)[b]	0.50 (2009)[b]	1.90 (2005)[c]	0.60 (2009)[b]
Honduras	1.06 (2005)[b]	1.00 (2008)[b]	0.20 (2005)[c]	0.80 (2005)[b]
Mexico	1.33 (2011)[c]	0.40 (2011)[c]	0.04 (2011)[c]	NDA
Nicaragua	2.20 (2003)[b]	2.30 (2004)[b]	0.10 (2003)[b]	0.20 (2003)[b]
Panama	2.90 (2008)	0.70 (2005)[d]	0.10 (2003)[b]	1.00 (2008)[d]
Paraguay	2.72 (2006)[b]	1.50 (2008)[d]	0.05 (2003)[b]	0.35 (2006)[b]
Peru	2.40 (2009)[b]	0.90 (2012)[e]	NDA	1.4 (2009)[b]
Dominican Republic	1.00 (2008)[d]	0.50 (2008)[d]	0.05 (2003)[b]	0.50 (2008)[b]
Uruguay	12.50 (2009)[d]	2.10 (2014)[e]	0.30 (2003)[c]	1.30 (2008)[d]
Venezuela	0.90 (2009)[d]	0.30 (2009)[d]	0.10 (2009)[c]	0.27 (2009)[c]

[a]Information from the last year available (year in parenthsis)
[b]UNODC: https://www.unodc.org/unodc/en/data-and-analysis/statistics/drug-use.html
[c]CICAD: http://www.oas.org/dsp/observatorio/database/indicators.aspx?lang=en
[d]Official country sources
[e]2015 World Drug Report

certain illegal drugs are particularly low. When prevalence rates are trifling, large samples become essential in order to obtain precise rates of use. In sum, since this information is unavailable, therefore it is not possible to know precisely the confidence levels of the data.[7] Third, these tables present the most recent data and the source. Therefore, a single source or year is not always used for the comparisons, though it is likely that all three sources base their findings on the same surveys. In summary, this data should be seen only as approximate figures for the scope of drug use and abuse in each country.

An initial analysis of these tables clearly indicates that marijuana is the most popular illicit drug in Latin America among both youth and adults. Another important finding is that rates among youth double or triple the adult prevalence rates. This evidence could be indicative of an expanding market, though these observations are not enough to confirm such a trend. In fact, the vast majority of consumers "cut back" on drug use after the age of 30 though a core group—that holds at a

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[7]Based on conversations of the author with public officials entrusted with carrying out these surveys in several countries of the region, most surveys rely on considerable sample sizes.

steady 20% of most samples—continues to use cannabis for many years after turning 30. Therefore, if the prevalence rate among adolescents is very high and growing, it is possible to project that a fraction of this cohort will continue using drugs as adults, indicating what could be a rise in this drug use. The next section provides additional evidence in this regard.

The data also shows substantial variation between countries. Although these differences may be attributed to the different methodologies applied, it is very likely that they also reflect different patterns of use. Additionally, these prevalence rates do not discriminate by frequency or intensity of drug use. In the measuring of prevalence rates, a respondent who used a drug once in the past year counts the same as a daily user. A comprehensive evaluation of drug markets must adjust for both frequency and intensity. Another important finding is that the use of cocaine byproducts and ecstasy is particularly high among youth in the region. Finally, an important finding is that use of these drugs—especially cocaine and its byproducts—is more widespread in countries with higher purchasing power, like Argentina, Chile, Brazil, Costa Rica, and Mexico. In some cases, the prevalence rates in these nations are comparable to those of the USA and some European countries.

Is Drug Use on the Rise?

According to the limited data available, drug use in the Latin America has risen significantly in the past decade. The comparison between prevalence rates in each country at the turn of the century with the rates for the end of the 2000s or beginning of the 2010s shows a significant spike in several countries.

Unfortunately, with the exception of a few isolated cases, there are no reliable measurements from the 1980s or 1990s to assess the evolution of drug use over decades. However, in several single cases where good data is available, the increase in the use of narcotics is noteworthy. In Mexico, for example, the national addiction surveys from 2002, 2008, and 2011, all of which employed a similar methodology, reveal that the prevalence of marijuana use during the previous year doubled in a 9-year span for the group ages 15–65 (rising from 1.2% to 2.4% of the population) and among youth ages 12–17 (from 0.7% to 1.6%). For cocaine, including crack, the rate went from 0.3% to 0.5% for the entire population (ages 12–65) and from 0.2% to 0.5% among the 12–17 age group. Although the overall rates are still low, few scattered measures of drug use from more dated sources also reveal an upward swing. For example, a comparison of urban populations using another Mexican survey from 1988 shows that cocaine prevalence has quadrupled in 23 years among adults ages 18–23, going from 0.2% to 0.8% (ENA 2011).

In Chile, data from the drug observatory (SENDA) shows that marijuana prevalence rates have risen notably, from 4% in 1994 to 7.1% in 2012, while cocaine prevalence rates have remained steady. For the school-age population, Chile runs since 2001 a biannual survey. Between 2001 and 2011, annual use of marijuana jumped from 14.9% to 19.5%, while cocaine use remained stable but high, 4.2% in 2001 and 4.4% in 2011. In summary, drug use in Chile is among the highest in the region, with striking growth in marijuana use and a stable cocaine market.[8]

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[8] This information can be consulted online in Spanish on the SENDA website: http://www.senda.gob.cl/observatorio/estadisticas/.

In Argentina, based on similar surveys conducted in 2004 and 2010 for the population ages 16–65, marijuana prevalence rates for the previous year went from 1.9% to 3.5% and for cocaine from 0.3% to 0.9% in just 6 years (OAD 2011). Among school-age youth, the same source shows considerable increases between 2001 and 2009 as well. The annual prevalence rate for marijuana spiked from 3.5% to 8.4%, base paste of cocaine from 0.5% to 0.9%, and cocaine from 1% to 2.3%.

In Uruguay, the prevalence rate of marijuana among school-age children went from 8% in 2003 to 12.5% in 2009 and cocaine use from 1.6% to 2.5% in the same years. During this same period, marijuana prevalence rates among US secondary school students went from 26% in 2001 to 22% in 2008 and cocaine from 3.5% to 3.0% during the same period.[9]

In summary, the limited historic data available reveals a marked growth of cocaine use among young people and stable use for the general population. For marijuana, the market of users has been rising for both youth and adults as demonstrated by the high prevalence rates. Marijuana is likely to be the main drug of choice for at least three out of four drug users in the region.

By using other indirect measurements, it is possible to gauge the dynamics of the drug market. If there is greater availability of drugs and there are more users, it is logical to assume that the general population will be aware of this rising trend. Based on this assumption, the Latinobarómetro—a national survey of 1200 people in each country in different years—indirectly estimates people's degree of "familiarity" with drug users and drug availability. In 2005 and 2011, survey takers were asked the following two questions about the use of drugs among friends or family and whether they had knowledge about the sale or purchase of drugs:

1. Have you known of any friends or family members who have used drugs in the past year?
2. Have you known anyone who has bought or sold drugs in the past year?

Rates of responses are reported in Table 3.4. Most countries of the region witnessed a rise in the number of people who knew someone using drugs in this 6-year period. More people also reported knowing someone who had bought or sold drugs during the past year. This is especially the case in the Southern Cone, where the rise in familiarity with narcotics was more pronounced, even accounting for the fact that their initial levels were lower. The only countries where these rates decreased were Mexico and Peru, while the percentages in some other countries remained stable. In any case, the level of familiarity with illegal drugs in the region has risen significantly in recent years.

In summary, data from different sources indicates a significant growth of domestic drug markets, especially the for marijuana. There is also evidence of an increase in the use of designer (synthetic) drugs and of cocaine and its byproducts, although it is important to emphasize that marijuana is the most popular of the illicit drugs in the region. However, given the addictive nature of cocaine and of synthetic drugs

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[9] The prevalence data for school-age youth can be found in the CICAD document *Report on Drug Use in the Americas 2011* at http://www.cicad.oas.org/oid/pubs/DrugUse_in_Americas_2011_en.pdf.

Table 3.4 Percentage of people who say they know someone who uses, buys, or sells drugs, by country

Countries	Uses drugs (1) %		Buys/sells drugs (2) %	
	2005	2011	2005	2011
Argentina	11.9	25.3	5.1	17.5
Bolivia	10.5	8.7	6.5	4.3
Brazil	39.9	42.1	26.2	25.3
Chile	19.8	22.3	10.4	12
Colombia	24.1	32	10.4	14.5
Costa Rica	40.2	43.3	24	28.4
Ecuador	11.3	12.8	5.1	6.2
El Salvador	9	14.7	5.2	8.7
Guatemala	11.2	11.1	6	5.5
Honduras	18.6	19.4	8.7	3.6
Mexico	50.9	35.9	35.5	20.6
Nicaragua	16.6	14	8.5	9.3
Panama	17.3	14.3	9.6	4.8
Paraguay	13.3	18.7	6	12.5
Peru	16.5	15	8.3	5.8
Dominican Republic	21.4	39.8	16.1	26.7
Uruguay	14.9	29.2	8.3	17.4
Venezuela	15	22.8	9.7	10

Source: Author's estimates based on Latinobarómetro 2005 and 2011

and their increasingly reduced prices, these drugs represent a major social challenge for many countries of the region.

Without more detailed information, it is still not possible to conduct a comprehensive study on the relationship between drug use and social status, their effects on labor, family structures, as well as many other short- or long-term effects. While use levels clearly remain stable in cohorts over age 30, there is an important growth among users under 30 that could signal a persisting rise in demand in the near future.

The next chapters will address some of the consequences of these illegal markets, especially focusing on violence, some of the social effects of drugs, the business structure of criminal entrepreneurs, the reaction of different countries to the problem, and their public policy strategies to address the challenges of the rising threat of illegal drugs.

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Chapter 4
The Business Structure of Illegal Drugs: Concentration-Fragmentation, Cartels, and Extreme Violence

Why do drug cartels emerge? What triggers the violence associated with the illegal drug business? Why is violence more likely to erupt in Latin America than in places where drug use is higher, like the United States and the countries of Western Europe? This chapter addresses these and other questions regarding the nature of trafficking, showing how the very nature of the drug business structure limits the number of parties that participate in the intermediary phase of the transport-trafficking phase and created incentives for many individuals to get involved in the sales and the production phases. Since trafficking is by and far the most profitable phase of the business, traffickers vie for plazas and transportation/smuggling routes to the large points of consumption (United States and Europe). At times, this competition triggers extreme violence. This chapter analyzes the narcotics' business structure and potential hotspots of violence.

4.1 Cartels and the Basic Business Structure

The price differential between the street retail value and production cost of illegal drugs is one of the highest among all consumer goods. If the price tag of a given good is anywhere between ten and a hundred times its total production cost, this suggests a monopoly (or an extreme lack of market competition) or a burdensome cost structure that drives prices up. The reason for the astronomical prices of illicit drugs is the latter: price differentials should not be attributed to a lack of competition but to prohibition policies that affect the cost structure.

The Chart 4.1 shows the price structure during the different sales phases for 1 kg of cocaine.

As noted in Chap. 3, drugs are "cut" (i.e., diluted with cheaper additives) to increase the profits of the groups involved in transportation and trafficking. As a result, the final price is very difficult to calculate. If the cocaine sold on streets were 100% pure, the price tag for a kilogram (sold by the gram or ounce) would cost in

Chart 4.1   Cocaine price structure by sales phase (circa 2010)

Phase	Price in US$ per kg of cocaine
Raw material production	$900 (cocaine paste in Colombia)
Processing at origin	$1700 (pure cocaine in Colombia)
Street price in Miami or Dallas	$21,000 (purity 85–90%)
Intermediary price in Philadelphia or Chicago (sales of 1–3 oz. or 30–80gm)	$31,500 (average purity 75%)
Sales price in Philadelphia or Chicago (sale by oz./gm)	$105,000 (average purity 65%)

Source: Extracted from author's another work, Bergman (2018), Chap. 5

the United States between 70 and 100 times its production cost at origin, and even higher in Europe and Oceania. Studies on heroin's value also reveal extreme price differentials, with street prices between 50 and 70 times higher than the drug's production cost (Kilmer and Reuter 2009).

Profits for marijuana are much lower, but before legalization in Colorado and Washington, the price differential held at around ten times its production cost (Reuter and Caulkins 2011). The sales price of a gram of marijuana varies by country and region. The final price to users is usually two to three times its cost during the trafficking phase. In the United States in 1990, for example, a gram of marijuana at the trafficking phase costed around $4. The same gram costed $9 wholesale and has been retailed at $16 for users, a price differential of 300%. In 2003, the costs were $4 (trafficking), $8 (wholesale), and $12 (retail), a price differential of 200% (Caulkins et al. 2004, Caulkins el al. 2005).

The total value of any given good on illegal markets is difficult to estimate. The price tag of marijuana is calculated based on consumer surveys and the average frequency of use, i.e., how many joint users smoke each day, month, or year. The total approximate value of the marijuana industry can be calculated by multiplying the average price by the total amount marijuana consumed. One study on cannabis (Room et al. 2008) found that the business is worth $2.9 billion in Australia, 1.65 billion in England/Whales, between 900 million and 1 billion in France, and 10.5 billion in the United States.[1]

Chart 4.1 shows that the main price increase occurs in the final sales phase of the business cycle and that the trafficking phase (i.e., transportation and smuggling) represents "only" between 20% and 25% of the final price users pay for the product. The end price varies based on several criteria mentioned in previous chapters. Although there is no detailed study on the costs of different drugs by country, the information on Chart 4.2 provides an idea of the magnitude of the actual price differentials in different regions.

Chart 4.2 shows the large price differentials. First, in the regions near the large production centers, the cost of drugs is naturally lower. This applies to cocaine and marijuana in Latin America, heroin in Central Asia, and cannabis in Africa. Yet prices are also lower in these regions due to laxer controls and the much lower

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[1] Section 4 of this book provides an estimate for the marijuana market in Argentina and Mexico.

Chart 4.2 Nominal street prices for drugs (by gram and in US$)

	Cannabis	Heroin	Cocaine
Africa	0.5	NDA	83
North America[a]	14.1	272	92
Central America, South America, and the Caribbean	3.9	NDA	10
Eastern Europe	9.4	90	188
Southeast Europe	18	125.3	142
Western and Central Europe	11	25.6	83
Central Asia	17.3	11.6	167[b]
East and Southeast Asia	28.3	97.8	167[b]
South Asia	0.1	45.8	167[b]
Middle East and Southwest Asia	NDA	68.9	167[b]
Oceania	24.4	423.4	391

Source: World Drug Report (2014, pp. v, ix, xiii)
NDA indicates insufficient data for the region
[a]The North American numbers combine the data for the United States and Mexico, countries with very different price structures
[b]The data for the four regions are combined under the "Asia" category in the original

probability of sanctions. Another noteworthy aspect of the data is that in regions like the United States, Western Europe, and Oceania, high prices yield large profit margins, making these sites appealing to traffickers. Additionally, the chart reveals that even though cannabis is the most popular illegal drug worldwide, the most profitable drugs by far are cocaine and opium. For this reason, major drug traffickers move these two substances, though in recent years they have also dabbled in designer drugs. Unfortunately, there is still not enough information on this drug category for a an in-depth analysis.

The prohibition of illegal drugs in places with high demand yields large profit margins for traffickers and dealers who succeed at placing their products on these markets. Jonathan Caulkins, an economist and expert on this topic, has estimated that if cocaine were legal, the retail cost of 1 g of pure cocaine in the United States would be US$5 (Reuter 2001). However, the current price of the product exceeds US$100.

Similarly, sources from the Drug Enforcement Administration (DEA) and the United Nations Office on Drugs and Crime (UNODC) corroborate the findings of Chart 4.1 and estimate that the street price of heroin and cocaine in Europe or the United States is 100 times higher than its production cost in Afghanistan or Colombia, respectively (Reuter 2008). In short, due to prohibition, the highly demanded and least available drugs on the market are also the most profitable. The following section analyzes this issue in depth.

Compared to other illegal drugs, marijuana is substantially cheaper. There are many reasons for this. The first is that marijuana production is highly compartmentalized. Almost every country has some production of canabis to supply its domestic markets. Many people are also involved in selling marijuana, which cuts back on costs. Based on a US household survey, Gettman (2007), for example, concluded

that 2% of users reported having sold marijuana in the past year, a percentage that jumped to 6% among people under 21 years old. On the other hand, there is evidence of many medium-sized farms and low-scale production facilities as well as many cases of people growing their own cannabis at home. In Great Britain, for example, homegrown marijuana represents 30% of all marijuana used, and this percentage rises to over 50% in New Zealand (Room et al. 2008,). While it is estimated that from poppy flower to heroin, the product goes through at least ten people, for marijuana on average, it passes only through two or three individuals (Room et al. 2010). Finally, the marijuana market is characterized by an extremely low level of violence, which significantly reduces the transaction costs.

Concentration

Cartels buy cocaine for less than US$2000 per kilogram and then deliver it to US cities near the Mexican border for a little more than US$20,000. Once divvied and cut up—and after going through three or four intermediaries—this same kilogram is sold on streets for US$120,000. When adjusted for purity, this means that the transport and smuggling phase yields gross profits of 1200%, while the wholesale-to-intermediary phase yields 100% profit, and the intermediary-dealer phase yields 250%. As will be shown further on, the number of actors is significantly higher in this final phase.

The most profitable of all the phases of the supply chain—production, transportation, distribution, and sales—is the process of getting the illegal drugs into the countries with the greatest number of users. This is where the so-called cartels play a prominent role. In the 1980s and 1990s, it was the Colombian cartels that successfully managed to get the illegal substances across the border of the United States or into Europe, and more recently, Mexican organizations have taken control of the smuggling. Once the drug is in the USA or Europe, it is later distributed to wholesale, often run by fellow Colombians or Mexicans, before drugs are being sold to local distributors.[2] In other words, the border crossing is the phase with the greatest risk of seizure and thus the most profitable as well. The cartels that successfully smuggle drugs into the United States, Europe, and Oceania thus boast astronomical earnings.

This logistics and price structures have important ramifications that analysts have largely overlooked: First, given the volume of illicit drug use and the high profitability of drug sales, they produce a rapid capital accumulation. Second, drug transportation, smuggling, and wholesale are the phases where losses are the highest, driving those who smuggle illegal drugs to obtain profit margins high enough to offset these losses. Third, and perhaps more importantly, those groups who are able to quickly establish distribution networks, "control" the border and the smuggling,

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[2] These networks of fellow countrymen at the wholesale distribution phase have been observed in many countries. In terms of the importance of trust in commercial relations and the way the mafia operates, Gambetta (1990) and others have argued that the fact that there is no legal recourse in this business explains the presence of these networks: agents in drug sales must share the same "codes"—and accept the consequences of noncompliance.
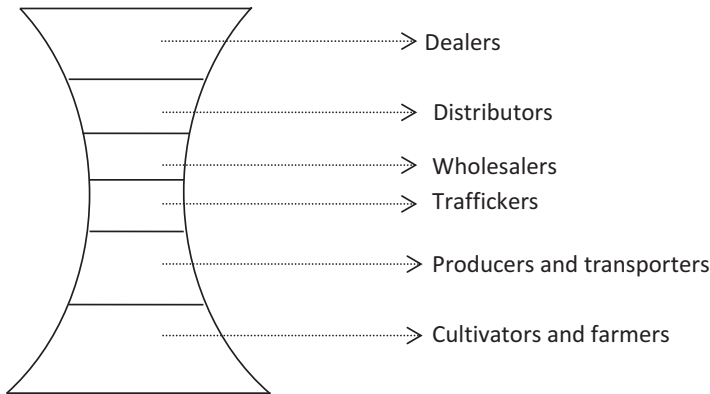
Chart 4.3 Basic distribution of drug business actors (hourglass) (Source: Bergman (2010))

and have access to resources for self-financing very quickly end up running the business: these are the so-called drug cartels.

Border crossing is the critical phase of the business due to the risk it involves for smugglers. The production phases (cultivation and processing) are quite fragmented. However, the logistics of shipping to the border and later crossing it require a certain level of organization, structure, and financing. As noted above, while the profits from the harvesting of the coca leaf to the manufacturing of cocaine in Colombian labs are 2–4 times its initial production cost, the gross profits from transporting, exporting, and importing drug is between 10 and 15 times its lab cost. The importer (often members of the cartels) that sells to wholesalers doubles the price paid for the drugs, and intermediaries then sell to street dealers for double that value. Once the drug has been imported, sales are compartmentalized, and the risk of detection and arrest is distributed among many individuals. In other words, those who make the most in the drug business are those who control the shipments from labs in South America or Asia to wholesalers inside the United States and Europe. Unlike the other phases, where many actors are involved, here the business is relatively concentrated. Although the exact numbers of smugglers are not known, it is possible that around eight or nine organizations are responsible for over 80% of the illicit drugs that enter Europe and the United States.

Chart 4.3 outlines the number of actors involved in the drug business. The distribution is shaped like an hourglass: wide at both ends and narrow in the middle. In other words, there are a great number of producers and farmers who sell coca leaf paste or poppy base, and on the other extreme, thousands of pushers or dealers who sell the drug are retailers. The narrowest part of distribution is at the center, that is, those who move the drug from production sites to the center of consumption. There are relatively few actors in the middle. The main reason for this is the effective border and customs controls. The more difficult it is to get drugs across a border, the more concentrated the smuggling business.

Paradoxically, stringer border controls make drug cartels more powerful because they keep small actors from competing. There are few reports of individuals with no ties to the organizations involved in transporting drugs by the kilo from production sites to countries with high demand. This concentration in the transport-smuggling phase does not mean that only three or four organizations handle all trafficking. Small-scale entities are efficient and flexible and can thus also gain a foothold. In the past few decades, "mini cartels" or "boutique cartels" have emerged, specializing in very defined markets. These organizations move several million dollars and have significant sway. In all cases, organizations with strong financing and firepower—with formal or informal ties to the large groups—handle trafficking.

Customs controls also necessitate small shipments. Given the likelihood of seizure, organizations reduce the risk of losses by divvying up shipments. This requires greater logistics and control by traffickers, who have gradually enhanced their methods and spacialization. In other words, tight border controls favor expertise and increasing concentration in the hands of few sophisticated smuggling enterprises.

The harder it is to "outsmart" customs and get the narcotics across borders, the more expensive the drug and the more sophisticated the smugglers. The Sinaloa cartel—whose enigmatic leader, "El Chapo" Guzman, is now awaiting trial in the United States—is known for its inventive smuggling methods. Elaborate tunnels beneath the Mexican-US border, shipping trucks with secret compartments, payoffs at checkpoints, and dozens of other sophisticated methods have turned this cartel into a major business operator. Outsmarting USA border controls is no easy task. At border crossings where controls are lax—such as Bolivia-Brazil or Paraguay-Argentina—smuggling does not entail any major level of expertise or sophistication, which explains why there are so many groups involved in illicit drug smuggling in these countries. Permeable borders leads to a proliferation of actors and diminishes market concentration.

In addition to the willingness to use extreme violence in order to eliminate competitors, the cartels' high levels of market concentration and the astronomical profits they make can also be attributed to the tight border controls in the United States and Europe. If a small shipment of 25 kg of cocaine is confiscated at the border, the net loss for the smuggler is $1 million, a prohibitive cost for small entrepreneurs. Based on the level of annual confiscations in comparison to the overall demand of illegal drugs (narcoticnews 2006), the likelihood of seizures is estimated at one in ten. Individuals and small groups rarely can afford to get into the smuggling side of the narcotics business.

At the same time, before entering the United States or Europe, cocaine shipments also suffer considerable losses due to confiscation. According to one news report in Mexico, illegal drugs worth $700 million at wholesale US prices were seized in Mexico alone during the first quarter of 2009. If this amount is multiplied by four, $2.8 billion worth of drugs were confiscated in a single year, and although this estimate is taken at wholesale prices (and not net cost), it still means that the cost of seizures in transit countries is very high in drug trafficking. This is why the lion's share of the business is limited to organizations with strong financial backing. According to another study, Colombian authorities seized 195,000 kg of cocaine in

2007; Mexican authorities, 49,000 kg; and US authorities, 148,000 kg (Kilmer and Reuter 2009). In short, effective policing and customs control along the borders generate incentives for market concentration at this phase of the supply chain.

This is particularly interesting in a comparison with other countries in the region. The Peruvian and Bolivian cartels are thought to be quite small. These cartels supply markets with smaller aggregate demand like Chile, Argentina, and part of Brazil. Moreover, given the permeable borders between South American countries, more actors are involved in exporting, importing, and distributing the drugs within these countries. Due to such competition and lower smuggling costs, the profit margins for the different actors in these South American countries involved in each step are thus much lower. This goes a long way toward explaining why a gram of cocaine on the streets of Chicago, for example, goes for a little over $100, while the same gram of cocaine costs a little under $15 in Santiago de Chile and around $10 in Buenos Aires.[3] The price differential is partially explained by the concentration of profits in the transport and smuggling phase.

The militant "war on drugs" (i.e., aggressive actions to control distribution and smuggling) generates a sort of burdensome tax on imports into the countries that use the most. However, this tax benefits not the state but the cartels whose strategic position and willingness to resort to extreme violence bring them the lion's share of the business. It is not surprising, then, that Forbes Magazine included "El Chapo" Guzman, the previous head of the Sinaloa cartel, on its list of the richest people in the world, estimating his fortune to stand at over $1 billion. Beyond the accuracy of this number, there is no doubt that the illegal drug business has produced an enormous wealth and rapid accumulation of Guzman's organization and others like it.

In short, the war on drugs and the strict border controls have important consequences:

1. The business is concentrated in the hands of a few enterprises called DTOs (drug trafficking organizations, the ill-named drug cartels).
2. They generate enormous profits due to the lack of competition and the high costs of confiscation.
3. War on drugs and tight border controls create a get-rich quick scheme for "successful" entrepreneurs. As a result, these organizations are able to "generously" bribe the authorities, buy arms, and recruit "soldiers" for their own private armies, offering salaries much higher than the job market.
4. Strong border enforcement create incentives for DTOs to violently defend territories and plazas, and for honing expertise in smuggling.

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[3] According to the Chilean addiction survey in 2008, the average amount consumers paid for a gram was Ch$4530, with only 10% paying more than Ch$10,000. To see the full data, visit http://www.conace.cl/inicio/pdf/resumen_informe_VIII_estudio_drogas_poblaciongeneral_junio2009.pdf). For Buenos Aires, see the article in the daily Clarin, "Postales de un Distrito Peligroso" from January 3, 2010 at http://www.clarin.com/diario/2010/01/03/policiales/g-02112305.htm. For Chicago, see Chart 4.1.

To conclude a leading hypothesis can be stated: In situations where it is easier to move drugs from production facilities to markets with high demand, there is a greater number of small-scale traffickers. In general, these traffickers have little firepower and a limited ability to bribe authorities. However, the opposite occurs when illegal substances are shipped to major centers of consumption with stricter border controls. Paradoxically, the war on drugs and the intense state controls produce unintentional consequences. As in any capitalist enterprise, those who specialize and outsmart the system are the "winners": in this case, the so-called drug cartels.

4.2   Violence

While there are some drug transactions that involve an explicit threat or aggression, the vast majority of illegal drugs deals and movements are not violent. However, in those few cases where violence emerges, it can escalate and be quite extreme.

According to the traditional crime paradigm, drugs increase people's willingness to commit crimes due to the excitement or loss of inhibition that narcotics can cause as well as the need to finance one's habit (compulsion). In other words, drugs result in more violent crimes because the people who use them need money to acquire them and because people are more likely to resort to violence while under their influence. A third reason identifies a systemic effect, that is, violence breaks in the midst of many other illegal activities (Goldstein 1985; Inciardi 1993). However, a study by the RAND Corporation challenged Goldstein's paradigm as biased and incomplete. According to this study, the traditional paradigm research were usually conducted with inmates and other marginal groups who were more naturally inclined to use violence, and therefore the results of these studies were skewed (Pacula et al. 2013).

In Latin America, there are few studies and little evidence on the link between drugs and crime. Some studies by the OAS (Organization of American States) suggest that in Argentina and Chile, a significant share of the inmate population had some connection to drugs (either using or selling) before being arrested (CICAD 2011). Inmate surveys conducted in 2013 in six countries in the region reveal that approximately one-third of the offenders had used drugs (marijuana or in a handful of cases, cocaine) or alcohol in the six hour period prior to committing the crime that landed them in jail (in Argentina 30.8%, in Brazil 38.8%, in Chile 49.7%, in El Salvador 16.1%, in Mexico 39.4%, and in Peru 32.1% said they had used drugs and/or alcohol within the last 6 h before committing the crime that led to their arrest (CELIV 2014)). However, as Antillano and Zubillaga (2014) have argued, this does not mean that drugs cause crime and violence because the sample is biased, that is, it is not representative of the entire population.

Although there are no comprehensive studies on the link between drug trade and violence, the vast majority of the violent acts associated with drugs occur during the retail sales phase and in what I will call as "branching out" or the diversification of

criminal activities. There are several different reasons for these violent acts. Street sales can turn violent when "pushers" and dealers battle to control a plaza or point of purchase, or when users resort to violence in order to get the money they need to purchase their drug of choice. However, there is another level of violence among groups associated with drug trafficking: Some groups associated with drugs "branch out" into other criminal activities like extortion, robbery, and kidnapping, a trend that will be analyzed in depth in Chap. 5. "Criminal networks" are potentially brutal and aggressive, but they do not always incur in violence (Garzon 2008). The production phase may involve a significant level of violence when armed groups attempt to get a share of the profits in the production of the raw material phase, i.e., coca leaf processing in Colombia (FARC) and Peru (Sendero Luminoso) in the past, and in fights to gain a foothold in poppy production in Afghanistan today.

In short, illegal drugs elicit different types of violence according to the various business phases. Therefore, it is worthwhile to analyze the use of violence at the different stages which can be classified as follows:

1. Violence during the production phase (mainly rural and organized violence)
2. Trafficking violence (fights over routes and markets)
3. Diversification of the criminal violence (branching out to other illicit activities)
4. Violence associated with street sales ("sales rights")
5. Violence associated with addiction or narcotic effects (regular crime committed by drug addicts)

There are structural and local conditions that can foster higher levels of violence at each of these phases. Paraguay, for example, is a major cannabis producer that does not experience anywhere near the level of violence that occurs in Colombia or Peru. This is mainly because Paraguay lacks the social and political conditions that led to armed conflict in the other two countries. In the case of criminal diversification, it is important to study the degrees of law enforcement efficacy, which discourages traffickers from delving into extortion, or "co-optation," of legal agents that fosters this kind of intimidation such as in Mexico. It is also important to examine the reduced violence in "mature" markets, that is, markets where each group's areas of influence have been defined and where violent disputes over points of purchase decrease, as seen in major US cities in the 1990s when murder rates fell drastically.

This section analyzes the violent nature of cartels, focusing on the intermediary phase, i.e., trafficking. Chapters 5 and 6 study in depth other types of violence.

Violence in Trafficking
Violence during the trafficking phase can be caused by two independent factors: (1) the struggle between cartels to control routes and markets and (2) armed conflict between state authorities and the drug trafficking organizations.

Historically, cartel violence has varied significantly, from skirmishes between individuals and leaders over a certain route to all-out warfare between two confronting groups or organizations. When cartels go to war with one another the number of deaths is usually very high and they attract international attention. Two examples of

groups struggling for the right to transport and sell illegal drugs were the Cali and Medellin cartels in Colombia since the 1980s and the Sinaloa cartel versus the "Gulf" and Zetas in Mexico since the 2000s. In fact, violence in Honduras and Guatemala since the 2000s can partially be attributed to local actors with ties to the Mexican cartels (Insight Crime 2013). In Rio de Janeiro, though on a much smaller scale, three groups—Comando Vermelho, Amigos dos Amigos, and Terceiro Comando—have been struggling to control the sale of an emerging domestic market and the points of purchase, known locally at *bocas de fumo*. An estimated 10,000 individuals, including many children, are members of these violent gangs (see http://www.ucema.edu.ar/conferencias/download/cema_1_pdf).

Wars between organizations start when the status quo breaks down. Although an exhaustive analysis of how these wars get started exceeds the scope of this book, it is important to note that violence is rare when a given group (or groups) holds a dominant position and there is stability in the transport and distribution of drugs. Monopolies and "mature" markets discourage violence. However, when a leader is killed or arrested, or a new group forges a niche for itself on new markets, the status quo breaks down, and there are incentives for new conflicts that produce high levels of violence. In these cases, when the high profits associated with trafficking are suddenly disputed, it can result in a war with extremely high human costs.

The cruelty of some of the executions carried out during these wars merits its own chapter. In Mexico, the confrontations between cartels are characterized by ferocity and savagery: beheaded corpses and mutilated bodies left out in public spaces have become common currency in this war. The so-called *narcomantas* (banners laid across roads and hung in public spaces with messages that celebrate brutality) also show that the levels of violence go beyond rivals killing one another to gain control of territories and power.

Some authors argue that this "orgy of violence" is associated with more profound processes of social entropy and revenge (Azaola 2014; Reguillo 2012; Bergman 2014). For the traffickers, the extreme brutality fulfills two objectives. The first is intimidation to ensure silence and submission, that is, to send a message regarding the terrible consequences might carry belonging to the "rival cartel."[4] The other goal of extreme violence is to create "internal discipline" within the organization, i.e., creating a sort of initiation rite of passage where potential gang members have to be willing "to do anything" for the good of the organization. These messages, then, become a "blood pact," a commitment to the organization, where only those who are able to exercise gruesome levels of cruelty can be full members of the group.

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[4] Reguilo (2014) presents the testimony of one young man involved in the narco business imagining his death. He says, "... I hope they cut me into little pieces, to save my Mom from a painful wake... Just killing you isn't enough in this business." In her *book/article*, the author analyzes why "just killing you isn't enough in this business." Violence is tacitly a language of oppression and subjugation.

Breakdown of Equilibrium

Drug sales and drug trafficking are market oriented, competitive enterprises. Unlike other consumer goods, however, in the illicit drug industry, there is no vertical integration of companies that attempt to control all phases from production through sales.[5] The specialization at each phase of production, transportation, and sales make companies more efficient, reducing their costs and the diversification of business risks. As noted, there are several actors at every stage, and each has his or her ranking in a hierarchy of power. Overall, the narcotics industry has proven highly effective: any consumer looking for illegal drugs usually manages to purchase it. Drugs have reached almost every corner of the world.

As noted, the trafficking stage is the most coveted "booty" among the most serious capitalist entrepreneurs, i.e., the narco-traffickers. These successful entrepreneurs have been true innovators in sneaking across borders and paying off for loyalties in the trade for illegal drugs.[6] Yet they staunchly defend their turf and "clientele," and they are willing to resort to violence to protect them.

Drug traffickers exercise extreme violence mainly to achieve two objectives: (a) internal discipline in their organization (or with their partners) and (b) to acquire new plazas, routes, or markets. The first is pretty obvious: because there are no courts or legal recourse, drug traffickers need to make sure that none of their employees steals the merchandise or switches to a different gang. In summary, the threat of extreme violence is a tool for internal discipline within the organization. When the threat of violence fails, it is necessary to take action in order to demonstrate a group's willingness to "punish" those who disobey.

The battle for new markets is more complex. An organization can opt to challenge another with the goal of taking over its routes and plazas. This can occur in large-scale trafficking, wholesale distribution, or street sales, which will be the topic of Chap. 5.

Wars between "narcos"—as seen in Mexico today—are the result of the fights between cartels to control shipping and sales.[7] Mexico became the eye of the storm because Mexican organizations overtook the role of Colombian so-called cartels. Colombian cocaine used to be shipped to the United States via the Caribbean in the 1980s and 1990s. As the years passed, however, it became harder to smuggle the drug due to a more effective US coast guard, air control, and customs. The long Mexican border, where marijuana and heroin shipments had been making their way across for years (Astorga 2012), became suddenly and unexpectedly strategic for DTOs dealing South American cocaine. Colombian cartels began to partner with the Mexican organizations in order to ship the drug across this border, but within a few years, the Mexicans had gained control over the trafficking portion of the business. Ultimately, as mentioned earlier, the lion's share of the business is controlled by

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[5] This is not the case, for instance, with tobacco or beer companies, whereby two or three large companies control the vast majority of the business, from production to wholesale.

[6] See Richard Marosi's description of the Sinaloa cartel's trafficking methods in four LA Times pieces (July 24–28, 2011).

[7] A detailed analysis of the Mexican war on drugs is presented in Chap. 10.

whoever successfully smuggles the drug across the US border and places it on the US market. This process has shifted from Colombian to Mexican cartels.

Toward the end of the 1990s, there was a tenuous balance between the Gulf cartel, the Juarez cartel, and the Sinaloa cartel, which was struggling for control of certain routes with the Tijuana cartel. All of these groups specialized in getting drugs across the US border and on to major distribution centers like Los Angeles, Dallas, Chicago, and the East Coast. The balance depended on each of these groups sticking to its own area for smuggling and shipping, with the Gulf cartel to the East, Juarez operating out of the city of the same name and Sinaloa handling the West Coast (which is why a conflict arose with Tijuana, which also operated in the west). However, this equilibrium broke down at the beginning of the new century for several reasons. First, a few important leaders died, including Carrillo Fuentes, the head of the Juarez cartel, whose story is told in the film *Traffic*. Others like Osiel Cardenas, the leader of the Gulf cartel, were arrested. Besides the internal strife these events have produced, the Sinaloa cartel made a move to control the eastern border, turf that was under the control of the Gulf cartel and its army, the Zetas. Later Sinaloa attempted to take over the Juarez border, leading to many bloody conflicts in this city at the end of the 2000s. Due to the fact that the growing market in the Central and Eastern United States goes through Mexico, the Sinaloa cartel attempted to penetrate this market and control border crossings, perceiving the other cartels to be weak. The bloody conflicts that ensued led to ruptures and new arrangements and the proliferation of smaller groups which intensified the use of violence for other commercial ends as well.

Until the turn of the century, the Mexican government had worked to keep a lid on trafficking while receiving kickbacks from cartels—including some high officials getting wildly rich in the process. In response to the growing violence and mounting US pressure, however, Mexico began to combat the cartels, choosing strategically to go after their leaders and working to debilitate them. In this process, starting in 2005 and especially after 2007, when President Felipe Calderon took office, several groups that had previously cooperated with one another became increasingly autonomous, while the domestic market for illegal drugs began to grow. These same groups also branched out into other criminal enterprises like gas robbery, kidnapping, and extortion, with the Zetas providing a salient example of this trend. States like Michoacan, Guerrero, and Tamaulipas became unable to control significant portions of their territory, and as a result, different drug trafficking groups seized control of large areas. Fragmentation generated more incentives to do whatever was necessary to get a piece of the pie. Nationally, the homicide rate in Mexico tripled between 2007 and 2012. The country has been unable to diminish the endemic violence, despite some fluctuation over the last years.

In short, the breakdown of the tenuous balance between drug traffickers erupted when these DTOs faced the opportunities to grab the enormous profits from Colombian cocaine, and the Mexican state institutions revealed their incapacity to (albeit informally) reign the situation. On the other hand, the aggressive enforcement of US border patrols generated incentives for expertise as DTOs searched for new points of illegal entry along the border to smuggle their products, while the

weakening of the Mexican state further contributed to the fighting between groups. Many local police departments, already weak, collapsed under the pressure and were overtaken or "bought out" by the cartels, forfeiting any real possibility of the police controlling the interpersonal violence resulting from this fighting.

The case of Mexico shows that violence breaks out when the rules of the game change, when there is no player who clearly dominates a given territory (be it the state or a certain local group or the army), and when smaller groups believe they have the ability to challenge the status quo. New markets and high profits generate incentives to alter the status quo, but it is also important to understand the nature of the existing equilibrium to explain how it collapses, the extent of this collapse, and the conditions required for achieving new peaceful equilibriums.[8]

State Intervention

States can be a second source of extreme violence. As it is known, Max Weber has indicated that states are distinguished for holding the monopoly of the legitimate use of physical force since its mere presence dissuades people and groups from using violence. Yet, what happens when the state (as in the case of Mexico, though there are others) loses its deterrence capacity? How can a relatively peaceful balance between groups be restored when the astronomical profits associated with trafficking have set off conflict?

By their very nature, states can also be a source of extreme violence. This usually happens first when states fail to fulfill one of its most important tasks—that is, put an end to conflict by monopolizing the use of force—and, second, when it enters into a conflict with groups that challenge its authority and it exacerbates the violence. In the case of states failing to act, mafias and organizations battle one another to "monopolize" the use of force. This occurs when cartels control territories within the country and where state institutions are absent or have illegal arrangements with the traffickers. In many areas in the north of Mexico, in the Colombia Valley, or in Ayacucho, Peru, police and public officials were in fact working for the cartels or organizations with ties to them. Therefore, public officials had not only forfeited their monopoly on the use of force: in many cases, they had tacitly become "employees" of these groups. In sum, when the "legitimate public force" loses its ability to enforce its rules, the resulting power vacuum often results in bloody conflicts. Moreover, in cases where there is no single dominant group, violence is often extreme, as seen in Michoacan and Guerrero (Mexico), Honduras, and vast rural areas in Colombia.

A second focal point of violence develops when states intervene in order to attempt to reclaim control of territories. This stage usually follows the situation described above, i.e., when states intervene in areas previously ignored or where

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[8] Mark Kleiman, a renowned expert in illegal drug and US public policy, has proposed a strategy based on identifying the most violent cartel and directing all of the state's efforts to destroying it. The goal is to send out a message that violence will not be tolerated, and the "focus" of the state is whichever group is most violent. The strategy is based on the abovementioned principle of reestablishing an order or equilibrium by the state wagering on whoever is willing to reduce violence, though the trafficking business itself continues.

their past interventions were insufficient to enforce their laws. It is important to stress that the lack of state's law enforcement capacity does not always produce violence. Even if the state is weak or even absent, violence can remain minimal if there is one actor who monopolizes coercive power, groups such as mafias, cartels, or organizations of different kinds. These organizations become effective rulers. At the same time, a conflict between groups can usually trigger violence. In certain regions of Africa, the state is absent, but when there are no major conflicts, there are also no major incentives to fight to defend one's interests. In other words, the two necessary preconditions for violence are state intervention to reclaim control of a territory and major conflicts between groups and their interests.[9]

There are several examples in the region where the state's involvement produces initially more violence, although with different results in the medium or long term. In Peru, the fight against Sendero Luminoso guerrilla movement and against the cocaine production barons led to even more violence in the 1980s and the beginning of the 1990s. Something similar occurred in Colombia starting at the end of the 1990s when the federal government took several measures to combat the guerillas and the paramilitary forces, both associated with the drug business. A third case is that of Mexico 2007 when the government intervened to reclaim control of territories. In all these cases, explicit state intervention—mass deployments of armies and police—disrupts the existing and often violent equilibriums in certain zones, generally producing more violence, at least in the initial phase.

Violence surges when drug lords or cartel leaders are arrested or killed, producing fragmentation within the criminal organizations ranks. This also motivates smaller groups to fight and exert even more violence in a wager for control of these organizations. It is important to note, however, that eliminating one or more leaders does not make the drug business disappear. In Mexico, the arrest and/or death of drug lords has led to more fragmentations, yet drugs continue to flow: while there were four major cartels at the beginning of the century (as mentioned earlier), the Mexican Attorney General in 2014 recognizes at least 9 organizations and more than 40 criminal cells (Excelsior 2014, article in www.excelsior.com.mx/nacional/2014/09/16/981925). A similar process occurred in Colombia with the death of the Medellin cartel leader, Pablo Escobar, and the arrest of the head of the Cali Cartel, Gilberto Rodríguez Orejuela.

On the other hand, the Southern Cone has not experienced this level of confrontation and violence for three important reasons: (1) the size of the business is, at least for the time being, much smaller than it is in Mexico or Colombia, and therefore, the incentives for violent acts (i.e., profits) are lower; (2) although there is a tradition of violence in the countries of the Southern Cone, the source of violence has generally been political and much less rural. In Colombia, Mexico, and Central America, there is a long tradition of rural organizations that have dominated regions and areas within the country where the state has been weak and corrupt, especially

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[9] It is worth noting that there are other types of conflict that falls outside the scope of this book: ethnic, economic, and political conflicts which result in extreme violence because either the state was already absent or has decided to intervene to undo the existing balance.

where the drug trafficking organizations are strong; and (3) the presence of state organizations such as police and armies is a lot stronger in the Southern Cone, giving these countries the ability (at least for now) to limit the scope of action of drug traffickers.

This analysis can also be extended to regions and areas with pockets of violence. In Rio de Janeiro, for example, the state launched in 2008 a wide intervention in the slums, the PPU or Police Pacification Units. In part the program included the eviction of drug traffickers from the slums and a massive police deployment. The initial results of the program were mixed and only encouraging for certain slums (Cano 2012). A significant share of drug trafficking has moved to other areas of the city like the Baixada de Fluminense.[10] The government's goal was not to eliminate drug trafficking altogether but to reduce the violence associated with disputes among different organizations that fought for the control of street sales. While this massive effort had some effect on the hotspots for drug-related violence, it has not been able to reduce it significantly since the disputes between organizations persist. In Sao Paulo, where there is one dominant organization—Primeiro Comando da Capital or the PCC—there are fewer conflicts over drug distribution, which partially explains why the murder rate in this city is lower than that of Rio de Janeiro.

Although at a much smaller scale, a similar process could be observed in Argentina. The city of Buenos Aires and the surrounding metropolitan area has over 12 million inhabitants, but its homicide rate is much lower than Rosario, which has less than 1.5 million residents. It is likely that the drug prevalence and use rates are similar in both cities, but Rosario's murder rate doubles that of Buenos Aires. Rosario is facing severe conflicts between groups vying for sales territories. In Buenos Aires, there appear to be strong hierarchies in the drug organizations with clear delimitations of sale territories that, at least until nowadays, all those involved appear to be abiding by the unwritten rules. Sao Paulo and Buenos Aires are larger and richer than Rio de Janeiro and Rosario (respectively), and they have less violence associated with trafficking.

Nonetheless, these examples of extreme violence (Rosario and Rio de Janeiro) are not even close to the level of violence found in different cities of Colombia, Venezuela, Honduras, and Mexico. As noted earlier, in the former, state institutions play an important role. In spite of their limitation and their intermittent involvement, state institutions retain an important presence in Argentina and Brazil. It is likely that the violence in Rosario and Rio may partially be owed to the local police reduced ability to monitor and control crime. However, in neither case do the state institutions actually are under the payroll of the drug trafficking organizations or are institutional partners of crime, a trend that can be observed in certain cities of the latter countries mentioned above. This doesn't mean that some policemen and state

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[10] http://www.infolatam.com/2014/07/24/la-pacificacion-de-favelas-de-rio-traslada-la-violencia-hacia-la-periferia/?utm_source=Newsletter%20de%20Infolatam&utm_medium=email&utm_campaign=Newsletter_24_julio_2014_Infolatam:%20Ibope%20da%20a%20Rousseff%2038%20por%20ciento%20de%20apoyo%20y%20ganar%C3%ADa%20en%20segunda%20vuelta%20a%20Neves%20y%20Campos.

officials don't receive kickbacks. Without a doubt, there are corrupt officers within the public administration, but in the southern countries, they are in no way subordinate to the traffickers.

4.3   Concluding Remarks

This chapter has shown that the illegal drug business structure has different phases and that the most profitable is drug trafficking and smuggling. Paradoxically, the more resources the states assign to combat trafficking, the more drug entrepreneurs will profit from the business. Stricter law enforcement control leads to a higher business concentration, enabling what can often be bloody struggles among groups vying to control an area or severe violence when state's intervention serves to alter existing equilibriums. This chapter has described several facets of the violence, mainly in the trafficking phase, along with the factors that can foster or contain violent struggles. The following chapters will continue to explore the relationship between drugs, crime, and violence.

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Part II
The Threat of Illegal Drugs and Criminal Justice Systems Response

Chapter 5
Criminal Diversification and Corruption in the Drug Business

The greatest threat that drug trafficking represents to public security is criminal diversification. The consequences of substance use for public health and the crime and delinquency resulting from illegal drug trafficking are also both significant issues. However, trafficking's most formidable challenge is the criminal enterprises that build around the drug business and later "branch out" into other criminal activities, seeding fear among a growing number of individuals and even entire communities. Drug gangs, syndicates, and cartels begin by dealing drugs but increasingly get involved in crimes like robbery, extortion, kidnapping, and human trafficking (Garzon 2008).

Latin America is particularly vulnerable to the proliferation of this type of organization. In some cases, the police are complicit and even involved in such criminal activity, and in others, it is simply absent. In many cases, social or historic legacies have facilitated an outburst of such criminal activities. Maras, gangs, rebel groups, and even guerillas or paramilitary groups have supported the drug business across the region and later dabbled in other criminal activities. These groups include Sendero Luminoso in Peru; the M19, FARC, and paramilitary groups in Colombia; Mara Salvatrucha and Barrio 18 in El Salvador and Honduras; and ERP, Guerreros Unidos, and Familia Michoacana in Mexico. All are examples of the many organizations that started off or rendered services for the drug business but later branched out into other types of crime.

Trafficking contributes to the development of the skills necessary for a broad range of for-profit illegal enterprises. Given the weakness of the local authorities and the fact that the groups involved in the drug business have already mounted a criminal infrastructure, it is relatively simple for certain groups to diversify their "portfolio" of criminal business. Thus, once the state's inability to face drug trafficking is revealed, some offenders are further encouraged to commit extortion and kidnapping for ransom, causing violence to spiral out of control.

5.1 Extortion

In Colombia, the homicide rate is over 25 per 100,000 inhabitants. But only a handful of these murders are drug-related. The vast majority are the result of interpersonal conflicts, extortion, and kidnapping. In El Salvador, the homicide rate is over 60 per 100,000; in Guatemala, 50; and in Honduras, 80. The vast majority of these murders are related to extortion or are revenge killings between gang members. In Venezuela, most of the 23,000 homicides recorded in 2012 resulted from street crime. In other words, even for homicides, drug trafficking is not the main driver for the spike in violence. Instead, high crime is explained by the serious deterioration of the authorities' capacity to fight criminal organizations.

The number of missing persons classified as kidnappings by the authority in Colombia from 1990 to 2010 was 36,805, an average of 1800 per year or 5 per day (see http://www.cifrasyconceptos.com/secuestro/presentacion_reportes.php). According to victim surveys in Mexico, over 100,000 people were kidnapped in Mexico in 2012 (Envipe 2012). While this particular statistic could be overestimated, the numbers across the region speak for themselves.[1] In El Salvador, over 10,000 people are victims of extortion every year, though the serious cases of extortion reported to the police (a very small fraction) averaged 3517 between 2009 and 2012 (World Bank 2014). Migrant trafficking in Mexico brings substantial earnings to groups that charge Central American migrants to smuggle them across the US border. In short, in countries where local security forces have been debilitated, extortions run rampant and also represent a major source of income for different criminal enterprises.

In spite of their reputation as a drug cartel, the Zetas in Mexico make most of their earnings outside the drug business (Grayson and Logan 2015; Mazzittelli 2012). This group was initially founded as the armed wing of the Gulf cartel, one of the leading traffickers of Colombian cocaine to the USA. However, the Zetas grew as a large DTO by utilizing extremely brutal methods, creating a parallel structure for extortion that has been described in several sources. The group expanded their "portfolio" by recruiting agents to take over plazas (turf), levying tolls, and charging for protection, in addition to smuggling Central American migrants and Mexicans across the US border. Ransom kidnappings were an offshoot of this activity.

In the mid-2000s, a group known as the "Familia Michoacana" also incurred in extortions and in an array of "tolls" to build their power. Although this group initially dealt with designer drugs (ATS), many of its members began to extort money from local residents until there was a veritable rebellion among locals, who created militias to protect local residents against the thugs. In Brazil, the powerful group PCC holds a virtual monopoly on illegal drug sales in Sao Paulo but also runs a vast

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[1] There are methodological debates on the accuracy of this statistic which is calculated by extrapolating the findings of a national annual survey of 90,000 people. Since kidnapping is a "rare event," it is difficult to obtain an accurate estimate, even in surveys with large samples. The confidence interval can be extremely wide, affecting the accuracy of the findings.

criminal industry that ranges from robbery to extortion. These are some examples of groups that have diversified their criminal activities for profits.

Why have major drug cartels delved into these criminal enterprises, particularly since the "profits" from extortion and kidnapping are nowhere near as high as those obtained from trafficking? For the cartels, the revenues from these crimes do not yield a fraction of the profits earned from successful drug shipments. As I have shown in prior works (Bergman 2018), it would take hundreds of high-ransom kidnappings to earn what a medium-sized shipment of cocaine delivered to the USA or Europe yields. In fact, assuming that a successful kidnapping yields $10,000, a criminal organization would have to kidnap 250 victims to equal the gross income earned on 100 kg. of cocaine delivered to a US or European city. This is why major cartels like those of Sinaloa, the Gulf, or Juarez rarely get involved in ransom kidnappings. They are riskier and much less profitable.

However, while "El Chapo" Guzman, the Rodriguez Orejuela brothers, and Carrillo Fuentes may have let that opportunity pass, other groups with ties to the cartels seized on the opportunities. In other words, extortion became a profitable enterprise for the secon tier groups in the business, that is, the gangs and hit men that render services for the larger organizations. The illegal business of drug trafficking generates the conditions for many smaller groups to branch off into other criminal activities.

The organizations that extort, that kidnap for ransom, or that incur in human trafficking also dabble in other criminal industries as well. In Colombia, for example, such groups have gotten involved in large-scale mineral and oil theft. In Mexico, large quantities of oil worth $1.15 billion dollars were stolen straight from pipelines or from cistern trucks in 2014 (BBC 2015). Many car theft enterprises—especially those that target high-end vehicles—are offshoots of the narco business. These stolen cars can often be used to "pay" individuals or groups for their services. For example, 4×4 and high-end vehicles stolen in Argentina and Brazil are later smuggled into Bolivia or Paraguay to be used or sold, often by individuals with suspected ties to the drug business.

The vast majority of these predatory crimes are highly violent. Kidnapping and extortion, the levying of tolls and protection fees, as well as vehicle and mineral theft all produce extreme violence that often increase the number of homicide. As this chapter will show, in such contexts, gang members usually have access to a veritable arsenal of high-caliber, powerful weapons.

Why do organizations that specialize in extortion proliferate? Why are they more commonly found in Mexico and Colombia than in Chile or Argentina? Why are they more frequent in some areas of certain countries (e.g., more likely in Michoacan than in Mexico City; more likely in Medellin than in Bogota, Colombia; and more likely in Rosario than in Buenos Aires, Argentina)? The answer to these questions offers insight into the greatest threat of drug trafficking. These organizations grow and consolidate power because they benefit from the support of paramilitary groups, yet they have no formal ties to the cartels and are thus free to engage autonomously in other predatory activities. In other words, in the process of providing "services" for organized crime, gangs develop know-how, they establish criminal networks and

connections, and increase their firepower as they gradually co-opt and neutralize local police. Eventually, these violent gangs develop a "catalog" of profitable activities that increase their incomes exponentially.

As mentioned, cartels are not major corporations with thousands of employees, and they lack a disciplined, top-to-bottom management system with a business plan. Instead, they are small organizations with a group of leaders, dozens of managers—including the financial advisors entrusted with laundering the money—and small armies of bodyguards. When the so-called cartels need other services, they "outsource" them, and naturally they pay quite well for this service. These drug trafficking organizations purchase the raw material from producers and in some cases handle the production process required for the final product. To protect their investment, the major cartels sometimes need to safeguard the sites where coca leaves are processed into coca paste. Part of the services coordinated by the cartels and executed by groups linked to these cartels involves securing routes to transport the drug, drivers and pilots to move the product, and security guards to protect it. In many cases, these services are paid for "in kind," that is, with the drug itself, which these providers later use or sell in the emerging domestic markets.

Large cartels, in short, have "modest" armies but powerful alliances with paramilitary cells or groups that are formed to seize on the tremendous profits that drug trafficking creates. The infighting between organizations generates instability, with smaller groups frequently breaking apart, creating new gangs. In fact, the lion's share of the violence in Mexico and Colombia can be attributed to this fragmentation. After the collapse of the Cali and Medellin cartels in Colombia, the fighting between paramilitary groups (and between paramilitary groups and the FARC) led to thousands of deaths. Mexico, as noted earlier, has also witnessed similar bloody fights between the Familia Michoacana and the Zetas as well as disputes between the Beltran-Leyva cartel (originally a branch of the Sinaloa cartel) and the Zetas, with the latter resulting in wars that eventually reduced the influence of the Beltran brothers and his crime syndicates.

The drug trafficking business also generates the conditions for the emergence of armed gangs and groups, which later hire "cheap labor" for their unstructured armies, mercenaries that protect and serve the cartels. These small militias are rarely top-to-bottom, hierarchical organizations but instead consist of various cells with some degree of discipline. The criminal decisions each cell makes depend on the alliances it forges with syndicates, and the offers they receive from other gangs. There are some exceptions, like the Mexican Zetas and the Guatemalan Kaibiles, both of which are comprised of former members of the national armies. These organizations attempt to develop disciplined and more traditional military structures formed to support the cartels and work as "hired" armies, though many later evolved into autonomous criminal organizations. In summary, the large earnings of drug traffickers enable the formation of militias and other gangs with enough firepower to carry out many types of for-profit crimes.

The second critical variable that explains DTO success is their ability to disrupt the work of law enforcement agents, that is, their capacity to neutralize the police, judges, prosecutors, and others involved in bringing criminals to justice. This is a

very important factor because in all cases where violence has run rampant, the state's agents and the criminal justice institutions have been gradually debilitated. Some authors have used the term "failed states" (as we will see further on, it is ill conceived in this context) to indicate the degree of control these militias and organized crime exercise over a given territory. In fact, in these contexts the state's deterrence capability wanes as the illicit organizations become increasingly skilled at profiting from their criminal activities. This is largely because police departments are co-opted and bribed and also effectively neutralized by the criminal organizations, in strategic areas for trafficking, but not across an entire country.

It is necessary to distinguish here between corrupt police and neutralized police. When police are corrupt, they act as "partners" for the illegal activities, receiving a share of the profits in exchange for providing protection or turning a blind eye. If police, however, are neutralized, this implies that the system for citizen protection has collapsed entirely posing a grave danger for safety and public order. One good example of police corruption in Argentina is the areas known as "liberated zones." Police do not enter these zones, meaning criminals can rob or extort at will. However, the fact that the zone is "liberated" means that it can be "recovered" by law enforcement agents: in other words, the police still have the power to act and are at least as strong as the crime syndicates. In Ciudad Juarez, Mexico, in 2010 or Medellin, Colombia, at the end of the 1980s, the police force simply collapsed, meaning the strength and scope of action of criminals became far superior. This is also the case of some neighborhoods in Salvador and in many of the slums in Brazil's northeast. Therefore, it is useful to distinguish between equilibriums in which the police retain some deterrence capability and others where the police have completely lost control. In these latter cases, for-profit crime industries proliferate quickly. This is the biggest threat that drug trafficking poses: the threat to diminish the deterrence capability of public security forces, especially the police.

Criminal diversification unravels when gangs and militias incur in illegal, for-profit activities resulting from predatory tactics of drug syndicates that diminish police deterrence. Although the big cartels focus exclusively on profitable drug trafficking, in this process they help create relatively autonomous and heavily armed outsourcers who undermine the effectiveness of the legal authority.

A cell or group that renders security and shipping services for illegal drugs and receives weapons and narcotics in exchange to sell on the local market suddenly discovers it has a local infrastructure available to carry out extortion, theft, and kidnapping. Once the police has become a partner to such organizations—or has been neutralized altogether—diversification evolves naturally. In other words, these smaller units or small cartels that provide services to bigger organizations—or that have been created in their shadow—have all the necessary elements they need to engage in profitable crime: firepower, human resources with some skill level, time, reasonable local intelligence systems, paid off police, and fearful or incapable authorities at other levels of government. This is the breeding ground for the most dangerous type of criminal diversification: semiautonomous, atomized structures operating within a framework of weak institutions.

5.2   State Weakness and Corruption

Drugs produce strong incentives for entrepreneurs to profit off them because they are illegal and in high demand. However, these same returns can generate incentives for law enforcement to seize a portion of these profits. In other words, corruption might be inherent to illegal businesses. Even in countries where the rule of law is strong like the United States, Germany, and Japan, there are corrupt agents who benefit from illegalities (for an analytical review of corruption, see Rose-Ackerman 2001).

Prohibited substances have similar traits as many other goods in high demand. Prostitution is a good example: there are those who sell sex (prostitutes) but also entrepreneurs or managers (pimps or madams) and police who provide protection in exchange for sex or profit (depending on the scale of the business). On many occasions, prostitution depended on politicians turning a blind eye to the business, doing so either because it was in the interest of a large number of people or because prostitution did not produce any serious social or political disorder or social uproar.

Although each illegal activity—gambling, alcohol (in certain societies), organ, and human trafficking—has its own particular features, they all share similar structures. However, drugs have become the good that produces the most extreme degrees of corruption due to high demand and the astronomical profits they produce.

Corruption is defined as the exchange of favors between state agents who break the law and permit illegal activities to be carried out in exchange for kickbacks or other benefits and individuals or organizations which profit from such activities. There is a wide array of corrupt acts: from small bribes and turning a blind eye to corner sales, to large-scale transactions in which the cartel bosses pay hefty bribes and even help fund election campaigns. The level of corruption naturally reflects the level of power of the public official who gives permission for the illegal activity to take place, and it usually results from a typical market negotiation that covers the rate of return and exchange conditions. The amount public officials agree to receive during the bargaining tends to be a fraction of the expected profits.

While traces of corruption are found in most highly demanded illegal goods traded worldwide, there are some societies where it is more rampant than in others. Corruption also varies according to a state's ability to sanction agents who break the law. When public officers are disciplined more frequently than not, adherence to legal conduct becomes a cultural standard. It is important to emphasize than neither corruption nor strict compliance are given traits in any culture. For example, there is no natural or genetic predisposition for Germans or for Japanese to follow the rules: they are simply part of a system where those who break the law usually receive severe sanctions. Therefore, adhering to the law appears to come naturally. This process generates a path dependence for all citizens to follow, and also makes it easier to identify the "outliers" or "rotten apples." However, if most apples are rotten, it becomes much more difficult to weed them out. Corruption, in short, is endogenous to the size of the problem (Bergman 2009).

Legal officers (police, judges, officials) in countries with deeply established rule of law are subject to more internal and external scrutiny and controls. More importantly, they pay an extremely high price if they are caught in corruption scandals. When this happens in law-abiding societies, bribes must be very high to compensate for the risk of apprehension and the severe sanctions corrupted officers could face, raising the cost of the illegal goods. In other words, there is a trade-off between the levels of corruption and the value of the goods. Although there are no conclusive evidence on the impact of bribes on the cost of drugs in Europe, Asia, and the United States, it is likely that a portion of the price difference between these country and region compared to Latin Ameruca can be attributed to this trade-off. The cost of drugs in Europe or the United States is not only high because those who sell the drugs have to include the risk premium to their sales price. The cost of drugs might also be high because the bribe amounts in these countries must be steep for an agent to take the risk of accepting it.

The hefty profits from illegal drugs threaten also the social stability some countries, and might subvert the trust of public officers who initially are not likely to engage in corruption. In the United States, each year more than 100 border patrol agents are fired or incarcerated due to corruption.[2] In Latin America, the problem is even more severe. According to testimonies, the two largest Colombian cartels (Medellin and Cali) funded electoral campaigns and got public officials hired and fired in the late 1980s. In Mexico, it is rumored that the brother of President Salinas provided services for the cartels. In the 1990s, part of the money from drug trafficking in Peru was said to have gone to Vladimiro Montesinos, the right-hand man of then President Fujimori.

Corruption often shows up at many different levels, from the corner cop to top-ranking officials. The more systemic or rooted the corruption is, the harder it becomes to eradicate, and the greater the risk it has of becoming systemic. The great corrupting power of the drug business does not lie at the street level but when police chiefs, prosecutors, and judges entrusted with fighting drugs receive bribes in exchange for not doing their jobs, or when officials and politicians entrusted with making or enforcing legislation bargain with drug lords. There is ample evidence of both types of corruptions in Latin America, even in the Southern Cone which had until recently remained immune to this type of corruption.

In the 2013 inmate surveys conducted in six countries of the region, prisoners convicted of drug-related crimes were asked if they had bribed officers. When asked, "Did a policeman or officer of the court ever ask you for money or something that belonged to you at any stage of your detention?" 23% of inmates in Argentina said yes along with 22% in Sao Paulo, Brazil, 20% in Chile, 9% in El Salvador, 30% in Mexico, and 27% in Peru. These affirmative responses skyrocketed when inmates were asked, "If you had had enough money or influence, do you think you could have avoided arrest at the time you were apprehended?" 40% in Chile, 66% in San Pablo, 62% in Argentina, and 69% in Mexico responded affirmatively. These

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[2] See http://bordercorruption.apps.cironline.org/ and http://reason.com/blog/2014/10/31/unsafe-at-any-border-us-border-patrol-co.

response rates indicate that corruption at the time of arrest is quite extensive, and therefore many drug dealers most likely avoid arrest.

In short, corruption is high at different levels of public office and it is often systemic. This is one of the most serious threats of drug trafficking, and it has become highly difficult to eradicate. This type of corruption has two more negative externalities. The first is that the premium of corruption is included in the fixed costs of illegal goods, driving up their price and generating even larger profits for those involved in getting the product to the market (making traffickers and dealers rich). The second and most important is that corruption redirects public security forces toward other targets, to the detriment of very basic state responsibilities. Systemic corruption prevents states from handling even its most basic security functions, as seen in Mexico (2007–2010) and in Colombia in the 1980s–1990s.

The huge profits produced by the drug trafficking industry make it difficult (if not impossible) to eradicate bribery, although, through effective oversight of state agents, it can at least be kept in check. The vast majority of countries in the region are dealing with endemic corruption. The challenge for countries in the region, then, is to prevent systemic corruption, which severely alters state's institutions most basic functions.

5.3   North and South

The threat of drug trafficking and its ability to undermine the rule of law is very severe in some countries of the region. While Mexico, Honduras, and Colombia deal with extreme violence, high levels of corruption, and criminal diversification, the threat is much lower in Uruguay, Argentina, and Chile. An initial analysis reveals that there is a striking difference between the level of institutional decay and crime.

The factors or causes that produce institutional decay and criminal diversification are, however, less obvious. In other words, although Uruguay and Argentina are significantly different than Guatemala and Colombia, how likely is it they could find themselves in a similar situation if the drug business proliferates in the former countries? In the final chapters of this book, we'll examine this topic. There are no definitive answers as clearly no country is immune to the risk of crime spinning out of control. However, there are three conditions that undoubtedly lead to criminal diversification: (a) formidable profit margins of drug trafficking, (b) the criminal justice system's inability to properly react, and (c) severely limited job opportunities among low-income social classes.

Large profits, as mentioned, are very likely to lead to crime spillover as different groups with firepower and ineffective corrupted authorities generate incentives for criminal entrepreneurs to gain a foothold in illegal trades. The more profitable the illegal markets, the more people are eager to participate in these businesses. In addition, if some people decline to engage in a profitable illegal business due to fear or moral beliefs, there will be many others willing to take his or her place. Drugs are the illegal market that produces the highest earnings, and this explains why there are

so many people willing to work on this industry. Controlling for all the other variables, this business is most likely to expand in countries where the proceeds from drugs are the highest.

A second important factor, the authority's initial response to a fledgling drug market, has received little attention from scholars. An erratic, complacent, and delayed response to drug-trafficking threat can be lethal. For example, when the large-scale trafficking developed in Colombia in the 1980s and in Mexico at the start of this century, local authorities in both countries reacted slowly, weakly, and ineffectively. Public security deteriorated in just a few years while criminal organizations consolidated. A similar process can be observed in Venezuela, Honduras, and in Brazil's northeast. Police departments withdrew from certain areas, facilitating criminal diversification. In Argentina, for example, the response to newly emerged drug markets has also been sluggish and erratic, allowing criminal organizations to gain a foothold in certain cities within the country. However, the profits from drugs in Argentina are still comparatively low, and the institutional response is more consolidated than in the other cases mentioned above. In Chile, a country whose drug use rates are similar to Argentina's, police departments and courts tend to react rapidly to suppress the crime spillover.

Finally, the third variable is the large number of marginal youth, many of whom become "foot soldiers" for the criminal syndicates. This is a contributing factor, that is, it does not produce the diversification but can exacerbate it. It is important to note that many countries across the globe suffer from severe poverty and inequality, though this does not necessarily produce criminal diversification. Nevertheless, the spike in drug use and addictions has been especially strong in poverty stricken sectors (Chap. 3). The "bag men," "jugglers," "body packers," and others recruited to work in the drug business often come from socially marginal low-income sectors. These are individuals who find it extremely difficult to gain a foothold in the legal job market or gain any level of social mobility.

In summary, the countries of northern Latin America (though not all of them) have been more likely to suffer an escalation of drug trafficking and, with it, criminal diversification. The countries of the Southern Cone, the south of Brazil, and some Andean nations have, in contrast, successfully avoided such escalation. The threat persists, however, and the combined effects of these three factors have led to extreme violence in some cities and areas within these countries known for relatively low crime.

5.4   In Conclusion

This chapter described the main threats of trafficking, that is, criminal diversification and systemic corruption. These looming threats have found fertile ground in Latin American countries where state institutions have been historically weak.

There are other challenges posed by illegal drugs: the threat to public health, the endemic violence of transactions (see previous chapter), as well as the individual

and social consequences of drug addiction. Naturally, these are serious issues that require a wide range of public policies, some of which will be analyzed in Chaps. 7 and 8. However, it is possible to mitigate and contain the effects of these challenges even as drug trafficking continues.

On the other hand, it must be stated that the vast majority of illegal substance transactions are non-violent; most buyers are recreational users who keep their jobs and have family life; and the public health impact of illegal drugs is much lower than, for example, the public health hazards of alcohol and tobacco. In other words, in spite of the challenges illegal drugs pose, many specialists argue that most of them are manageable.

From the political economy of trafficking perspective, this chapter has emphasized two potentially very serious threats for weak states like those located in the region: (1) the unintended consequences of criminal diversification that stems from the business structure of illegal drugs and (2) the threat of systemic corruption that trafficking often generates. The analysis and observation of several countries in the region indicate that if these two threats are not adequately addressed, they can seriously diminish governments' ability to carry out its most basic functions, increasing the sense of distress among citizens and further inhibiting the state's capacities.

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Chapter 6
Drugs, Trafficking, and Criminal Justice

Who does the police arrest? Who are the illegal drug offenders that end up before a judge? Who are the felons that ultimately serve time in prison? In short, who gets prosecuted for drug sales and trafficking? This chapter uses primary and secondary sources to explore how the criminal justice system in Latin America deals with those who break drug laws and what effect their action has on illegal drug markets. As we will see, overburdened bureaucratic systems have fought crime selectively and generally have had limited success at slowing the proliferation of drugs in the region. The vast majority of those who are apprehended and incarcerated are small-time dealers who are replaced by new ones soon after their arrest. In summary, the criminal justice system is draconian with those who it takes into custody but has had almost no impact on the booming drug business.

There are many complex reasons for this failure that exceed the scope of this work: the weak investigation capacity of the Latin American justice system and the poor coordination between police, prosecutors, courts, and social rehabilitation centers are just two of the many factors. Criminal intelligence services are often incompetent, and regulatory agencies like tax departments, customs, and financial authorities that scan for money laundering and other suspicious financial activities often operate separately and are rarely effective. In terms of budget allocation to different departments, the political structure of most of the countries in the region is inefficient and top-down: in other words, politicians in power have discretionary power to increase or reduce them without an in-depth analysis of the real needs. The core problem of the criminal justice systems of the region is similar to many other areas of public life in Latin America: large pockets of state inefficiency.

This chapter provides an overview of this state of affairs. The criminal justice system arrests and incarcerates mostly small-time dealers and sometimes even users, while traffickers and their henchmen are rarely detained or punished. Latin American jails are filled with petty offenders, but trials or incarcerations of those responsible for suspicious financial transactions and/or money laundering are rare. I argue that the court systems are not prepared to address organized crime, and therefore, they overwhelmingly punish those who are easy to arrest and convict.

This has important implications for trafficking and illegal markets. Given the unlikelihood that the justice system will be able to disband the cartels and crime syndicates—and that the replacement of pushers, foot soldiers, and other cogs in Latin America is inexpensive due to the cheap and unstructured nature of the job markets—the law enforcement system does not represent any real threat to the heads of illegal drug enterprises. Therefore, although criminal prosecution has a high cost for public treasuries and devastating social repercussions, it does little to put an end to drug trafficking or illegal markets.

6.1 Institutional Structure and Drug Trafficking

Countries have a range of institutions of different sizes and geographical reach assigned to fight drug-related crimes. Over the past 20 years, two features are clearly observed in almost all the countries in the region: (a) individual users are, for the most part, rarely targeted, and (b) very little is done to identify the financial transactions and money laundering associated with the drug business.

This chapter does not address prevention and public healthcare and treatment programs that countries design to help addicts and support families while also attempting to dissuade people from using drugs. These strategies are described in Chaps. 7 and 8. I focus here on the state's coercive instruments and methods used to address illegal drug crimes.

Typically, as part of national drug control policies, each country has several departments/institutions in charge of the different phases of trafficking. These are divided into two major groups: (a) law enforcement, which includes police, the armed forces, courts, and prisons, and (b) money laundering and financial crimes, which are tracked by tax and customs departments, criminal intelligence services, and fiscal units especially designed to follow paper trails of financial transactions.

The key to effective prosecution lies in the coordinated work of these many different agencies. This is a complex task since each state entity has different jurisdictions and discretionary powers, as well as varied interests and incentives. In countries with federal governments, for example, there are multiple police departments (state and sometimes counties or city forces), which hamper coordination and shared intelligence. The recent involvement of the armed forces (see below) often exacerbates this lack of coordination because the military tends to be very protective of its own information and is fearful of leaks that could be passed on to the cartels by other corrupt police officers. At the same time, the judicial system has different set of priorities and incentives than the executive branch. In short, efficiency in fighting illegal drugs requires a high degree of coordination, and although politicians and public officers may recognize this, it proves difficult in practice to implement a concerted work between different agencies.

Due to this difficulty, countries end up reproducing similar units within different spheres of government. Special drug trafficking combat units are created within existing police departments or armed forces to handle similar tasks but report to

different public officers. There are also multiple intelligence and fiscal units. This division of powers has yielded several ivory towers that organized crime entrepreneurs have been able to "crack" thanks to their ability to "buy" protection, hide transactions, and operate with a large degree of impunity. The fight against drug trafficking is usually successful when there is a clear chain of command among all of the units in charge of dealing with the problem, though that is extremely difficult to achieve.

6.2 What Do States Do to Combat Trafficking?

Policies on Drug Users

Although using drugs in most countries is as illegal as selling them, authorities in Latin American do not target possession for personal use but instead focus their efforts on sales, production, and trafficking. In some countries, local law permits possession of small quantities, and in others, courts have set legal precedents by opting not to sanction personal use. Finally, although in some countries there is no legal basis for permitting drug use, judges and prosecutors toss out cases against people accused of possession for recreational use.

The legal definition of possession for personal use depends on the quantity of the substance found. One or two grams of cocaine—or up to 10 grams of marijuana—is generally the minimal amount considered possession for personal use and are very rarely prosecuted. Several laws attempt to define the quantities tolerated by the authorities for different types of drugs.

The case of crack cocaine is very insightful in this regard. When crack hit US streets in the 1980s, it was immediately determined to be more toxic and dangerous than cocaine, and states thus decided to increase the sanctions and reduce the amounts of crack considered possession for personal use in comparison with cocaine. The crack cocaine policy had racial implications. Given its low price, young African-Americans tended to use crack, while white middle- and upper-class adults used predominantly cocaine. At the same time, given its low cost, authorities correctly forecasted that crack cocaine would turn into an epidemic. As a result, it imposed severe sanctions for possessions of even small quantities, unlike marijuana and cocaine.

Second, quantity-based regulation has yielded negative externalities since those selling even minuscule quantities can be prosecuted and incarcerated. Law enforcement officers willing to detain individuals or police officers who seek to meet arrest quotas (not uncommon in several countries of Latin America) were able to illegally "plant" a small amount of drugs on "suspects" who may later receive jail sentences based on mandatory sentencing laws. In other words, police have in some cases seized on the fact that the law establishes such low quantities as possession for personal use in order to treat users as drug dealers and prosecute them. This strategy has allowed police to up their rates of "successful" drug prosecution.

Strategies for Fighting Cartels

Large drug trafficking organizations (DTO) are sometimes better equiped than law enforcement agencies to run their operations. As mentioned in previous chapters, they have firepower, militias, a fairly developed infrastructure, and financial schemes designed for money laundering. These criminal enterprises have varying degrees of sophistication.

Beat cops and patrols are not the most suitable agents for combating these types of organizations. Sometimes these DTOs have larger arsenals than local police departments—and in many cases these organizations were able to co-opt a great number of public officers and infiltrate government agencies. Therefore, governments often attempt to develop special units and to train elite officers to both control and combat these drug enterprises. Traditional state institutions such as courts, special investigation units, or regulatory entities are rarely able to dismantle a cartel, to capture a drug lord, or even to take down a powerful cell. In many countries that faced severe DTO threats, central governments have opted to empower a single state organization or create special units, entrusting them with the task of fighting organized crime. In other words, declaring war on drug lords has depended on political will, and public officers have tended to "trust" only certain units and departments—or simply create entirely new ones—instead of working to ensure collaboration among all law enforcement agencies.

It is important to distinguish between countries that face a deeply rooted threat from trafficking and those with a recently emerging domestic market. Strategies for addressing illegal drugs in Chile, for example, would not be suitable for Mexico. Most of the countries in the region have a weak state, which means that traffickers are often able to infiltrate agencies; and officials are often unable to govern effectively, and often react by redesigning their institutions. This was the case of Colombia in the 1990s—and especially at the beginning of the twenty-first century—and also in Mexico since Calderon's presidency (2006–2012). In these two countries, governments often relied on special units within the armed forces to arrest drug lords. In the case of Colombia, a national police force was revived and given special training to fight crime syndicates.

Almost all countries threatened by drug trafficking have conducted institutional reorganization. In addition they have invested in new police and combat units or reshaped existing ones. A salient example of this pattern has been Rio de Janeiro's UPP (Police Pacification Units), an institution that was rebuilt and designed to contain the violence in the city's slums associated with drug trafficking. In Argentina, at different points in time, political leaders have called on the military police (coast guard and border patrol) to fight trafficking in order to avoid relying on the federal police, long suspected of collusion with drug lords. Several Central American countries have resorted to the armed forces, due to the chronic inefficiency of local police. Unlike the fight against the mafia in Italy, in Latin America there are very few cases in which judges and prosecutors have launched in-depth investigations to indict top leaders of drug traffic organizations. Courts usually do not intervene until after a proven crime has been already committed, making it difficult—if not impossible—for these institutions to dismantle sophisticated criminal enterprises.

Finally, the role of the United States and its intelligence services is critical in the fight against trafficking organizations. US espionage often contributed to the capture of major drug lords in Mexico and Colombia, as in the broadly televised case of "El Chapo" Guzman (Keefe 2014). Intelligence on the whereabouts of leaders and major drug smuggling operations is shared only with the elite units to prevent this information from falling into the hands of the armed forces or police: if these regular forces have been infiltrated, they could alert the drug bosses. In recent years, the United States has also provided information contributing to the capture of key leaders in other countries, including Bolivia, Paraguay, Argentina, and Honduras.

In summary, federal or central governments tend to be most effective against organized crime and its leaders, while local government and its forces usually have a more modest role in fighting drug trafficking. In most cases, elite units or other entrusted entities like special police forces, armies, marines, or new intelligence agencies are developed by top public officers to lead these efforts. Rarely does the judicial branch initiate actions against leaders involved in illegal drugs though judges can intervene to authorize (or deny) requests for intelligence interventions (wiretaps, etc.) The role of the United States has usually been limited to providing intelligence information that has helped other countries in some cases to capture leaders of local criminal organizations, as well as train local forces. Nonetheless, the US intelligence community also limits the information it shares with Latin American law enforcement agencies due to its own suspicion that these institutions may be infiltrated.

Criminal Justice

This section analyzes the role that police, prosecutors, and judges play in apprehending, prosecuting, and sentencing the members of crime syndicates, as well as their overall contribution to the battle against markets of psychoactive substances in Latin America. According to prison surveys and data from local courts, the judicial systems are relatively inefficient at combatting the spread of these illegal markets.

A first impression reveals that autorities make successfull inroads in their fight against organized crime. Every few months (or years) the news show that a high-profile drug lord is arrested. The leaders of the major cartels in Colombia and Mexico have been either killed or imprisoned. In Brazil, Argentina, Peru, and many other countries, high-ranking drug traffickers are brought to justice once or twice a year in stories that make newspaper headlines and the evening news.

However, these cases are not representative of the day-to-day work of police, prosecutors, and judges who deal with drug offenders. For every drug lord who gets apprehended, thousands of small-time pushers, runners, or foot soldiers are arrested. At least 270,000 convicted inmates in the region are in custody for drug-related crimes. The real number is undoubtedly higher since this figure does not include offenders who are in prison while awaiting trial. Although there are no definitive numbers, at least 150,000 individuals—mainly youth—are awaiting trial or a verdict in a drug-related case. As can be seen in Table 6.1, more than half of these cases are in Brazil, but the number of inmates serving sentences for drug-related crimes is

Table 6.1 Inmates sentenced for drug production, sales, or trafficking

Country	Number of inmates sentenced for drug-related crimes	% of the prison population	Year
Argentina	7123	12	2011
Bolivia	2686	24	2011
Brazil	138,198	25	2012
Chile	NDA		
Colombia	24,546	22	2013
Costa Rica	3285	24	2012
Ecuador	5509	34	2011
El Salvador	2011	8	2013
Guatemala	482	4	2011
Honduras	1227	10	2011
Mexico	38,145	17	2011
Nicaragua	NDA		
Panama	3395	23	2012
Paraguay	175	2	2012
Peru	14,204	23	2012
Dominican Republic	6002	27	2011
Uruguay	1167	12	2012
Venezuela	13,880	28	2011

Source: OAS -Alertamerica http://www.oas.org/dsp/Observatorio/database/indicatorsdetails.aspx?lang=es&indicator=424

very high in many other countries. Sentences are relatively short for drug-related crimes, and thus this drug offender population rotates very rapidly. As a result, a great number of young people are currently in jail or have already served time for drug-related crimes. The vast majority were convicted for small quantities, either as carriers or small-time dealers.

At least one-fourth of the people imprisoned in 9 out of 16 countries shown in Table 6.1 are in custody for drug-related crimes. In other words, criminal prosecution officers in the region have prioritized this type of infraction. For obvious reasons, the number of major drug traffickers within this universe is small. A large and very expensive judicial system overwhelmingly invests its resources in cases with a relatively minor magnitude.

Data from the past decade collected by the United Nations (CTS) provides empirical evidence on the scope of police and investigative activity for drug crimes in a given year.[1] In Argentina, the authorities prosecuted or followed up on 23,638 cases (2007—year in parenthesis), Chile 7,466 (2006), Ecuador 2,871 (2007), Peru

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[1] Not all cases are included since each country has different police corps and jurisdictions, and not all these departments report their data. These figures should be viewed as a threshold.

Table 6.2 Drug sales and amounts dealt by inmates in the 6 months prior to their detention (in US$)

	Argentina	Brazil	Chile	El Salvador	Mexico	Peru
Percentage of inmates who carried out at least one drug-related transaction per week before their arrest (% of those who did daily transactions are in parenthesis)	54 (32)	73 (55)	49 (31)	N/A	83 (0)	44 (20)
Average monthly sales in US$ (median in parenthesis)	177.372 (1.273)	32.889 (6.435)	74.951 (5.110)	2.101 (69)	26.246 (14.626)	497.555 (402)

Q1: "In the last 6 months before your arrest, how many drug transactions were you involved in each week?" Q2: And what was the average amount of these transactions per month?
Source: Inmate Surveys 2013

9,597 (2007), Nicaragua 1,620 (2006), Panama 3,150 (2006), Mexico 74,111 (2008), and Dominican Republic 3,326 (2006).[2]

What type of drug trafficker are prosecuted by the criminal justice systems in the region? Inmate surveys provide part of the answer to this question. Although these surveys only include offenders who were ultimately sentenced to prison, the amounts they were dealing and the number of transactions they were engaged over a period of time provide an idea of the general profile of these inmates. Table 6.2 lists the answers of inmates arrested for illegal substance offenses on questions related to transactions done before the crime that landed them in jail, covering the 6 months prior to their arrest. Although the amounts discussed in the interview were in local currencies (Chilean peso, Brazilian real, etc.), all were converted to US dollars to allow for country comparisons.

It is worth noting the number of inmates who participated in frequent transactions. More than one-third of the inmates were dealing in multiple transactions each week, although approximately half of those surveyed were selling drugs daily. It is also important to distinguish between the average (mean) and the median, which is the intermediate point between the two extremes. For our analysis, the median is a more reliable estimate because means are usually biased by extreme scores at the high and low ends.[3] Half of the individuals arrested for dealing drugs had monthly

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[2] Definition: "Total Drug-Related Crimes" means all intentional acts that involve the cultivation, production, manufacture, extraction, preparation, offering for sale, distribution, purchase, sale, delivery on any terms whatsoever, brokerage, dispatch, dispatch in transit, transport, importation, exportation, possession, or trafficking of internationally controlled drugs (UN-CTS M5.2). See the Drug-Related Crimes section under http://www.unodc.org/unodc/en/data-and-analysis/statistics/crime.html.

[3] In the case of Peru, for example, a single trafficker reported sales for several million dollars, hiking the average up to US$497,555, though all of the other inmates reported transactions of less than US$10,000. In any case, the US$402 of the person who represents the median (exactly halfway between the lowest score and the highest) provides a more accurate estimate of the population as a whole.

sales that did not exceed US$1,273 in Argentina, US$6,435 in Sao Paulo, Brazil, US$5,110 in Chile, or US$412 in Peru. It should be reminded that these figures are sales, not net profit. Clearly, the vast majority of those serving time for selling drugs in these countries were not major dealers but many small-time dealers (or runners) along with others who merely dabbled in drug sales.

Additional evidence is found in the detailed analysis of the amounts of drug trafficked by those inmates who were arrested and sentenced.[4] It becomes very clear once again that the majority of those who end up in jail are not major traffickers or dealers. According to the reported responses of these drug-related felons in the surveys, the mean amount of the drug sale that led to their arrest and sentencing was US$1,320 in San Pablo, US$343 in Chile, US$3,512 in El Salvador, US$17 in Mexico, US$311 and US$1,798 in Peru. Chile is the country that stands out for the highest amounts, but in all cases, the dollar value for which inmates were sentenced are not those of wholesalers or drug lords. Half of those who end up in prison because they violated drug laws were sentenced for transactions under or up to the amounts listed above. Taking the entire sample, transactions of US$10,000 represent the 86th percentile. This means that 86% of those in jail for drug production, trafficking, or sales of illegal drugs were sentenced to prison for transactions of less than US$10,000. Only 1.8% of the sample was sentenced for drug crimes worth more than US$100,000.

In summary, Latin American prosecutors have brought to court and indicted hundreds of thousands of people for drug-related offense. There are at least 400,000 people in the region serving time for drugs—including those awaiting trial—and although the majority have benefitted and reaped profits from this illegal business, they are clearly on the lowest rungs of the ladder. One central question merits indepth reflection. Why does trafficking expand (instead of retract) when so many of those involved in the business are arrested and end up in prison? Given the high threat of sanction, why are prices in the region dropping instead of soaring—as authorities would expect? In other words, why law enforcement does not make a dent on these illegal markets?[5]

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[4] To avoid omissions and not incriminate the inmate, the question was worded as follows: According to the authorities, how much did you sell/traffic/deal in the crime you were accused of committing?

[5] In the United States, the incarceration rate multiplied by 11 between 1980 and 2002. During the same period, the price of cocaine fell 80% (Reuter and Caulkins 2011). Clearly, the data does not support the hypothesis that sanctions drive up the price of drugs and thus reduce drug use. In the United States, as sanctions rose, prices fell.

6.3 Implications

What implications does the overall performance of the criminal justice system have for the drug business? Although this could be a topic for an entire book, this section briefly introduces some preliminary reflections on the reasons for its limited success. First, I stress that the deterrent capability of the criminal justice system is limited. Secondly, social exclusion (in addition to the limited deterrent capability of the authorities) has impacted the proliferation of the "drug industry," as many young people are willing to take their chances in the business. Finally, I conclude with several observations to explain the failure of imprisonment as an instrument to reduce the drug market.

Deterrence
Deterrence refers to the authorities' capacity to convey its citizens to follow the rules, based on the adverse consequences they may risk by breaking them, and is considered one of the most important goals of the criminal justice systems.

There are two factors that determine the effectiveness of deterrence: the probability authorities will detect the offender who commits the crime, and the severity of the punishment for infringement. Traditionally, deterrence has been understood as the likelihood of detection multiplied by the severity of punishment (Nagin 2013). If the likelihood of being detected when breaking the law is low, the effectiveness of severe sanctions drops. Similarly, if the likelihood of being detected is high but the sanctions are minimal, the deterrent effect also diminishes. Therefore, the likelihood of detection and the level of sanctions both factor into personal decisions to refrain from committing crimes. It is important to note that deterrence is always subjective, that is, it depends on how people believe the authority will react and what sanctions they will receive. Since it is subjective, people's perspective on the authority's effectiveness varies. Even in cases when the probabilities of detection are similar, some people remain convinced they will never be discovered, while others assume they will be easily caught if they commit a crime. Needless to say, those convinced they will never be discovered are the ones who tend to commit crimes more often.

The subjectively perceived likelihood of detection in committing a crime is the most important variable in crime deterrence. If someone who commits a crime is likely to be detected, even if the sanctions are only moderate, he/she is likely to desist. Severe sanctions (e.g., years in prison) have little bearing on deterrence if the likelihood of being caught is low. Therein lies the greatest weakness of criminal justice systems. It is not difficult for traffickers in Latin America to elude detection, and as a result, the system has little dissuasive power.

In most countries of the region, police, judges, and prosecutors concentrate their efforts on those who play the most insignificant roles in the illegal drug business, that is, the pushers; the "cooks" who cut the drug or produce cheaper versions of cocaine like crack, basuco, and paco; runners who move the drug between cities and regions; etc. The cases in which the criminal justice system actually gets to the top leaders of organizations, the managers, the funders, and the "launderers" behind

these seemingly petty transactions are numbered. Although any seizure ultimately represents a loss for drug entrepreneurs, it is unlikely that the drug lords will be identified, arrested, or prosecuted in these law enforcement operations, which means that they are able to quickly rebuild networks and start selling again after any sting operation. In the region, there is not a single case of seizures or tightened regulations (with the exception of Colombia in 2007–2009, see Castillo et al. 2014) that has actually reduce drug availability. In other words, drug entrepreneurs are usually able to swiftly replace any confiscated product. Evidently, the mass incarceration of more than 400,000 people in the region has not managed to reduce trafficking, lessen the supply of narcotics, or boost their price.

Oversupply of Labor

Why police, prosecutors, or judges in Latin America aren`t more effective? By concentrating their efforts on the small-scale delinquents, law enforcement officers ignore the oversupply of "workers" ready to take the place of those arrested. Potential would-be dealers are actually waiting for the post to become available because the demand for drugs persists regardless of mounting arrests, and the drug-trafficking organizations are not significantly altered. In other words, new players replace those detained because sales of illegal substances remain profitable, and thus there are a great number of adolescents and adults willing to get in the business in spite of the risks.

Inmate surveys provide insight into who works in planting/manufacturing, sales, and trafficking of drugs. When respondents were asked why they had decided to sell or transport drugs, only 10.2% in Argentina and 18.9% in Mexico responded that they did it to fund their own habit. The vast majority (more than half) admitted that they sold drugs because doing so earned them more than they would make doing something else. Approximately one-third of the sample reported that they dealt drugs because they couldn't find other work. However, the net income from drug sales was not particularly high for most of the inmates interviewed. On average, the people in prison for drug-related crimes earned less than US$550 per month. This is similar to what Levitt and Venkatesh (2000) found in their study for Chicago: those at the lowest ranks in the organizations may not make much, but they continue to deal drugs in the hope of eventually making their way up to a rank where they will be earning significant amounts. Of course, few actually make it. A study of the slums in Rio de Janeiro (Carvalho and Soares 2013) reached a similar conclusion.

Those who get involved in the drug business and are arrested are often better educated, had held better jobs prior to pushing, and had more stable families than inmates serving time for other types of crimes. For example, 68.8% of inmates in custody for drugs had attended high school, and 71.2% had had a job one month before being arrested, figures that are much higher than those of inmates who committed other crimes. In other words, it is a misconception that the people involved in the illegal drug business are addicts or individuals incapable of keeping a job. On the contrary, their decision appears to be based on the relative economic benefits the job offers. Evidently, the threat of incarceration has not deterred them.

6.4 By Way of Conclusion

The majority of the criminal justice systems in Latin America do not target users. In the best-case scenario, social or healthcare programs are available to help wean users from addiction. In terms of large-scale traffickers, special enforcement units (the armed forces, special police, intelligence units, etc.) have arrested drug lords before handing them over to the courts on just a few occasions. In general, the massive criminal justice apparatus (street police, prosecutors, judges, and support units) concentrate their efforts on the lowest echelons of the illegal market. What are the implications of this pattern of law enforcement?

In the first place, judges and prosecutors are part of a system that is by nature reactive, that is, they do not take action until after a crime is presumed to have occurred. Though this approach ensures the protection of individual rights, the justice systems in the region take few initiatives to prevent or disband criminal rings. It is highly uncommon for judges and/or prosecutors, upon investigating, to use this information to go beyond the particular case at hand and get to the large criminal syndicate. In general, the work of these professionals is limited to bringing a single defendant to justice, without looking into who else could be involved, particularly the "chain of command" of the criminal organization.

Second, police have a complex and fluctuating relationship to drugs. There is a long tradition of police association with some criminal activities (Caimari 2013; Frederic et al. 2013; Picatto 2001; Azaola 2008) but also cases where police negotiate successfully with criminal bands to effectively contain crime. Police officers and precincts are usually aware of the sites where drug dealing occurs, and they may tolerate or fight drug trafficking depending on the context. Given the large amount of money involved in illegal drugs, there are evidence and testimonies that suggest there is police collusion and even police protection for narcos. The effectiveness of police is tied to whether they have the capacity to limit drug dealing and minimize the violent effects of trafficking (as is the case of most police forces in Chile, Argentina, and Sao Paulo, Brazil) or whether they have totally lost control of the streets and end up in fact working for the traffickers (as are the cases in certain cities and towns in Mexico, Colombia, Guatemala, and Honduras).

As this chapter has also shown, prisons do very little to stall the booming illegal drug business, and incarceration in fact appears to have contributed to its growth. There are several reasons for this: (a) the vast majority of inmates are freed 2–5 years after their arrest and return to their homes with deemed prospect of rehabilitation; (b) while serving time in prison, inmates get to know other pushers and traffickers, and some enlist into a network of drug professionals that often provides them with "work" once out of prison; (c) when they exit prisons, inmates often have "debts" to pay in terms of the support from family members they received while in jail, and thus they often go back to doing what they know best: dealing; (d) given the expectation of getting arrested (CELIV 2014; Lessing 2010) and the high recidivism rates, inmates develop strong relationships with the leaders of criminal groups inside jails and stay connected with them to continue trafficking when they are

released. These are some examples of the adverse effects of mass incarceration for drug-related crime.

In short, the criminal justice system constitutes a massive apparatus for arresting, prosecuting, and imprisoning those involved in the manufacturing, trafficking, and sale of illegal drugs, but its deterrent capability appears to be quite limited.

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Part III
Policy Options

Chapter 7
What Can Be Done About Drugs? Public Policy Options

The use of drugs has many physical and psychological effects for users, from minor discomforts to serious health problems, and in some isolated cases, they may even cause death. However, the evidence shows that a great number of individuals prefer to overlook the consequences and forfeit their future in exchange for the immediate gratification illegal drugs provide.

For society as a whole, illegal substances present several dilemmas. While the right to privacy may entitle people to live as they please, no one actually lives in isolation from others, and all actions have consequences. This especially applies to the parents, family members, friends, and even colleagues affected by the behaviors of those who smoke marijuana or inject heroin. Drug use usually affects family relations and sociability.

At a broader level, drugs have grave social implications: treatment for addictions and other drug-related health issues at hospitals and clinics represents an enormous burden for healthcare systems. In addition to this cost, drugs can reduce a user's job productivity, causing another economic impact. In short, in addition to the direct consequences for the user, drugs have social, public, and even political repercussions.

To what extent does society have a right to get involved in ostensibly individual decisions? Due to the fact that the use of narcotics has a broader social impact, it is perfectly legitimate for society to ask this question. Any rational approach to illegal drugs must consider two basic premises: (1) it should be based on realistic approach, and (2) it should reasonably consider and protect the rights of each individual within the society in which she or he lives.

What, then, can be done about drugs? Should users, distributors, manufacturers, and/or pushers be punished? Or should a more liberal approach be taken, legalizing the use or even the entire chain of production? Should regulations discriminate between types of drugs or treat all substances equally? What international experiences have proven most successful in terms of dealing with the drug problem? What effects do they have on international policies? What should be done about the so-called war on drugs? This chapter and the next address these questions by going over certain drug policies and their outcomes, giving the reader a clear idea of what

realistic options are available. "Realistic" here refers to scientifically backed options, especially those implemented in the United States and Europe, and the studies conducted to analyze their success. The author of this book does not present personal opinions for any of the policies described; instead, these chapters simply analyze the different policy alternatives so the reader can gauge their merits, drawbacks, and viability.

An important premise of this book is that rational decisions require informed knowledge. This chapter will focus on the most recent scientific evidence with regard to illegal drugs and public policy. The goal is for the reader to obtain a comprehensive understanding of the topics before forming an opinion. The next chapter (Chap. 8) will analyze the central question about illegal drugs: whether to legalize or keep them illegal.

Some Basic Premises

The following pages present some basic concepts necessary for rationally engaging in a comprehensive debate on the topic of drugs. These basic premises are not legal, nor do they reflect individual opinions. Instead, they are a set of principles obtained from scientific literature on the topic, that is, what we do and do not know about illegal drugs. The political alternatives discussed in Chap. 8 are based on these principles.

7.1 Drug Types and Policy Strategies

There many types of illegal drugs available and new kinds appear on a regular basis. In other words, when we speak of illegal drugs, we are talking about a range of different substances. These drugs affect different parts of the brain and produce different types of effects (euphoria, drowsiness, relaxation, hallucinations, and others). Not only is it necessary to distinguish among the drugs themselves but also among different types of users, since the adverse effects of drugs are related to how much a person uses or abuses. Drugs are comparable to alcohol in certain ways: drinking a glass of wine a day obviously does not produce the same effect as drinking a bottle, and a pint of beer is not comparable to a pint of vodka. In other words, the way users are affected by drugs depends on the level of concentration of the psychoactive substance or stimulant. In the case of cocaine, for example, a gram of cocaine that is 90% pure is very different from a product that has 50% purity. When it comes to marijuana, hydroponic production and genetic alterations of plants can make THC 50 times higher than the traditional plant sold two decades ago. When authorities sanction people for drug possession, they rarely stop to analyze this important distinctions.

Clearly, the variety of drugs is also very important when public officials decide on a course of action for public policy, because although all drugs have adverse effects, there are substantial differences among them. It is almost impossible to die from a marijuana overdose but not uncommon to hear of deaths from a heroin (or

fentanyl) overdose. Crack and paco also have much more devastating effects than cocaine. Very importantly, as this chapter will show, there is not enough evidence to conclude that the use of one drug leads people to move onto "harder" drugs. In other words, the vast majority of drug users always choose the same substance. As noted in Chap. 3, the distinction between four types of drugs (marijuana, cocaine, opiates, and synthetics) is useful in discriminating between them; however, it is important to note that there are differences between crack and cocaine (which are in the same group) and between synthetics substances. For example, traditional methamphetamine is much more damaging than some of the typical stimulants sold as "ecstasy" at dance clubs.

In short, although all drugs have harmful health effects, an initial basic principle is that public policy must distinguish between different types of drugs. Just as alcohol and tobacco are both stimulants but vastly different, marijuana and heroin are two unrelated substances. Therefore, the public policy approach for dealing with those who use each different drug should take into account these characteristics.

7.2 Emerging vs. Consolidated Markets

The cigarette market is consolidated. Although each new generation experiments with tobacco and there are certain fluctuations in use, a cigarette epidemic or mass contagion is unlikely. On the hand, the use of certain drugs—like crack in the 1980s in the United States and in the 1990s in Brazil—can sometimes flare up suddenly. The wide range of illegal drugs "attracts" new users, and public policies reaction tend to vary according to the type of market. As with any spreading illness, public health policies take different measures based on the type of threat it encounters.

As Chap. 8 will show, the way in which illegal drugs use develop and spread is similar to what occurs with most epidemics. The vast majority of new users of illegal drugs are young people, yet most adults stop using them after they turn 30 or 40 years old. Research has shown that when young people start using drugs, these cohorts may experience a brief peak, but only a tiny minority goes on to become chronic, dependent users. In other words, drug use increases exponentially during the initial phase in which adolescents and young adults begin to use, then stabilizes, and finally decreases over time. Public policies should address these different phases. The crack market in Latin America, for example, has been around for less than two decades on some markets (and less than one decade on most others), while the market for cocaine is much more consolidated. Prevention and treatment programs are different for the different market stages. Prevention is particularly important at the beginning stages of an epidemic.

There is no "Walmart" for drugs. As shown in Chap. 4, a long chain of actors supplies this market. On the retail market, for example, sellers have relatively few customers. Studies on the 1990s in the United States show that pushers on average had 10 clients for hard drugs and 20 clients for weed. In Great Britain in 1984, 50,000 users of heroin purchased their drugs from between 4000 and 6000 pushers.

For the same year in this country, there were an estimated 36,000 sellers of hard drugs and 50,000 cannabis vendors (Kopp 2011). Although there are no estimates for Latin America, ethnographic studies, narrative journalism pieces, and simple observation reveal that the same occur with sales of drugs in the region's major cities. In other words, fragmentation in retail sales is a structural feature of this illegal market, which explains why mass incarceration is so ineffective. Arresting pushers rarely reduces availability since there are thousands of dealers ready to take the place of anyone who lands in jail.

To put it succinctly, consolidated markets require policies aimed at containing and reducing the damage, while emerging markets demand policies aimed at keeping them from expanding. At the same time, given the structure of retail sales, policies must take into account the fragmentation of the retail market in order to be effective.

7.3   Recreational Use and Addiction

In order to design an adequate public policy for illegal drugs, it is critical to distinguish between occasional and frequent users. Occasional users see drugs as a recreational activity, while frequent users are more likely to become addicts. Unfortunately, several of the prevalence surveys available do not provide the information required to distinguish between them. For example, doing cocaine twice in the past year is not the same as doing it weekly—or daily. For the purposes of the survey, both cases are coded as users, but the level of use clearly differs. Public policies also should be different for these cases.

Another fact that has been broadly overlooked in the research is how this distinction affects illegal markets and as a result, drug prices and organized crime. The example of the cocaine market in the United States is highly illustrative in this regard. Studies on the United States in the 1990s concluded that 23% of cocaine users were frequent users (at least two or three times a week) while 77% were occasional (on average, less than once a month). However, frequent users purchase the vast majority of cocaine on the market and thus push up prices while maintaining a steady demand. As noted several times throughout this book, this 20:80 ratio (approximately) indicates that 20% of users account for 80% of the aggregate demand for drugs (Caulkins 2000) while the vast majority of users (80%) are experimental, recreational users who buy just 20% of the total drugs sold on the streets.

In Europe, the cannabis and cocaine markets reveal a similar trend (Room et al. 2008) and as the fourth section of this book will show, so do the countries in Latin America. In summary, a small core group of users drive the demand on illegal markets. This market characteristic might represent an opportunity for more focus-oriented public policies.

This feature is quite common on the heroin market, which is significantly smaller than the cocaine market but also much more concentrated, i.e., among a core group

of addicts.[1] As this chapter will show, several initiatives—mainly in Europe—have attempted to focus on heroin users, implementing public policies aimed at reducing the damage caused by shooting up, violence, and the illegal activities that often comes along addictions when users resort to robbery or prostitution to obtain the funds they need to pay for their habit.[2]

From a social and public health perspective, the main problem, as noted earlier, is drug addiction. Recreational users can also suffer adverse health consequences from trying narcotics, but the impacts are usually manageable for the vast majority of users, who live "normal" lives in spite of their occasional drug use.

Addictions, on the other hand, are different since they represent an illness that gradually affects neurotransmitters, increasing dopamine levels and altering physical functions in a gradual process that begins with voluntary, controlled use but later leads to ongoing, compulsive use, with devastating effects on one's health. Addicts usually lose control of their decisions when their frequency of use increases. In addition to altering brain functions, illegal substances can affect the circulatory, respiratory, hepatic, and renal systems. Drugs also generate social repercussions among friends and family and at workplaces (many users are unable to hold a steady job). At a macro-social level—especially in the case of heroin—drug also has social impacts, as many users lose their motivation to socialize, withdraw from society, and develop a lack of empathy.

Public policy must distinguish between these two groups of users, and as this chapter will show, most countries do have some policies in place to deal with drug addiction. In terms of the millions of occasional users, however, there is no public policy consensus, nor any concrete proposal on how to deal with the supply of drugs to these recreational users. In order to address this specific topic, it is important to understand the neuroscience of drug addiction and the central question: How likely is it that recreational users will become addicts? What variables influence this transformation? From a public health perspective, understanding this process will help to deconstruct myths and contribute to design more effective policies.

Although more insights are needed, some studies from the OECD countries provide very important evidence for experts and policymakers. First, the likelihood of addiction depends on the drug. Marijuana, for example, is not as addictive as some hallucinogens. Second, the most addictive drugs are heroin (60% of users are addicts) and cocaine (28% of those who indulge in cocaine are frequent users). Third, the effects of high doses also vary significantly among drugs. An extremely

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[1] In the United States, over five million people (more than 2% of the population age 15–64) used cocaine in 2007, while the number for heroin was 400,000 (0.18% of the population). Only 17% of drug users have tried cocaine and/or heroin. Nevertheless, as mentioned in Chap. 3, over the last decade, the use of opioids has skyrocketed as a result of the painkiller crisis ("Inside the killers drug epidemic: A look at America's opioids crisis" The New York Times Jan 6, 2017).

[2] A study conducted in the Netherlands in the 1980s and recently cited by Dommet (2010) notes that those who resort to prostitution need between five and ten clients a day to support a heroin addiction. This may have changed due to variations in the price structure, but it gives an idea of the magnitude of the problem.

high intake of marijuana rarely produces catastrophic physical damage to the user, but a heroin overdose can be lethal.[3]

Based on this evidence, it could be possible to assume—though not scientifically sound as a hypothesis—that 60 out of 100 people who try heroin will become addicts and the same goes for 28 out of every 100 cocaine users. If these numbers are correct, 40% of heroin users and 72% of cocaine users will not develop addiction. What, then, determines the likelihood of addiction? Since only some users become addicts, are there tools to identify vulnerabilities and thus enable timely interventions?

The literature on this topic emphasizes genetic, environmental, and demographic factors (Dommet 2010). Genetic factors refer to an existing predisposition toward addiction in some individuals. Though there is no specific gene for addiction, there are several genes that affect certain associated behaviors such as impulsiveness. Environmental factors are a set of circumstances that can foster frequent use among people suffering from adversities like the loss of a love one, infidelity, job loss, abandonment, domestic violence, etc. In a framework of emotional weakness, people tend to be more vulnerable than they would in situations of emotional strength. Finally, age is another determining factor, especially adolescence and young adulthood.

7.4   Initiation, Spread and Diversification in the Use of Different Substances

Though there are no conclusive studies on drug use trajectories from initiation until addiction—or on how the use of certain drugs impacts on the decision to try others—there is evidence to bear in mind when making public policy decisions.

First, there are no solid conclusions on the causality of the initiation pattern. In other words, although we know that the vast majority of those who use marijuana or ecstasy will not become addicts, a small percentage will. Nonetheless, the causal mechanism of becoming addicts is unclear.

In addition, an important fact is that the vast majority of drug consumers uses only one type of drug and does not mix their substances. This is especially the case among hard drug users, i.e., methamphetamine, cocaine, heroin, or hallucinogens. Less than 10% of users report using two or more of these "hard" drugs. A slightly higher amount, 15%, reported using some of these drugs as well as cannabis.

One additional fact to take into consideration when making public policy decisions is that early drug initiation is a strong predictor of switching to other types of drugs. Among those who try marijuana in early adolescence, experimentation with harder drugs later in life is much more likely.

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[3] There is evidence indicating that some individuals who use marijuana with high THC concentrations have suffered more serious health effects.

Finally, although several studies have indicated that cannabis use precedes cocaine or heroin use, the vast majority of those who smoke marijuana remain occasional users of the so-called soft drugs. At the turn of the century in the United States, 25 million people were using cannabis, and "only" 400,000 were heroin users. Clearly, it is uncommon to switch from one to another. However, marijuana was the first illegal substance experimented with by over 70% of heroin users.

A 1995 study based on a household survey on drug abuse found that only 23% of people ages 26–34 who used marijuana had even tried cocaine. More recently, this percentage had fallen even lower (Room et al. 2008).

In short, until now the evidence has indicated that the vast majority uses just one illegal substance, does so infrequently, and experiments with other drugs occasionally. Very significantly, only a fraction of these users will develop into addicts. In other words, there is little evidence to support the widespread belief that the use of hard drugs is the result of experimenting with soft drugs. Some individuals whose first drug is marijuana end up experimenting with highly addictive and potentially lethal drugs, but the vast majority does not.

7.5   Availability and Use

A key question for the legalization of drugs is whether higher availability on the market increases the number of users, and whether a greater number of recreational users lead to more addicts. Although the evidence is not entirely clear or conclusive, it undoubtedly signals a more mixed and less alarmist state of affairs than that depicted by prohibitionists. Mexico, for example, has been producing opiates for nearly a century and has supplied the US market for decades. Despite its production, however, Mexico does not have a heroin problem, a topic that will be further addressed in Chap. 10. According to a Mexican survey on drug addiction, the annual prevalence (i.e., the percentage of users within the population in a one year period) for heroin is 0.1% of people ages 12–65: 18 times less than marijuana and 10 times less than cocaine. In Colombia, whose constitutional court decriminalized use in 1994, there is no doubt that cocaine is widely available. The "Colombian paradox," however, is that there has been little fluctuation in cocaine use rates within the country, in spite of highly favorable conditions for spreading among potential users.

Nevertheless, research on trajectories of drug use shows that some individuals who try drugs for recreation will become frequent users and a smaller percentage will turn into addicts. Studies are imprecise and their models and sources vary. In one report, the RAND Corporation (2005) also found that although most recreational users never become dependent, a share of them does: 23% for heroin, 17% for cocaine, and 9% for marijuana become addicted after a period of experimentation. As the following sections will show, these are the individuals who require both medical and social assistance and who drive up the aggregate demand of illegal substances.

Data on death from illegal drug use is somewhat ambiguous but provides insight into the magnitude of this problem. The UNODC estimates that worldwide 40 deaths per million among the population ages 15–64 are drug-related. However, when this data is disaggregated by regions, the variation is significant. In the United States and Canada, the number spikes to 142 deaths per million inhabitants, while Latin America and the Caribbean have the lowest number of all regions: 15.1 per million inhabitants (WDR 2014). The vast majority of deaths are heroin-related, though there are many cases of car accidents of driving while under the effect of cannabis.

7.6   Cannabis

In recent years, public debate on legalization has focused mainly on cannabis. This section examines at some length topics that may affect policies for marijuana and provides specific information on the effects of this substance, which is overwhelmingly the most common illegal drug. Despite the need for more research into its characteristics and effects, evidence indicates that although cannabis has been linked to certain physical and psychological disorders, it is one of the least damaging substances. Short-term memory loss, a reduced ability to concentrate, and diminished motor skills have been associated with marijuana use. However, as the World Drug Report noted some years ago, "... cannabis use does not show the same patterns of dependent and habitual use as cigarette consumption, and there is no drug-related mortality directly associated with the cumulative effects of cannabis" (UNODC 1997).[4]

Cannabis alters perception, produces a sense of euphoria and relaxation, and intensifies sensory experiences. While under the influence of marijuana, people's attention, reaction times, and motor skills diminish for 1–2 h after using (Iversen 2007). At the same time, those who suffer from unpleasant reactions after use report higher levels of anxiety and even panic attacks, both of which can lead some users to quit (Hall and Pacula 2003).

The greatest public health threat associated with cannabis is driving under its effects. As happens with alcohol, a series of studies summarized by Room et al. (2010) show a surprisingly high number of cases of cannabis in the blood of drivers who die in car and other traffic accidents caused by the delayed reactions of drivers with level of THC in their blood. Other health problems that have been detected among chronic cannabis users include lowered immunological defenses, reproductive health problems (especially among youth), and some respiratory illnesses. Like cigarette smokers, marijuana users can eventually develop lung cancer and other

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[4] A typical marijuana cigarette weighs between 0.25 and 0.75 g. Lab studies with rodents estimate that in order to have a lethal effect, a human would have to use between 15 and 70 g in a single day, much more than the amount consumed even by marijuana "addicts" (Gable 2004). Death by cannabis is thus extremely rare.

respiratory disorders. There are also cases of cardiovascular disease, especially among older users.

Cannabis is unquestionably the world's most popular illegal substance: in 2005, it was estimated that 160 million people—4% of the adult population worldwide—used this substance. Excluding cannabis, the number of users of other drugs altogether represents just 1% of the global adult population (Room et al. 2008). In quantitative terms, then, marijuana represents 70% of the universe of users—a number that is also valid for Latin America. As opposed to other drugs, marijuana causes relatively few severe health issues and affects only a small fraction of the population.

The use of cannabis is widespread. In countries where marijuana is very common like the United States, half of all adults born after 1960 have smoked it. Approximately one out of six adults reported having used marijuana regularly for a year or more. The numbers are similar for Great Britain (Reuter 2009), and in Australia 34% of people over age 15 admit to having used it at some point (AIHW 2008). In 2005, 40% of adults reported having used cannabis at some point in their life, and among adolescents, 13% reported having smoked during the past year (SAMHSA 2006). In Argentina, 9.1% of the adult population used marijuana at some point in their life.[5]

The Netherlands is a particularly relevant case when analyzing the potential impact of legalizing marijuana, since it has come close to legalization: cannabis products in this country can be sold legally at authorized coffee shops. It is surprising, then, that marijuana use in the Netherlands is lower than it is in most countries of Western Europe and much lower than in the United States: only 6% of the Dutch population age 15–64 reported having used marijuana in the past year, while the percentage was 11% for the United States (Reuter 2009).

Young people are the age group that uses cannabis the most. Research indicates that marijuana use peaks among adult ages 20–25 and begins to fall significantly after age 30. In order to forecast the impact of potential liberalization, it is important to examine the share of people who use cannabis in an addictive way. In the United States and Australia, approximately one out of ten people who smoke marijuana go on to become daily users, and another two or three users smoke weed weekly (Hall and Pacula 2003). According to this source, between six and seven out of ten marijuana smokers either stop using altogether or smoke only occasionally.

The 20:80 ratio that was observed for cocaine is also found among marijuana users (alcohol consumption also has a similar ratio where 20% of the people who drink in the United States purchase 87–89% of all alcohol sold. See Greenfield and Rogers 1999). One study notes that among those who say they smoked cannabis less than once a month in the past year, 70% of them report that they had smoked one joint per day; 20%, two; and only 1% more than six joints in one day. However, among those who reported having used cannabis at least 8 months over the past year, 34% had smoked just one joint per day; 25%, two; 21%, three; and 11%, more

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[5] http://www.observatorio.gov.ar/investigaciones/Tendencia_en_el_consumo_2004-2010_Poblacion_General_v3.pdf p11.

Chart 7.1 Hazard scale of different substances

	Safety ratio	Intoxication	Dependence (how hard it is to quit)	Potential addiction	Level of psychological dependence	Social threat
Cannabis	1000 sm	Fourth	Fifth	**	Weak	Weak
MDMA	16 or	NDA	NDA	**	?	Weak (?)
Stimulants	10 or	NDA	NDA	***	Average	Weak with exceptions
Tobacco	NDA	Fifth	First	***	Very strong	None
Alcohol	10 or	First	Fourth	***	Very strong	Strong
Cocaine	15 in	Third	Third	***	Strong but intermittent	Very strong
Heroin	6 i.v.	Second	Second	*****	Very strong	Very strong

Safety ratio = usual effective dose ÷ lethal dose

The chart summarizes scientific information from hundreds of studies, and its results are very conclusive. Information on the effects of different drugs, the likelihood of contagion, and certain features of the drug market dynamics provide necessary insights for in-depth analysis of public policy alternatives, which is the subject of the next chapter

NDA no data available, *sm* smoked, *or* oral, *in* intranasal, *i.v.* intravenous

than six per day. In other words, the intensity of use is concentrated among a small quantity of frequent users (Gettman 2007) who purchase marijuana the most.

One final feature that distinguishes cannabis from other substances in terms of trafficking is that it is produced in over 120 countries. Since cannabis can be planted in small gardens and also grown indoors (hydroponic), thousands of individuals grow for their own personal use or to sell to a small number of people. In spite of this personal production, Morocco, Pakistan, Mexico, Colombia, and Paraguay are all marijuana exporters. This fragmented production has been highly efficient at supplying domestic markets, creating a great variety of types and qualities, and explains why international trafficking of this drug is proportionally less "profitable" than cocaine or heroin for drug traffic organizations. Due to the large production and distribution structure of marijuana, it is much less expensive than other illegal drugs.

7.7   Summary

To provide an overview of the varying impacts, Chart 7.1 (taken from Room et al. 2008, p. 52) presents a synthesis of scientific research comparing the effects of the different substances. This chart summarizes the classifications made by different researchers in the past 15 years.[6]

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[6] For more details, see Room et al. (2008, pp. 55–56).

The first column measures the degree of health hazard the drug may produce based on the number of regular doses that could lead to death (drafted by Gable 2004). As the chart reveals, heroin is highly dangerous, since six doses can cause a potentially lethal overdose and/or have extremely adverse consequences for a user's health. The danger of cocaine and MDMA is intermediate, while it is exceedingly rare for marijuana to provoke any severe reaction immediately after using.

The second and third columns classify levels of intoxication and dependence (drafted by Henningfield and Benowitz and reported by Hilts 1994). Although alcohol is considered highly toxic, it is ranked fourth out of the five in terms of its degree of dependence. Again, heroin is the most harmful of the substances; cocaine, somewhat less; and ecstasy and cannabis, the least.

The same can be observed in the fourth column (drafted by Strategy Unit 2005). According to the specialists consulted, the degrees of potential addiction are detailed here, with findings comparable to another scale developed by Roques (1999) on the degree of psychological dependence a given drug creates.

The last column presents a scale of the perceived threat or social danger, i.e., drugs that "….induced states of uncontrolled and aggressive behaviors... that can lead to disorderly conduct (fights, theft, crime, etc.) in order to obtain the substance and which endanger the individual or others, for example, when driving under the influence" (Roques 1999, p. 296; from the French original in Roques 1999, p. 226, reported in Room et al. 2008, p.53).

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Chapter 8
Legalize, Regulate, or Prohibit? Public Policy Dilemmas

This chapter's title alludes to the three main legal measures associated with illegal drugs. The first is legalization, which sometimes takes the form of a broad decriminalization of the different phases, that is, production, shipping, sale, and use of narcotics. Regulation refers to legal measures aimed at monitoring and controlling the circulation of illegal drugs without actually legalizing (i.e., maintaining prohibition) in order to keep the problem in check. Finally, prohibition means making drugs illegal, directing law enforcement resources toward eliminating the market for drugs, and sanctioning different actors involved in the business.

Naturally, these three ideal types or framework can take different forms, and their degrees can vary. For example, legalization may be applied to some drugs but not others; regulation can range from free needle exchanges to the controlled sale of marijuana, like in Holland; and prohibition can vary from the war on drugs to moderate prohibition where drugs remain illegal but users are not actively prosecuted.

A second dimension of public policy options centers on the implementation stage of policies, from strict law enforcement to a focus on "damage control." When the law is applied with an iron fist, dealers, shippers, traffickers, and producers are all punished to the fullest extent of the law. Under the "damage control" option, the authorities recognize that the war on drugs has very limited chances of success. Therefore, the priority becomes reducing the damage of drugs for users and for the society at large, i.e., they focus on addiction, social impacts, medical treatments, prevention, etc. In summary, the strict law enforcement application can be seen as a legal approach to address the challenges of illegal substance, while "damage control" favors an epidemiological approach.

This chapter reviews the basis premises of the different options before analyzing several policies and their likely outcome. Evidence is provided to support the analysis.

8.1   Policy Options

8.1.1   Prohibition

The predominant paradigm for dealing with illegal drugs worldwide has been a full ban on their production, sale, and use. This model was imposed in 1909 when opiates were prohibited and later the ban was reinforced by the first international treaty on drug prohibition signed in The Hague. In 1961, the Single Convention on Narcotic Drugs was passed by the United Nations, and in 1988 the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances followed. These treaties and conventions laid out the guidelines that served as a basis for most national and international policies on drugs. In 1998, the UN General Assembly Special Session on Drugs (UNGASS) was formed to study trafficking and propose legal measures to fight it. UNGASS later became the United Nations Office on Drugs and Crime (UNODC). Overall, there are three important UN treaties that lay out the framework of the ban on drugs, although these measures leave room for country members to customize their domestic policies in order to more effectively persecute cases of low-level trafficking. The United States has led the implementation of these international guidelines, but several Eastern Asian countries, including China, also adhere to them. In some of these countries, the death penalty applies for cases of trafficking.

Under this paradigm, all illegal drugs are prohibited prima facie. Although a comprehensive philosophical, sociological, and political analysis of the prohibition exceeds the scope of this book (see Tokatlian 2010), the basic argument of those in favor of strict prohibition is that drugs are addictive and harmful to human health and affect vulnerable groups most severely. The argument for prohibition also focuses on the illegal markets and financial transactions associated with illegal drugs, the resulting corruption, and the use of profits for illegal transactions, which can even be used to finance terrorism. States must continue to ban drugs, prohibitionists argue, in order to keep a lid on this market. The basic claim is that although prohibition does not eliminate the manufacture or use of these substances, it does limit them: laxer laws would only serve to exacerbate the drug problem, supporters say, since more drugs would be available and the number of users would rise. This spike in the number of users would have adverse effects on human health, as evidenced by the liberalization of the alcohol and tobacco markets.

Prohibition entails punitive measures for every phase of the drug business. The criminal sanctions for trafficking are most severe, while the sanctions for simply using are the least severe. In fact, in recent years, many countries have stopped sanctioning users altogether even in cases where drug use has not been officially decriminalized.[1] In many countries, the application of drug laws has significantly

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[1] One clarification is necessary on the use of the term "decriminalization." Usually, criminalization is used when drug possession is treated as a crime, while decriminalization entails no sanctions for users. In many countries, decriminalization means that even though the crime exists, the person who commits said crime will not be punished. The reason for keeping it a crime is that if use were completely legalized, the entire chain would have to be legalized.

increased incarceration rates, imposing major costs at both the economic and human level. In the United States, more than half a million people are in jail for drug-related crimes, while in Latin America, as shown in Chap. 6, the number stands at around 400,000. Given the high rotation of inmates in Latin American countries (most drug dealers serve between two and four years), it is possible to estimate that more than two million people have served time in Latin American jails for drug-related crimes since the beginning of the twenty-first century.

Prohibition requires the allocation of significant resources and investments, and it contributes to the development of bureaucracy. Police, prosecutors, judges, and prison officials are all very familiar with the topic. There are also state agencies specializing in the financial transactions associated with trafficking, money laundering, border and customs controls, and local entities (at the provincial, state, and/or municipal level). Officials inside these agencies work to identify and punish those who commit drug-related offenses. The enormous amount of money produced by the drug business has fostered corruption among police and court officials. In short, prohibition has generated a large state control apparatus, with steep social costs and major incentives for bureaucracy.

Many countries in the world have joined the so-called "war on drugs" launched by President Nixon in the 1970s. Being a drug producer and exporter, Latin America has been a focus of this war, as shown by the crises in Colombia and Mexico, and in part of Central America's Northern Triangle. Those who oppose prohibition argue that these policies have inadvertently caused hundreds of thousands of deaths, displacements, ecological damage, and severe human tragedies. Those in favor of banning illegal substances argue that although it comes at a high price, the social costs of liberalization would be far worse.

There has been a wide range of prohibition policies worldwide. The next section presents a brief description of the strategies to reduce production and trafficking.

8.1.1.1 Drug Crop Eradication

From the 1990s until the beginning of this century, chemical eradication of vast areas of coca crop lands has been a policy strongly favored by the United States but has proved futile in the long term. Eradication in one territory simply led to the development of new coca plantations in Colombia, Peru, and Bolivia (this is the so-called balloon effect). In addition to the extreme environmental damage fumigation causes, it has also driven human displacement. Overall, the evidence shows that crop eradication policies had very little impact on the availability of drugs (Rojas 2005; Ramirez Lemus et al. 2005; Youngers 2005).

Supported by the United States under Plan Colombia, these policies also led to more confrontations between the FARC (Revolutionary Armed Forces of Colombia) and the Colombian government. Toward the end of the 1980s, 90% of coca crops came from Peru and Bolivia. The initial processing of leaves into coca paste was also done in these countries before flying it to Colombia, where the final product (cocaine) was produced in clandestine laboratories. During the late 1980s and the

beginning of the 1990s, authorities began to shoot down planes flying illegally from Peru to Colombia, leading to a substantial rise in coca plantations in Colombia. Located in remote rural areas, the new crops gave FARC rebels a great opportunity to protect the fields and charge "tolls" on shipments. This explosive growth increased the amount of land used for coca crops from approximately 20,000 hectares in 1994 to 200,000 in 1996 (Pardo 2010), strengthening the power of FARC guerrillas and exacerbating the country's internal conflict. Part of the failure of plane fumigation policies was the rapid shift of production from Peru into Colombia, with the logistical support and protection of FARC. Just a decade later, the strategy shifted from aerial spraying to drug interdictions at production labs, a policy that did have an impact on the supply side (Castillo et al. 2014). In summary, chemical eradication policies have not reduced availability as expected by prohibitionists but have had grave social repercussions, including mass migrations, environmental problems such as land degradation, displacements, and health problems. In addition, in Colombia, these policies inadvertently strengthened a guerilla organization (the FARC).

8.1.1.2   Trafficking

The most intense battle against drugs is waged during the smuggling phase in an attempt to reduce the drug availability by limiting the product that reaches the markets. Given that drugs like cocaine and heroin—and, to a much lesser extent, cannabis—are produced in remote rural areas, supply-side strategies targeting large wholesale shipments are most successful. Hefty investments have been made to combat smuggling. In Latin America, US forces have actively participated in anti-smuggling efforts in Colombia, Central America, and Mexico. Across the region, governments have invested in recruiting and training personnel and in purchasing equipment to fight militias working for the drug lords. Although in other countries, there are no paramilitary organizations tied to the drug business, in most of them there are groups of several dozen people who are colluding or fighting with the authorities.

The predominant goal of these supply-side efforts is to capture the leaders of smuggling rings. Although there are serious doubts regarding the effectiveness of such policies, governments in some countries of the region have focused their efforts on identifying and then arresting (or killing, if necessary) the heads of the different organizations. In fact, 95% of the drug lords from the 1990s are either dead or in prison. In spite of eliminating these leaders, violence has not diminished—as shown in Chap. 4—and supply has held steady. The only real impact, then, has been the instability and violence caused when lieutenants—the terms used in drug organizations to refer to the drug lord's right-hand men—scramble to take control of the organization after leaders were killed or apprehended. Overall, the strategy of eliminating leaders has had little success in reducing the supply of illegal drugs, and some have called for more effective tactics.

8.1.1.3   Sales

Court and prison records show that the overwhelming majority of those prosecuted for drug-related crimes are street pushers and transporters (including mules). These are also the easiest targets for police to identify and for courts to sentence (among other reasons, most defendants have little access to a quality legal defense). As seen throughout this book, these are the individuals easiest to replace and their arrest has no effect on the marketing supply chain. This is a "trap" that those in favor of prohibition have not managed to resolve. A system with high sanctions, however, serves to deter potential offenders and raises the cost of illegal transactions. Pushers incorporate the risk of arrest/prison to the price tag of the product they are selling: in short, if there were no risk of apprehension, the drugs would be much cheaper and drug use would increase. As demonstrated throughout this book, the very large difference in the wholesale vs. retail price of drugs like cocaine and heroin is due precisely to the high individual cost of sanctions. In turn, given the much lower sanctions for marijuana, the difference in price between wholesale and retail is much lower.

In terms of drug use, while some countries continue to punish users, others have become more tolerant and, in some cases, have decriminalized personal use altogether. This will be analyzed in the section that overviews strategies for regulating illegal drugs.

Opponents of legalization offer compelling evidence. They claim that ultimately, due to the ban, only a limited number of people continue using drugs after a certain age while most people desist. In addition, in countries where the laws are rigorously applied, the number of users appears to be under control. One example they offer is Sweden, a country with particularly tough laws and controls, where prevalence levels are lower than anywhere else in Western Europe.[2] Detractors, however, argue that a century of prohibition—with its enormous expenditures and countless lives lost—has only served to intensify the problem.

8.1.2   Legalization

The antithesis of prohibition is the full or partial liberalization of the production, sale, and use of some or all drugs. There are three different and to some degree complementary perspectives on legalization: (a) inspired in the liberal tradition of John Stuart Mill and his successors, the first argument is that no one—not even the state—should meddle in an individual's decisions, provided these decisions cause no harm to others; (b) in keeping with Gary Becker's argument, the second

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[2] Sweden has a wide range of prevention and treatment programs available, though it imposes severe punishments for anyone involved in the drug market (users included). Since the 1970s, sentences for drug-related crimes have grown progressively more severe. See the summary at http://www.beckleyfoundation.org/pdf/report_drugspolicy.pdf pp. 10–12.

perspective claims that prohibition is futile, because attempts to curtail the demand of goods people desire creating illegal markets and artificial prices, with a wide range of negative externalities: and (c) prohibition eventually enhances the power of organized crime, with devastating repercussions for citizen security.

The arguments for supporting legalization are ideological and pragmatic and are based on the conviction that prohibiting drugs is both unsatisfactory and impractical. However, there are certain differences between these perspectives. Some argue that all drugs should be legalized because if the most profitable drugs like heroin and cocaine remain illegal, the threat of organized crime to citizen security persists. Others argue that it is politically unfeasible to gather enough support for the legalization of hard drugs and, therefore, legalization should start with more innocuous drugs like marijuana.

Even the most radical supporters of legalization acknowledge that illegal drugs have a detrimental impact on a user's health and negative social effects. For those in favor of legalization, however, the question of drugs and their impact on others is difficult to assess. For example, if a parent is addicted to cocaine or methamphetamines, this will clearly impact his/her children. When there is a high concentration of users on a city block or neighborhood, addiction can spread like an epidemic. A person who has become heroin-dependent negatively affects the lives of those around him/her. The cost of addictions—especially for the poor—ultimately increases public healthcare spending. The line between individual liberty and social impact is somewhat fuzzy. Supporters of legalization ask how significantly other people's rights need to be affected in order to justify a limit on individual rights. Drug use and addiction inevitably have secondary effects on users' families and friends and, more broadly, on the community at large. This has been the soundest argument against the libertarian stance.

Ultimately, however, legalization does not mean total freedom to manufacture, acquire, or sell drugs. In fact, supporters of legalization argue that the production and sale of drugs should be regulated to limit the access of minors, ensure advertising is not allowed, and keep records of hard drug users. Finally, most supporters of legalization favor the sale of drugs through authorized vendors in order to ensure greater control over the business. In some countries, many of these clauses might be constitutionally challenged with a high likelihood of winning the cases in court. Other cases show that once an illegal substance is legalized—with alcohol as an excellent example—it becomes highly difficult to restrict its use. Those who are against legalization argue that in practice, all of these limitations dwindle. If drugs were legalized, it would become even more difficult to prevent young people from obtaining them; the price would diminish considerably, making them more accessible; the black market would continue to flourish (due to limitations on who can purchase drugs legally); and even more violence could stem from crime syndicates, since they would seek out profits in other activities like extortion, kidnapping, and human trafficking.

Those in favor of legalization acknowledge these difficulties but argue that the scale of the problem would be significantly different if drugs were legal. Black markets would continue to exist but would be less profitable. The investments and

spending governments make in law enforcement could be reassigned to treatment, prevention, and social programs. Additionally, strict state control of the type of substances available (and their lower price) would prevent the devastating consequences of cheap but extremely dangerous versions of cocaine like paco/crack or versions of methamphetamines like crystal meth.

There are few cases where drugs have been actually legalized in Latin America. The most noteworthy case is that of Uruguay, which legalized the entire market chain for marijuana, not just sales. The law, whose implementation has been sluggish, permits individuals to grow their own crops along with clubs and farms authorized to produce cannabis for the local market (the production of both is limited). Distribution takes place at authorized shops and pharmacies to control the market. The aim of legalization in this country was to dismantle the black market and avoid its adverse consequences, especially crime. Other examples of open liberalization are the US states of Colorado and Washington, and several more in the last years, in a spirit similar to that of Uruguay. In other places like California and Washington DC, residents have also voted to legalize marijuana for recreational use, and implementation is slowly introduced.[3]

8.1.3   Regulation

Regulation is not an ideal-type model of drug policy perspective but rather a modified version of prohibition/legalization. While those in favor of prohibition prefer to "deal with reality" and thus get the state authorities involved on drug markets for damage control purposes, those who support legalization are against fully relaxing the laws on drugs and believe the state should intervene to regulate the market. Supporters of both perspectives of the drug problem lobby for a series of policies that take a pragmatic approach to specific problems associated with drug markets.

The scope and degree of regulation is associated with the type of drug market. Needle exchange programs, for example, prevent the spread of HIV, hepatitis, and other contagious diseases among heroin addicts and are a typical intervention within the framework of prohibition. Authorized sales at pharmacies or special shops, as permitted in Uruguay and in some states in the USA that have opened up the market for legal cannabis, are examples of regulations associated with legalization.

Regulation implies accepting existing drug markets to the detriment of principle-based positions, consenting to the state's agencies intervention on the market. It is closely associated with damage control policies, which are the topic of the next section. There are a great number of regulations that reflect each country's stance on drugs.

The following examples describe some of the most well-known regulation policies worldwide.

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[3] The case of Washington DC is particularly complex because the US Congress has jurisdiction in budget affairs and is entirely opposed to legalization.

- The initiative of former presidents Fernando Henrique Cardoso from Brazil, Ernesto Zedillo from Mexico, and César Augusto Gaviria from Colombia. These former head of states are in favor of decriminalizing drug use and possession for marijuana as a first step toward legalization. They believe that the "war on drugs" is a lost cause with enormous human, economic, and institutional cost, and they argue that efforts should focus on the health and safety of communities instead of on futile law enforcement.
- The Dutch experience. Since the 1970s, cannabis use has been legal in the Netherlands. It is sold at licensed retailers (coffee shops) with strict regulations on who can purchase the product, but they lack clear guidance in terms of wholesale purchases of the substance. Easy access to cannabis in the Netherlands has not, however, impacted on larger drug use, and evidence indicates that prevalence in the country is one of the lowest in Western Europe and even less than half that of the United States (Reuter and Trautmann 2009). However, especially over the past decade, "drug tourism" has produced more crime resulting from waves of tourists that flock to Dutch cities to buy cannabis freely. Local and municipal governments have recently taken measures aimed at greater control and more restriction on licenses.
- Portugal. In 2001, this country launched new policies to decriminalize use and possession of all drugs. Until quite recently, this has been the most radical case of liberalization. But this decriminalization does not entail legalization since prohibition is kept intact in all other stages. The most important innovation in terms of drug regulation was the Drug Use Dissuasion Committees (Comissões para a Dissuasão da Toxicodependência—CDTs), which follow the cases of people who were using or were in possession of drugs at the time of arrest (Allen et al. 2011). These CDT committees can impose noncriminal sanctions or mandatory requirement for individuals to attend treatment, counseling, or workshops. In practice, it combines information and support treatments with sanctions. Initial evidence appears to indicate a moderate reduction in drug prevalence rates, especially among youth.[4]
- Medicinal marijuana. Since 1996, the year that California approved the use of medical marijuana, 29 USA states have also legalized cannabis for medical use. As a method to permit small-scale use and production, it has spread quickly across the United States. Many states, including California, have moved toward legalizing marijuana under strict regulatory guidelines for production and sale.
- Drug courts. Even in the United States, the country that allocates the largest budget to prohibition in the world, there are instruments like the drug courts where a user can receive suspended sentences for jail time but is encouraged—like in Portugal—to join rehabilitation and abstinence programs. Under specially designed drug court surveillance, offenders' sentences are suspended, though they have to report to a court officer and do regular urine tests. If these tests

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[4] See Nicholas Kristoff article at the New York Times https://www.nytimes.com/2017/09/22/opinion/sunday/portugal-drug-decriminalization.html.

indicate the person is still using drugs, the sentence suspension is revoked. Some of these treatment programs have been relatively successful.

These are only a few examples of the broad range of programs and drug policies worldwide that attempt to regulate the use and markets of illegal substances. However, public health policies are the most commonly applied regulations. These measures range from very liberal to the most restrictive.

8.2   Prevention and Treatment

While law enforcement seeks to address the drug problem from the supply side, prevention and treatment are programs directed to reduce the demand.

Although prevention and treatment for addictions are said to be high priorities among the many public policy options available, the true dimension of the efforts a country makes should be judged by the state budget for these tasks, especially in comparison to the amount allocated to fighting illegal drugs. In other words, all public officials and politicians clamor for investments in prevention and treatment, but for a diligent assessment of these policies, it is necessary to examine what countries have done to reduce demand compared to the resources allocated for the war on drugs.

Prevention and treatment programs are qualitatively different. Prevention programs aim to reduce the number of users. Efforts in education, information, and awareness programs at different levels seek to prevent people (particularly adolescents) from experimenting with drugs or from developing a habit. Treatment programs on the other hand are focused especially on addicts or individuals who use drugs frequently with the goal of enlisting them in detoxification programs where they may stop using and stay clean. The scope of prevention is broad in its scope, while treatment programs are focused on limited populations.

The effectiveness of treatment depends on the identification of the most vulnerable populations (youth, sectors with unstable social backgrounds, people with health issues, etc.) and then implementing programs to reach them. Treatment programs are successful when frequent users are found and are convinced to undertake therapy in order to reduce their use or to quit altogether.

Treatment policies have their limitations and policies based on them must be cumulative. It's hard to imagine that the demand for drugs will fall in any substantial way as the result of such policies, which are voluntary. However, scientific research has shown these treatment policies are more cost-effective than punitive and enforcement programs (Caulkins et al. 2005). In other words, investments in treatment have greater returns (in terms of reducing drug use) than strict law enforcement. As mentioned, the challenge is reaching all those who can benefit from treatments because the success of such programs depends on their voluntary nature.

There is no solid evidence regarding the degree of success of treatment programs in Latin America. In general, heroin addicts are given methadone, an opiate substi-

tute, and the addicts of other substances usually receive therapy and counseling. The vast majority of those who go to rehab leave before completing it, and among those who do complete counseling and therapy, half relapse within 5 years. In spite of these numbers, the programs are still cost-effective, since the $4 billion dollars a year spent in the United States on treatments reach approximately 800,000 people who not only use fewer drugs (albeit temporarily) but also stop committing crimes, thus avoiding other negative social externalities. In any case, this level of intervention reaches less than 20% of the universe of "hard" drug addicts.

Prevention programs are also most cost-effective than policies aimed at punishing offenders; however, it is unclear whether the demand for drugs would be reduced further if governments increased the budget for prevention (and reduced their investments in sanctions). This is because there is clearly a limit for what prevention program can achieve. The most effective prevention programs are educational and implemented at schools with adolescents.

Investments in drug treatment programs are more cost-effective than interdiction. As shown in a pioneering work on cocaine by Rydell and Everingham (1994), when recidivism rates are very high, treatment proves much more beneficial than law enforcement. Although these studies may differ in terms of the scope of the social benefit, all of them stress—at least in principle—the advantages of treatment programs over punitive measures.

Nevertheless, the resources spent on programs to reduce demand are smaller than those allocated to reduce supply. A US budget analysis (no similar data is available in LATAM) shows that in 2009, 23% of funding went to treatment, 12% to prevention, and the remaining 65% to law enforcement, including prohibition programs and international measures to reduce the supply of narcotics. In summary, then, one out of three dollars went to fight demand, and the other two dollars went to reduce supply (Carnevale 2009). Most likely, this ratio is even greater in most of the countries of Latin America, where very little is invested in treatment or prevention in comparison to what is spent on police, the armed forces, criminal prosecution, and incarceration for drug-related crimes.

According to empirical evidence presented in a comprehensive study by the Rand Corporation (Caulkins et al. 2005), treatments are more cost-effective than strict law enforcement. However, prevention has not been recognized as more cost-effective because research lacked adequate experimental design to control for other factors. In terms of the evaluation of prevention programs, it has been difficult to isolate the messages of the program from a set of other factors that can also affect abstinence, dropping out of rehab, etc. For example, in cases where individuals have been exposed to educational programs at school, it has not been yet possible to determine whether their subsequent behaviors are the result of the impact of these programs or of their family structure, social surroundings, personality factors, or school performance. However, given the relatively low cost of prevention in comparison to other types of policies, researchers have argued that is important to continue prevention programs, though they should be designed to target vulnerable groups.

While law enforcement and control measures have an immediate impact on supply, prevention programs are aimed at reducing demand in the future. Though no one is opposed to educational programs that target youth at schools in order to reduce this population's willingness to use drugs, there is no doubt that 30–50 h per year (in the case of the most ambitious programs) are less effective than the thousands of hours young people spent with friends, watching videos, or consuming digital material.

The role of the media in drug prevention has been difficult to assess. Methodologically, it has been hard to isolate messages of the media directed at discouraging drug use from other type of messages, from movies and series, that may indirectly encourage experimentation and which vulnerable populations regularly receive. As a result, there are no research designs that control for the media effect. One systematic study headed by Westat and the Annenberg School of Communication (two prestigious institutions) have not found evidence that media prevention programs have helped reduce drug use (Caulkins and Reuter 2013).

8.3 Public Health and Damage Reduction

In contrast to the prohibition paradigm, the public health perspective has been the most dominant approach. Its general goal is to circumscribe the damages drugs cause without examining the moral question of legalizing or banning drugs. Instead, the public health perspective establishes that the social and healthcare problems caused by drugs are more serious than their legal repercussions. It is thus necessary to shift the focus, abandon strict prohibition, and channel state efforts and resources to strengthen people's safety and health. Although epidemiologists and other political actors have been making this argument for decades, it has only begun to appear in international debates in recent years, mainly thanks to support for this approach in Latin America.

Epidemics, Individual Harm, and Social Damage
Given that drug use spreads overwhelmingly through social encounters, there are several features that can be addressed from an epidemiological approach. Pop cultures and media have portrayed an image of dealers passing out free drugs to vulnerable youth who later become hooked. The evidence however, indicates that most drug initiations begin with an offer from a family member or friend. This type of "social contagion" effect is even more noticeable for hard drugs like heroin, cocaine, and methamphetamines (Caulkins and Reuter 2013).

Initiation rates spike at the outset of epidemics, because the spread and growth of new users are encouraged by their peers to experiment with the substance they enjoy. However, evidence from several studies has shown that in the long term, addictions are not very "contagious" for cocaine, heroin, and methamphetamines. This is because users end up isolating themselves and the appeal of the drugs drops as the unpleasant effects of addiction set in. During the following stage of

epidemics, initiation rates drop significantly due to the reduction of the vulnerable population either because the number of nonusers shrinks or because the drug's reputation becomes tarnished when users start to see the adverse consequences of addiction in their peers who are still using. At this point, the use of a drug in a given population stabilizes and then starts to slowly decrease. A core number of users will still demand a given drug, and of course there can be "rebounds" of drug epidemics long after their peak.

These cycles have been observed for almost all drugs, even for marijuana, which is the least sensitive to these negative social effects since the adverse consequences of addiction are less visible. For most drugs, initiation rates peak relatively soon after they appear on the market. This applies to both soft drugs with high prevalence rates and for hard drugs with lower rates of users. After a few years, initiation rates decline, and a low rate of chronic users and prevalence stabilizes.

Epidemiological studies have provided new insight on several assumptions associated with drug use. First, the dramatic reduction of street prices of heroin and cocaine in the 1990s and at the turn of the century has not led to a new epidemic of these drugs. Use has remained stable or even dropped.[5] Second, the characteristics of the epidemic cycle (particularly the phase where drug use dwindles) seems to have a greater effect on prevalence rates than the availability or the price of the drug. That is, although initiation can rise when prices drop, the bad reputation of these particular drugs can be a powerful variable in reducing their spread. For those who emphasize prevention policies, this reputation variable provides a strong argument.

A third claim of public health supporters is that the "war on drugs" has had terrible consequences on human lives and caused unnecessary suffering ("social damage"). The punitive paradigm has undermined the state's real capacity to ensure citizen security while contributing to enormous profits for organized crime. According to those who lobby for the authorities to limit the damage caused by drugs, it is necessary to take a more humane approach for those who, though they are involved in the world of drugs, exercise no violence and represent no threat. In short, according to this perspective, the real outcome in terms of citizen security and the effects of the punitive paradigm have more detrimental social consequences than the drugs themselves. It is thus more beneficial, they would argue, to focus directly on the harm caused by the substances.

This paradigm encourages the reallocation of a significant share of funding to treatment and prevention programs, exploring alternatives to incarceration for nonviolent offenders, decriminalizing drug use, and focusing efforts on reducing the power of trafficking organizations. Detractors argue that such measures will produce even larger epidemics, since lowering the costs of drugs will be an incentive for drug use and that the real effect of prevention and treatment programs—which have only limited effectiveness—will be particularly unsatisfactory, especially in countries with weak state institutions. In addition, because prohibition will continue, black markets will persist and violence along with them.

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[5] The recent opioid epidemic in the United States is unrelated to a drop in prices in the 1990s. As mentioned earlier, this epidemic is tied to the painkiller crisis over the past decade.

8.4   In Conclusion

These two chapters have contributed useful information for the current debate on what to do about drugs today. The critical issues of the most overarching public policy dilemmas have been explored, with an emphasis on the most feasible programs and alternatives. There are, of course, many more public policy alternatives and approaches, but they exceed the scope of this book.

The focus here had been to provide the most accessible and solid evidence, developed in rigorous academic works. Using this information, readers can form their own opinions on the best alternatives for the illegal drug problem. This is a debate that will continue in the years to come. Legalization, control, and prohibition are only ideal types that are rarely implemented in their entirety. The public policies of the years to come will undoubtedly draw on the topics discussed in these chapters, while the goal of this book is to contribute to reach informed solutions.

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Part IV
Case Studies

Chapter 9
Notes on Illegal Drugs and Trafficking in Argentina

Little is known about drugs and trafficking in Argentina. Analytical information is very limited in this country, and there are few scientific studies on the subject. However, in the last few years, a plethora of stories, media reports, and police and court accounts of the drug underworld has emerged, along with ethnographies on related topics. However, few analytical studies answer questions such as the following: what is the magnitude of the drug market in Argentina? What individuals are most likely to become addicts or even occasional users of banned substances? What phase of the drug epidemic is the country currently in? Who gets treatment and how effective is it? Why does violence break out in some cities but not others? What is Argentina's specific role in the world of drug trafficking? How much drug money is laundered in the country? What is the degree of involvement of police and government officials with the drug business? These are only a few of the important questions that have to be answered in order to engage in an enlightened debate on public policy—a debate that could also help politicians make more informed decisions.

This chapter seeks to provide insight into these topics. Unfortunately, few hard facts are available, meaning that many of the findings are speculative and require more data in order to confirm or refute them. They are, however, based on existing information as well as studies extrapolated from other countries and adapted for Argentina. This chapter, then, attempts to answer important questions based on reasonably developed studies and stats, making a contribution to exploring new ideas and generating better knowledge on the subject.

Among the sources cited in this chapter is an important series of works sponsored by SEDRONAR and Argentina's Drug Observatory (OAD) between 2005 and 2011 (see the website www.observatorio.gov.ar). Other studies and surveys have provided statistics on prevalence and trends in drug use as well as cost, budget, and expenditure estimates in relation to the state's fight against drugs. On the following pages, many of these findings will be described. Unfortunately, between 2011 and 2016, data collection has decreased and the access to new information was restricted.

The chapter starts with a brief introduction to the existing legal framework for drugs in Argentina. Later, the available data on the use, production, and trafficking

is presented. The section that follows offers an initial look at the potential dimension of the drug market and an analysis of different substances and the degree of their epidemic. This chapter provides a brief overview on programs to fight drugs, treatment and prevention before turning to the topic of violence, and the role of the authorities in fighting violent outbreaks. Like in other chapters, I do not express my personal opinions or state which public policy I consider most suitable, though in this case I do take a stance on the need for an informed debate.

9.1   Legal Framework

The efforts to control the circulation and use of drugs in Argentina date back to the social hygiene movement at beginning of the twentieth century.[1] The first law that specifically addresses possession, trafficking, and production of narcotics came much later, however, when Law 20,771 (1974) replaced Law 17,567 (1968), which had banned the use of a few substances. The 1974 law established penalties for drug-related crimes—including possession of drugs for personal use—with sanctions varying from fines to jail time. This led to Supreme Court rulings challenging the constitutionality of certain aspects of the law.

In 1989, Law 23,737 was enacted to address the possession and trafficking of narcotics, with established sanctions for possession, use, production, and trafficking, and no distinctions were made between the different types of drugs. This law offers few specifics in terms of its sanctions, condemning any drug-related activity in what appeared to be a "zero-tolerance" policy in line with UN recommendations and the recently enacted Vienna Convention of 1988.

The Bazterrica ruling by the Supreme Court in 1986 became a milestone in terms of decriminalizing drug use and the most important case of jurisprudence before the enactment of the Law 23,737. After this statute was enacted, the Montalvo ruling in 1990 again sanctioned drug possession for personal use. In other words, over the course of the 1980s, legislation and jurisprudence on narcotics fluctuated between zero tolerance and a more lenient approach to personal use.

However, a case that went to court in 2006 represented a tipping point in the jurisprudence of the Supreme Court. Three young individuals detained for marijuana possession were sentenced to attend drug therapy workshops but decided to appeal. In a 2009 ruling (the famous Arriola case), the Supreme Court ruled that the use of narcotics in private was protected by Article 19 of the National Constitution. The ruling became an important change in the focus of Law 23,737, which had criminalized users in the fight against trafficking, generating backlog in courts and depleting state resources. On this occasion, the chief justice of the Supreme Court stated that "this is about more than merely respecting what people do in private: it's about acknowledging a sphere in which every adult individual has the power to

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[1] Renoldi (2008) provides an excellent summary of these efforts. For a study on the movement and on social control, see Salessi (1995).

make decisions on his or her lifestyle." Although Arriola was a case on marijuana possession, the ruling itself does not name the substance; thus, it strikes down the authority's intervention in personal use for all illegal substances.

In February 2009, in "On acquittal of Carlos Dora and other", a federal criminal court ruled that Article 5 of Law 23,737 was unconstitutional. In the court's view, four potted plants of cannabis sativa, weighing 75 g, were being grown for personal use, and therefore, the defendants were not guilty of any crime. At the same time, even before the Arriola ruling, most cases of possession for small amounts of narcotics were thrown out of courts before the investigation even began, indicating that the enforcement of Law 23,737 was limited. In a later ruling, the court deemed that using illegal substances in public does affect third parties and thus constitutes a crime.

There have been lively debates in recent years on the need to amend the country's drug legislation, which is highly incoherent, and a wide range of proposals for decriminalizing and/or legalizing these substances have been publicly debated. Nonetheless, the amendment to Narcotics Law 23,737 is stuck in Congress. Almost all of the proposed amendments to the bill that have been drafted to date seek a reduction of sanctions for users, based on the arguments presented in 2009 by then Supreme Court judge Eugenio Zaffaroni during the Arriola case: prosecuting users does not address the real problem of trafficking. Moreover, severe sanctions make users reluctant to collaborate with police investigations. Across Latin America, there is a debate on new and alternative strategies to the war on drugs. In this context, almost all the countries in the region are moving toward a moderate level of decriminalization of personal use, either through legislation or jurisprudence. To date, Uruguay is the only country that has gone so far as to legalize cannabis, although the state regulates its sale.

9.2   Argentina: Transit or Destination Country?

In the public debate, some experts have argued that the lion's share of illegal substances in Argentina is mainly drugs in transit toward European (or other) markets, while others claim that there is an emerging domestic market. Those who support the "transit country" argument based their arguments on intrenational reports revealing that up until a few years ago, Argentina was a point of transit for drugs being shipped to Spain and the rest of Europe and also to Western Africa (a layover to European markets) and even to the United States via Mexico. There have been a few important seizures of cocaine in recent years, including an airplane arriving to Barcelona from the province of Buenos Aires with almost a ton of cocaine, and the case that became known as the "Louis the 16th" operative, where a great quantity of drugs was hidden in antique furniture.

On the other side of the debate, those who believe that the domestic market for drugs is growing note that many of the seized shipments involve marijuana, which is not one of the "exportable" products to Europe. As evidence of the growing

demand, they note the vigorous growth in drug use, the proliferation of "kitchens," (homemade production of crack and other drugs) and the sale of drugs in major cities. The following section briefly analyzes these arguments based on existing evidence before presenting a few initial considerations.

9.2.1 Transit

There is no doubt that Argentina is a transit country, mainly for cocaine and—to a lesser extent—for the chemical needed to manufacture cocaine and synthetic drugs. The question of chemical precursors received much attention in the media due to several high-profile trials dealing ephedrine and pseudoephedrine, the chemicals used to manufacture designer drugs whose importation has risen exponentially over the past decade. According to court records and several publications based on trials records (Burzaco and Berenstein 2014; Sierra 2014; Messi and Bordón 2014), between 1 and 2 tons of these precursors were imported annually. In 2007 and 2008, however, imports multiplied 10 to 18 times. Clearly this product was being trafficked for the manufacture of illegal drugs, probably to be shiped into Mexico.

The cocaine exported by Argentina is produced in Bolivia, Peru, or Colombia. International smuggling rings are behind these shipments, whose initial destination is Spain and later other locations in Europe. Argentina's rising role as a cocaine exporter results from its lax border controls, significant corruption in the country, and intense human and merchandise trafficking: the cartels seized on these weaknesses to reach the lucrative and growing European market. Ports in Brazil, Venezuela, and other countries in the Caribbean are also used to reach the European markets, though Argentina has become an important point of departure.

How plausible is this hypothesis? Generally, the UNODC and other organizations argue that the best way to measure the amount of drugs availability is through seizures, which provide a baseline for calculating the amounts actually available. If one assumes that law enforcement works steadily (though this is a somewhat questionable assumption), then the quantity of available drugs becomes an indirect indicator of the amount being trafficked and sold.

Chart 9.1 presents the amount of substances seized in the past decade based on the best public data available. It is important to note that it includes all drugs confiscated within Argentina. Therefore, drugs shipped from Argentina but seized in other countries are not included in the chart, despite the fact that the country's role in international trafficking also depends on these statistics. Although measurements such as these are always lacking (ultimately, the percentage of drugs confiscated in relation to the total quantity of drug available is impossible to determine), they do provide insights into the scope of drugs seized. It is important to focus more on the trends rather than on the net quantities.

This information reveal several important trends. First, it indicates an important increase in the amounts of cocaine seized in Argentina toward the middle of the past decade. While seizures totaled approximately 2 tons per year during the first half of the decade, the annual average for the second half was 9 tons. The growth is notable.

Chart 9.1 Seizures in Argentina

Type	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Cocaine	2280.22	2087.67	1562.31	1918.64	3061.64	5399.71	6401.97	7503.54	12,085.19	12,557.22	7237.00	4162
Base paste	71.00	199.00	76.00	74.00	66.00	102.86	99.90	29.55	27.08	86.04	59.00	
Heroin	47.66	126.03	32.29	**175.78**	16.09	31.00	32.51	0.44	14.74	**0.00**	6.00	
Cannabis plants	25,539	33,052	44,824	58,340	54,786	36,482	87,526	89,940	107,530	91,869	36,294	28,680

Source: CICAD see http://www.oas.org/dsp/obsservatorio/database/indicators.aspx?lang=es. For cocaine, base paste, and heroin, the amounts are in kg

Second, little quantities of base paste was seized during the past decade: the product most frequently exported was cocaine. The seizure of base paste, a crude extract of the coca leaf which is later refined to obtain cocaine, can be imported to supply a local demand for crack, paco, or other smokable versions of the drug made from the paste or to process powdered cocaine in Argentina. In both cases, the reported quantities indicate a very low level of importations of this kind and a striking stability over time. There are many reasons to think that this may have changed in the past few years, but there is insufficient public data to confirm this hypothesis. The proliferation of "kitchens" and labs in Argentina could indicate a greater level of local domestic processing.

In terms of heroin, the numbers reveal that its domestic circulation is minimal. With the exception of two isolated years (2001 and 2003)—so isolated there could be reason to doubt the accuracy of the statistics—heroin's importance on Argentina's drug market is negligible.

Cannabis seizures, on the other hand, are widespread. Though there are some fluctuations, major seizures take place every year, with a spike in 2006 followed by a drop in the following years. As the following section will show, this could reflect the vigor of the domestic market but also the growth of an important neighboring market—that of Chile. Paraguayan marijuana destined for Chile is shipped through Argentina. Marijuana is not, however, a drug exported to Europe due to both its volume (it would be harder to hide) and its price (much lower than cocaine, which means lower profit margins).

The intense traffic of people traveling from Argentina to Europe—especially Spain—has created incentives for the use of "mules," that is, people who carry up to 4 kg (in their shoes, inside their body, or in luggage), making approximately US$5500 for each trip. Between January 2014 and June 2015, 75 "mules" were arrested. In total, they carried 312 kg of cocaine (the level of purity is unknown). In other words, the authorities have stopped approximately 50 people carrying close to 200 kg per year on average.[2] If it is assumed that the amount seized represents 10% of the amount trafficked, around 2 tons per year are being shipped from Argentina to Europe by mules, which represents 1% of the amount Europe uses each year. This type of trafficking may be carried out by smaller smuggling rings to supply captive markets. It is difficult and costly for the large cartels to do their level of business through mules.

In essence, the data appears to indicate that Argentina has a growing role in cocaine trafficking to Europe. If it is assumed that most of the cocaine seized across Argentina was destined for Europe and only a small amount for the local market[3] and that—as some experts argue—seizures represent between 15% and 20% of the total amount seized, approximately 20–40 tons of cocaine destined for Europe could

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[2] The information on court cases for attempted smuggling was reported in daily *La Nación* (June 28, 2015).

[3] As will be shown later, the domestic market in Argentina does not exceed 12 metric tons per year; therefore, most of the cocaine seized would not be destined for local markets.

be shipped via Argentina.[4] Given that approximately 200 tons of pure cocaine circulate on the European cocaine market each year, between 10% and 20% of that amount could be coming through Argentina. As a result, it appears likely that the country would be a point of interest for international cartels.

9.2.2   Argentina's Domestic Market

Defining Argentina as a drug-using country depends on the percentage of the illegal substances that circulate in the country that are actually used locally. To examine drug use, several indicators that measure demand—especially prevalence—have been developed in order to determine the percentage of the population that uses drugs. According to international standards, prevalence is determined by the quantity of people aged 15–64 who have used drugs in the past year. Surveys also inquire about the levels and quantities of personal use.

Chapter 3 (Charts 3.2 and 3.3) presented the prevalence data for many countries in Latin America. As that chapter shows, the levels of use in Argentina, though lower than those of the United States, Canada, and many countries of Western Europe, are among the highest in Latin America. The two most prevalent illegal drugs in Argentina are cannabis and cocaine, including both powdered cocaine and the cheaper, smokable versions (paco, crack). Though little is known about the use of designer drugs like ecstasy and others, it is believed that their use is on the rise.

This section focuses on trends, that is, whether use is increasing, decreasing, or remaining stable. Commissioned by the National Drug Policy Department (SEDRONAR), Argentina's Drug Observatory (OAD 2010) has published statistics on drug use from 2004 to 2010. Although the OAD's samples varied from year to year and there are certain methodological inconsistencies, to date this is the best information available and offers insight into overall trends.[5] Studies conducted at high schools in Argentina also provide rich information about patterns of use among adolescents. Besides examining illegal substances, these studies also evaluate the use of alcohol, tobacco, and other legal substances like tranquilizers, stimulants, inhalants, etc. In this chapter, I focus exclusively on illegal drugs.

The data from Charts 9.2 and 9.3 reveal several patterns. First, the 2006 rates are notably higher than the other three. It's very unlikely that there was a peak in drug

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[4] When the news covers seizures of large shipments, the drug has usually been cut. The purity percentage is important to determining original shipment amounts. In general, the purity level of cocaine sent to Europe stands at around 70–85%.

[5] There are several methodological inconsistencies: (a) sample sizes vary greatly, and some do not consider towns or cities with less than 100,000 inhabitants; (b) the survey coverage of slums and marginal neighborhoods where more smokable versions of cocaine are consumed is unknown; (c) fieldwork has been conducted in different months each year; and (d) the survey administration and oversight methods are unknown, and the weighting is not adequately reported. In order to control for this and other effects, the author requested the databases from SEDRONAR to run tests, but the department did not respond to several inquiries.

Prevalencia de año de sustancias ilícitas (%). Estudios nacionales en población de 16 a 65 años. Argentina
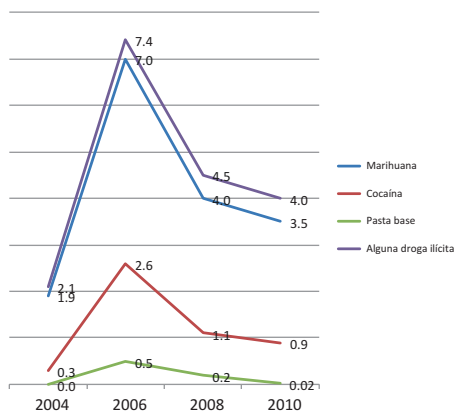
Prevalencia de vida de sustancias ilícitas (%). Estudios nacionales en población de 16 a 65 años. Argentina
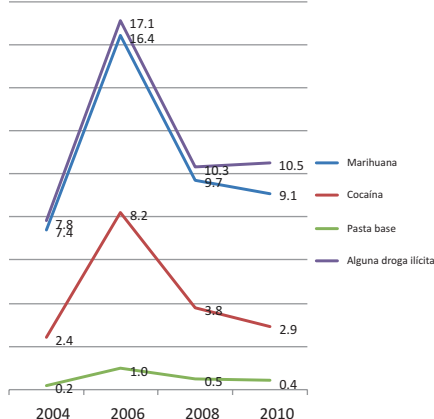
Charts 9.2 and 9.3 Annual prevalence and lifetime prevalence of illegal drugs in Argentina (Source: 2004: OAD-INDEC; 2006: OAD-OPSM; 2008: OAD-UNTREF; 2010: OAD-UNTREF. Annual prevalence refers to the % of people who responded that they had used the substance in question within the past 12 months. Lifetime prevalence refers to the % of people who responded that they had used the substance at some point during their lives)

use that year, especially because surveys of other populations during the same period, as will be shown further on, show no similar pattern. It is possible that the peak is owed to one of the methodological problems already observed.[6] For this reason, I will analyze the trend using the measurements from 2004, 2008, and 2010.

The data shows that 10.5% of the cohort aged 16–65 had used at least one of these drugs at some point in their lives, the vast majority having smoked marijuana. This implies that only a small portion of the sample reported using multiple drugs. This can be calculated from the small difference between the sum of the three drugs (12.4%) and the 10.5% that reported using at least one. In other words, only 1.9% of the cohort used more than one of these drugs together, or even other drugs such as heroin, ecstasy, or amphetamines.

In terms of use, annual prevalence for the past year represented between 30% and 40% of lifetime prevalence. This would suggest that between 60% and 70% of those who ever used illegal drugs stopped using it later on.

Another important statistic is that the use in the past year reveals significant growth between 2004 and 2008 and then a stability in 2010 for both marijuana and cocaine, which start at 1.9% and 0.3% (respectively) and whose prevalence triples in just 6 years. This growth could seem minor in such a large cohort of the total population aged 16–65 (16 million residents), but the increase is more marked among youth.

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[6] The company that conducted the surveys that year did no further surveys.

Chart 9.4 Annual use prevalence. High school population in Argentina

Year	Tobacco	Alcohol	Solvents and inhalables	Marijuana	Base paste	Cocaine
2001	31.1	61.4	0.5	3.5	0.5	1
2005	28.8	50.8	2.4	5.7	1.5	2.2
2007	30.1	66.1	2.3	7.7	1.4	2.7
2009	28.2	60.3	1.7	8.4	0.9	2.3
2011	26.5	63.3	2.6	10.4	1	2.7

Source: SEDRONAR (2012)

There are, in fact, considerable discrepancies by age categories. Looking at the 2010 findings, the annual prevalence of marijuana among youth aged 16–24 was 8% but just 0.4% for adults aged 50–65. Similar differences can be seen for other drugs as well.

Finally, due to the methodological questions already noted, it is likely that cocaine paste users are underrepresented in the sample, thus affecting true prevalence rates. At the same time, there is a percentage of those who report using "cocaine" who may in fact be referring to having used paco, not powdered cocaine.

Young males are disproportionate users of illegal drugs, as seen on Chart 9.4, which presents data from high school students. The samples are quite large (between 50,000 and 100,000 cases), though they also have some sampling problems, because neither high school dropouts nor homeless teenagers are included in the survey. These last groups are more likely to use drugs and in greater quantities, and therefore, the actual prevalence rates for this cohort could be higher. In any case, the information from these surveys provides imformation in order to reach several conclusions about market trends and drug use in Argentina.

First, the annual prevalence rates among students are much higher than for the general population. This indicates greater exposure and use of drugs among students than the rest of the population. In 2011, the annual prevalence rate for illegal substances among high school students was 16.7%. For all substances, Chart 9.5 presents general lifetime prevalence rates and then the rates for youth aged 15 and 16. Not only are many young people using tobacco and alcohol, they are also taking illegal substances and prescription drugs (not prescribed for them) as well.

Second, the most striking conclusion from the chart is that the use of illegal substance rates is rising. For example, while the level of base paste use is negligible for the general population, it stands at 2% for adolescents (and very likely this rate is underestimated). Approximately one out of six of those surveyed reported using marijuana. In terms of cocaine, while annual prevalence for the general population is 0.9%, the rate is three times higher for the student population. There are also cases of ecstasy and other synthetic drugs. In total, an estimated 165,000 high school students used illegal drugs in the year prior to the survey (SEDRONAR 2012, Chart 6.1).

A third conclusion that can be reached from the survey data is that the older the high school student, the higher the prevalence. Among students in 8th grade, 10.6% admit to having used some illegal drug in the past year. This percentage is 18.7%

Chart 9.5 Lifetime prevalence for high school students in 2011 and rate for aged 15–16

Substance	Percentage of the school-age population	Aged 15–16
Tobacco	41.0	45.1
Alcohol	73.2	80.9
Tranquilizers without a prescription	4.7	5.2
Stimulants without a prescription	2.4	2.8
Solvents/inhalants	4.5	4.9
Marijuana	13.9	14.7
Hash	0.6	0.6
Cocaine	4.6	4.8
Base paste	2.1	2.0
Crack	0.6	0.8
Ecstasy	2.1	2.3
Opiates	2.0[a]	2.0[a]
ATS	1.1	1.1

Source: SEDRONAR (2012). Lifetime prevalence refers to the % of people who responded that they had used the substance at some point during their lives
[a]Approximate rate that includes morphine, heroin, and opium

among high school sophomores and rises to 24.4% among seniors. Although some increase can be expected, it is nonetheless striking that one out of four students in their last year of high school has used illegal drugs. The real prevalence among youth is even more severe since many of those who use drugs dropped out before their senior year.

In terms of the age of initiation, it is, on average, higher for illegal drugs than for alcohol or tobacco (age 13): for marijuana, cocaine, and ecstasy, the average age of initiation is 15 and for base paste, 14 (SEDRONAR 2012, p. 53). According to estimates, approximately 112,000 students used marijuana for the first time last year; for cocaine, the number was 30,000; for base paste, 13,000, and ecstasy, 13,000, compared to 243,000 who tried tobacco and 566,000, alcohol) (SEDRONAR 2012, p 54). Many of these adolescents are frequent users. Based on the prevalence rates for the month prior to the survey, 7.5% of students were using drugs (6.4% marijuana, 1.5% cocaine, 0.6% base paste). Rates were higher for alcohol (49.3%) and for tobacco (18.7%).

Finally, concurring with international trends, the intensity of use during the past year varies a great deal. The 2011 survey (OAD 2011) includes questions about the frequency of use and distinguishes between three categories: experimental (only once), occasional (a few times per year), and frequent (weekly or daily) (Chart 9.6).

Over one-fourth of the students use drugs frequently. Many individuals within this group may be dependent or even show symptoms of addiction. Almost half of the sample uses drugs once in a while, especially in social events, and approximately one-fourth tried just once (and apparently only a tiny fraction of these users develop into occasional or frequent users). This type of information will allow us to estimate the size of the Argentine domestic market further on.

Chart 9.6 Intensity of drug use among students who had used recently according to drug type. High school students nationwide 2011

Psychoactive substances	Use intensity		
	Experimental	Occasional	Frequent
Solvents/inhalants	30.2	42.9	20.5
Marijuana	21.4	49.1	27.3
Base paste – paco	32.1	40.0	25.9
Cocaine	24.1	49.0	24.7
Ecstasy	31.0	48.0	15.6
Other drugs	26.0	47.9	22.1

Source: SEDRONAR (2012)
Note: Rows do not add up to 100% because the column of students with no responses was omitted

In terms of the level of risk associated with the use of drugs, only 15% of the high school marijuana users are considered high risk, while 28% are considered moderate risk and 57%, low risk. Risk here is measured on a six-question CAST scale on the type of use and effects of smoking joints.

In summary, although high prevalence rates among youth were to be expected, the high school student survey indicated (a) a considerably higher level of use compared to the general public, (b) the average age of initiation is dropping, (c) marijuana is overwhelmingly the most common substance, (d) a relatively minor percentage of young users can be considered high risk, and (e) tobacco and alcohol are much more prevalent among high school students than illegal substances.

The data on domestic use contributes to several partial conclusions. In Argentina, although the use of illicit substances is not very high in comparison to the OECD countries, they are relatively high for the region, with moderate prevalence rates. As in all countries, marijuana is the most common illegal drug by far, though the use of cocaine, base paste, and synthetic drugs has grown over the past decade. The vast majority are occasional users of small quantities, though somewhere between one-fourth and one-third uses drugs regularly.

However, the greatest concern is the trend, which, though not alarming, does show an important rise in terms of the initiation and experimentation among young people in a very short period (6 or 7 years). This suggests that Argentina's domestic market is growing (at least until 2010–2011, the last years when data was available) and could experience even higher prevalence rates in the future. It is difficult to predict use levels in the years to come, but an initial glance at the data on the use and intensity among youth—and a comparison with the trends in other countries—indicates that the demand for drugs is on the rise and that there will be more users in the near future, especially for marijuana and synthetic drugs and also (to a lesser extent) for cocaine and its smokable byproducts. In terms of base paste, it is possible that the data for this particular study does not capture the true scope of the problem, which is one of the most serious challenges for public health in Argentina today. Finally, it is important to emphasize that among youth, there has been an enormous spike in the use of alcohol and to a lesser extent, tobacco.

9.2.3 Summary

Is Argentina a country of transit or a destination for illegal drugs? According to the information analyzed in this chapter, the answer is both. A significant amount of drugs destined for other markets passes through Argentina. These for-export drugs are very expensive, guaranteeing hefty profits for traffickers, while smuggling them through Argentina requires sophisticated logistics and high levels of corruption. The country, however, also has a strong and expanding domestic market. As the next section will show, a country with 40 million inhabitants with the prevalence and intensity shown in this section creates major opportunities for profit to be made by local gangs. The recent outburst in violence can probably be attributed to this expanding domestic market.

9.3 What Is the Social Cost of Drugs?

Studies released by SEDRONAR (2010) estimated that the costs associated with the abuse of psychoactive substances totaled US$4.72 billion, that is, 3.69% of the GDP (in 2004, its GDP share was 2.67% and in 2006, 2.93%). This also includes the social costs of tobacco and alcohol, where the majority of resources were allocated. Twenty-five percent of these funds are spent on programs to fight illegal drugs, that is, their direct and indirect cost is 0.9% of the GDP. This amount of social cost seems very high. It covers not only the costs of government programs but also those of absenteeism and premature death attributable to drug use and the costs for absenteeism due to court cases, time in prison, and hospital and treatment stays, among others. In other words, the cost structure includes much more than government spending, including losses and property damages.

The vast majority of government spending (including the budget allocated to control legal substances) is aimed at supply reduction. Less than 5% of the allocated budget goes to demand reduction. As shown in previous chapters, drug control strategies can be oriented to reducing either the supply (fundamentally through police work and judicial proceedings, the elimination of crops, and other measures) or the demand (prevention and treatment programs). In 2008, less than US$80 million were invested in these programs, 83% in treatment and 17% in prevention (SEDRONAR 2010). In treatment, 75% of the budget went to "...medical services directly or indirectly related to the use of psychoactive substances (73% to tobacco, 24% to alcohol, and 3% to illegal substances). The remaining 25% of funds covered specialized treatments for people suffering from drug addiction." In terms of the supply reduction, most of the funds were spent on the justice system (criminal court judges, police, etc.), jails, and the fight against drug trafficking. The "court-related expenses for crimes against the Narcotics Law and crimes associated with the use and/or traffic of psychoactive substances" totaled US$900 million. In other words, direct court costs were ten times higher than the amount spent on all treatment and

Chart 9.7   Prisoners serving time for drug-related crimes in Argentina

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Number	1872	3782	3680	3968	3627	4049	5150	5408	5390	5945	7123
%	5	8	7	7	7	7	10	10	9	10	12

Source: SNEEP (2011), Chap. 6 and others

prevention programs combined. In general, drug control budgets are similarly structured in many countries. The lion's share of budgets goes to supply reduction, despite the fact that the efficacy of such programs varies significantly.

Deaths from illegal drugs continue to be relatively rare in Argentina. Although death certificates do not always directly discriminate the impact of substances on death (e.g., a heart attack may be listed as the cause of death when this was, in fact, brought on by an overdose), the number of drug-related deaths does provide some insight. In 2010, 418 deaths nationwide were attributable to illegal substances, representing 0.82% of all deaths related to the use of all types of drugs, both legal and illegal. Out of a total of 50,813 deaths caused by illegal substances, 83.7% were tobacco-related and 15.4% were alcohol-related.

Out of the 418 cases caused by illegal drugs, 31 were caused directly by substance abuse (overdoses or heart attacks), 11 from suicide committed while under the effects, and 68 from accidents (especially driving under the influence). Drugs were attributed as an indirect cause in the case of 132 of these deaths (the physical burden of ongoing drug use) and 176 homicides (generally trafficking-related violence). However, it is interesting to note that there are four times more deaths by homicide attributable to alcohol (748) than to illegal substances (176) (OAD 2012).

Finally, Chart 9.7 presents data on prisoners in jail for drugs or drug trafficking. There is a rise in the number of inmates for drug-related offenses, and the percentage of these prisoners had doubled in terms of the overall prison population in just one decade.

9.4   What Is the Scope of the Domestic Market for Illegal Substances?

No study, to date, has provided an estimate on the domestic market for narcotics. To measure the scope of this market is no easy task precisely because drugs are illegal, making it difficult to obtain reliable data on production and/or use, and estimates vary greatly. In the United States, for example, the estimates for the marijuana market vary from US$10 to $120 billion.[7]

There are also different methodologies for measuring this market; however, a full analysis exceeds the scope of this book (for a conceptual discussion on such methodologies, see Caulkins 2007 and Caulkins and Nicosia 2010). Analysts attempt to

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[7] How Big is the Marijuana Market? at http://www.cnbc.com/id/36179677.

calculate production, seizures, and other trafficking indicators in order to grasp the scope of the supply at wholesale prices and then estimate its added value. Other measures estimate market value from a demand perspective, calculating the number of users and their use frequency along with retail prices, which are then used to calculate the total value. Both approaches require adjustments and are based on imperfect information, such as the level of purity of the drug during both the trafficking and sale phases. In order to adjust for purity, it is necessary to study the purity level of the substances purchased by undercover agents, but such analyses are rare in Latin America.

This and other difficulties make it impossible to estimate the real value of the drug market in Argentina. However, drawing on the information available, the next section makes gross estimates on the scope of the cocaine and cannabis markets.

9.4.1   Cocaine

Users From prevalence rates in Argentina the number of users can be estimated. In 2010, the annual rate was 0.9% for inhabitants aged 16–65 in towns and cities with over 80,000 residents. In other words, out of a total population of 16.2 million (the number of inhabitants aged 16–65 in towns and cities with over 80,000 residents), there were 145,800 cocaine users. The rate for base paste was 0.2% or 34,200 users. It is possible that some cocaine users also use base paste, but for the purposes of clarity, we will address these two groups separately.[8] It is necessary to add other users who are not covered in this sample (residents in towns with less than 80,000 inhabitants) and young users (under age 15). In terms of users not covered in the sample, it is difficult to estimate, since one-third of the country's populations lives in these smaller towns or in the countryside and it is a known fact that cocaine is more prevalent in cities. Therefore, it is feasible to estimate that the prevalence rate in small towns and the countryside is approximately half of that of large urban centers. This would be a potential additional universe of 24,057 cocaine users and 5643 base paste users. In terms of youth aged 14 and 15, extrapolating the prevalence rates from the nationwide prevalence survey (a very conservative estimate) would add another 11,760 cocaine users and 7449 base paste users. In short, for 2010 I estimate at least 181,617 cocaine users and 47,292 base paste users or a total of 228,909 users.[9] Given that survey samples do not include populations prone to drug use, the so-called hidden populations (prisoners, slum residents who are rarely surveyed, the homeless), and the lack of methodological clarity in the surveys with regard to the data considered, a feasible estimate would be 250,000 cocaine and/or base paste users in Argentina.

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[8] The rates are calculated based on samples, and the real amounts thus fluctuate between confidence intervals. For the purposes of simplification, I am presenting only approximate estimates here.

[9] This number differs from other survey-based statistics which, as noted earlier, are not entirely reliable. See *La Nación*, 19 February 2009 "440,000 Argentines Use Cocaine."

Frequency of use   Unfortunately, the survey data offers no information on frequency of use, that is, the number of times people use per day, month, or year and the degree of purity of the drug. The only information available is the SEDRONAR's categories of use: experimental (once in a while, 10.5% for cocaine and 32.1% for base paste), occasional (several times, 54.3%/40%), and frequently (weekly or daily, 35.1%, 25.9%). This distribution is quite similar to the United States, where 23% use frequently, half use once a month, and 27% are recreational users, i.e., using at some point during the past year. Based on this distribution, it is feasible to extrapolate the quantities of drug use in the United States for each category and adjust them to the universe of users in Argentina.

In terms of purity of the product, however, very little is known. A single study released by UNODC (see below) in 2004 found that typical purity levels were 54%, but it is possible this has changed, and certainly this is not the case of base paste. It is possible that in terms of the drug purity, the cocaine in Argentina may be of poor quality (i.e., more "cut") than the product sold in Europe or the United States.

Prices   There are no updated or public statistics on street cocaine prices. The most recent figure from the UNODC for Argentina is from 2004. Although the UNODC charts indicate maximum purity, there are many reasons to doubt this statistic for most of the countries of the world, with the exception of approximately 20 countries where tests for drug purity are done on a regular basis. In Argentina, the 2010 sale price of a gram of cocaine fluctuated between US$3.50 and 8.30, typically US$5.90, while the wholesale price per kilogram ranged from US$2800 to $7000. In Chile (2009), the retail price of 1 g was US$9.80 (56% purity) and the kilogram, US$9833. In the United States (2008), the wholesale cost of 1 kg ranged between US$11,500 and US$50,000.[10] The retail price in Latin America is much lower than in Europe or the United States. Estimates by the UNODC and Europol for 14 European countries in 2010 found that 1 pure gram cost on average US$82 and the wholesale price per kilo is US$48,885.[11] Assuming that the prices in Argentina are similar to those of Chile today, the price of cocaine would stand at 20–25% of the sale price in the United States and Western Europe.[12]

Market size   How much cocaine is used in Argentina? Although a precise estimate is difficult to estimate, it is possible to come up with an approximate scope of the market. According to government data, if 4.6 million US inhabitants use 250 tons of cocaine each year[13] and the use frequencies in both countries are similar (though we don't know about the purity), we could assume that the 250,000 users in Argentina (i.e., 5.4% of the number of American users) will proportionally use a similar

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[10] http://www.unodc.org/unodc/secured/wdr/Prices_Cocaine.pdf.

[11] http://www.unodc.org/unodc/secured/wdr/Cocaine_Heroin_Prices.pdf.

[12] Based on information from Chile, it can be estimated that the retail cost of 1 pure gram of powdered cocaine would cost approximately US$20, between one-eighth and one-fourth its cost in the United States or Europe. In Argentina, it could be slightly less.

[13] https://www.whitehouse.gov/sites/default/files/page/files/daeus_report_final_1.pdf.

amount or 13.5 tons per year (5.4% of the 250 tons used in the United States). Reducing the purity by 10%, it is possible to estimate that the domestic cocaine market in Argentina totals approximately 12.15 tons per year.

How realistic are these quantities? According to UNODC, at least 550 tons of pure cocaine are used worldwide each year. That would mean that Argentina is using 2.1% of the world's cocaine annually, and given the availability of the drug, the size of the country, and its level of development, that seems feasible. If, however, the calculation yielded 25–30 tons per year, that number would be unreasonable.

Market value How much money does this domestic market generate? Once again, we must rely on the limited data available and make reasonable assumptions. First, it is known that 1 g of pure cocaine in Argentina (though it varies by region and distributor) costs 20–25% of its sale cost in Europe or the United States. Based on the limited data available from Chile and Argentina, 1 g of pure cocaine would be retailed between US$20 and 25, placing the cost of 1 kg at US$20,000–25,000. The wholesale price, that is, the cost of the drug once it has been shipped to Argentina, would be approximately US$10,000. Taking an intermediate retail sale value of US$22.50 per pure gram, then cocaine and base paste users in Argentina would be spending approximately US$270 million per year on the drug. Wholesalers would be acquiring these same amounts for approximately US$120 million, meaning that the added value for the local market of cocaine and base paste is approximately US$150 million per year. This share of the profits is the reason for infighting among cocaine traffickers, wholesalers, and street vendors.

These figures are, of course, only estimates, and many questions can be raised regarding their accuracy. Little comparable data is available and most conclusions are based on assumptions. This exercise offers a conservative estimate of what could be a threshold of the total domestic market of cocaine in Argentina for 2010.

9.4.2 Marijuana

Users Applying a similar methodology, it is estimated that 3.5% of the population aged 16–65 used marijuana in the past year, a total of 567,000 adults in cities of over 80,000 residents. If the same criteria are applied for cities with less than 80,000 residents and in rural areas (though marijuana use is more widespread and much less concentrated than cocaine use), there may be up to 140,000 additional users. In addition, approximately 52,800 high school students under 16 smoked marijuana (22,800 of age 14 and some 30,000 of age 15). In other words, at least 759,800 people used cannabis in Argentina in 2009. The actual number is likely to be even higher for the reasons mentioned above.

Intensity The intensity of marijuana use is higher than for other drugs. Only 6.8% are experimental users (or used only once in the past year), 54.7% are occasional

users ("using a few times during the past 12 months or in some cases a few times per month"), and 37.7% are frequent users ("...weekly use, either several times per week or daily") (OAD 2010), that is, 51,680 experimental users, 415,720 occasional users, and 286,520 frequent users. Since the survey includes no questions on the number of times used, several assumptions must be made for reasonable amount of product use and intensity. Experimental use here is defined as one dose per year, occasional use as two monthly doses (although by definition, it could be much higher), and frequent use as seven weekly doses (studies show that most frequent users use daily and one-third use up to four daily doses). The total would thus be 51, 680 + 9,977,280 + 104,579,800 = 114,608,760 marijuana cigarettes (joints) per year.

Price   How much does marijuana cost? It is important to note that there is a wide range of qualities of marijuana on the local market and prices vary accordingly. One kilogram of marijuana pressed in Paraguay costs approximately $40. This is whole-saled in Argentina for approximately US$200. More than 1000 marijuana cigarettes can be rolled from 1 kg. The substance is sold dried ("buds"), as resin, or in rolled cigarettes, which may or may not be cut with tobacco. The price depends on the quality and form, mainly in relation to the proportion of THC the product contains. In Argentina, the cheapest type of marijuana is the "pressed" version from Paraguay, whose purity level is quite low. Marijuana produced in Argentina is higher quality and also more costly, though it is the preferred product among most users. The cost of a cigarette can range from less than US$1 to more than US$10. On average, the retail price can be estimated at US$1.50 per dose, i.e., per joint (generally referred to as *porro* locally). Many users, especially frequent users, grow their own product individually or in smaller groups, and most of these crops are not sold on the market. For the purposes of this study, an average market value is assigned to such use because even when a person grows his or her own product, there are associated costs and this product has also a market value.

Industry's worth   Based on these data, it is possible to estimate that the cannabis market in Argentina is worth at least US$171,913,140. There are other methods to estimate the size of this market. In the United States, the average retail price of 1 pure gram of marijuana is US$12; in France, US$5.60; in Spain, US$3.50; and in Holland, US$5.28 (Room et al. 2008). According to studies cited in the Cannabis Commission Report (Room et al. 2010), five joints can be rolled with 2 g of good marijuana, that is to say that the average price of a joint (not of a pure gram) is approximately US$4.80. In 2011, 10.3% of the US population aged 16–65 (close to 24 million) had used marijuana in the past year. If the use distribution is similar among frequent and occasional users, the Argentine market would thus equal approximately 2.4% of that of the United States (800,000/24,000,000). The prices per unit in Argentina are 31.2% of the US market (US$1.50 vs. US$4.80). The total value of the US cannabis market has been estimated at somewhere between US$14 and $18 billion. Taking the mean (US$16 billion) and adjusting for the size of Argentina's market (3.4% of that of the United States) and later for price (the cost

of the product in Argentina is 31.2% that of the U.S.), the total value for Argentina's marijuana market would be US$169,728,000 in this comparative measure. In other words, if we compare the calculated drug market value of the United States and adjust for the prices and number of users in Argentina, the market value is similar to what was initially calculated based on the local statistics available.

There are two additional observations: (A) This estimate is based on a minimum annual prevalence rate (3.5%), the lowest rate recorded in the past decade that has probably grown considerably in recent years. (B) Population groups with high rates of use are not considered, including 60,000 inmates (more than half use several times a week), homeless people, and minors under age 14 (there is evidence of users as young as 11) and certain biases within the sample that probably lead to low estimates. In short, it is likely that there are many more cannabis users, meaning that the industry worth is higher. In addition, it is important to note that Paraguayan marijuana exported to Chile is shipped through Argentine to reach this large market for cannabis. The great number of confiscations in northeast Argentina is indicative of the amounts being shipped to Chile—and to Uruguay as well.

9.4.3   Summary

Although there are growing markets and significant prevalence rates for drugs like heroin, ecstasy, and other synthetic drugs, there is not enough information available to estimate the market value.

Using different methods, however, it is possible to estimate the worth of the market for cocaine (and byproducts) and for the cannabis market. The minimum estimateß for the cocaine market in Argentina is US$270 million and for the marijuana market is US$172 million or a combined market for the two drugs of US442 million per year. Therefore, if other illegal substances are added, it seems feasible to calculate that the illegal drug market in Argentina moves at least US$500 million in retail sales. The actual amount is probably even higher because, as mentioned, the prevalence rates from 2010 were the lowest in the decade; certain groups are not accounted for in the population parameters; and in the past few years, there have been few studies that signal a significant growth in prevalence rates. Therefore, it is very likely that the local drug market is worth even more, and these total market values should be seen as merely referential.

9.5   Where the Domestic Drug Market Is Heading in Argentina?

The drug market in Argentina is clearly in a different phase than the United States or Western European markets, where the use of cocaine is stable or decreasing, the use of crack has been contained and is falling, the use of heroin and amphetamines

(and in the United States, synthetic heroin) is significant, and, in the case of canna-
bis, the prevalence use is stable.

In Argentina, on the other hand, the market for opiates (especially heroin) is very
small and that of amphetamines seems almost nonexistent. However, the markets
for marijuana, cocaine, base paste, and ecstasy are all growing. While prevalence
rates are lower in Argentina than in the United States or Western Europe, they are
rising steadily. Measurements of prevalence patterns among young people forecast
a rising use of these drugs. The biggest public health problem is posed by paco, a
highly toxic version of base paste that is devastating vulnerable populations such as
young shantytown residents.

An epidemiological perspective and several studies conducted in other countries
are useful for the analysis of the country's current trends. First, Argentina's market
is clearly expanding. It is important to note that it could still grow significantly since
the initiation rates have spiked in the biannual surveys. Additionally, although many
young people will stop using drugs at around age 30, a steady share of users will
remain, generating a more stable demand for illegal drugs in the future. It is also
likely that two particular markets will grow vigorously: that of ecstasy (or similar
designer drugs) and cannabis. In terms of marijuana, although frequent users of
hard drugs and addicts say that marijuana was the first drug they tried, there is no
indication that marijuana serves as a gateway to other drugs for most users. Finally,
it is critical to study the impact of the significant rise in the use of other drugs that
this book has only mentioned in passing, including solvents and inhalants, tobacco,
and especially alcohol.

9.6   Will Argentina Become Another Mexico? Or Another Colombia?

A lively public debate on the future of drugs in Argentina has emerged in recent
years. Many politicians have warned that Argentina could become "another Mexico,"
indicating that the sweeping advance of illegal drugs in the country could eventually
trigger the extreme violence that has swept Mexico, Colombia, Venezuela, and the
countries of Central America's Northern Triangle. Pope Francis has even alluded to
this possibility. How likely is it? How much truth is there to the statement?

In an essay, Lasa (2015) explains that this discourse is misleading and based on
fallacy. Lasa notes that the differences between the two countries are substantial in
terms of the type of violence, the features of the drug business, and its size. Here, I
would argue that Argentina's drug problem has developed in a unique way, with a
domestic market supplied by local gangs, many of them as "family business" net-
works. The international drug market, that is, the cocaine that moves through
Argentina before being shipped to Europe, is still controlled by larger foreign crime
syndicates.

The theory of the "Mexican threat" is not based on the argument that Argentina has similarities to Mexico or Colombia but to the fact that the drug business usually triggers situations of violence and crime similar to those experienced in these two countries. The truth, however, is that Argentina is far from such catastrophic scenarios, though this doesn't mean there is no risk of spiraling violence.

First, as shown throughout this book, the domestic market in Argentina is growing, presenting major opportunities for both traffickers and for local gangs who control small trafficking areas.

In addition, due to social exclusion and abandonment, it is easy to recruit and replace actors involved in the drug market, keeping both demand and supply steady. This social fabric can be found in all countries with serious trafficking problems, including Argentina.

Another important factor is the size of the domestic drug market which—as noted—moves at least US$500 million. This represents a significant business which—due to the simple logic of capitalist accumulation—can cause power struggles and concentration in just a few hands. In other words, it is plausible to think that certain cartels could attempt to seize control of the market after violent struggles between local gangs. These wouldn't be Colombian or Mexican cartels focused on international trafficking, but cartels focused on domestic trafficking, more like San Pablo's PCC and especially the three large groups in Rio de Janeiro (see Chap. 5).

Another varaible to consider is that criminal diversification of drug gangs is perhaps the most dangerous threat. As seen in Chap. 6, there is a natural tendency of some crime syndicates that formed as part of the drug business to diversify their criminal portfolio. Sophisticated robbery, extortion, human trafficking, and kidnapping are some of the dangerous outcomes posed by this diversification, including the threat of collusion or even direct involvement of the police and, on occasion, local and state/provincial politicians with criminals. This could turn, of course, extremely dangerous and eventually undermine social stability.

I argue that the threat in Argentina is still low and somewhat under control. However, if the domestic market continues to grow (with a likelihood of over 50% considering the current state of the epidemic) and if government inaction persists, it is not unlikely that the situation in certain cities could mimic that of Rio de Janeiro or Sao Paulo. In other words, a more solid argument would be that Argentina runs the risk of becoming "another Brazil." Though there are clear differences between Argentina and its neighbor, a feasible scenario would be that Argentina develops into a smaller-scale version of Brazil's central-south. The murder rate in Rosario, Argentina, is already similar to that of Rio and higher than that of Sao Paulo. The violence in shantytowns such as Ingeniero Budge and in certain slums in the city of Buenos Aires (slums 1-11-14 and 21-24), for example, has seen episodes similar to those of some Brazilian favelas.

9.7   Reflections on Argentina

Argentina has a clear problem in terms of drugs and trafficking. The use of narcotics is on the rise; there is a surging demand for drugs and supply channels developed to fulfill that demand, and many different types of drugs are all present. Argentina has also an industry of chemical precursors for designer drugs and for powder cocaine; marijuana shipments en route to Chile pass through this country; and tons of cocaine destined for Europe and the United States also goes through Argentina. However, the domestic market is not especially dynamic—at least to date—and still only a small share of the drug destined for the countries that use the most drugs worldwide passes through this country.

In the world of illegal drugs, Argentina is just an average player. Drugs come through Argentina because of the frequent, easy, and heavy exchange of people and goods to and from Europe and because border and customs control is lax, which reduces trafficking costs. With tighter controls, prices would undoubtedly rise, but this doesn't mean the trafficking would stop. One outstanding example of this is the United States, where drug cartels manage to smuggle 250 tons of cocaine across the Mexican border in spite of strict border controls. If customs controls became more effective in Argentina, the best outcome would probably be that a portion of the cocaine headed for Europe be sent through another intermediary country.

It is difficult to forecast how the domestic market will evolve, although trends indicate that the demand for drugs will continue to rise. The epidemic is apparently spreading in Argentina, but it could eventually stabilize as it has in many European countries or as it has for certain drugs (cocaine and amphetamines) in the United States. Strict interdiction and law enforcement efforts to reduce drug trafficking will undoubtedly increase the prices on the local market; however, in comparison to international values, there is still a large margin for prices to rise. This spike in prices will only have a small effect on demand. Higher prices and inelastic demand generate greater profits for those who sell drugs and thus create more incentives for some individuals to get involved in the illegal drug business. As has been noted in other countries, when the earnings are high, neither the law nor violence effectively deters traffickers or dealers.

In spite of increased drug use, drugs markets in Argentina are not considered mature. Moreover, with the exception of paco, they do not represent yet a catastrophic public health challenge. Drug-related mortality rates are very low, and two of the most dangerous, addictive substances (heroin and methamphetamines) are rare. The most common drug is marijuana, whose toxic effects are minor compared to other illegal substances, and cocaine, which can cause major health problems, but the number of addicts remains small. In contrast, paco—a drug that is not nearly as common as, for example, crack in Brazil or bazuco in Colombia—is a critical health risk and augments the social exclusion among those who use it. Among youth in Argentina, there is a serious alcohol and moderate tobacco problem. Although these substances are legal, at the public health level, they cause more health harm and have significant social costs. Many more people die from the effects of alcohol and

tobacco than from illegal drugs and the associated costs of treatment and healthcare, while absenteeism is much higher. This is the current juncture in Argentina, but it is impossible to predict future trends.

The biggest social cost illegal drugs produce, as shown in Chaps. 4, 5, 6, 7, and 8, is the violence it can ignite and the criminal diversification of gangs that start off by working for traffickers. An illegal market of at least US$500 million can create many incentives for actors to take risks and to utilize violence if necessary. There has been evidence of certain gangs growing stronger (in Rosario, Santa Fe; in Greater Buenos Aires; and in the slums of the capital city), and they occasionally compete for turf, exercising violence to protect their market share, or expand it. Some groups have formed alliances with other actors and delved into vehicle robbery, extortion, and human trafficking. In some cities of the country, the growing domestic market is encouraging gangs to fight for control of the local-level trafficking as they incur in a range of violent enterprises. As shown in Chap. 6, this would appear to respond to a breakdown of the equilibrium and a certain loss of police control over the actors.

I claim that the biggest danger in Argentina is that these processes will continue developing; the fight for market control will grow; and violence will spiral to levels previously unknown in the country. In addition, a more serious danger is that traffickers could steadily finance political campaigns, which are rarely transparent in Argentina. These "contributions" would be in exchange for protection of criminal rings and the opportunity to expand their criminal portfolios. In any case, the size of the market and many other factors would appear to indicate that Argentina will not, in fact, become another Colombia or another Mexico but that it could reach a level of violence similar to several Brazilian cities. This is not just because of narcotics but because of the expanded activities of criminal groups that were (or are) connected to the drug business. Still, crime in Argentina is much lower than Brazil, and gangs are much less developed compared to the powerful organizations of Sao Paulo, Rio de Janeiro, and other states of its neighbor country.

Within the framework of prohibition, a rational policy against drugs and trafficking should take into consideration all of these factors. Public policy can prioritize general wellbeing, citizen security, and maximize public and individual healthcare. We will now turn to Mexico, a country that has experienced a much more serious deterioration of citizen security as a result of drug trafficking.

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Chapter 10
Mexico

Unlike Argentina, Mexico has been devastated by illegal drugs. Over the last decade, approximately 100,000 people have died in the so-called war on drugs, and close to 36,000 have disappeared and are presumed dead. Hundreds of thousands have been displaced, entire communities have been overtaken by gangs and crime syndicates, and in some locations, local militias have formed to defend residents. "Normal life" has ended in many communities.

The use of illegal drugs in Mexico, however, is not a very serious problem. Although the domestic market is growing, local demand has been historically low. In addition to smuggling alcohol during the prohibition years, this country has produced marijuana and opiates for the US market for more than a century, with minimal episodes of drug-related violence until the past decade. While USA cities in the 1980s and 1990s experienced a spike in the violence associated with the drug trade, during the same years in Mexico, violent crime (including homicides) was declining. Why, then, has the illegal drug business produced such an unprecedented human tragedy in Mexico over the past decade?[1]

Mexico is a drug trafficking hub and a major player in the business. The drug problem in this nation is related to its strategic location. The fact that this country shares a border 3000 km long with the United States, the world's largest drug market, makes it a coveted launch pad for traffickers. The heavy human toll is caused by infighting between traffickers for the right to control routes and smuggle drugs into the United States.

This chapter analyzes several aspects of Mexico's illegal drugs problem. Since the transshipment of illegal drugs was discussed in Chap. 4, this chapter concentrates on three main topics: the human and financial toll of the recent war on drugs, the characteristics and scope of its domestic drug markets, and interpretations of the Mexican drug crisis.

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[1] Mexico has experienced other waves of violence. In the early twentieth century, the Mexican Revolution yielded an estimated one million casualties over two decades.

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10.1   Mexico's War on Drugs: An Overview

10.1.1   The Human Toll

Starting in the 1930s, Mexico experienced a steady decline of its homicide rate. In 1990, the country still had 16.6 homicides per 100,000, yet the decline continued, and in 2007, Mexico reached an all-time low—8.6 per 100,000. Yet this same year, the fights between drug trafficking organizations (DTO) over routes and turf escalated, and the federal government launched its war on Mexican cartels. Four years later, homicide rates tripled to 24.0 per 100,000; close to 27,000 people were murdered that year. Although murders decreased slightly in 2012–2014, they recently resurged, and in 2016, the homicide rate was similar to that of 2011. There are no signs of abatement, at least for the near future.

Naturally, not all homicides are drug related, though a large share of Mexico's homicides—between one-third and half, according to some estimates—have been tied to drug trafficking or organized crime activities.[2] Newspapers like *Reforma* and *Milenio* have tallied more than 80,000 executions since 2007, while Lantia, a well-known research organization, has reported more than 23,000 homicides tied to organized crime in 2016 alone (Heinle et al. 2017). As shown below, many homicides are not directly tied to drug trafficking but they are related to other organized crime enterprises like extortion, kidnapping, and grand theft. These activities, however, are carried out by syndicates that got their start in the illegal drug businesses.

Chart 10.1 shows that the spike in homicides resulted from a growing number of murders tied to organized crime. Without drugs or the struggle for turf, Mexico's homicide rate is likely to have continued its downward trend.

Drug violence is geographically concentrated. From 2007 until 2011, based on INEGI data, four states accounted for more than 80% of all executions. In addition, more than 70% of homicides took place in 100 of Mexico's 2450 municipalities. Forty percent of counties had no homicides in 2016, while 35 municipalities reported more than 100 homicides each one in that year. Despite this concentration, violence has spread. While in 2007, 62 districts had more than 25 homicides; this number rose to 178 districts in 2012.

For the most part, drug violence is concentrated on turf and routes that DTOs use to smuggle drugs into the United States, which explains the high levels of violence in the north of Mexico. The states of Tamaulipas, Chihuahua, and Baja California have been the loci of fights between DTOs, particularly in cities such as Matamoros, Juarez, and Tijuana. But violence has also expanded southbound into states such as

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[2] The dependable "drug violence in Mexico" report states: "While important methodological issues hinder data compilation on organized crime-related killings, tallies produced over the past decade by the government, media, academia, NGOs and private consultants suggest that between roughly one-third and half of all homicides in Mexico bear signs of organized crime-style violence, including high-caliber automatic weapons, torture, dismemberment, and explicit messages involving organized-crime groups." https://justiceinmexico.org/wp-content/uploads/2017/03/2017_DrugViolenceinMexico.pdf page 5.
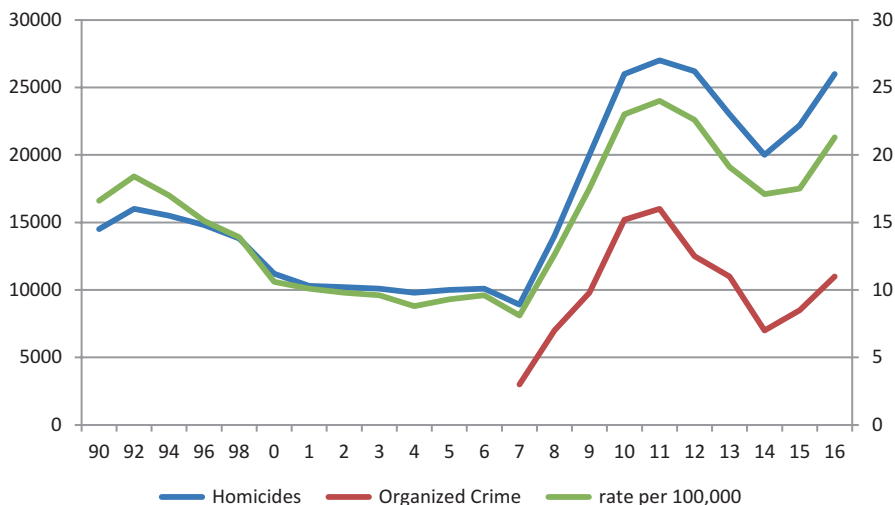
Chart 10.1 Homicides in Mexico 1990–2016 (Source: Homicides – INEGI tallies, Organized Crime – SNSP tallies (estimates for 2011 and 2012). Taken from "Heinle et al. (2017) Drug Violence in Mexico")

Chart 10.2 Number of crimes and rates of change in Mexico over a decade

Crime	2006	2016	% of change
Violent car thefts	27,450	45,150	64.4
Extortion	3157	5247	66.2
Kidnapping	733	1128	53.8
Truck robbery	196	1590	628.9
Homicides	11,246	20,549	82.7

Source: Own elaboration based on SESNP https://www.gob.mx/sesnsp/documentos/reportes-de-incidencia-delictiva-por-ano-del-fuero-comun?idiom=es

Sinaloa, Michoacán, and Guerrero that serve two goals: (a) receiving and storing cocaine arriving from South America en route to the United States, as well as chemical precursors for manufacturing synthetic drugs, and (b) protecting the local production of marijuana, opioids, and synthetic drugs in these Pacific Ocean states.

The violence in Mexico's western states is much more intense than in the southeast. In 2012, for example, the homicide rate was 77 per 100,000 in Chihuahua and 76 in Guerrero, while in Yucatan, it was 2 and, in Chiapas, 8 (INEGI 2014). Some municipalities had very high rates in 2016 such as Acapulco (128), Juarez (33), and Tijuana (62), while cities such as Campeche, Merida, and Tuxtla Gutierrez had less than five per 100,000 (Heinle et al. 2017). In sum, though violence has spread, it remains highly concentrated in several states and municipalities.

A large share of homicides and other violent acts are not directly tied to drug trafficking. Extortions, kidnappings, violent truck robberies, and many other predatory crimes have grown significantly during these years. Despite widespread underreporting of these crimes during the later years, Chart 10.2 still shows that

along with drug-related homicides, other violent crimes for profit also skyrocketed during the decade. A more detailed causal explanation of these processes will be provided in Sect. 10.3.

10.1.2   Beyond the Human Toll

This serious deterioration in public security has significantly transformed Mexico's social fabric and affected the performance of public institutions. Violence and scenes of brutality have spread among those involved in illegal activities, with photographs of cruel executions in the media that could have long-lasting effects on the public imaginary. Even if drug violence ceases in the near future, the legacy of horror and cruelty is likely to leave Mexico with a painful legacy.[3]

Displacement and a lack of institutional rule in many communities are commonly found in many villages and small towns in the states of Michoacán, Colima, Guerrero, and Sinaloa. In several areas of Mexico, state institutions are either absent or extremely ineffective. There is a clear deterioration of citizen rights, and people rely on self-defense or look for protection from the narcos in adverse conditions. The serious decay of social bonds and a profound lack of trust in state institutions have lasting effects.

In other areas of the country, however, the Mexican state has been far from absent. There were years of selective abandonment that allowed drug trafficking to flourish throughout the twentieth century by the officials of the Institutional Revolutionary Party, PRI (Astorga 2005). Over the last two decades, however, and particularly under the Calderon administration (2006–2012), Mexico has invested heavily to combat trafficking and worked to transform the police, the armed forces, and the criminal justice systems to contain drug-related violence and crime. Results, however, have been mixed.

The budget allocations for the new "war on drugs" have been staggering. During 2013–2016, a total of MXN\$542.7 billion were allocated to the five organizations in charge of drug enforcement (PGR, SEDENA, SEMAR, CNS, CISEN). This represents an average of US\$8.4 billion per year (CASEDE 2016, p. 267). Budgets almost doubled between 2006 and 2016 for all these organizations. For instance, the National Defense Department (Sedena) allocated 37,500 men to control drug pro-

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[3] The particularly vicious and cruel methods of gangs and hit men require a special examination that transcends this book. A very succinct analysis shows that this type of violence can be explained from three different perspectives: A) gangs and DTOs use cruelty as a "rite of passage" for new young recruits to the extent they want to belong (those who want to be members need to prove their willingness to engage in gruesome executions). B) The use of extreme violence is instrumental and used to intimidate rivals (members from one gang attempt to deter other gangs from getting into a drug business or the fight for turf). C) A culture of violence and revenge deeply entrenched in Mexico erupts when all social and state control mechanisms collapse (violence and revenge was always there, but the social controls that have historically contained them have now deteriorated).

duction and trafficking in 2006: this number had increased to 52,000 officers in 2016 (p 271).

The penitentiary system in Mexico has swelled during these years, demanding heftier investments. For instance, in 2013, the budget for regular operating expenses for prisons (not including new investments or prison construction) exceeded US$730 million for state prisons (not including federal prisons, as no data is available). The system employs 36,000 people, and the direct cost per inmate surpasses US$6000 per year.[4]

By the end of 2015, there were 217,000 inmates in the prison system, up from 175,000 5 years earlier. Moreover, the rotation of the inmate population has been high. In 2015, 166,532 new prisoners were incarcerated, and 169,780 existing inmates were released. It is likely that many went back to crime, particularly predatory and drug-related crimes. Similarly, the number of adolescents who commit crimes but are not tried in regular courts has grown. Over the last decade, an average of 10,000 adolescents were apprehended for committing serious felonies each year, and approximately 5000 remain under custody.

In summary, Mexico has invested significant resources in the fight against drug trafficking. Although it is impossible to assess the efficacy of such efforts, the data indicates that they have not produced a steady or permanent reduction of violence. Moreover, the upsurge of homicides and crime since 2014 indicates that despite steady increases in law enforcement budgets, no stable reduction in crime has been attained.

10.2   Domestic Market

In spite of the widespread availability of illegal drugs and several indicators showing that use is on the rise, Mexico's domestic market remains small. There are, of course, a number of addicts and millions of recreational drug users, but this market is much smaller than in Europe, the United States, and even some South American countries such as Argentina and Chile.

10.2.1   Prevalence

Mexico has conducted several household and school surveys of drug use and abuse, including alcohol and tobacco.[5] In this section, this data is analyzed to estimate the size of its domestic market. According to the 2016 National Survey on Drug,

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[4] Data on penitentiary systems is obtained from INEGI http://www.beta.inegi.org.mx/proyectos/censosgobierno/estatal/cngspspe/2016/.

[5] There are two large populations, however, that were not sampled in the surveys and which typically use above-average quantities of drugs: the inmate population and tourists. Both, of course,
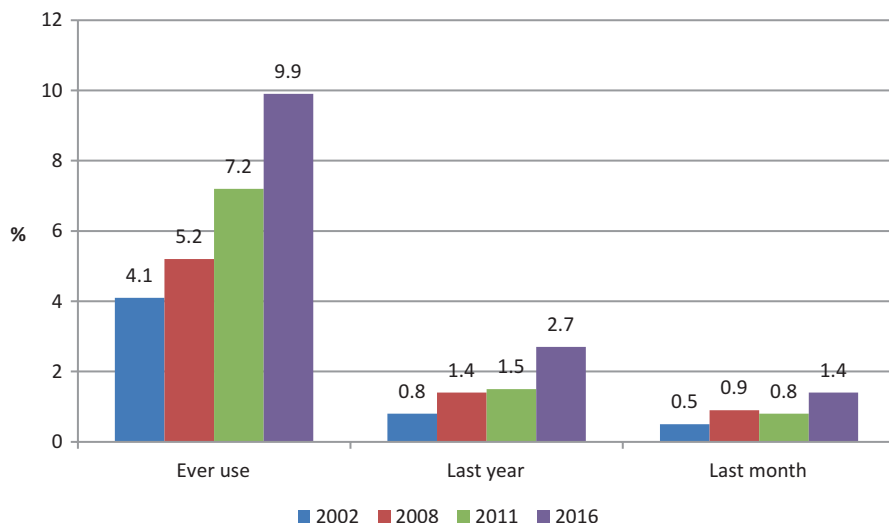
Chart 10.3 Level of illegal drug use (Source: Author's own compilation based on https://www.gob.mx/cms/uploads/attachment/file/234856/CONSUMO_DE_DROGAS.pdf)

Alcohol and Tobacco Use (ENCODAT 2017), less than 10% of the Mexican population (12–65) has ever used an illegal drug, and only 1.4% has done so during the last month. In Mexico, then, approximately 8,375,000 individuals aged 12–65 have used drugs at some point in their lives, but only 1,185,000 people have used it very recently.

Nevertheless, this rate has been growing since 2002, and the number of users has more than doubled in just 14 years. By international standards, however, prevalence rates are moderate to low (Chart 10.3).[6]

The domestic market of illegal drugs has been driven mainly by the increase in the use of marijuana. As shown in Chart 10.4, the number of users has risen significantly, and marijuana is the only drug that has seen a statistically significant increase from 2011 to 2016. The prevalence of cocaine and its byproducts was low in 2002 but had tripled by 2016. The number of people who reported having smoked cannabis at some point in their lives was approximately 7,275,000 in 2016, while 2,960,000 Mexicans said they had tried or used cocaine or crack. Finally, in spite of the low baseline for the use of synthetic drugs (ATS), there has been a noticeable

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account for additional share of the overall demand, and I will provide estimates of their impact.

[6] For the cohort aged 15–64, past-year use rates in Europe and many countries in the Americas are higher. For instance, past-year prevalence of marijuana around 2010 was 14.6% in Italy, 10.6% in Spain, 8.7% in France, 13.7 in the United States, 7.6% in Argentina, and 6.7% in Chile (Mexico had less than 2%). For cocaine, past-year use was 2.6% in Spain, 2.2% in Italy, 2.6% in Argentina, 2.4% in the United States, and 2.4% in Chile (for Mexico, it was less than 1%). For and international comparison of the data, see http://www.conadic.salud.gob.mx/pdfs/ENA_2011_DROGAS_ILICITAS_.pdf pages 121–122.
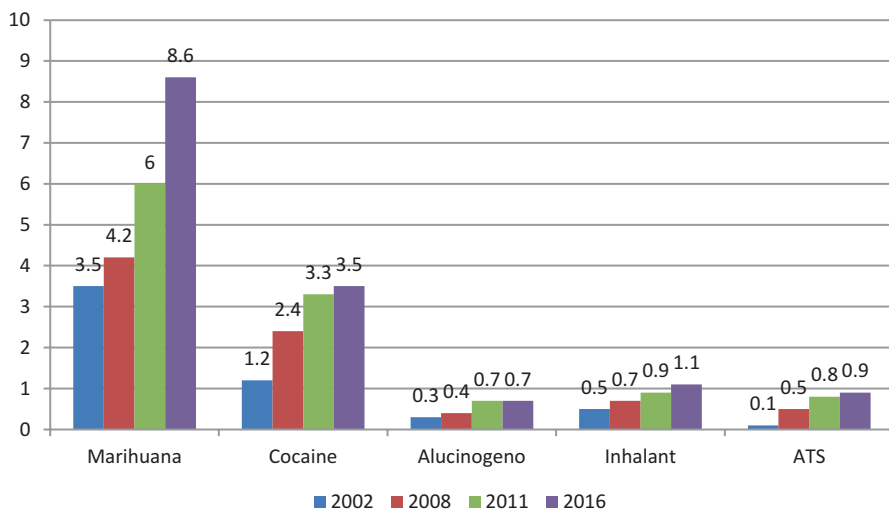
Chart 10.4 Illegal drug prevalence rates for Mexican population aged 12–65 (ever used) (Source: https://www.gob.mx/cms/uploads/attachment/file/234856/CONSUMO_DE_DROGAS.pdf)

rise in this category as well. Though the prevalence of lifetime use is lower than 1%, it is rapidly rising. It seems that the availability of these "designer drugs" is gaining a market, particularly among adolescents and young adults. Finally, for heroin, a drug produced in Mexico, the number of users is very small. Although there is a history of light non-injectable opioids in Mexico, levels of use as reported in the surveys remain low.

The most significant increase in drug use, however, is among adolescents. As in many other countries, the data for adolescents aged 12–17 shows much higher prevalence rates than for the general population, yet the rate of growth is very high among this cohort in Mexico. The appetite for drugs among adolescents (see Chart 10.5) has been rising in recent years. This forecasts a growing domestic market because, though most youngsters will desist from drug use at some point, a cohort of frequent users will develop a habit or addiction.[7] The bigger the initial group of recreational users, the larger the number of addicts and frequent users as a cohort moves into adulthood.

Several patterns can be observed: first, there is a statistically significant increase in the use of marijuana. Between 2011 and 2016, the number of adolescents who used cannabis during the last year has doubled. Second, "only" one out of every 20 adolescents claims to have used cocaine (and most likely crack). Despite the rising trend in the use of this drug, its growth appears to slow down in the last measure.

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[7]The 2016 survey indicates that only 1% of adults 35–65 have used any drug over the last year (for the entire population aged 12–65, this rate was 2.7%); see ENCODAT (2017).

Prevalence Adolescents:
lifetime (left) last year (right)
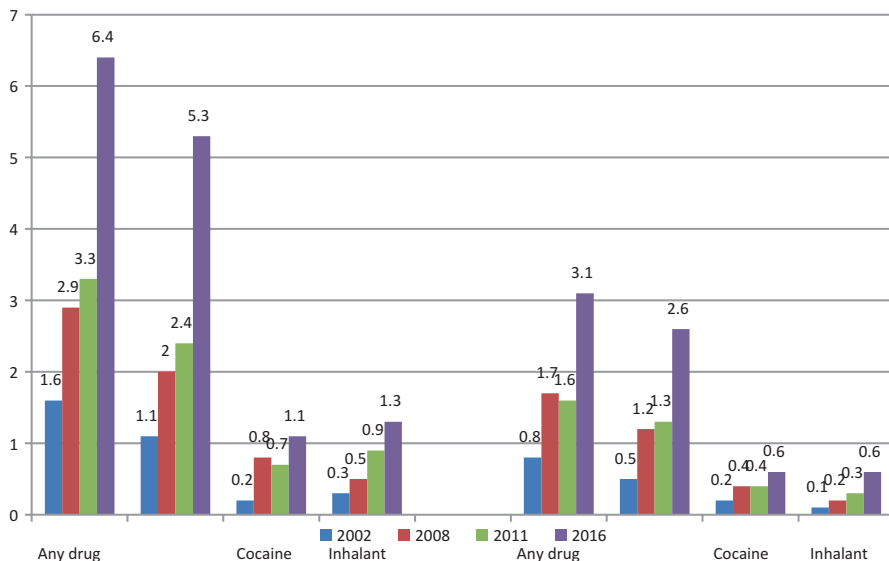
Chart 10.5 Prevalence rates among adolescents aged 12–17 years: ever used (left) and used in the past year (right) (Note: The left side indicates those who used at some point during their lives and the right, those who have used in the past year. Source: ENCODAT 2017)

Third, just 3% of youngsters aged 12–17 have used any illegal drug in the past year. This is a relatively low rate by international standards.[8]

From a public health perspective, the abuse of legal substances seems to be much more severe, with much higher rates among this cohort. For instance, 20.8% of individuals aged 12–65 have smoked cigarettes during the last year, and 12.3% have shown symptoms of tobacco addiction. In the 12–17-year-old cohort, 7.8% reported having smoked cigarettes over the last year, and 3.7% are nicotine addicted.[9] Unlike illegal drugs and alcohol (see below), tobacco use has stabilized compared to 2011 (ENCODAT 2017). In terms of alcohol, the daily use for aged 12–65 increased from 0.8% to 2.9%; frequent (but not daily) use went from 12.3% to 19.8%; and what is determined as excessive use increased from 5.4% to 8.5% of the population. According to a 2011 survey, 14.5% of this cohort had drunk alcohol recently,[10] and the alcohol dependence rate among adolescents increased from 4.3% in 2011 to

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[8] As with most prevalence rates derived from survey, underreporting affects the findings. To estimate the market size, I will make adjustments to take this into account.

[9] https://www.gob.mx/cms/uploads/attachment/file/246060/fact_comparativo_final_010417_V7.pdf.

[10] http://encuestas.insp.mx/ena/ena2011/factsheet_alcohol25oct.pdf.

8.3% in 2016.[11] These rates, of course, are much higher than those of cannabis or cocaine.

In summary, the analysis of drug use in Mexico yields several findings. First, although drug availability in Mexico is very high, the past and current prevalence rates are not particularly elevated by international standards. Second, in terms of substance choice, marijuana is clearly the most widely used illegal drug. Prevalence rates for hard drugs such as cocaine and some ATS are only a small fraction of cannabis rates. Third, the reported rates of heroin use are extremely low in a country that has historically produced it and became the main supplier of this drug to the United States. Fourth, despite the low rates, drug use in Mexico has doubled and in some cases even tripled in just a few years; fifth, the main driver of this surge can be attributed to marijuana. Sixth, another contributing factor to the rise in use is the prevalence among youngsters. Although by international standards, prevalence in Mexico for this cohort is moderate, the use of cannabis is on the rise. Seventh, although close to 10% of Mexicans have used at least one illegal substance in their lifetime, less than 1.5% have done so during the last month. This implies that approximately one million people aged 12–65 are frequent drug users. Finally, despite this moderate growth of drug use, rates are only a fraction of those who use tobacco and alcohol and are addicted to these substances, particularly adolescents.

10.2.2   Market Size

Mexico has a small drug domestic market. Although this section cannot replicate the estimates done in the last chapter for Argentina, it will show that the magnitude of the marijuana and cocaine markets is significantly lower than the amounts earned by DTOs for shipping drugs to the United States. In other words, as opposed to Argentina, there is no doubt that the main income of Mexico's syndicates is the drug smuggling business to the north.

The size of the market is calculated by estimating the overall demand of the drugs using survey data. As mentioned, however, it is more difficult to estimate the size of the domestic market in Mexico because crucial data is missing. Unfortunately, the last two prevalence and addiction surveys do not report frequencies of individual use. For those who report having used cocaine or marijuana during the last month or the last year, for example, there is no information on whether their use was occasional, weekly, or daily. This is very important to estimate the overall demand for a given drug.

Nonetheless, if some reasonable assumptions are made, these surveys provide an approximate idea of the magnitude of the market. It is critical to clarify that the following analysis is only an attempt to estimate demand within wide confidence intervals but does not define the size of the domestic market with precision.

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[11] ENCODAT (2017).

This section will delve into the two most widely used substances, cannabis and cocaine (and byproducts), using last year and last month prevalence rates from ENA (2011) and ENCODAT (2017). I will assume that the distribution of use frequency in Mexico is similar to other countries. For example, among cocaine users in the United States, 23% use very frequently, 50% once a month, and 27% experiment with it only occasionally. I will also follow a traditional epidemiological approach, assuming that 77% are recreational users and 23% are addicted in the case of cocaine,[12] applying a similar logic for marijuana, which has more users and higher frequency of use.

Another assumption that must be made is substance purity. This is a big unknown, and no official data is available. Therefore, I will not adjust for 100% purity but rather will estimate the total value of the market using the street prices for non-pure drugs.[13] Once again, these estimates will only produce a "ballpark" figure.

Cocaine

Cocaine use by Mexicans is relatively new. Prevalence rates in the 1980s and 1990s remained very low (ENA 2011). However, rates in 2016 show that the number of users has increased and approximately 3.5% of Mexicans have used cocaine at least once in their lifetime.

According to an estimate based on INEGI 2016,[14] the Mexican population aged 12–65 totaled 84.5 million. Therefore, less than three million people have ever used cocaine in its different forms.[15] Several questions remain: how many individuals used last year? How many of these were frequent users and how many occasional users? What is the distribution between crack and cocaine users? Finally, what is the level of purity?

For the first question, use in the past year, indirect information is available from ENCODAT. For all drugs, 27.2% of those who reported to have ever used said they had done so also during the past year.[16] Moreover, although cocaine prevalence rose significantly between 2002 and 2011, it remained practically unchanged between 2011 and 2016. This implies that there has not been an unprecedented rise in cocaine use during 2016. We can safely admit that 27% of the 2,960,000 users have most likely tried cocaine over the last year (797,000).[17]

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[12] In the last chapter, using available data for Argentina, the use rate or cocaine was the following: once during the past year 10.5% (32.1% for crack), several times during the past year 54.3% (40% for crack), and weekly or daily 35.1% (25.9% for crack).

[13] This will be explained below. The basic assumption is that since demand stems from individual use reported in surveys, these are already non-pure drugs. I will apply street prices to the overall demand.

[14] *Anuario estadístico y geográfico de los Estados Unidos Mexicanos* 2016, Chap. 2. INEGI 2016 inegi.org.mx.

[15] The most well known are cocaine and smokable types (i.e., crack).

[16] The ratio for the 2011 survey was 30% and for 2008, 26.9%. This is estimated from ENCODAT (2017) in Fig. 1. In short, it is quite a similar ratio.

[17] This represents approximately 0.9% of the population aged 12–65. It is probably rising since in the 2011 survey, 0.6% of the population reported the use of cocaine during the past year and for the 2008 survey, 0.5%. See http://www.conadic.salud.gob.mx/pdfs/ENA_2011_DROGAS_ILICITAS_.pdf page 43.

   To estimate frequencies of use, I draw on the common segmentation between light and heavy users in the United States/Canada and Europe. The pioneering work by Rydell and Everingham (1994) and updated by Caulkins (2005) defines those who used cocaine less than three times in the past month as "light" and the rest as "heavy users" (23%). In Europe, studies done in Italy and Spain assume that approximately 17% are heavy users (see Kilmer and Pacula 2009). We will follow the Spanish distribution for Mexico, for lack of better data (see Kilmer and Pacula 2009, page 39). Light users, according to the Spanish study, use 6.8 g per year on average, while heavy users take 100.1 g per year (in the United States, the numbers are 16.4 g for light users and 118.9 for heavy users).[18]

   In terms of distributions between cocaine and crack, ENCODAT (2017) makes no clarification. Therefore, I will use as a proxy the distribution found by ENA (2011). According to use in the past year, 0.5% reported cocaine and 0.1% of Mexicans aged 12–65 said they used crack. However, it is likely that a large share of crack users were not properly captured by a household survey. I will make adjustments below for this missing population.

   Finally, in terms of purity, there is of course a wide variation, anywhere between 20% and 70%. There is no good data to assess the purity of the cocaine on the Mexican domestic market. Many suspect that since the syndicates working for DTOs are paid in kind, they cut the cocaine aggressively to reap larger profits and make the drug more affordable. Due to the lack of reliable data on purity, an indirect assessment can be made through retail price, totaling all cocaine sold (estimating average purity and converting to 100% purity). I will then estimate the total amount sold during the year (regardless of purity level) and multiply it by the average retail price.

10.2.3   Market Value

Based on the assumptions, out of 797,000 cocaine users in Mexico, 135,490 (17%) are heavy and 661,510 (83%) are light users. By multiplying by the average yearly use (100.1 g for heavy, 6.8 for light), the total amount of cocaine used on the domestic market would be 18,060,817 g or approximately 18 metric tons (MT) per year. Given the lack of a true measure of purity, we cannot estimate the real quantity of pure cocaine retailed in Mexico. If the purity level were to average 66%, the actual domestic market for pure cocaine would be 12 metric tons per year; if it were 50%, then the adjusted market would be 9 metric tons per year.

   Several additional adjustments need to be made. First, prisons house many heavy users who are not included in household surveys. The inmate surveys in Mexico have indirect information. Seven point five percent of inmates reported using cocaine in the past year (CELIV 2014). Extrapolating to the total inmate population

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[18] In Spain, light users take cocaine 12.5 days per year on average, using 0.55 g per day. Heavy users take 0.8 g per day 125 days per year (on average).

in Mexico, this would mean an additional 16,275, most likely heavy users. If these individuals use an average 100 g per year, this would add 1.62 metric tons of non-pure cocaine to the domestic market total.

Second, there is a large influx of tourists in Mexico, some of whom use drugs while they visit the country. Their impact on the domestic market is relatively small but important to to take into consideration, though no solid data is available. Several millions of foreigners visit Mexico every year for a few days; an unknown share of them buy illegal drugs, mostly for recreational use. Mexico receives 35 million tourists per year for an average of 5 days each. Annualizing this data yields 479,000 permanent tourists per year (35,000,000 × 5 ÷ 365). This means an additional 479,000 people not included in the household survey. Assuming that 5% of these tourists use cocaine (a rate seven times higher than for Mexican residents) at a light use of 6.8 g per year, this totals 162,800 kg per year. In short, even assuming high drug use among tourists, the estimate does not exceed 200 kg per year.

Third, surveys usually underestimate the use of illegal substance (Caulkins et al. 2005; Kilmer and Pacula 2009). Several methods have been developed to estimate underreporting. In the United States, scholars sometimes use a 33% adjustment for underreporting. If underreporting is similar in Mexico, the number of users self-reported in the household survey should be increased by 33%. This would imply a large quantity of drug (approximately 6 MT = 18 × 0.33).[19]

In summary, the additional quantity based on these three adjustments is 7.82 MT (1.62 + 0.2 + 6.0), yielding a domestic market of 25.82 MT of cocaine not adjusted for purity. If it is assumed that this drug is cut at 50%, though the cocaine entering the United States is usually at 80% or higher (Cunningham et al. 2010), the total domestic Mexican domestic drug market is less than 5% of the US market.[20]

How much revenue does this domestic market generate? Retail prices are not known with certainty, but prices in Mexico are much lower than in the United States or Europe. Whereas a gram adjusted for 100% purity in the United States may cost over US$150 and in Europe, US$180, in Mexico it is only a fraction, between 10% and 20%. As mentioned, we will estimate retail value without adjusting for purity. According to several reports, the street level price for retail cocaine ranges from US$12 to US$34.[21] There are several methodological problems with many of the estimates, yet the most common retail price per gram was in 2014 between MXN$200 and 250 (US$14.20–17.80). For the sake of simplicity, and for the lack of reliable data, we will consider a median price for a gram of cocaine (nonadjusted

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[19] Underreporting is most likely to be found among light users but not as common among heavy users. Therefore, the true underreporting will imply much less than 6 MT.

[20] Within the safe assumption that the Mexican pure cocaine domestic market does not exceed 15 MT and the US domestic market exceeds 300 MT.

[21] The equivalent to US$12 is the official response to an information request from the PGR (Mexican district attorney) (http://www.sisi.org.mx/jspsi/documentos/2014/segui-miento/00017/0001700000114_065.pdf). In an English translation of Hope's blog, the price is estimated at US$34, based on reports from a captured Zeta leader. See (http://www.insightcrime.org/news-analysis/what-a-zetas-confessions-say-about-mexicos-internal-drug-market.

for purity) of US$16 [(14.20 + 17.80) ÷ 2]. This yields a total retail market of US$413,120,000 per year.

Cannabis

This section replicates the methodology used for cocaine, making several adjustments on the basis of data availability. Unlike cocaine, marijuana has been used for many decades by a fairly consistent share of the population. Approximately, 7,267,000 (8.6%) of Mexicans aged 12–65 have used cannabis. According to ENA (2011), past-year prevalence was 1.2% of Mexican (out of 6.0% who have ever used).[22] This ratio (20%) adjusted to 2016 yields a past-year prevalence of 1.72%, that is, 1,453,000 people.

To estimate the total consumption of marijuana and its dollar value, two questions must be answered: what is the average use and the distribution between heavy and occasional users? And what is the THC level and the price structure?

The use of cannabis varies greatly. Some individuals use heavily, smoking several joints per day.[23] Others will smoke infrequently, once a month or a few times each year. Neither the ENCODAT nor the ENA survey reports intensity of use. I will rely on studies for other countries, assuming similar distributions for Mexico. The most common method used is the segmentation of the population between past-month and past-year use. Usually, those who correspond to the past-year group are recreational, while the group that has used in the past month has a large share of heavy users. According to distribution patterns in the United States, Australia, and Western Europe, 60% of users are past month and 40%, past year (see Kilmer and Pacula 2009). The past-year use on average smokes 29.9 days, 1.25 joints per day (each containing 0.4 g). Those who've used in the past month smoke 150.3 days per year, 2.5 joints per day (0.4 g each). The weighted average per user is 96 g per year. This is consistent with Room et al.'s (2008) report that estimates 100 g per year per marijuana smoker on average.

In terms of prices, Mexico is very different from the countries mentioned above. Cannabis has been widely available and locally produced for many decades.[24] In addition, the recent legalization of cannabis in several US states has lowered the price in Mexico. For 2016, the retail price ranged between MXN$12 and 20. We will take a middle price of MXN$16, i.e., US$1.10 a gram.

Based on this information, the gross total consumption for the Mexican cannabis market is US$153,436,830 (1,453,000 × 96 × 1.1). As with cocaine, the survey underreports users, and again information on tourists and other users not included in the survey is missing. Scholars generally make a 20% adjustment to take such users into account. Applying this adjustment, then, the net domestic market is esti-

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[22] https://data.unodc.org/#state:1 ENA p. 27.

[23] In a previous chapter, mention was made of the growing use of cannabis in oils and other edible forms; however, smoking is the most common way of using this particular drug.

[24] This estimate, as we have done for cocaine, will not be adjusted for purity, or in this case, for the THC level. It is based on average retail prices.

mated at US\$184,124,196. In any case it is hard to see this market exceeding US\$200 million per year.

Final Remarks

The domestic market for the two most widely used illegal drugs in Mexico does not exceed US\$600 million per year. We do not have enough data to estimate the ATS market and other drugs, but the analysis of cocaine and marijuana most likely represents over 80% of the domestic market for illegal drugs in Mexico. This amounts to less than US\$5 per capita, while the GDP for the same year tops US\$8201. In short, this is a negligible drug market for a large middle-income country.

Moreover, as explained in Chap. 4, the cocaine that is smuggled into the United States from Mexico exceeds 250 MT per year. In addition, different reports establish that only 5% of cannabis production stays in Mexico and the rest is exported to the United States. More than 95% of the heroin Mexico produces is shipped to the United States, and an unknown but large quantity of synthetic drugs is also exported each year. Altogether, according to different sources, they exceed US\$6.4 billion per year.[25] If these estimates are correct, the domestic market for illegal drugs represents 10% of the syndicates' earnings from smuggling drugs into the United States. It is perfectly clear where the lion's share of the business is going, making Mexico into a transit country.

Domestic markets can spur violence and may have contributed to the recent wave of bloodshed in Mexico. However, the astonishing difference in earnings from international vis-a-vis domestic market shows that DTO leaders were focused more on the transshipment of drugs rather than relatively low-revenue turf. A theory of how this small market has affected the levels of violence is thus still needed.

10.3   Drug Wars and Violence in Mexico

So what happened in Mexico? How did this country's public security deteriorate after seemingly good years of democratization, growth, and a drop in violence? This section summarizes research conducted on the subject over the past decade in order to respond to this important question. Although scholars hotly debate the issue, there is some consensus.[26]

Homicide rates dwindled in Mexico during the twentieth century (Picatto 2003) and until 2007 (Escalante 2009). Most analysts concurred that Mexico was on its

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[25] Based on Hope's figures, the export market can be estimated at MXN\$89 million. Others report very high figures between MSN\$19 and 29 billion in revenues http://cnnespanol.cnn.com/2016/08/19/los-carteles-del-narcotrafico-mas-importantes-de-mexico/ drawn from the US Justice Department, but a study by the RAND corporation (reported by Patrik Radden Keefe in The New York Times on June 15, 2012) has estimated that Mexican DTOs earned at least US\$6.9 billion in 2012, though the true figure is probably higher.

[26] Some of the following arguments are extracted from an in-depth analysis I developed in Bergman 2016, Chap. 6.

way to becoming like other countries with low violence. Beyond the murder rate, however, other crimes such as property crimes, kidnapping, extortion, and other violent felonies rose steadily from the 1990s until 2007. In other words, Mexico was not a low-crime society before the drug war began: rather, it was a country with high levels of criminality. Only murders were decreasing, partly due to the steady reduction of rural homicides and improvements to healthcare.

Another point of consensus among several scholars is related to the government intervention of President Calderon, who launched military interventions in several states after taking office in December 2006. These scholars (Guerrero 2011) argue that after a contentious election when Calderon beat AMLO by less than 0.5%, a win challenged by the opposition, the new president began looking for a popular policy (being "tough" on drugs and crime) in order to recover the government's control of cities and states where DTOs clearly had the upper hand. His strategy of knocking out leaders (by killing or jailing them) brought about more chaos as lieutenants fought for control of drug trafficking. In short, the hefty human toll resulted from fights between drug lords and their lieutenants precisely because the government intervened to jail or kill the heads of different organizations. Since the drug business remained very profitable, there was an all-out war between rivals for the control of routes and turf.

Though there is evidence supporting this theory, some questions remain. The war between DTOs began before 2007–2008. In 2003 and 2005, there were very serious conflicts and bloodshed between gangs. The fight between the Sinaloa and the Arellano Felix cartels for the control of Baja California and particularly Tijuana predated the Calderon years or any government intervention by several years. More importantly, although infighting between drug lords persisted, most killings and other violent crimes in Mexico since 2009 resulted from conflicts over extortions, kidnappings, and other for profit.

Several other theories emphasize the shifting patterns of the drug business. It is a well-known fact that since the 1980s, the Colombian cartels have been supplying cocaine to the United States. However, by the mid-1990s, the smuggling routes across the Atlantic had been seriously curtailed by the border patrol and DEA. The land border between the United States and Mexico became strategic for cocaine since Mexican smugglers had already been using it for decades (Astorga 2005). Since the 1990s, Colombians partnered with Mexican DTOs to move cocaine through Mexico into the United States, and after many drug lords in Colombia were jailed or killed, the Mexicans took over the business and fought among themselves for the control of smuggling routes and distributors in the United States. In addition, a few studies suggest that beginning in 2007, due to interdiction strategies implemented by the Colombian government, there was a supply shock that reduced the amount of cocaine shipped from Colombia (Castillo et al. 2014). DTOs in Mexico fought for the right to buy what cocaine did arrive from Colombia, and they also tried to steal from each other.

Other theories emphasize the feeble capacities of law enforcement agencies in Mexico due to their chronic institutional weakness (Magaloni et al. 2015; Vidal Romero et al. 2015; Trejo and Ley 2016). Divisions of power between local and

central governments, as well as corruption, lack of trust, and coordination problems, inhibited efforts to dismantle DTOs. Many of the initiatives to strengthen state institutions and launch an effective attack on DTOs involved revamping the armed forces, creating new police forces, reforming justice systems, and removing local officers suspected of cooperating with drug lords. Most of these attempts failed precisely due to endemic state weakness.

There are critical questions these theories have failed to answer. Mexican institutions have been weak and corrupt for decades, yet governments appeared to retain control over drug syndicates throughout the twentieth century, keeping violence in check. In other words, what worked moderately well for four or five decades collapsed during the past 10 years. Moreover, the inability of Mexican authorities to rein in drug trafficking enabled these syndicates and their gangs to engage in other violent and for-profit crimes, producing criminal diversification. These are the crimes that account for the largest human toll. I hypothesize that a plethora of gangs and individuals linked to criminal organizations is responsible for the deaths, injuries, extortions, kidnappings, and other crimes that have made Mexico infamous in recent years. These groups operate independently in some cases or under the watchful and approving eye of cartel leaders.

Why have some state institution broken down and lost control during the first decade of the twenty-first century? I argue (Bergman 2018) that the fight between drug lords for the control of transshipment routes has intensified over the past decade, producing larger and unstructured militias, gangs, and violent groups loosely linked to the so-called cartels. The spike in drug trafficking throughout Mexico has empowered these drug lords, their "lieutenants," and the associated gangs, while state institutions that were moderately successful against mild public security threats in the past collapsed due to the size, the weapons, and the power to corrupt of the empowered drug syndicates. Once the deterrence capacity of the Mexican state diminished and criminal groups gained strength, the criminal diversification of predatory crimes exploded.

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