

ASSESSING U.S. DRUG POLICY IN THE AMERICAS
Time to Revisit Goals and Strategies

Statement of

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Chairman Engel and Members of the Subcommittee, I am honored to testify before you today about U.S. drug policy in the Americas. My organization, the Washington Office on Latin America (WOLA), has for many years conducted research and advocacy in support of more humane and effective drug control policies. WOLA is a founding member of the International Drug Policy Consortium (IDPC), a global network of NGOs that promotes open, objective debate on drug policy and supports evidence-based approaches that respect human rights and reduce drug-related harm. Early next year, the Obama administration will be presenting its national drug control strategy and budget. Both chambers of Congress are now considering legislation that would establish high-level commissions regarding U.S. drug control and criminal justice policies. Meanwhile, civil society and many governments in the Americas are contemplating their own drug policy reforms. Notably, earlier this year, three respected former presidents from Brazil, Colombia and Mexico issued a call to “rectify the ‘war on drugs’ strategy pursued in the region over the past 30 years.” This is therefore an opportune moment to promote a serious debate about the direction of U.S. drug policy in the Americas, and I appreciate your initiative in doing just that.

Toward a More Constructive Drug Policy Framework

En route to Mexico in March, Secretary of State Hillary Clinton was candid about her views on U.S. drug policy. “Clearly,” Secretary Clinton said, “what we’ve been doing has not worked,” adding that the United States’ own “insatiable demand for illegal drugs fuels the drug trade.” By now, criticisms of U.S. drug policy are not likely to come as a surprise to most Americans – an October 2008 Zogby/Inter-American Dialogue national survey found that 76 percent of likely voters considered the so-called “war on drugs” to be “failing.” But Clinton’s forthright acknowledgements – both that the United States bears a large share of responsibility for the illicit drug trade, and that our policies have failed to meet the challenge – marks a welcome shift in the debate.

Under successive administrations, Republican and Democratic alike, the national drug control strategy and the federal drug control budget have emphasized law enforcement efforts to curtail illicit drug supplies and restrict availability. New ONDCP Director Gil Kerlikowske has signaled that the national strategy now being drafted will place greater emphasis on efforts to reduce domestic demand for drugs – including evidence-based prevention and treatment – and will be “rigorously assessed and adapted to changing circumstances.” Given the dismal results of the supply-control efforts that have dominated U.S. strategy to date, placing increased priority on demand reduction and subjecting *all* aspects of the strategy to rigorous assessment – including its enforcement components – would represent a real change.

As this Committee’s bill to create a “Western Hemisphere Drug Policy Commission” underscores, any assessment of U.S. drug control policy in the Americas must consider both supply and demand dimensions. But the traditional supply-control and demand-reduction categories are inadequate for understanding the challenges and opportunities for modern drug control policy. A more useful approach begins with the recognition that a smarter combination of demand and supply strategies can hopefully contain and perhaps even reduce the size of illicit drug markets, but will not eliminate them. The challenge, then, is to minimize the damage caused by drug production, distribution, and use – but also to minimize the damage caused by our drug control policies.

The “harm reduction” approach originated as a public health innovation focused on reducing harms to drug users, and has met with considerable success (for example, needle-exchange programs have been shown to slow the spread of HIV/AIDS, without increasing drug use). But as a framework for devising and evaluating drug policy, harm-reduction’s great potential is just beginning to be realized. Given the centrality of law enforcement to U.S. drug control strategies in the Americas – and given the discouraging record of these efforts in restricting drug supplies and shrinking drug markets – a harm reduction approach to drug enforcement is especially relevant.

After surveying the evidence regarding the results of the major elements of U.S. drug policy in the Americas – crop control and interdiction – I will return to the theme of reducing harms. I will argue that the results of our policies to date warrant profound reappraisal of our goals and strategies, and that harm reduction would be an especially helpful framework to guide such a reappraisal, particularly regarding the aims of drug law enforcement. Over the past three decades, our aggressive expansion of drug enforcement to reduce supply has

come at great cost but achieved very little. Enforcement strategies that focus on reducing the worst harms of illicit drug markets could deliver enormous public health and public safety benefits, even if the overall scale of the drug markets is unaffected.

Considering the Evidence

The crucial first step to improving upon our current set of policies is to realize – and to acknowledge – that they haven’t succeeded. For several decades, the defining theme of U.S. drug policy has been the suppression of drug supplies through aggressive enforcement-led operations, including crop eradication and drug interdiction (and at home, through the arrest and incarceration of drug dealers). None of these efforts have achieved the hoped for results. As measured by the number of hectares of land under coca cultivation in the major Andean producer countries, and as measured by the prices and purity levels of cocaine and heroin in the United States, the fundamental goals of U.S. policy have not been met. Indeed, despite the intensification of our efforts in recent years, we appear farther than ever from achieving those goals: coca cultivation is apparently at an all-time high, while U.S. cocaine and heroin prices are at or near their all-time lows.

Defenders of the status quo policies argue that without such efforts the targeted drugs would be even more readily available, at even lower prices, than they are today. But this argument fails to consider the opportunity costs of sticking to current policies to the exclusion of options that might achieve at least as much, and without generating the enormous collateral damage that current policies do. Indeed, the numbers detailed below (whether stable coca cultivation, or falling cocaine prices) indicate the resilience of the drug markets in the face of our aggressive enforcement efforts, but the numbers alone do not convey the extent of the damage done along the way.

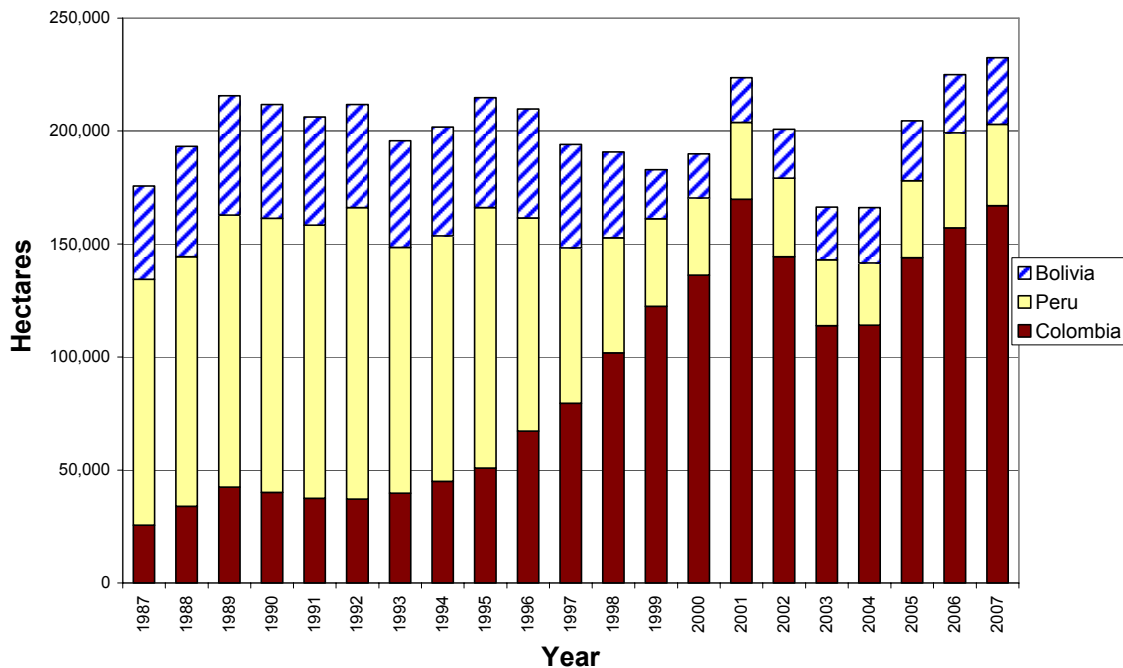
Some of the damage is caused directly by implementation of policy, as when a farmer’s key cash crop is destroyed with nothing to take its place. Other damage occurs as a consequence of policy “success;” as when crop eradication pushes growers to new zones, or when interdiction compels traffickers to forge new routes. Such displacement of drug production and trafficking – known as the “balloon effect” – tends to spread the damage associated with drug production and trafficking (environmental destruction, corruption, violence), without any appreciable impact on the overall market. The eradication of crops upon which farmers and their families depend pushes people deeper into poverty, and thereby reinforces their reliance on illicit crops. Decades of forced eradication efforts in Latin America have left a trail of social conflict, political unrest, violence and human rights violations. These negative consequences of our enforcement-led strategies may be unintended, but they can no longer be considered unpredictable.

The balloon effect can also be thought of in policy terms, where apparent success in one supply-control realm can increase the odds against success in another. For example, crop eradication and drug interdiction are typically presented as complementary approaches, but which may work at cross-purposes in practice. But success in interdiction (and traffickers’ expectation that some significant fraction of the drugs they are smuggling will not make it to their intended market) also increases traffickers’ incentives to promote more cultivation, to make up for the anticipated losses.

Coca Cultivation and Cocaine Production

Andean coca and cocaine production has evidently remained fairly stable at high levels. The two sets of official crop estimates, one generated by the U.S. agencies, the other by the United Nations Office on Drugs and Crime, have differed dramatically from each other over time. Neither set of numbers is solid enough to attach great importance to the changes from one year to the next. But the estimates can be useful for considering trends over longer stretches of time, and both sets of estimates describe a situation remarkable more for its stability than for its fluctuations. (For many reasons, the crop cultivation and drug production figures should be considered rough approximations. Given the considerable measurement uncertainties involved, these figures ought to be presented as ranges rather than as simple point estimates, a format that conveys an unwarranted sense of precision.)

FIGURE 1: Andean Coca Cultivation Estimates, 1987-2007



Sources: State Department and ONDCP

The U.S. estimates of the land area under coca cultivation each year in the Andean region have hovered near 200,000 hectares for nearly two decades. From 1987-2007, the average annual estimate was about 200,400 hectares, ranging from a low of 166,200 hectares (in 2004) to a high of 232,500 hectares (in 2007, the most recent year for which U.S. estimates are available). The 2007 figure was about 15 percent higher than both the 21-year average and the average for the most recent 5-year period (2003-2007).

Another way to consider the coca cultivation estimates is to compare the estimates averaged over 5-year increments. The 5-year averages have been quite stable for two decades: from 1988-1992, the annual average was about 208,000 hectares; from 1993-1997, 203,000 hectares; and in 1998-2002 and 2003-2007, about 198,000 hectares. Such comparisons help to focus attention on the broader trend of stable cultivation rather than on year-to-year

swings. The 5-year period with the highest annual average (1988-1992) was only 5 percent higher than the 5-year period with the lowest average (1998-2002).

From 2000-2007, U.S. estimates of potential cocaine production ranged from a low of 760 metric tons (in 2004) to a high of 975 metric tons (in 2002), with the 2007 figure of 865 metric tons slightly lower than the 8-year average. The UN cocaine production estimates from 2003-2008 have ranged from a low of 845 metric tons (2008) to a high of 1,008 metric tons (2004), with the 2008 figure about 11 percent lower than the 6-year average. Taking the mid-point of the U.S. and UN estimates for the five years (2003-2007) for which both sets of estimates are available yields an annual average of about 900 metric tons of potential cocaine production (Annual U.S. cocaine consumption is estimated at about 250-300 metric tons.)

The evidence suggests that forced eradication as a strategy to reduce illicit crop cultivation is not merely ineffective, but actually counter-productive, basically because of the negative impacts on the welfare of the farmers themselves. Eradication that is immediately successful in reducing crops tends to create incentives in precisely the wrong direction, with the temporary production decline driving up farm-gate prices, thereby encouraging replanting and expansion of cultivation. Eradication's own immediately successful implementation therefore helps create conditions that eventually blunt or reverse the reductions achieved. A related perverse effect of eradication is its tendency to contribute to the dispersion of crops to new, more remote areas. In 1999, the United Nations detected coca growing in 12 of Colombia's 34 departments; in 2008, coca cultivation was evident in 24 departments.

The reason why forced eradication prompts replanting and crop dispersion is hardly a mystery: the vast majority of coca and opium poppy growers are impoverished, small-scale farmers. Coca crops supplement subsistence-level farming; often the income from such crops provides the family with its only source of cash income. Coca does not make these farmers rich; it allows them to survive. If their key cash crop is destroyed without other viable alternatives already in place, they will more often than not resume coca growing.

Beyond exacerbating their already precarious economic conditions, forced eradication imperils targeted growers and their communities in other ways as well. Abuses and human rights violations often occur during eradication operations. In Colombia, both fumigation and manual forced eradication have also fed the growing ranks of Colombia's internally displaced persons. The non-governmental Consultancy on Human Rights and Displacement (CODHES) estimates that in the department of Guaviare, where more than 24,000 hectares were fumigated during 2007 and 2008, "60 to 70 percent of total displacement ... is linked to the economic crises that fumigations wreak upon farming families."

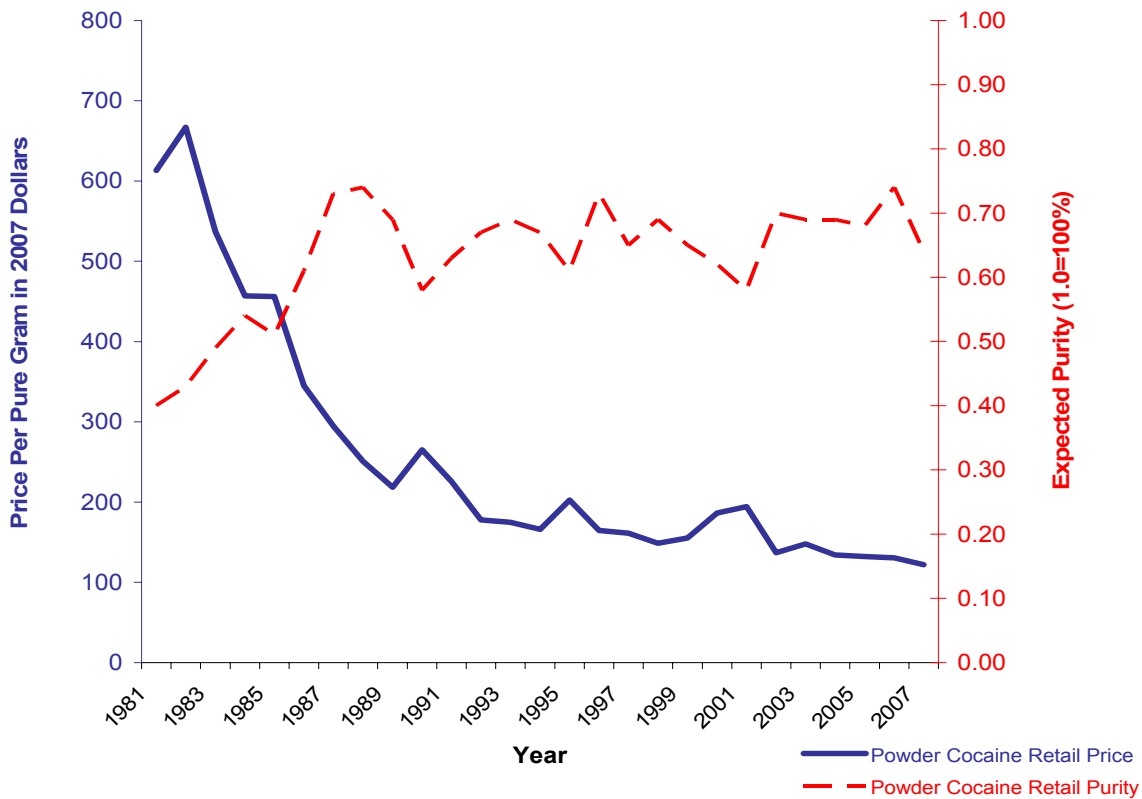
Rather than continue to focus on destroying crops that are sooner or later replaced, a "development-first" approach would emphasize improving the economic options available to coca and poppy farmers, permitting gains in their welfare that can eventually translate into reduced reliance on crops for illicit markets. Such an approach recognizes that the crops themselves make a poor target for policy, because they are so readily replaced and because the crops account for such a tiny fraction of the eventual street price of cocaine and heroin. Even the most ambitious eradication campaigns do not have much long-term impact on drug availability and price. A development-first approach also recognizes that as long as the tens of thousands of poor farmers who bear the brunt of forced eradication have so few

survival options, they will continue to resort to growing coca. Durable success in reducing such crops will depend on real improvements in the prospects of these farming families.

Cocaine and Heroin Prices

The goal of U.S. policy has been to drive up the street price of drugs by attacking production, but the latest reliable estimates show that U.S. retail prices of heroin and cocaine have fallen sharply since the mid-1980s. Released by the White House in early 2009, the most recent comprehensive analysis concludes that cocaine’s U.S. retail price per pure gram in 2007 was the lowest figure on record – nearly 22 percent lower than in 1999, the year before Plan Colombia was launched. By 2007, heroin prices had also fallen to historic lows.

FIGURE 2: Annual average estimates of retail cocaine price and purity, 1981-2007



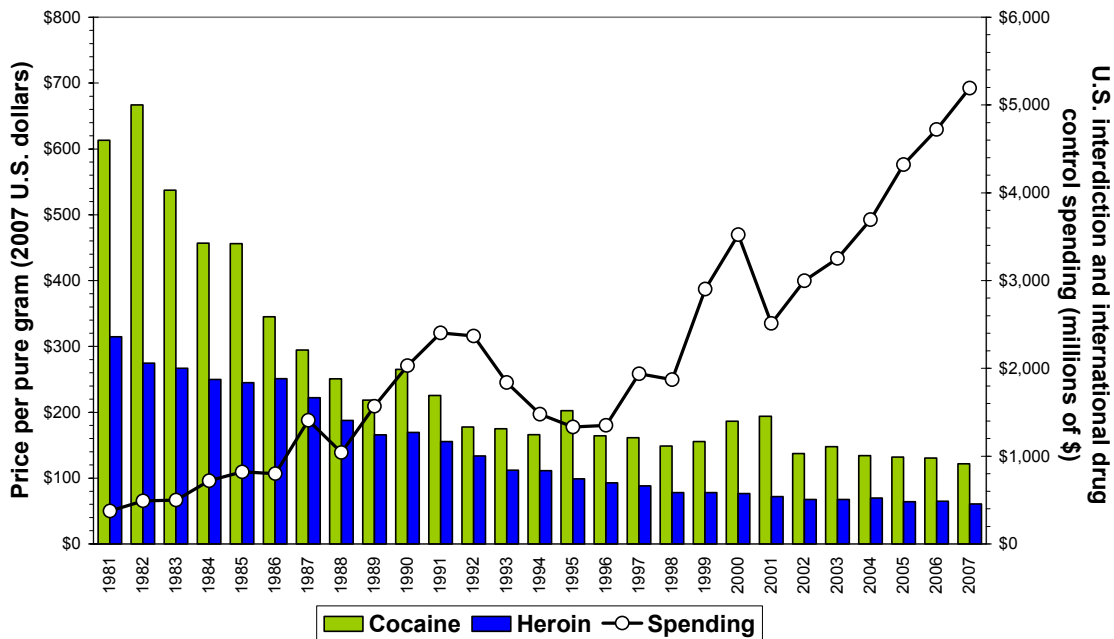
Year	Price	Year	Price	Year	Price
1981	\$613	1990	\$265	1999	\$155
1982	\$667	1991	\$226	2000	\$186
1983	\$537	1992	\$178	2001	\$194
1984	\$457	1993	\$175	2002	\$137
1985	\$456	1994	\$166	2003	\$148
1986	\$345	1995	\$202	2004	\$134
1987	\$294	1996	\$165	2005	\$132
1988	\$251	1997	\$161	2006	\$131
1989	\$218	1998	\$149	2007	\$122

Source: ONDCP

Price trends are of course a function of both supply and demand. While robust supply is evidently a large part of the equation, it may be that cocaine’s historically low U.S. retail prices are also due to slackening demand. Indeed, total U.S. cocaine consumption appears to have peaked in the late 1980s, declined modestly through the 1990s, and then plateaued. But there is no indication that consumption has been declining in recent years. Household and school-based surveys, for example, show that the percentage of Americans who use cocaine has remained basically stable since 2000.

Cocaine and heroin prices have fallen even as the United States has escalated its central enforcement-led strategies to attack supply and restrict availability. The figures below illustrate the large and growing gap between our tremendous efforts to curtail drug supplies and the stubborn reality that drugs such as cocaine and heroin remain readily available, at lower prices than ever. Figure 3 contrasts the falling prices of cocaine and heroin with the increased U.S. spending on interdiction and international drug control, which are largely law enforcement (and military) expenditures.

FIGURE 3: U.S. Spending on International Drug Control Rising, Street Prices of Cocaine and Heroin Falling



Note: Heroin prices have been divided by six to fit scale.
Source: ONDCP

Figure 4 (next page) contrasts the falling prices of cocaine and heroin with the remarkable rise in the number of drug offenders behind bars, which has climbed from barely 50,000 in the early 1980s to about 500,000 today.

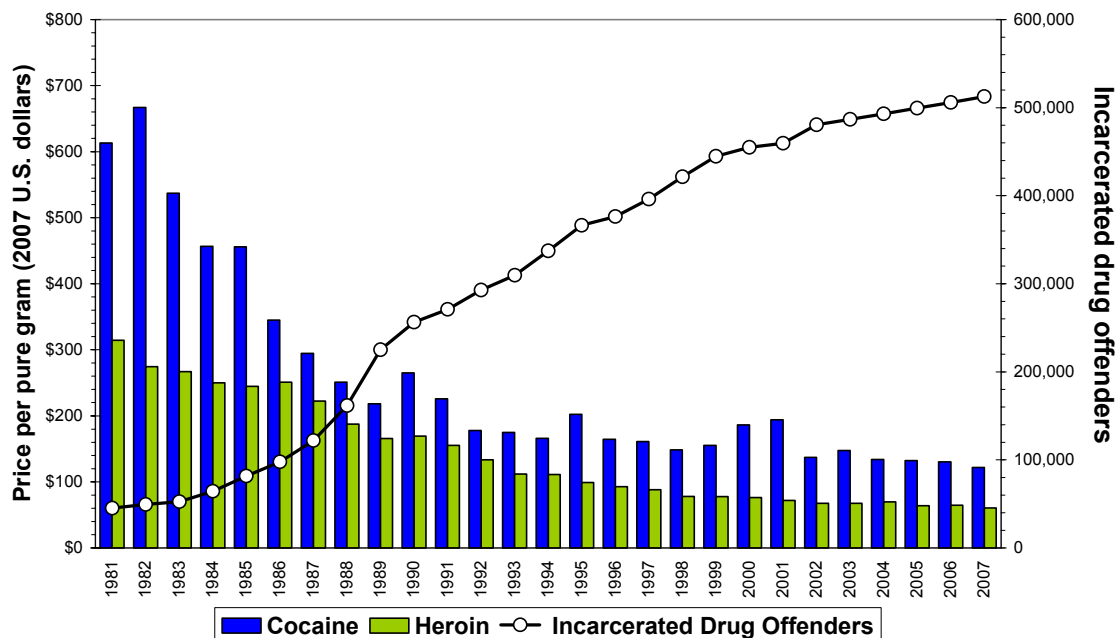
Adjusting Expectations: The Limits of Supply-Control

What to make of the evidence of the nearly relentless fall in cocaine prices? On the bright side, less expensive cocaine does not appear to have stimulated a significant increase in the

prevalence of U.S. cocaine use or even an increase in total cocaine consumption. But this apparent stability in the U.S. cocaine market comes *despite the fact that cocaine has become more affordable*, not because it has become more expensive; in 2007, retail cocaine cost less than half what it cost in 1988. Whatever factors have accounted for the decline and eventual stabilization of the prevalence of cocaine use in the United States, scarce supplies and rising prices are not among them.

This does not mean that episodes of market disruption will not recur; on the contrary, the price and purity time-series shows that fluctuations are quite common. It would be surprising if the current confluence of events – stepped-up enforcement and interdiction by Mexican authorities, disputes within and between Mexican drug trafficking organizations, increased shipment of cocaine to European markets, and increased cocaine distribution within transit countries – did *not* lead to disruptions and measurable price spikes in the U.S. market. The historical record strongly suggests, however, that such disruptions will prove temporary. Expectations for what can be accomplished through supply-side drug control strategies should be brought into line with this sobering reality.

FIGURE 4: Incarceration of Drug Offenders Rising, Street Prices of Cocaine and Heroin Falling



Notes: Heroin prices have been divided by six to fit scale.
 Number of incarcerated drug offenders for 2003-2007 extrapolated based on ½ of the annual average growth rate for 1998-2002.

Sources: Prices – ONDCP; Incarcerated drug offenders – J. Caulkins & S. Chandler, Carnegie Mellon University

This lesson is especially crucial in light of the situation in Mexico today. Mexico is struggling to contain severe drug-related violence, and the United States – whose money and weapons stoke the power of Mexican criminal organizations – is undoubtedly obligated to help Mexico stem the horrific violence. For Mexico, the key challenge – enormously difficult in its own right – is to reduce the threats to public safety and to democratic institutions posed

by criminal organizations. But it is important to realize that success in reducing the violence tormenting Mexico will not necessarily entail a sustained reduction in the flow of illicit drugs into the United States.

The vast scale of the U.S.-Mexican commercial relationship presents drug traffickers with nearly boundless opportunities to move their product into the United States, where cocaine has long since become a market commodity, with prices that are high compared to legal drugs like alcohol and tobacco, but low enough to retain a lucrative mass market. Moreover, to the extent that Mexico may succeed in making itself a less hospitable place for illicit drug trafficking, operations can shift elsewhere. The rise of Mexican cocaine trafficking was itself a consequence of the successful U.S. interdiction focus in the Caribbean in the late 1980s and early 1990s, which led Colombian trafficking groups to seek access to the U.S. market through Mexico. Mexico's location and close ties to the United States provide clear advantages for smugglers, but the successful disruption of trafficking operations within Mexico would have the predictable consequence of shifting activities to other areas within Mexico and to other countries in Central America and the Caribbean.

Getting Real: Reducing Harms

Essentially, we have tasked law enforcement (and increasingly and explicitly, the military) with curtailing established, lucrative markets. But the markets have endured, with the targeted drugs as available as ever. Rather than continue to define law enforcement's drug control role as one of attacking supply, it would make sense to focus where enforcement can (and should) make a positive difference – by addressing the real devastation associated with illicit drug markets, especially violence. Such a shift in approach is already underway, notably in the United Kingdom and Australia, but also in communities in the United States. To oversimplify, the key insight of this approach is that drug enforcement can push or mold the market into less damaging practices, even if overall availability is unaffected.

Such innovations are not simply the realm of theory – they are real. The impressive work of David Kennedy and colleagues at the National Network for Safe Communities (such as in High Point, North Carolina) demonstrates that targeted, coordinated enforcement can help communities shut down overt street drug markets – and considerably curtail the associated crime and violence – with minimal arrests and prosecutions. The promising results of Hawaii's HOPE probation show that drug abuse, crime, and incarceration can all be reduced through effective community supervision built on swift and certain, but mild, sanctions. Soon to be published evidence from HOPE indicates that the program reduces positive drug tests by three-quarters and new arrests by half among probationers.

These innovations now underway in the United States are directly relevant to the discussion over the way forward for U.S. drug policy in the Americas. This is because U.S. enthusiasm for trying to suppress drug supplies overseas stems in part from the allure of blaming others for our own problems, and in part from the sense that our own problems are too daunting, too intractable, to do much about. But the examples of High Point and HOPE, among others, refute such thinking, and suggest that we can significantly improve our efforts to reduce drug abuse and crime, without the heavy reliance on arrests and incarceration that have defined our drug policy and swelled our prisons for the past three decades.

Performance Measurement Matters

Adopting a harm reduction approach to drug control – generally and regarding law enforcement in particular – would entail not only refocusing our goals and strategies, but also reconsidering how we measure performance, so that our chosen indicators are directly connected to the outcomes we seek – such as reduced crime, or reduced spread of HIV/AIDS – rather than being simply descriptions of our activities (e.g., hectares of crops eradicated; tons of drug seized; number of dealers imprisoned).

Selecting the proper performance measures is not merely an academic point, but goes to the heart of the challenge of shifting towards successful policies, because indicators structure the incentives for the agencies that implement policy. If the number of hectares of crops eradicated is taken to be a key indicator of policy success – and, by implication, of agency budget growth and career advancement – then people working in those agencies will understandably focus on eradicating as much coca as possible, as fast as possible. This is the story of the past two decades of U.S.-backed coca eradication efforts in the Andes, and cultivation levels are apparently now as high as ever. On the other hand, if indicators of improved well-being of farming families and communities were to be considered key measures of progress – the goal being to establish viable economic options that would eventually permit reduced reliance on illicit crops – then the emphasis would be on development first, not crop destruction.

Many of the activity-based indicators that have come to define how we think and talk about drug control policy – crops eradicated, drugs seized, arrests made, convictions won, etc. – structure the incentives of implementing agencies in ways that perpetuate strategies that are not only ineffective, but contribute greatly to the suffering caused by drug control (e.g., fumigation of illicit crops, massive arrests and incarceration). It is noteworthy, therefore, that the bill being considered by the Committee today would explicitly charge the envisioned commission with assessing “whether the proper indicators of success are being used” in U.S. drug policy. The short answer is “no,” but the question itself raises another question: Are the goals and strategies that have come to define U.S. drug policy in the Americas essentially correct, or should they also be reassessed? In light of the evidence about what our current policies have achieved, and given the important drug policy innovations taking place today – especially the conceptual enlargement of the harm-reduction approach – this is precisely the time to revisit and to modernize our drug control goals and strategies.

Making Progress, Not Excuses

The U.S. drug policy debate has long been paralyzed by a discourse that highlights two extremes – no-holds-barred “drug war” and nothing-less-than “legalization” – as if they were the only options. As a consequence, U.S. drug policy has largely been on auto-pilot for nearly three decades, without ever revisiting the basic assumptions behind our goals and strategies. Beyond waging a “war on drugs” by trying to suppress production in Latin America, the United States has also promoted aggressive drug enforcement and incarceration as the model for the region. But even as incarceration rates have climbed – up 40 percent on average in Mexico and South America over the last decade – illicit drug markets have not only persisted, they have thrived, and the havoc they wreak has been spreading, in the Americas as much as anywhere.

The growing realization that we and our neighbors in the Americas are not well-served by the status quo U.S. policies presents the opportunity to re-examine old premises and modernize our goals and strategies, so that our aims are at once worthwhile and achievable. In the past, the evident failures of our traditional drug control strategies prompted the escalation of essentially the same approaches. Set against the evidence, our goals have increasingly come to resemble wishful thinking, not serious policymaking. We cannot afford to repeat the same mistakes now.

Fortunately, the drug policy debate itself is becoming more open and more interesting, with promising approaches like harm reduction helping to frame our drug policy choices. Similar debates are also developing in other countries across the Americas, where drug trafficking and the “war on drugs” are both exacting an enormous toll in human suffering and weakening of democratic institutions.

This is not to say there will be easy answers, much less perfect solutions; drug policy is generally a matter of choosing the least bad options, and trade-offs abound. But better to make real progress in reducing drug-related harms than to persist with policies that have failed to meet their own basic goals even as they have generated immense collateral damage.