



POLICY BRIEF

Drug Policy – Drug Economy: Shaping Development Outcomes

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The illicit drug economy and policy towards it are important yet often underestimated factors shaping development outcomes in countries producing or transiting drugs. Few details are known about the drug economy, but it is certainly inextricably interwoven with at least three axes of development: poverty alleviation, functioning ecosystems and the capacity of the state and political system. The recent opening of drug policy debates presents an opportunity for decision makers, including development practitioners, to engage with the topic and improve policy for all stakeholders.

Drug Economy and Development Outcomes

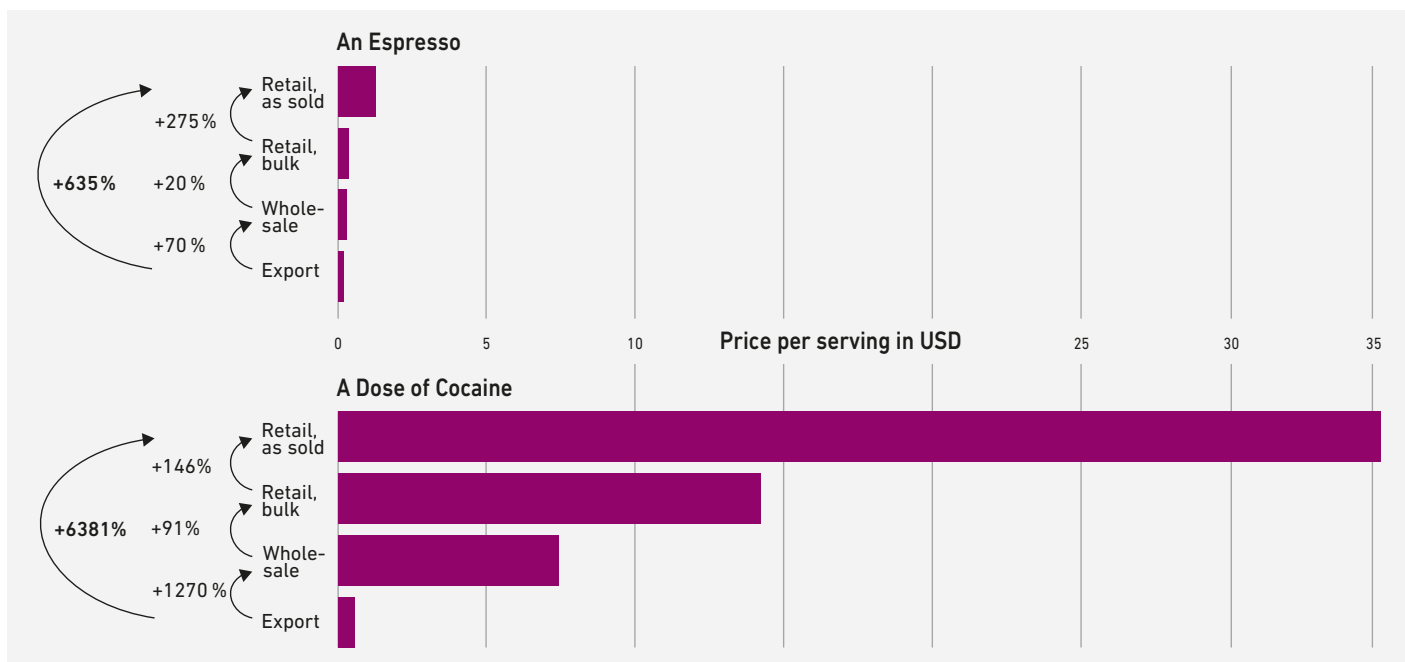
The 900 billion USD global market for illicit drugs, and official policy toward it, are shaping multiple dimensions of development (UNODC 2015). While many of the 300 million consumers are in high-income countries, the burden of the drug economy is disproportionately borne by developing countries. Communities in regions of drug production and transit suffer from lawlessness, violence, corruption and environmental degradation. Drug policy merits greater attention by governments and development professionals seeking to raise living standards for the poor, pro-

tect the environment and create and maintain functional political institutions.

Drugs and the Sustainable Development Goals

Illicit drug production is inextricably interwoven with at least three of the Sustainable Development Goals (SDGs): No Poverty (SDG 1), Life on Land (SDG 15) and Peace, Justice and Strong Institutions (SDG 16).

Figure 1. Mark-ups Along the Distribution Chain: Coffee Versus Cocaine



Source: Caulkins 2014.

While the drug economy brings violence and uncertainty that impede development, it also provides opportunities. The drug economy enables comparatively high value-added agricultural production for rural families with otherwise few prospects, and fantastic opportunities to entrepreneurially-inclined middle-men organized in trafficking cartels. These are exactly the kind of economic opportunities that development cooperation seeks to create. For example, a farming family in rural Peru can earn 1.5 to 4 times more income from cocaine production compared to legal chocolate. This eye-popping profitability is mirrored over the whole distribution chain. Cocaine increases its value 63 times from export to final consumer, compared with six times for coffee, another psychoactive substance that happens to be legal (figure 1).

A second dimension relates to ecological outcomes. The unregulated production of drugs, focusing entirely on short-term profits, damages the local and global environment. Peru provides a salient example, where cocaine production is responsible for 10% of total deforestation. In the Amazon rainforest more broadly, unsustainable drug production practices bring about the degradation of soil, forest and water as well as biodiversity loss, often in remote areas of high conservation value inhabited by already vulnerable native peoples.

A third dimension is the corrupting effect of drug money. Actors in the drug economy use their abundant funds to buy protection from governmental, judicial or political prosecution in order to

operate free from disruption. Drug actors systematically corrupt individuals and institutions, especially in poor producer and transit countries, through bribes, patronage networks and funding political campaigns. This dynamic undermines drug control efforts and erodes trust in governmental institutions, thereby hampering their ability to support development.

Policy Shortcomings

The policy framework based on interdiction and drug eradication has been firmly in place for decades. Drugs are still around today as they were then, as are their pernicious consequences, only perhaps at a larger scale. At the same time, it has become clear that the cluster of issues comprising the so-called “drug problem” arises not solely from the existence and use of narcotic substances, but also the interaction with public policy.

The United Nations has identified several “unintended consequences” of the interdiction policy paradigm (UNODC 2010). Prohibitionist policies have led to the creation of lucrative black markets, unregulated, predatory spaces ruled only by market forces and violence. An exaggerated focus on law enforcement has displaced resources away from what is ultimately a public health problem. This, in turn, has led to mass incarceration, increased marginalization of already disadvantaged groups, heavily armed international drug networks, militarization of police forces, human rights abuses and political destabilization.

All of this weakens development prospects for countries involved in the drug trade. At the same time, drug availability has not declined, because spectacular profits ensure that nimble market forces simply relocate production whenever controls tighten (Reuter 2010).

Towards Development-Centered Drug Policy

Development practitioners should engage actively with drug policy and the interactions of the drug economy with development goals. The timing is right, as the debate around drug policy is thawing. Governments are starting to experiment with heterodox policy approaches to control and regulate drugs – perhaps most notably the growing number of US states that have legalized cannabis. This opens the way for testing potentially more effective policies. With more experiences, policy makers, development practitioners and other stakeholders can base their decisions on hard data instead of untested assumptions.

Three obstacles to better drug policy must be addressed to align with development goals:

Objective analysis of real policy alternatives is lacking. In contrast to other areas of public policy like health or education, standards of evidence and arguments in favor or against a given drug policy are low. Methodologically sound, rigorous and transparent cost-benefit analyses of the status quo versus policy alternatives are needed. Moral and ideological considerations must be clearly separated from these analyses to arrive at well-calibrated policy solutions.

The most affected stakeholders are not represented in the policy debate. Global drug policy has historically been largely driven by consumer countries such as the United States or Britain, which are removed from the corruption and violence engendered by drug production in developing countries. Relevant stakeholders – from poor farmers in drug producing countries to consumers in richer states – must be included in discussions of priorities and policy actions.

Data is scarce and unreliable. Information about the drug economy and thus its interaction with policy is scarce and unreliable. The policy experiments going on right now will, if properly monitored, generate new information on the interaction between drug policy, people's behavior, and the drug economy. To minimize bias, information collection should be assigned to agencies independent from law enforcement.

This policy brief is based on a [thesis](#), written as part of the MAS ETH in Development and Cooperation.

References

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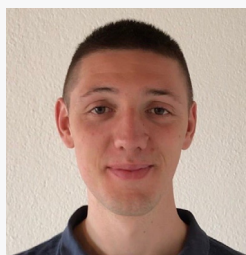
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Photo

P. 1: An Afghan police officer is seen destroying opium poppies during a poppy eradication campaign in Nangarhar province, Afghanistan. Photo: Keystone-SDA / AP Photo / Rahamt Gul

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