Analysis of the Cocaine Reduction Policies in the Producer Countries

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Cocaine Reduction Policies in the Producer Countries

Julius A. Gylys
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Despite much rhetorical bravado and a handful of widely publicized successes, the U.S. war on drugs has been a bitter disappointment to the American public. Even Washington officials realize that they are not making any appreciable progress on either the domestic or foreign battlefields. While the inflow of heroin and marijuana during the last ten years has remained roughly the same, that of cocaine increased more than ten-fold. Falling wholesale price from $55,000 per kilo in 1980 to $15,000 in 1988 and rising supply in consumer markets to 300 tons per year, up from 50 to 70 tons as recently as 1985, indicate that the domestic cocaine supply is still increasing faster than demand.¹ The rise in the illegal import is taking place even though at least seventy percent of the last several drug budgets have been devoted to supply reduction programs. The Bush administration’s war on drugs is calling for an increase of $2.2 billion to launch a strategy which, with the exception of making more arrests of users, plans to do more of what already has been done with only marginal success during the last five years. The authors of the 1988 Anti-Drug Abuse Act clearly point out that supply reduction is still the predominant strategy in the war on drugs. But the same group of legislators also indicate that without any future diminution of domestic narcotics demand, going after supply alone will not stop the growth of this rapidly expanding industry. Even though there is a unanimous consensus among policy analysts that the solution of the U.S. cocaine problem must revolve around both the supply and demand strategies, the content of this paper is considerably more modest in scope. It critically examines the effectiveness of U.S. supply reduction efforts in Peru, Bolivia, and Colombia— the three main cocaine producing countries. The analysis is structured around the four vertical stages of production which are identified as coca leaf cultivation, coca paste production, final processing into cocaine base and cocaine hydrochloride, and transport of the finished product to the American markets. The objective of the paper is to find the most vulnerable stage of production at which a given amount of U.S. intervention effort is capable of inflicting the largest amount of damage upon the Latin American cocaine production complex. To the chagrin of many Americans, heavy reliance upon coca eradication, coca pit destruction, transport interdiction, and, only to a lesser extent, upon destruction of cocaine crystallization labs has simply failed to curb the domestic supply of cocaine. Finding a more cost effective supply reduction strategy will not stop the present epidemic, but it will certainly release funds for a more viable multidimensional attack on this elusive public problem.

Coca Eradication

Since 1985 the core of U.S. drug control policy consists of eradication of coca plants from which cocaine is derived. Ann Wrobleski, Assistant Secretary of State for Inter-

[1] Footnote: Despite much rhetorical bravado and a handful of widely publicized successes, the U.S. war on drugs has been a bitter disappointment to the American public. Even Washington officials realize that they are not making any appreciable progress on either the domestic or foreign battlefields. While the inflow of heroin and marijuana during the last ten years has remained roughly the same, that of cocaine increased more than ten-fold. Falling wholesale price from $55,000 per kilo in 1980 to $15,000 in 1988 and rising supply in consumer markets to 300 tons per year, up from 50 to 70 tons as recently as 1985, indicate that the domestic cocaine supply is still increasing faster than demand. The rise in the illegal import is taking place even though at least seventy percent of the last several drug budgets have been devoted to supply reduction programs. The Bush administration’s war on drugs is calling for an increase of $2.2 billion to launch a strategy which, with the exception of making more arrests of users, plans to do more of what already has been done with only marginal success during the last five years. The authors of the 1988 Anti-Drug Abuse Act clearly point out that supply reduction is still the predominant strategy in the war on drugs. But the same group of legislators also indicate that without any future diminution of domestic narcotics demand, going after supply alone will not stop the growth of this rapidly expanding industry. Even though there is a unanimous consensus among policy analysts that the solution of the U.S. cocaine problem must revolve around both the supply and demand strategies, the content of this paper is considerably more modest in scope. It critically examines the effectiveness of U.S. supply reduction efforts in Peru, Bolivia, and Colombia— the three main cocaine producing countries. The analysis is structured around the four vertical stages of production which are identified as coca leaf cultivation, coca paste production, final processing into cocaine base and cocaine hydrochloride, and transport of the finished product to the American markets. The objective of the paper is to find the most vulnerable stage of production at which a given amount of U.S. intervention effort is capable of inflicting the largest amount of damage upon the Latin American cocaine production complex. To the chagrin of many Americans, heavy reliance upon coca eradication, coca pit destruction, transport interdiction, and, only to a lesser extent, upon destruction of cocaine crystallization labs has simply failed to curb the domestic supply of cocaine. Finding a more cost effective supply reduction strategy will not stop the present epidemic, but it will certainly release funds for a more viable multidimensional attack on this elusive public problem.
national Narcotics Matters and coordinator of the Reagan Administration's international anti-drug effort, indicated that "The primary policy focus is to stop the drugs at the source .... So we’ve focused our effort in the fields, in an effort to eradicate the plants before they are harvested." There are several reasons why also the present administration has made coca eradication an objective of high priority. Firstly, plant destruction of poorly armed peasants may seem easier than taking on the well armed Colombian cartel. Secondly, coca bushes require approximately two years to mature before they can be harvested, thus if eradication rate is greater than that of replacement, the supply will be slowly cut back. Thirdly, the larger, open coca fields are easy targets for aerial spraying. Plants grown at high altitudes could be sprayed without worrying about residual effects, because land at these elevations cannot be used for any other crops. While it is true that the coca leaf has been an important cultural crop for many centuries in the Andean countries, the profit incentive has led to cultivation greatly exceeding these traditional uses. In Bolivia for example, the annual cultivation necessary for fulfillment of domestic needs was estimated at 10,000 tons in 1985, but that year the country produced 240,000 tons of the leaf 3. Any effort against coca cultivation must consider the traditional aspects that have made coca an established staple. But at the same time it must be recognized that the purpose of most cultivation in the Andean countries is not tied to cultural needs. Besides the cultural resistance, another formidable obstacle in the way of coca eradication is the sheer size of the area under cultivation. While Bolivia and Peru are the primary coca producers, smaller amounts are grown in Colombia and other South American nations. Despite considerable U.S. lobbying to expand eradication efforts in these countries, the amount of coca leaf being grown has continued to expand at an astounding rate, as shown in Table 1.

Table 1: Coca Cultivation in Select Latin American Countries in Hectares

<table>
<thead>
<tr>
<th>Country</th>
<th>1985</th>
<th>1988</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peru</td>
<td>34,000</td>
<td>15,000</td>
<td>21</td>
</tr>
<tr>
<td>Bolivia</td>
<td>34,000</td>
<td>49,976</td>
<td>46</td>
</tr>
<tr>
<td>Colombia</td>
<td>15,000</td>
<td>27,230</td>
<td>75</td>
</tr>
<tr>
<td>TOTAL</td>
<td>144,700</td>
<td>192,836</td>
<td>33</td>
</tr>
</tbody>
</table>


Rapid increase in coca cultivation means rapid increase in supply of cocaine. Since one hectare of land grows enough leaves to produce two kilos of the final product 4, adjusting for spoilage, seizure, and local consumption, the 1988 coca output can be converted to 358,578 kg of cocaine in contrast to 290,604 kg in 1985. Major Edwin Merwin, an organizer of a paramilitary force for the Narcotics Assistance Unit in Bolivia, has firsthand experience concerning the immensity of the problem and has called this approach "ludicrous." He is convinced that limited eradication efforts will accomplish nothing. "What's the difference if we eradicate 400 or 40,000 hectares? There'll still be enough to bury the world in cocaine." 5 In order for coca eradication to become an effective supply reducing strategy, it must be
carried out on a large scale with massive aerial spraying. But also here huge obstacles must be overcome. From a technical point of view, there is the problem of finding a suitable herbicide which does not damage the surrounding ecosystem. One proposed chemical is tebuthiuron, or "Spike." Tebuthiuron is not a defoliant but a herbicide designed to kill woody plants. In October, 1987 it was tested with five other herbicides on a small plot in Peru’s Huallaga Valley. It effectively killed coca and was immediately approved by U.S. Environmental Protection Agency. But EPA warned that since "Spike" is an extremely potent substance that will kill trees, shrubs and other forms of desirable vegetation, it should be kept out of lakes, ponds, and streams. When the U.S. Government tried to purchase "Spike" for spraying purposes from the Eli Lilly Co. in 1988, the company refused to oblige, stating the need for further testing in order to study the health and environmental effects of the herbicide. Critics also claim that even when sprayed at higher elevations on land suited almost exclusively to coca production, the rains could wash the potentially destructive chemical into the more fertile valleys used for cultivation of food crops. They argued that the Huallaga test was inadequate and too poorly planned to prove that "Spike" is harmless to the delicate tropical ecosystem. American drug officials are still optimistic that large-scale aerial spraying of coca herbicides will become a reality in a not too distant future. They argue that environmental concerns are overblown, and that coca growers by eradication of jungle for expansion of coca cultivation tend to inflict far greater damage upon the local environment. The Peruvian and Bolivian governments, under heavy pressure from growers, have been reluctant to allow chemical eradication even to the point of passing laws against it. Since an aerial eradication program has been postponed for further testing, drug enforcement agencies have resorted to manual crop destruction. But manual eradication is slow and dangerous work. In Peru’s Huallaga valley nineteen CORAH workers were killed in 1984. It is not known whether the narcos or local guerrillas committed the killings. By that time U.S. administrators decided to protect the eradication parties. Once American helicopters manned by U.S. civilian pilots were employed to ferry the CORAH teams with police guards to the worksites, eradication rate had increased considerably. But stepped up eradication activity is being matched by a proportional rise in local resistance efforts. Last year in Upper Huallaga Valley alone police and military forces have suffered 152 casualties in 44 separate incidents. According to a State Department report, “The deterioration of the security situation in the Upper Huallaga Valley departments of Huanuco, San Martin and Ucayali will continue to be a determining factor in government anti-narcotics planning efforts and the U.S. narcotics assistance program.”

Table 2: Coca Eradication in Latin American Countries in Hectares

<table>
<thead>
<tr>
<th></th>
<th>1985</th>
<th>1988</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peru</td>
<td>0</td>
<td>5,130</td>
</tr>
<tr>
<td>Bolivia</td>
<td>30</td>
<td>1,476</td>
</tr>
<tr>
<td>Colombia</td>
<td>2,000</td>
<td>230</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2,030</td>
<td>6,836</td>
</tr>
</tbody>
</table>


41
The contrast between eradication data in Table 2 and cultivation data in Table 1 offers hard evidence that coca destruction strategy is not working. Even though since 1985 the rate of eradication has jumped by 236 percent, the net quantity of land under coca cultivation has increased by 33 percent. The data imply that the plants are being replaced at a faster rate than they are destroyed. One possible scenario is that even if in a given year a massive manual eradication program results in a net decrease of land under cultivation, it most likely will be only a momentary success.

Limited supply of coca due to stepped up eradication effort will cause an immediate price increase and equip the farmers with even a greater incentive to cultivate new land. One possible way to pump new blood into crop eradication is to combine it with a suitable crop substitution program. But at this time this does not seem to be a viable option because even relatively high-return crops like cocoa and coffee, fail to compete with the profitability of illegal crops. In Peru’s Upper Huallaga Valley a coca grower’s gross income in 1985 was ten times higher than that of a coffee grower and twenty-one times that of a rice farmer. Also field hands on coca farms earn twice the income possible in legal agricultural pursuits.13 Such price and wage discrepancies in prices make crop substitution programs at the present time unsuitable to complement the coca restriction program. All U.S. policies directed against this new form of rural capitalism are being met by strong resistance. Coca growing in Peru and Bolivia has not only become an economic safety net for the impoverished peasantry, it has also developed into an important source of American dollars which are almost indispensable for their economic survival. Particularly in Bolivia, the smallest of the cocaine producing countries, coca production has been recognized as by far the country’s most important business and its primary source of foreign exchange.”14 Even in Peru it has become an important source of jobs and income. If the basic reason for the resistance to coca destruction policy is economics, it is important to examine next the depth of the political infrastructure on which this resistance is based on. In Peru the political strength of coca farmers is essentially based on vigorous local organizational activity. According to Lee, in the Upper Huallaga Valley where over 90 percent of farm income can be traced to coca cultivation, growers operate through provincial and district self-defense fronts called Federaciones de Defensa de los Intereses del Pueblo.15 The fronts essentially defend the farmers rights to cultivate coca and relies on mass demonstrations, roadblocks, and other mobilization tactics. The political activity has leftist leanings and organizations are infiltrated by Sendero Luminoso guerrillas who are now in control of various Huallaga Valley areas. They are well armed and frequently launch attacks against local police outposts. Sendero, through their strong opposition to coca eradication in general and to coca herbicide spraying in particular, has gained considerable support from the peasant population. A Sendero leaflet distributed to the farmers states “We repudiate and denounce the plan to eradicate coca plantations by using herbicides of high destructive power, such as ‘Spike,’ which not only destroy coca, flora, and fauna, but also threaten the lives of animals and humans throughout the Huallaga region.”16 In 1988 similar pressure from other coca lobby sources have caused the Peruvian government to stop its herbicide testing program. In Bolivia the growers are a much stronger regional and national political force than in Peru. According to Healy, it is a force to be reckoned with by the government in office.17 Since 1982, around 80,000 coca growing families from a total of Bolivia’s rural
population of 840,000 families, have persistently exercised their democratic labor rights to block many state efforts to control coca leaf production. They function through local union organizations and gain national influence by sending delegates to congresses where members have an opportunity to air grievances and elect representatives to the centralized offices of peasant power. Successful coca lobbying also encouraged the peasants to organize the Association National de Productores de Coca (ANTPCOCA) with representatives from all coca producing zones in La Paz, Santa Cruz, and Cochabamba regions. In contrast to Peru, Bolivian network of producers work within the democratic rules of the game and do not resort to any form of violent pressure tactics.\textsuperscript{18} Even though the resistance to eradication policies in the two major coca producing countries is based on rather different institutional arrangements, it is very effective in preserving the will of the campesinos. In both countries the coca growing lobbies have great depth and breadth, and despite U.S. strong lobbying efforts, coca production is still on the rise. Because of such well entrenched resistance to all coca reduction efforts, curbing of the cocaine supply in U.S. markets by the restriction of coca cultivation is not a feasible solution to our domestic drug problem.

**Destruction of Coca Paste Pits**

Another stage of production which can be considered for stopping the flow of cocaine is that of coca paste production. The process involves soaking of dried coca leaves in a solution made up of water, kerosene, and sulfuric acid. Prolonged agitation of the solution in a plastic-lined pit eventually causes a surfacing of a whitish cocaine alkaloid liquid. Its decantation and evaporation yields coca paste which is then sold in one-kilo bricks mostly to Colombian cocaine refiners for final processing of cocaine.\textsuperscript{19} The labor intensive process requires no technical skills or electricity, and the precursor chemicals are relatively easy to obtain. Large numbers of Bolivian and Peruvian farmers are getting involved in pasta production, because the price of paste is more stable and considerably higher than that of dried coca leaves. Since paste processing is a weight-loss process, around 800 kg of leaves are used to make 2.5 kg of paste, in order to save transport costs the pits are located right in the coca cultivating regions. Given the immense size of the coca growing region, the number of paste producers must be incredibly high which, in turn, implies that most operations are relatively small undertakings. Even though the primary goal of U.S. policy is centered on destruction of coca, raids against the ubiquitous pits are not ruled out. In the Peruvian Huallaga region a recent operation called Snowcap managed to destroy 1,470 paste pits and tons of precursor chemicals.\textsuperscript{20} The rationale for the latter type of operations is not only to diminish the supply of paste, but also to decrease the profitability of coca cultivation. While the operation was taking place, it produced some temporary results as prices for a 100-pound load of coca leaves plummeted from $90 to new low levels of $30 to $15.\textsuperscript{21} Most of the leaf grown in this area was simply left rotting in the fields due to a sudden drop in demand. A similar Peruvian operation named Candor VI was carried out in 1988 with almost identical results.\textsuperscript{22} Some labs and pits were destroyed, but it was business as usual as soon as the operation ended. There are several reasons why operations directed at pit destruction are not cost effective. The most obvious one is that maceration pits can be almost immediately replaced without hardly any loss of valuable equipment. They are simply holes in the ground lined with plastic sheeting. Any
other loss would consist of some stored relatively cheap precursor chemicals. Another reason for not allocating scarce paramilitary resources for pasta pit operations is that of a raid on an average crystallization lab will most likely produce a significantly higher yield of cocaine than on an average pasta pit. In 1988 all Peruvian government agencies destroyed a total of 146 pits and seized 1.4 metric tons of coca paste.\textsuperscript{23} The average seizure rate amounted to 5.6 kg of paste per pit or, converting it into cocaine equivalent units, 3.84 kg of cocaine.\textsuperscript{24} While no data is available to calculate similar average seizure rate on cocaine crystallization labs in Peru, for Colombia it amounts to 27 kg of cocaine per lab.\textsuperscript{25} Since an average cocaine lab raid yields seven times more cocaine than a pit raid, an operation directed against a pasta processor is considerably less cost effective as one against a crystallization lab. The third reason is political rather than economic and entails a lack of U.S. sensitivity to the internal problems of the cocaine producing countries.\textsuperscript{26} Since peasants make up the predominant demographic group involved in the production of any paste, any paramilitary effort directed at this level of activity runs a high risk of instilling ill will toward the U.S. by the democratic government of drug-producing nations or even topple these friendly regimes by forcing peasants into more sympathetic communist hands.\textsuperscript{27}

**Destruction of Cocaine Refineries**

The third processing step in the vertical production structure is the conversion of paste into cocaine base and then into cocaine hydrochloride crystals. Paste, or sometimes cocaine base, is flown from Peru and Bolivia in small planes for final processing to Colombia, although on a much smaller scale some refining also takes place in Peru, Bolivia, Brazil, and Ecuador.\textsuperscript{28} Even though such activity outside of Colombia is less common, economics is the basic reason for its existence. During the last several years excess cocaine production has caused a decline in profits and prices all along the production chain. Under such circumstances the only way to cut costs in order to preserve the profit margin is through vertical integration. This has prompted some organizations in coca growing countries to establish their own operations all the way from pasta production to transporting the final product to U.S. and European markets.\textsuperscript{29} However, Colombia still produces most of the world’s cocaine supply and its cartels dominate drug traffic throughout the Latin American region.\textsuperscript{30} From the early to mid 1980s, most of the Colombian cocaine was refined in large-sized laboratories. Evidence about the size of laboratories can be arrived from seizure data. A 1984 raid on one of the Medellin cartel’s cocaine-refining complex on the Yari River netted 10 metric tons of cocaine and large quantities of valuable precursor chemicals. This single operation confiscated an amount equal to 5 percent of the cocaine entering the United States in that year. In order to decrease the risk of large seizure, for several years the cartel refiners adjusted by dispersing into smaller labs.\textsuperscript{31} But recent intelligence indicates that processors have returned to large scale operations and located them on their home turf near Cali and Medellin.\textsuperscript{32} Last year’s data on seizure rates in Peru provide additional evidence of large scale refining activity. Altogether 78 laboratories, with a potential of processing over 54 metric tons of cocaine per year or 692 kg of annual output per lab, were destroyed.\textsuperscript{33} Whether in Colombia or Peru, it seems that there is an apparent need to refine cocaine on a large scale. This need can be attributed to the
existence of large scale economies at the refining stage of the production. Employment of trained personnel, massive procurement of precursor chemicals mostly from U.S. mainland, intelligence gathering about governmental activity, and provision of security to protect highly valued final product provide additional evidence for the presence of large scale economies. It makes economic sense to spread out the cost of such high-priced inputs or activities over the highest possible output range. The larger is the laboratory’s output, the lower is the cost per unit weight of the final product. And it is this relatively large output of the average refinery that makes the crystallization stage extremely attractive to search-and-destroy missions. Assuming that the average cost of any given raid is constant, higher seizure rate at the refinery operations level makes raids on them more cost effective than on small pit operations. Besides being cost-effective, lab destruction has some other far-reaching economic and political consequences. Since the cartel buys most of its coca paste from numerous Bolivian and Peruvians, diminution of Colombian refinery capacity will not only decrease the demand for coca paste but for production of coca leaves as well. This means that a continuous pressure on the refinery stage of production will automatically decrease output activity at all the lower stages of production. From the political perspective refinery destruction policy is also a superior alternative to direct U.S. involvement in the destruction at coca fields or paste pits. With this new policy the compesinos will be pointing the accusatory finger for coca and coca paste demand decreases at the Colombians buyers rather than locally stationed American field agents. The weakness of the crystallization facility destruction approach is that its continuous pursuit may force the cartel to split the refining activities into more numerous and, thus, smaller capacity operations. But even that accomplishment is a considerable victory for the Colombian government, because smaller-sized plants will be operating without the benefits of scale economies. Also possible loss of pecuniary economies in ether and acetone buying, increase in security activity to guard more numerous but smaller refining units, and general destruction of established business lines are some of the other factors that will cause a considerable cost increase in the refining operations.

Interdiction of Drug Trafficking

The final stage of the vertical supply chain consists of smuggling of the finished product into the United States. Once cocaine reaches American shores, it is diluted and dispersed into a labyrinth of markets and submarkets. Enforcement at this level is more for punitive reasons than in the hope of reducing the overall supply. “Successful” interdiction then must focus on activities that have a potential of stopping the drug from reaching the U.S. markets.

During the Reagan administration this form of interdiction and coca eradication have been heavily stressed co-priorities. One of the primary advantages of interdiction is that one need not work through the reluctant bureaucracies of foreign governments, and seized assets can be funnelled back into drug enforcement efforts.

Unfortunately, the lessons of history seem to doom any attempt to seal off the U.S. borders which stretch for thousands of miles. The British were not satisfied with their blockade during the American Revolution, and the U.S. Navy was unable to entirely seal off the Confederacy’s cotton trading capabilities with Europe during the Civil War. Today
the job is infinitely more difficult because there is an ever greater variety of ways to smuggle merchandise into the U.S., and modern smugglers are armed with the state of the art equipment, such as communication scramblers, long range aircraft, sophisticated radar equipment, and night vision apparatus.35

 Colombian traffickers also have an immense capacity to invent new smuggling routes to U.S. markets once the old ones become too risky. In 1985 with the rapidly increasing concentration of U.S. efforts to stop the flow of drugs through the Caribbean basin, Colombians responded with the establishment of up to then unheard of smuggling routes which are still utilized up to this date: The Medellin group built ties with Mexican marijuana and heroin smugglers and with Mexican authorities to facilitate the shipment of Colombian cocaine across the Mexican border into the American southwest. In the Caribbean they strengthened relations with the Bahamas and Jamaica and developed new ties in Cuba, Haiti, Belize and several smaller island countries. The net result was a massive proliferation of new routes and the corruption of governments previously untouched by the cocaine trade; the total tonnage of exported cocaine increased and prices dropped. By 1986, some 40 United States had been diverted from the traditional Caribbean routes across the US-Mexican border.36

 Limited enforcement resources, coupled with the innumerable entry points by sea and air make it unlikely that future efforts to blockade the borders will fare any better than the present arrangements. In the past American authorities have been successful in guarding only certain select pipelines into U.S. markets, but Washington just does not have enough resources to guard all the accesses routes simultaneously to America’s vast East Coast and the newly established West Coast wholesale drug markets. Fishing boats, cargo planes, helicopters, speedboats, airline luggage, swallowed condoms by passengers, air freight—nearly anything in which cocaine can be hidden and shipped has been tried. The profitability of smuggling is great enough to insure that there will always be those willing to take the risks. For example, an owner-pilot who flew a small plane between Colombia and Pennsylvania was able to make $1.5 million per trip. 37

 According to a customs agent, a speedboat owner who made pickups of air-dropped bundles make up to $100,000 per night. 38 Often times surveillance provides an overwhelming stream of intelligence, but border law enforcement agencies simply do not have the resources to pursue all the possible targets. But what was impossible to accomplish in a decade of concerted effort was achieved during the Colombian government 1989 summer crackdown on the Medellin and Cali cartels. According to the Custom Service and other federal agency officials, large air shipments of cocaine from Colombia to staging areas near the U.S. have slowed to a crawl. 39 A huge Colombian government anti-drug assault, resulting in waves of arrests and massive confiscation of cartel assets, apparently snarled the delivery network of planes, helicopters, pilots, mechanics, and fuel suppliers that the cartel depends on to ship large quantities of cocaine out of Colombia. The information was obtained from informants and electrical surveillance of staging areas in Mexico and off the southern coast of the United States. Customs agents continue to capture smugglers with twenty and thirty pound loads, but the large shipments that only Colombia’s cartels

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were capable of moving appear to have dried up. Additional evidence for the slowdown of cocaine inflow can be found in Miami wholesale prices which have risen to $18,000 per kilo from about $11,000 in less than a month, and in San Diego the price has edged up from its $15,000 per kilo level. Even if this shortage of cocaine in the U.S. wholesale markets is a temporary phenomenon, it offers evidence that sustained massive assaults upon the cartel’s infrastructure is a more effective method of clogging the cocaine pipeline than a concerted attack on the cartel’s transportation infrastructure in the Caribbean basin and along U.S. borders.

Conclusion

That part of Bush administration’s plan that deals with bringing the war on drugs to American streets through stepped up local law enforcement acitivity is one of the most uneconomical ways of fighting the currently raging epidemic. The new approach may decrease the U.S. unemployment problem, but it will not even come close to putting a dent into the present drug problem. Because of our highly developed technology, capital intensive operations, such as raids on crystallization labs with American donated helicopters and other kinds of equipment, are relatively cheaper than labor intensive law enforcement activity on U.S. streets, such as prolonged stakeouts on crack houses or massive arrests of drug peddlers. Presence of scale economies in the refining stage due to indivisibilities of high priced inputs and services increases the probability of higher seizure rates and makes operations against this activity more cost effective than against any other stage of production. Cost effectiveness is further enhanced by the far-reaching effects on the entire production chain, once continuous government pressure on cartel refineries and its general infrastructure is applied. Not only, then, is there an automatic decrease in output activity at all the lower stages of production but, as we found out during the 1987 summer, also upon the delivery system to U.S. markets. The least cost rule in economics dictates that if the marginal physical productivity per last dollar spent for a particular supply reduction strategy, like destruction of Colombian refineries, is greater than for some other approach, like coca leaf eradication, it makes sense to shift financial resources from the latter to the former. The ruling philosophy in Colombia at the top of the production chain is one of plomo o plata (lead or silver), which leads either to assassination or corruption. It could not have been lived up to more zealously than in the summer of 1989, when within days the cartel assassinated a judge, a provincial police chief and a presidential candidate, Luis Carlos Galan. The murders immediately prompted President Barco through emergency powers to reinstate the extradition treaty to U.S. and order mass arrests of drug traffickers. Such action underscores the honesty and high degree of motivation of Colombia’s executive branch. Despite pervasive bribery and corruption at the lower levels of administration, Colombia’s national police and investigative agencies during the last year have been conducting an effective campaign against cartel’s processing laboratories, seizing large quantities of cocaine, and destroying precursor chemicals in record quantities. But Colombia’s valiant efforts are severely hampered by its limited resources. Before the Colombian government’s war against the cartel came to a head, the total American aid to the anti-narcotics efforts in that country amounted to only $10 million per year. The recent $65 million grant in the form of helicopters, reconnaissance planes, and weapons
to counter the cartel’s stepped-up aggression against the government targets is an important first step in the right direction. Allocating fifty percent of the $2.2 billion 1989 drug budget increase to Colombian operations would make a great deal of sense. Americans are incensed by the domestic drug problem and horrified by the cartel’s blatant brutality. Considering the courage and cooperativeness of the Colombian people, now is the prime time to step up the supply reduction war and Colombia is the right place.
ENDNOTES

10. CORAH stands for Special Project for the Control and Eradication of Coca in Huallaga.
16. Baseo Huallaga, “Para Armado de 72 Horas,” August, 1988, as quoted by Rensselaer Lee III.
21. Ibid.
24. In the vertical production chain 2.5 kg of paste is equivalent to 1 kg of cocaine.


30. Ibid, p. 70.

31. Bagley, “Columbia and the War on Drugs.”


34. Even though large operations have the capability to achieve lower per unit costs than their smaller counterparts, there is some 1988 evidence of downsized lab activity in Bolivia and Peru, U.S. Department of State Bureau of International Narcotics Matters, Bolivia, uncirculated annual report on Bolivian drug trade, 1988.

35. Kerr, p. 3.

36. Bagley, “Colombia and the War on Drugs,” p. 75.

