

Narcotrafficking in the Americas

An issue of National Security

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In Brief

- Narcotrafficking, in the Western Hemisphere especially, is a threat to America's national security.
- The illicit narcotics trade has negative financial and health implications domestically, and undermines rule-of-law, governance, and development internationally.
- Despite financial and political motivations that distinguish drug trafficking organizations from insurgency, there is an increasing global nexus between crime and terrorism.
- Enforcement and interdiction strategies can help control supply in the short-term, but will not singlehandedly contain the problem over the long-run.
- Policymakers should channel economic motivations to bilaterally or multilaterally engage Latin American governments in order to build institutions.



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Why is it a National (and International) Security Issue?

As reflected in recent statements by federal leaders including the President, Secretary of Defense, and Director of National Intelligence, narco trafficking presents a serious threat to American national security. The instability caused through the Western Hemisphere by narco trafficking is of a transnational nature that permeates societies across political, economic, and cultural mediums.

As drug trafficking organizations (DTOs) conduct operations in foreign nations, they pursue their economic motives through coercive measures which undermine governance, political legitimacy, and rule-of-law. In remote regions of Latin American countries such as Mexico and Guatemala, DTOs severely undermine governance by establishing parallel quasi-state functions, imposing their wills over local politicians, police, and citizens through violence and extortion.¹

Though sub-state cartel activities or international trafficking may not directly threaten a large number of American lives, the downstream effects on interstate relations, health, and immigration – and the corresponding policy responses in Washington – should be of concern to American citizens. The interconnected nature of national counternarcotics (CN) campaigns is adeptly captured in the following excerpt from the United Nations Office on Drugs and Crime (UNODC):

... “the world drug problem remains a common and shared responsibility that requires effective and increased international cooperation and demands an integrated, multidisciplinary, mutually reinforcing and balanced approach to supply and demand reductions strategies.”²

Beyond the influence of the narcotics trade on public health and economics through international and domestic black markets, there is increasing concern over the nexus between profits from narco trafficking (along with human and arms trafficking) and financial linkages to insurgency, including potentially terrorism.^{3, 4} Groups like the Taliban in Afghanistan and the Revolutionary Armed Forces of Colombia (FARC) derive the majority of proceeds that fuel their respective insurgencies by protecting or promulgating the narcotics trade.

Whereas illicit narcotics (and the profits they enable) are means to an end, this dilutes two distinct threats to national security as traditionally defined by U.S. military, law enforcement, and intelligence agencies.⁵ Narrowly-defined jurisdictions and rules-of-engagement cause confusion in dealing with insurgency and “common” crime separately when they are seamlessly blended together.

Defining the Threat

Narco trafficking is a subset of transnational organized crime (TOC), a non-state threat to the United States as outlined by Director of National Intelligence (DNI) James Clapper in testimony before the Senate Select Intelligence Committee in 2012.⁶

Narco trafficking includes all phases of transport and delivery of illicit narcotics, from cultivation of raw product to street-level retail sale. The vast majority of U.S.-consumed drugs are produced within the Western Hemisphere, namely domestically or from Canada, Mexico, and Colombia.⁷ Illicit drug trafficking networks contain multiple intertwined nodes, including but not limited to, growth, production, trafficking (drug cartels), and domestic distribution including the role of transnational gangs⁸.

Nacrot trafficking networks can be distinguished from numerous other threats to U.S. national security in that they seek continuous operation free from government interference in order to maintain operations and profitability.

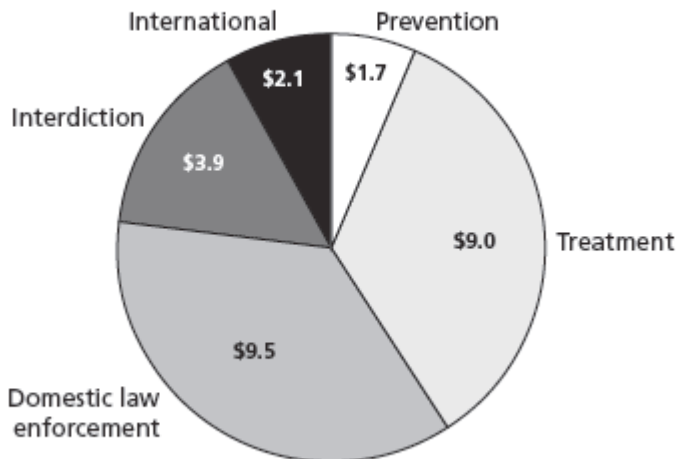
Unlike state adversaries or terrorists, nacrot traffickers' ends are not inherently anti-American or anti-Western. Regardless of intent however, their operations threaten stability and rule-of-law across national borders, and their logistical capabilities create connections and opportunities for other forms of TOC including human and arms trafficking, smuggling, financial crimes, and potential linkages to terrorism.

Black markets further undermine laws and regulatory structures designed to ensure safety standards and derive government revenue from the international exchange of goods.



The “war on drugs” in America originated during the Nixon administration and retains its nature as an enforcement-based strategy aimed to curb supply, with limited effectiveness. Of the \$26 billion federal budget aimed at drug control by the Obama administration in 2012, roughly 60% of allocations (\$15.5 billion) were aimed at the “enforcement” aspects of drug control: domestic and international law enforcement and interdiction, rather than prevention and treatment efforts.⁹ Roughly speaking, the remainder of federal narcotics allocations - nearly \$10 billion in 2011 - is aimed at curbing demand (prevention) according to a 2012 State Department report.¹⁰ Nonetheless, an estimated 40 million Americans annually continue to consume illicit drugs for non-medical purposes or misuse prescription medications, with roughly half of them using marijuana only.¹¹

Proposed 2012 Federal Budget for Drug Control: \$26 Billion



SOURCE: ONDCP, 2012a.

RAND OP393-2.5

RAND Corporation Drug Policy Research Center, “The U.S. Drug Policy Landscape: Insights and Opportunities for Improving the View,” 2012, 10; (Data from ONDCP FY2012 Budget Request)

With the goal of minimizing the impact of the illicit narcotics trade in mind, short-term and long-term policy goals must be differentiated. American demand for black market narcotics cannot be altered in the short-term until the root causes of addiction are addressed. Short-term supply-side hits to the narcotics trade may cause temporary price spikes, which will eventually recede when feedback loops create equilibrium by increasing quantity of narcotics in the market through alternative delivery methods.

To truly reduce supply and demand over time, the root cause of narcotics trafficking – lucrative financial opportunity which outweighs the moral and legal costs of distribution – must be addressed. This is a process that begins by reevaluating American foreign policy instruments, especially toward regional supplying states.

A Hemispheric Challenge

America's demand for illicit narcotics is serviced almost entirely from within the Western Hemisphere. South America is the sole producer of cocaine for the global market, Mexico and Colombia are the primary sources of opiates available in the United States, and Mexico is a major source of foreign cannabis and methamphetamine trafficked into the U.S.¹² Hence, the underlying transnational issue can hardly be addressed by any one nation unilaterally from a supply-side or demand-side perspective alone. Nations home to producers or traffickers are affected by U.S. domestic drug policy much the same that the U.S. market is influenced by the conditions that allow the narcotics trade to flourish in Latin American countries.

The historical pattern of narcotics flows through Latin America into the United States has transformed considerably within the past thirty years, according to a former DEA official with extensive knowledge of the logistical networks.

Whereas South American cartels (namely Colombians) shouldered the burden of transporting cocaine to the retail market in the U.S. through the 1970s and 1980s, moving into the 1990s they increasingly relied on Mexican traffickers to bypass U.S. customs and law enforcement.^{13, 14} Eventually, the most lucrative aspects of the trafficking cycle came to be dominated by Mexican cartels, which extended their reach through affiliated gangs in Central America and the U.S. This led to heightened instability throughout the region as criminal organizations competed for control of trafficking routes for various illicit narcotics both into and out of Mexico.

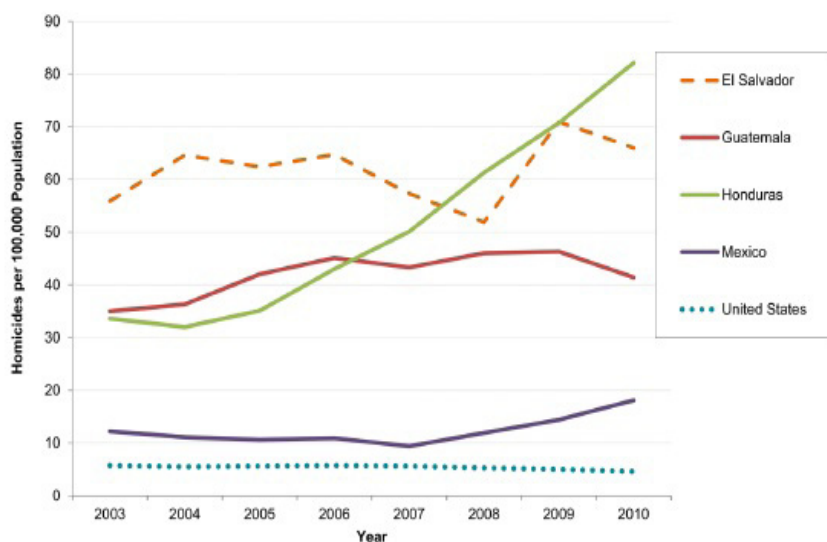


With total wholesale proceeds of Mexican and Colombian DTOs estimated between \$18-39 billion annually, there are significant financial incentives driving the continued supply of illicit narcotics even as law enforcement, justice, and penal institutions are strengthened.¹⁵ Associated with greater opportunities for profit from trafficking, the region has witnessed spikes in various types of criminal behavior including bribery, political coercion, kidnapping, and violence, especially as evidenced very publicly in Mexico, as well as in other regional states.

The power of Mexican DTOs and corresponding violence have skyrocketed in recent years, shedding light on the need for a coordinated governmental response to narcotrafficking. Homicide rates in Latin America and the Caribbean are by far the highest of any region in the world, averaging 32.6 homicides/100,000 citizens in 2008.¹⁶ An estimated 65,000 deaths resulted from federal crackdowns on DTOs in Mexico alone under the anti-cartel policies of the Felipe Calderón administration from 2006-2012.¹⁷

As improved Mexican enforcement disrupted some trafficking routes, South American illicit drugs were increasingly routed through Central America beginning in 2006, leading to more prominent gang activity and murder rates through the region, including the world's highest murder rate at 92 homicides/100,000 citizens in Honduras in 2011.¹⁸

Homocide rates in Mexico, Northern Triagle, and Undited Stes, 2003-10



Eleanor Sohnen, "Paying for Crime: A Review of the Relationships between Insecurity and Development in Mexico and Central America," Migration Policy Institute, December 2012, <http://www.migrationpolicy.org/pubs/RMSG-Paying-forCrime.pdf>, 5.

Source: United Nations Office on Drugs and Crime (UNODC), *Global Study on Homicide: Trends, Context, Data* (Vienna: UNODC, 2011).

Data on DTO proceeds from trafficking activities are highly contested based on the measurement criteria – by nation, by product, and in terms of wholesale or retail profits – but UNODC studies estimate profits from drugs as international criminals' most reliable source of income.

Drug-related income accounts for roughly 50% of profits for all criminal organizations (transnational and domestic) and in the range from 20-25% of profits for transnational groups alone.¹⁹ The most conservative estimates on Mexican cartel revenues from marijuana trafficking sales – a high-volume, but low-margin activity compared with cocaine and opiate trades – place cannabis profits between \$1-2 billion annually for those organizations.²⁰ Estimates within law enforcement circles in the U.S. government place Mexican DTO revenues from all drugs between \$5-10 billion annually, not including monies derived from extortion, kidnapping, or human trafficking.²¹

United States' Policy Response

Despite the acknowledgement by the UNODC and various other international committees that the global market for illicit narcotics demands a coordinated international political response, coherent policy prescriptions to address narco trafficking among multiple governments are few.

The establishment of bilateral or multilateral arrangements between various sovereign nations with their own economic and political interests continues to prove challenging as the states in need of aid (financial, equipment, or personnel) cannot adequately address narco trafficking alone, yet they do not appreciate domestic terms dictated by outside interests. For example, the Mexican government has demonstrated a cultural resistance to foreign interference in its domestic politics prior to the presidency of Vicente Fox beginning in 2000. President Felipe Calderón was the first Mexican official to request U.S. assistance to address domestic security, crime, and drugs.²²

There are, however, two previously-implemented models of holistic U.S. foreign policy measures which include counternarcotics provisions. Though the effects of both are yet to be fully determined, closer analysis could provide some clues about CN efficacy and the larger picture in the future.

Plan Colombia

Plan Colombia was a strategy developed by the Colombian administration of President Pastrana in the late 1990s to garner international aid in order to deter narcotics cultivation and subsequent funding for political-military movements, as well as to encourage internal economic development.

Though U.S. assistance routed to Colombia is often grouped in the Plan Colombia category, it has been spread out across multiple funding platforms since 2000. U.S. aid to Colombia was withheld until Pastrana's tenure, as Colombia's government was considered "a near failing narco-state" featuring an administration propped up by contributions from traffickers.²³

The United States' initial involvement with Plan Colombia was designed as a Congressional counternarcotics appropriation to eradicate cultivation through military spending, with \$1.3 billion allocated under the Military Construction Appropriations Act of 2001.²⁴

Though initial indications of Plan Colombia's Congressional support were suspect, the administration of President Alvaro Uribe took full advantage of international assistance. Homicides and kidnappings in Colombia fell significantly based on his security policies partially funded through U.S. aid.²⁵ UNODC measurements indicate that coca production was halved between 2001 and 2008, but this estimate is disputed by more conservative State Department figures using a different metric for cultivated area.²⁶ Nevertheless, later allocations through the Andean Counterdrug Program (ACP) and Foreign Military Financing (FMF) accounts reflected Congressional confidence in Colombia's progress.

The result was wider support of democracy-building, rule-of-law, and economic development, carried out by State Department and USAID efforts.²⁷ Though Colombia still faces significant political threats from movements like FARC which are funded largely through narcotics-profits, overall measures of a healthy economy, democracy, and human rights have improved vastly over the past twelve years, supported by a total of roughly \$7 billion in US economic assistance.²⁸

The Mérida Initiative

The Mérida Initiative is an assistance program through which the U.S. Congress has appropriated \$1.9 billion dollars to Mexico and other Central American and Caribbean partners since its inception in FY2008.

The four pillars of the Mérida Initiative are: (1) To disrupt organized criminal groups, (2) To strengthen institutions, (3) To build a 21st century border, and (4) To build strong and resilient communities.²⁹

The bulk of early appropriations were aimed at CN functions such as training and equipping Mexican police forces, but subsequent allocations are directed at improving rule-of-law through greater transparency and accountability in the Mexican justice system at the federal and state levels.^{30, 31}

The Mérida Initiative was initially designed to include other regional security measures which were split off into separate operations in 2009: the Central American Regional Security Initiative (CARSI) and the Caribbean Basin Security Initiative (CBSI). During multilateral conferences, policymakers realized that counter-trafficking measures would demand coordination in order to account for and prevent the reliance on alternative geographic routes by international traffickers to deliver their products on schedule.

Though the initiative faces pronounced scrutiny from critics who stipulate that it fails to address the underlying issues facilitating violence and civil unrest in Mexico and Central America, the institution-building measures of the appropriations have barely kicked in.

With assistance ongoing, it is likely too early to draw conclusions on the relative success of Mérida thus far. Modeling the initiative based on lessons learned from Plan Colombia may be imprecise, as the political situation in Mexico is more stable, comparatively. The criminal activities and territory wars of Mexican cartels undoubtedly threaten the public and undermine governance, but cannot correctly be characterized as “insurgency” according to top drug officials in the Obama administration.³²

Institutions

As a result of the difficulty in establishing holistic policies with divided execution mechanisms, U.S. counter-narcotics efforts are somewhat segmented. The following assessment will examine U.S. capabilities from an agency-centric perspective, which is how CN policy is typically carried out.

Policy (Executive)

The Office of National Drug Control Policy (ONDCP) is the primary agent for illegal narcotics research, policy formulation, and coordination. Housed within the Executive Office of the President (EOP), ONDCP was established in 1988 following the release of the first International Narcotics Control Strategy Report.^{33, 34} ONDCP regularly interfaces with its drug policy counterparts at other governmental entities including State and DEA, and liaises with UNODC at the international level.

The ONDCP administers the grant program for High Intensity Drug Trafficking Areas, which provide funding to federal, state, and local law enforcement agencies operating in critical drug trafficking locations, under the criteria established by the Anti-Drug Abuse Act of 1988.³⁵

Interdiction

The Departments of Defense (DoD), Justice (DoJ), and Homeland Security (DHS) all house various component agencies tasked with the interdiction of illegal narcotics at various stages of the logistical cycle within the Americas. The DoD's Joint Interagency Task Force South (JIATF-S) within U.S. Southern Command is the component directly responsible for fighting transnational crime through detection of DTO activity in South and Central America and the Caribbean by monitoring international waters and airspace.³⁶ SOUTHCOM's area-of-responsibility (AOR) includes nations and surrounding waters of South and Central America, hence its purview includes intercepting trafficked drugs that travel directly through the Central American or Caribbean littoral prior to entry into the U.S. or Mexico.



JIATF-S is the central coordinating body for inter-agency counternarcotics operations through Central and South America.³⁷ Furthermore, it is the lead arm in Operation Martillo, a multilateral (and multi-agency effort within the federal government) to combat trafficking routes along the Central American isthmus in coordination with CARSI and the 2011 White House Strategy to Combat Transnational Organized Crime.^{38, 39}

The operation has yielded seizures of hundreds of millions in currency and intercepted narcotics by the U.S. Navy and Coast Guard since its inception in February 2012.⁴⁰ Officials expect similar or improved yields from JIATF-S coordinated seizures of \$2.35 billion in wholesale-value cocaine plus an additional \$37 million in currency and black market goods in 2011 interdiction efforts.⁴¹

Within U.S. Northern Command, whose AOR includes Mexico and the continental United States, Joint Task Force North (JTF North) is the DoD component tasked “to support our nation’s federal law enforcement agencies in the identification and interdiction of suspected transnational threats within and along the approaches to the continental United States.”⁴²

NORTHCOM and SOUTHCOM interface as necessary to coordinate military responses to narcotrafficking as well as other transnational threats.⁴³ NORTHCOM is also responsible for support to civilian law enforcement agencies housed within DoJ and DHS in their enforcement and interdiction operations involving “homeland defense” along national borders.

Intelligence

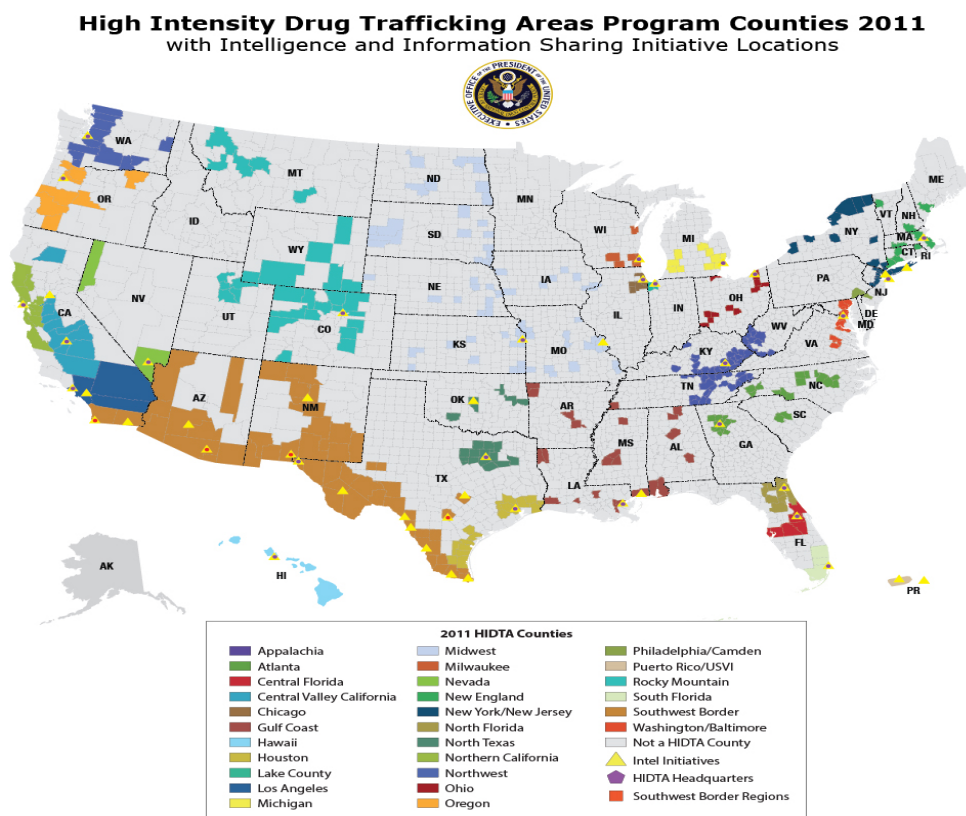
The bridges between agencies and their respective purviews are many, with DTO activities spanning multiple nodes. As such, DoD, DoJ, and DHS are all involved in interdiction, intelligence and law enforcement to varying extents, with the Pentagon as the main operational player in international surveillance and interdiction due to the technical expertise of civilian DoD agencies and the military’s logistical/operational role. Military intelligence from the aforementioned unified combatant commands and individual services, as well as input from the Defense Intelligence Agency (DIA), National Geospatial-Intelligence Agency (NGA), and National Security Agency (NSA), is incorporated into strategic and tactical estimates in the CN effort. The Central Intelligence Agency (CIA) operates a Crime and Narcotics Center (CNC) which collects and analyzes infor-

mation regarding trends in illicit drug cultivation and production.⁴⁴ Finally, the State Department is also an important coordinator in intelligence collection and dissemination.

Though also heavily involved in international interdiction of narcotics aimed at the supply-side growth and trafficking, and domestic law enforcement aimed at U.S. demand, the Drug Enforcement Administration (DEA), a DoJ agency, is a central player in the intelligence process. With tactical operations and field agents targeting various stages of the logistical cycle from growth to retail, DEA is the natural partner for other intelligence and law enforcement agencies in the struggle against illicit trafficking. Furthermore, it is one of the few agencies (along with the FBI) with both law enforcement and intelligence missions, necessitating a careful balance between prolonged intelligence gathering providing for actionable information leading to interdiction, seizures, arrests, and prosecutions.⁴⁵

Officially joining the intelligence community (IC) in 2006 largely in response to the coordination of intelligence activities through the DNI under the provisions of the Intelligence Reform and Terrorism Prevention Act of 2004, the DEA's role in support of national security was formalized.⁴⁶ However subtle, this move signified the growing seriousness of transnational criminal organizations, the revenues of the international drug trade, and the potential linkages to other forms of crime and insurgency.

Created in response to a 1974 DEA report on the need for coordinated activities along the U.S./Mexican border, the El Paso Intelligence Center (EPIC) functions as the central fusion center for the counternarcotics mission. Agencies currently working together at EPIC include both CN COCOM task forces, NGA, DEA, FBI, the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), as well as DHS components Customs & Border Protection (CBP), Immigration and Customs Enforcement (ICE), the U.S. Coast Guard, as well as Texas state and local agencies.⁴⁷



DEA - High Intensity Drug Trafficking Areas (HIDTAs): <http://www.justice.gov/dea/ops/hidta.shtml>

Law Enforcement

The interdiction activities of the Defense Department and DEA are adequately categorized as international law enforcement as they interface with foreign agencies as necessary to conduct their operations. Other agencies have a limited law enforcement presence abroad, but these are the main actors operating beyond U.S. borders.

DHS components CBP, ICE, and Coast Guard are responsible for enforcing various aspects of travel and immigration policy, as well as border patrols covering illicit narcotics routes into the country. The majority of their CN law enforcement activities might be categorized as neither supply nor demand based but rather concerned with transit. Nonetheless, they are the agencies on the front lines of the U.S./Mexican border, and therefore the most exposed to the culture of drug-related violence and fear in remote Mexican communities, as it fuels the political and economic plight of immigrants and their U.S. contacts.

Domestically, DoJ agencies including DEA, FBI, and the U.S. Marshalls investigate drug-related criminal activity based on legal standards necessary for prosecution. Coordinating investigations with state and local police departments, their motives might range anywhere from street-level “buy/bust” operations to bottom-up intelligence gathering aimed to link back to suppliers and traffickers.⁴⁸ These are the agencies tasked to mitigate the domestic reach of Latin American cartels through the affiliated transnational gangs they finance and control.⁴⁹

Though many policymakers and citizens are quick to dismiss gangs as a form of common organized crime, CN officials are concerned about their enduring links to hierarchical DTO leadership structures.⁵⁰

Military Assistance & Training

The DoD is the implementer of military assistance and training programs throughout Latin America as established in the Mérida Initiative, CARSI, CBSI, and the Andean Counterdrug Program (ACP), the legislative successor to Plan Colombia.⁵¹

The Pentagon’s relevant NORTHCOM and SOUTHCOM components advise and train military and paramilitary forces for counternarcotics operations through the Foreign Military Financing (FMF) and International Military Education and Training (IMET) accounts which are administered by the State Department.^{52, 53} In order to enable DoD training operations, the Secretary of State must verify that the receiving government meets the criteria established by the 1997 “Leahy Amendment” for counternarcotics assistance, which holds that benefitting security force has not committed gross human rights violations.⁵⁴

Other foreign, civilian law enforcement training functions are carried out by DoJ and DHS entities, though DoD provides logistical support, security, and equipment through defense appropriations.⁵⁵

The DoD also conducts other initiatives to strengthen foreign defense institutions, including joint training exercises, defense education exchange programs, and defense ministry-building assistance.⁵⁶

Cooperative and mutually beneficial relationships in Latin America are also enabled through Foreign Military Sales (FMS) and Direct Commercial Sales (DCS) through partners in the U.S. defense industrial base. These programs not only foster mutual economic activity, but also facilitate training on operation and maintenance.⁵⁷

Diplomacy & Aid

Numerous anti-corruption and economic development efforts to restore rule-of-law and build responsive governance structure in Latin America are undertaken by the U.S. diplomatic community.

Programs aimed at counternarcotics through crop eradication, institution-building, and alternative development are the purview of (largely) State as well as the United States Agency for International Development (USAID). These are the two major civilian agencies responsible for international CN assistance funding in Latin American, primarily through the Development Assistance (DA), Economic Support Fund (ESF), and International Narcotics Control and Law Enforcement (INCLE) accounts. USAID administers ESF funds in conjunction with State, aimed primarily at “promotion of special U.S. economic, political, or security interests.” INCLE is managed by State, which also oversees FMF and IMET appropriations carried out by DoD.⁵⁸

Authority to program Congressional appropriations for diplomatic aid accounts is included in the provisions the Foreign Assistance Act of 1961, especially within Section 481 on international narcotics control, as amended.⁵⁹

Total American aid to Latin American has declined in recent years, however the appropriations committees in both chambers profess a continuing need to fund diplomatic efforts in Latin American, calling for ESF and INCLE account increases for Mexico, Colombia, and Venezuela in the FY2013 budget. The Senate Appropriations Committee reported specifically cited:⁶⁰

... “the daunting challenges facing many countries in Central and South America due to struggling economies and weak governmental institutions ... the Committee directs additional resources be made available above the budget request to strengthen democratic institutions, including professional and accountable police forces, and to address the causes of poverty in the region.”

Despite overall declines in aid in light of the budget deficit, remaining allocations are increasingly geared toward both humanitarian efforts and development, accounting for approximately 39% of U.S. bilateral assistance in FY2012, an increase from its proportion as 1/3 of all aid spending in FY2008. “Strategic interest” aid spending remains proportionally flat, comprising roughly 26% of aid spending to Latin America over that time span.

Security assistance spending, including INCLE, FMF, and IMET (as well as the NADR account for anti-terrorism and de-mining) has decreased as a proportion of U.S. aid to Latin America, down from 41% to 36% over that five-year span.⁶¹

While it is a positive sign that appropriations aimed at social and economic development have increased in order to build institutions, this also places a disproportionate burden on smaller State and USAID budgets vis-à-vis the accounts financed through the vast DoD budget.

State and USAID’s counternarcotics efforts in Latin America are also supported through private sector contractors who provide logistical and operational support and equipment. Performing missions such as crop spraying, diplomatic transportation, and reconnaissance, security contractors utilized by State and USAID are funded through DoD appropriations from the Counter Narco-Terrorism Program Office (CNTPO).⁶²

Economics & Trade

The economic institutions of the U.S. federal government can contribute to the counternarcotics effort through a series of carrots and sticks aimed at Latin American governments, as well as measures aimed at DTOs and their known affiliates.

Tariff barrier reductions such as those included in the North American Free Trade Agreement (NAFTA) simultaneously allow enhanced competition for Mexican goods in the U.S. and encourage investment and growth in Mexico, where labor is less expensive.⁶³ As the second-largest U.S. export market and third-largest total trade market, Mexico is largely dependent on the U.S. for its continued economic growth.⁶⁴

The positive effects of trade agreements with the United States on less developed Latin American economies were illustrated by Mexico's growth stemming from NAFTA implementation. Following suit, after improvement in Colombia's political and human rights environment over the past decade, the U.S. Congress ratified the Colombian Free Trade Agreement (CFTA) in 2011.

Congress implored the United States Trade Representative (USTR) to secure human rights commitments from the Colombian government which were quickly met due to CFTA's centrality to Colombia's overall development strategy.⁶⁵ Upward trends in foreign direct investment (FDI) in Colombia are likely to rise substantially given the U.S. business community's support for CFTA and the ensuing legitimacy afforded through an international agreement with the U.S. government⁶⁶

This is a prime example of how, from a U.S. bargaining standpoint, trade agreements offer an opportunity to set standards for foreign performance.

Within Latin America, free trade agreements are currently in place with nine countries: Chile, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Peru.⁶⁷ Such conditions could be applied to control for violence, governance, or rule-of-law. Of course, concessions through bilateral negotiations involve a considerable degree of leverage, both internationally and domestically. Hence, renegotiations with Mexico over NAFTA for example, a previous initiative of the Obama administration, could be difficult.⁶⁸ Nonetheless, conditions surrounding trade agreements could be useful tools to lift underperforming Central and South American states susceptible to nacrotrafficking out of the reach of cartels' economic and political influence.

Foreign financial aid administered through aforementioned State, USAID, and DoD programs can also be suspended by the President for countries designated as "drug majors" who fail demonstrably to make substantial efforts to meet their obligations under international counternarcotics agreements. Under Section 481 of the Foreign Assistance Act, Congress provides this fairly ambiguous authority for Presidential certification as a political tool, as nearly all Latin American nations are currently designated as "drug majors." The President did not certify two Latin American countries for FY2013 – Bolivia and Venezuela – yet he exercised his authority to waive the aid sanctions, deeming both "vital" to U.S. national interests.⁶⁹

America is also undertaking an economic campaign to fight DTOs and other forms of transnational crime by identifying and freezing their financial assets.

This strategy of stifling TOC attempts to launder money are outlined in various strategic documents includ-

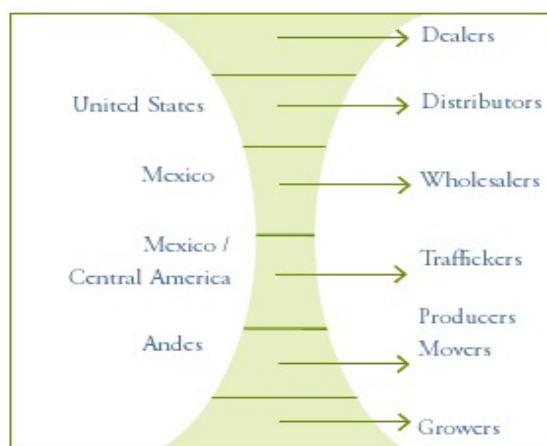
ing the White House Strategy to Combat Transnational Organized Crime and the State Department's annual International Narcotics Control Strategy Report (INCSR).^{70, 71} The Department of Treasury is also enabled in its battle against DTOs through other means, including the 1999 Foreign Narcotics Kingpin Designation Act and Executive Order 13581 on Blocking Property of Transnational Criminal Organizations.^{72, 73}

Resource Allocation in a Constrained Fiscal Environment

The true barometer of policy preferences is the distribution by which financial resources are allocated to address a problem. As such, the dispersal of increasingly constrained federal funds will be paramount in evaluating the U.S. counternarcotics effort as we simultaneously combat a national budget deficit.

A major recommendation of this research is that resource allocation, over the long-term, should be focused away from domestic and international drug interdiction and toward both root prevention of both supply-side factors, and addiction on the demand side.

Drug Production, Trafficking and Commercialization Structure



Eric L. Olson, "Considering New Strategies for Confronting Organized Crime in Mexico," Woodrow Wilson International Center for Scholars; Mexico Institute, March 2012, 3.

Though law enforcement measures need to be maintained at or near current levels in the short-term in order to suppress supply, this is not an effective permanent strategy.

The major difficulty in focusing \$26 billion in federal drug control spending is the consolidation of missions of a variety of agencies and departments outlined in the previous section.

The picture becomes even murkier when the costs of illegal drug use to the nation – estimated at \$193 billion annually by the National Drug Intelligence Center – draw in a plethora of domestic agencies tasked with economic productivity, health, and quality-of-life issues.⁷⁴

Siloing of agency activities is counterproductive in that it divides budgets and purviews artificially in a manner that does not necessarily adapt to the overlapping threats posed by transnational crime and insurgency. Greater coordination by potential adversaries to capitalize on their respective specializations – tactical, logistical, or financial – poses a serious challenge to national security.⁷⁵

Institutions or interagency processes should be established to address the merging goals of non-state criminals and insurgents and the bureaucratic responses to their activity.

Conclusion – A Strategic Shift in Counternarcotics Policy

While demand reduction should remain a long-term goal for U.S. policymakers to improve the American economy and public health, there is limited if any evidence of a causal link between current CN operations and demand reduction. Interdiction and enforcement strategies can have marginal effects on supply and demand which in turn affect both wholesale and retail prices, but these shifts are ephemeral rather than enduring.

A long-term strategy to combat narco trafficking should be divided into two clear realms: a) empowering foreign states to suppress the domestic environments for narcotics production and/or transport and b) focusing domestic efforts on prevention and treatment, proportional to allocations for law enforcement.

Until the first of these objectives is further realized, the existing strategy of supply-side interdiction and enforcement must be maintained to control access to markets and elevate prices to discourage drug use.

In the UNODC's 2009 Vienna Commission Statement on Narcotics, the body outlined their findings on the two pillars laying the necessary foundation to curtail drug cultivation – growth and stability. Their goals include:

“(a) re-establish government control over the territory, so as to bring security; and (b) promote development, so as to eradicate poverty and not only drugs.”⁷⁶

The distinction that should be made from a policymaking standpoint is between the fundamental factors that drive drug cultivation and distribution versus the ability to positively impact them. The UNODC adequately identifies economic productivity and the political institutions necessary for security as mandatory conditions to combat narco trafficking at its sources, however it lacks the operational and financial resources to solve these dilemmas.

The states home to narcotics cultivation and distribution networks often lack these resources themselves, but the international community as a whole does not. Hence, the proper vehicles must be utilized to provide citizens political and economic alternatives to the narcotics trade. This is slightly different than arguing that the “simple” solution to narco trafficking is development, as the political degree is equally important.

With improved governance and rule-of-law providing states greater ability to enforce laws, prosecute and convict crimes, and ensure citizen security, the stakes for engagement in profitable narcotics cultivation and transport will be raised. There will, undoubtedly, remain a market and thus financial incentive, but raising barriers to make participation significantly more costly than legal economic activity is necessary.

The most efficient and ethical ways for U.S. policymakers to encourage this type of institution-building among foreign governments are through the economic incentives of trade and investment. Free-trade agreements such as NAFTA and CFTA can be revisited by Congress and require partners to annually fulfill particular standards for democracy, human rights, and rule-of-law to ensure preferential status. Economic agreements incentivize government action rather than mandating it pejoratively through bilateral agreements subject to unilateral condition-setting.

Current proposals outlining plans to lower the need for drug enforcement to curb supply through legalization measures fail to account for the bilateral implications of such a policy. Not only would such a measure entail potentially unforeseen effects on domestic health and poverty, but it would also have a cascading effect on Latin American policies, as well as price and distribution imbalances in the U.S. market that would shift avenues for cartel profits.

To address the interconnected nature of narcotrafficking and the interdependency of governments as they pursue CN strategies, the U.S. should lead the way by shifting its public relations campaign from a “war on drugs” to one of hemispheric security. Latin Americans need reassurance that the U.S. is leveraging its resources to improve stability and economic prospects in their countries, and Americans are eager to move beyond the ineffective message of domestic enforcement to take on the challenge of globalization.

Stability through the Americas implies universal standards for democracy and governance which will bring other nations up to par with American institutions and render them more attractive economic partners for trade and investment.

Lastly, American policymakers need to consistently fund institution-building abroad rather than occasional reactive spikes in domestic and international law enforcement. Reactionary responses to publicized events like “Fast and Furious” simply assure the public that action is underway rather than aiming to solve the core issues driving the international transfer of illicit materials.⁷⁷

A genuine improvement will entail continued enforcement/interdiction in the short-term as well as increased funding and engagement – diplomatically and economically – in Latin America over time.

As the administration carries out its deliberate effort to limit American overextension abroad, perhaps it should see to increased commitment in our neighborhood. The economic and political institutions are in place for Latin America to develop and prosper, and the U.S. can get a step closer to minimizing its domestic narcotics issues by aiding its geographic allies in the process.

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