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REPORT ON THE DRUG PROBLEM IN THE AMERICAS
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Report on the Drug Problem in the Americas



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Two different and complementary approaches

- Analytical report:
 - Technical study of drug policies throughout the hemispheric
 - Options to strengthen policies and improve implementation
- Scenario report:
 - Examine possible future drug scenarios for year 2025 that are relevant, challenging, plausible, and clear



Analytical Report Methodology

- Compiles and analyzes key information compiled from six in-depth studies commissioned and realized by CICAD.
- Examines strengths and weaknesses of current policy mechanisms, as well as the institutional capacities and challenges faced by member states.
- Sheds light on the varied dynamics of the drug phenomenon in hemisphere.



The themes of the six studies...

- Drugs and development
- Drugs and public health
- Drugs and security
- Drug production
- Economics of the drug trade
- Legal and regulatory alternatives



... are synthesized in 10 chapters

- Conceptualizing the Drug Problem
- Drugs and public health
- Cultivation of drugs and their primary components
- Production of drugs
- Transit and distribution of drugs
- Sale of drugs
- Drug consumption
- Drugs, crime and violence
- Legal and regulatory alternatives
- Contribution to the dialogue



Challenges in Defining the Drug Problem

- Deficiencies in drug information and research
- Resource shortages, particularly on the demand reduction side
- Absence of an analysis of policies and the presence of evidence in the development of public policies



Sale of Drugs

- Huge market that is extremely difficult to measure with accuracy
- Sales gains concentrated in retail side (2/3) – little for the growers
- Illicit drugs is the largest single source among multiple sources of income for organized crime





Crime and Violence

- Complex relationship between organized crime and drug-related crime.
- Increased violence and insecurity in the transit countries with weak institutional frameworks, especially in Central America.
- Impunity and corruption
- Important relationship between illegal trafficking of arms and money laundering.





Illicit drug demand

- ▶ Estimating the size of global and hemispheric drug markets presents tremendous challenges
- ▶ UN estimates place total illicit drugs retail sales at \$320 billion, though other estimates are lower
- ▶ The UN estimates annual drug revenues in the Americas at just under half the global total. North America occupies a dominant share of the hemispheric total.
- ▶ Approximately two thirds of total revenues accrue to retailers in consuming countries
- ▶ Wholesalers and traffickers through transit countries account for another 20-25% of revenues

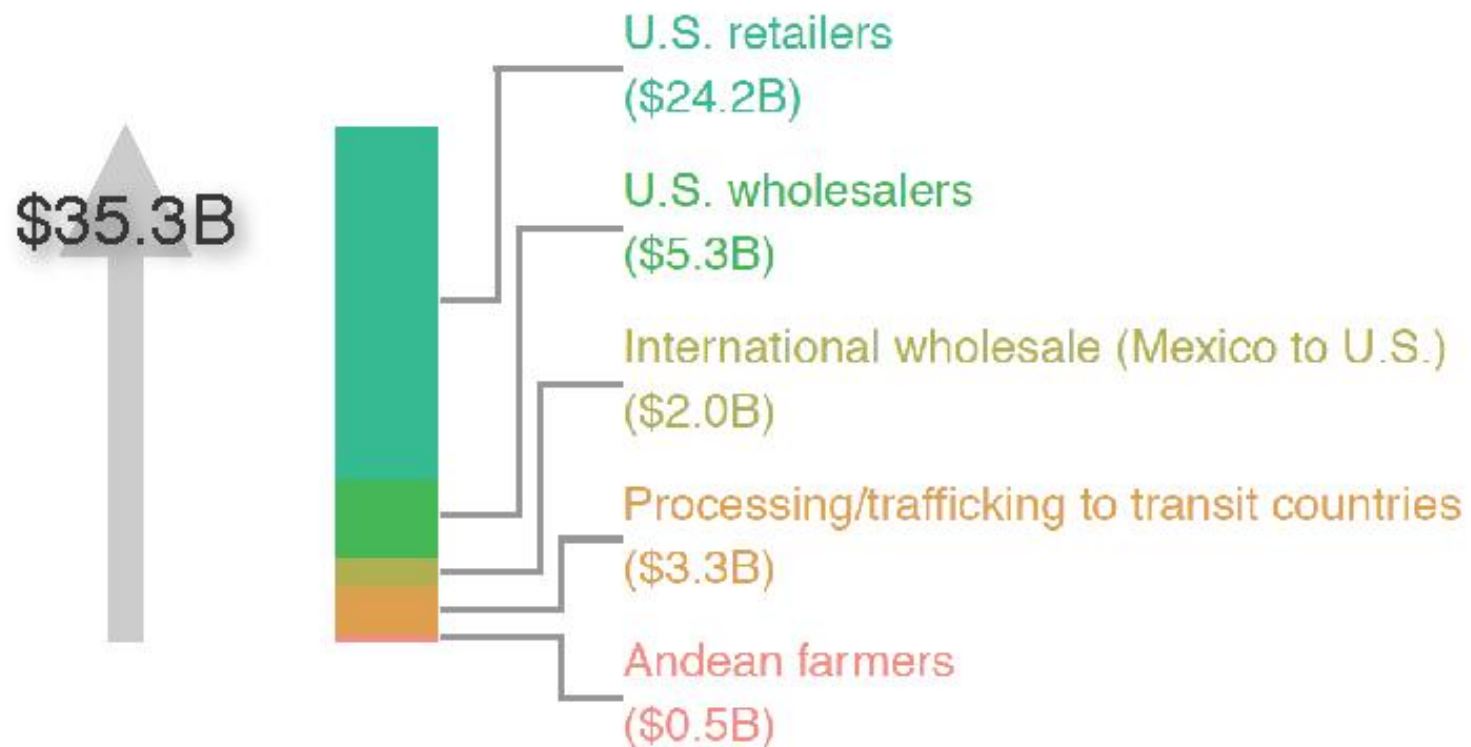


The illicit drug supply chain

- ▶ Drug trade operations are not typically vertically integrated
- ▶ Mexican drug trafficking organizations control a substantial part of international smuggling and wholesale markets and are increasingly purchasing cocaine in South America
- ▶ Markups for illicit drugs are orders of magnitude higher than markups for legal goods
- ▶ For many substances, markups would likely fall substantially if the substances were produced, transported, and distributed as legal commercial goods.



Gross profits in the U.S. cocaine trade





Gross profits in the global cocaine trade





Money laundering and the transmission of earnings

- ▶ Cash smuggling is a primary mechanism of income transfer along the drug production chain
- ▶ Traditionally, cash was smuggled from the U.S. into Mexico and then a portion was shipped onward to Colombia
- ▶ Recently, financial resources have more typically been transferred directly from the U.S. to source countries
- ▶ Drug-related proceeds available for laundering through the financial system total ≈ 0.4 to 0.6% of global GDP
- ▶ Around half of these proceeds are estimated to be laundered within the jurisdiction where profits are generated



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