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**EMBARGO: 26 February 2003**  
**00:01 hours GMT**

## **EVEN IN THE ILLICIT DRUG TRADE DEVELOPING COUNTRIES SUFFER MORE THAN THE DEVELOPED WORLD**

### **Illicit drugs: short-term gains for the few but long-term losses for the many**

Illicit drug production prevents economic growth and does not lead to sustainable development in the long-term according to the Annual Report of the International Narcotics Control Board (INCB) published today (26 February 2003). The Board warns that the illicit drug trade damages economic development and urges Governments to implement effective drug control policies.

The Report examines the impact of illicit production of heroin and cocaine on the economy and concludes that drug control is essential for successful development. It shows that long-term economic development in a country is not possible without an effective drug control system and that illicit drugs destabilize a country's economy, state and society at large.

While INCB recognizes the high impact of drugs like cannabis and various synthetic drugs, the focus is on heroin and cocaine as these are the two illicit drugs which account for most of the problems worldwide.

The President of the Board, Dr. Philip O. Emafo, said: "The drug problem is often seen primarily as a social problem but our Report shows that it also has serious economic consequences which impact on the overall development of a country. But while the social problems of drug abuse are felt in the developed countries, the major economic impact of the illicit drug trade is in the developing world."

The INCB Report demonstrates how the overwhelming share of profits from illicit drugs are made in the countries where the drugs are sold and abused rather than in the countries where the drugs are grown. It is not the farmers growing the illicit crops who make the profits: in fact, only 1 per cent of the money ultimately spent by drug abusers is earned as farm income in developing countries. The remaining 99 per cent is earned at various other points along the drug trafficking chain.

While the bulk of the profits from the illicit drug trade is made in developed countries, the economic impact is much greater in the developing world where the illicit drug trade represents a larger proportion of the economy. For example, expressed as a percentage of their gross domestic product (GDP) illicit drug production and trafficking are estimated to be between 10-15 per cent for Afghanistan and Myanmar and between 2-3 per cent in Colombia and the Lao People's Democratic Republic. In the United States the profits from illicit drugs amount to just 0.4 per cent of GDP although there are more drug abusers in the United States than in any other country.

The INCB Report also warns that any short-term benefits of illicit drug production are offset by significant long-term losses and it urges Governments to pursue policies to fight illicit drug production and trafficking.

The short-term gains include the jobs for farmers and itinerant labourers who cultivate the illicit crops and the employment opportunities in production and distribution from retail distributors to laboratory operators.

In the long-term illicit drug cultivation has a negative impact on economic growth although it is difficult to prove that increased illicit drug production is linked to a decline in overall economic activity.

The President, Dr. Emafo, said: "The short-term gains are for the few but the long-term losses are for the many. Drug trafficking does not contribute to economic growth and prosperity and we urge countries to rid themselves of illicit drug production because it will benefit them in the long-term, even if there are short-term costs."

The Report finds that it is the destabilizing effect on the state, the economy and civil society of illicit drug production which is damaging to long-term economic development.

The emergence of an illicit drug economy is often a cause of the destabilization of the state and the weakening of the political system through corruption. The Board also notes that illicit drug production is often linked to and nourished by civil wars.

It also becomes difficult for Governments to have effective economic policies when there is an underground economy based on illicit drugs. Any measures taken to control the economy may be undermined by illicit drug funds and the illicit trade can affect exchange rates, perpetuate and accentuate income inequality, crowd out legitimate businesses and lead to decreased economic investment.

The Report also considers the impact on the social fabric of society once illegal activities become the norm. Illicit drugs often lead to an increase in crime especially violent crime including kidnapping and extortion, it corrupts the elite, undermines the rule of law and often leads to a domestic drug abuse problem.

The example of Afghanistan shows how the illicit drug trade can destabilize a country. Massive increases in opium production in the early 1990s helped to fuel civil wars and evidence suggests economic growth declined and living standards fell. In two of Afghanistan's neighbouring countries which significantly reduced or eliminated opium poppy cultivation, Pakistan and Islamic Republic of Iran, there was positive economic growth in both the 1980s and the 1990s.

INCB urges the international community to offer assistance in drug control efforts to countries in which illicit drugs thrive and which do not have sufficient resources to combat these problems.