



Can Uruguay kill drug cartels by legalizing marijuana?

By German Lopez

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Every day in Mexico, drug cartels claim dozens of lives in their ruthless defense of the illicit drug trade. The cartels' gruesome acts have ranged from targeted assassinations to public beheadings. In a recent trial, a drug cartel hitman admitted to an appalling 800 murders.

When Uruguay became the first country to legalize pot last December, it hoped to avoid a fate similar to Mexico's. Although it's long been known as one of the safest countries in Latin America, a recent rise in organized crime led the middle-income nation of 3.4 million to take the bold step of ending marijuana prohibition.

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Leaders "didn't want Uruguay to even begin heading down the same path as other Latin American countries, where violence becomes endemic and linked to illicit drug markets," says John Walsh, leading drug policy expert at the Washington Office on Latin America.

The government is so serious about this goal, in fact, that it won't tax marijuana at all from the onset. That way, Uruguayan officials hope, legal pot will be far too cheap for the black market to seriously compete.

Drug policy experts in general agree that moving away from prohibition hurts the criminal element behind marijuana. But whether that will be enough to significantly cripple drug cartels remains to be seen.

Drug cartels most likely won't be able to compete on marijuana

Marijuana is the most popular illicit drug in the world, with a user base that comes only below legal drugs like alcohol. But most of the world, as a result of the drug's illegal status, currently gets its supply from criminal organizations.

By moving the drug to a legal market, Uruguay hopes to take away a key revenue stream from those drug cartels. That would, in theory, undermine their criminal and violent operations.

Based on the current details of Uruguay's plan, Walsh says he can't imagine that drug cartels will be able to compete with Uruguay's legal product.

For one, the government will not tax marijuana and will regulate the price to keep it low. Under the first batch of regulations released in May by the Institute for the Regulation and Control of Cannabis, marijuana will cost less than \$1 a gram. For comparison, marijuana in Colorado and Washington currently sells for roughly \$10 to \$20 a gram.

"If your goal is to siphon consumers from the illegal market into the legal as quickly as possible, price is certainly a key factor," Walsh explains.

Walsh adds, however, that price won't be the only factor that gets consumers to go to legal marijuana. Over time, he expects the viability of the legal marijuana market to increasingly depend on the quality of the product.

As many pot enthusiasts know, the illegal market can supply some pretty terrible pot. The legal market, on the other hand, can allow consumers to much more easily control for potency, safety, taste, and even effect.

"Much of the cannabis that is on the Uruguayan market is from Paraguay, and it's universally scorned," Walsh says. "It's very low quality and even subject to shortages."

But the black market — and drug cartels — will likely stick around

Although Uruguay's pot prices will likely be the lowest in the world, there are concerns that strict regulations will keep the legal market from reaching its full potential.

Every single chain of the market — buyer, grower, seller — will be licensed, tracked, and regulated by the government. Users must be 18 or older. Uruguayans also will not be able to buy more than 40 grams each month, and there are limits to how much someone can grow alone or through a co-op. And it will not be legal for tourists to buy or use the drug at all.

The regulatory hurdles led Jeffrey Miron, senior fellow at the libertarian Cato Institute, to conclude, "These restrictions on the legal market are somewhere between irrelevant and counter-productive. If marijuana users and producers have no trouble staying within these limits, then the limits themselves are irrelevant. More likely, however, these restrictions will keep the black market alive, undoing the key benefit of legalization."

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There's also a possibility the low price could lead to supply problems. Whenever governments set a maximum price for a commodity like marijuana, there's a risk that it will create shortages. The question is whether the government's set price will outmatch how much it will cost to grow marijuana.

"It's one of the things they need to balance. There needs to be some commercial factor and incentive there," Walsh says. "But I haven't heard that the price would be an inhibition."

Still, Walsh acknowledges the black market could stick around, although to a smaller extent, and regulators will likely need to adjust the model over time. But, at the very least, Walsh is

confident the price and quality advantages of legal pot can ultimately trump the illegal market and take away a significant chunk of revenue from criminal organizations.

"Even if it doesn't eradicate the illegal market, but it shrinks the market significantly," Walsh says, "that's in and of itself an important outcome."

Even if the illegal market for marijuana vanishes, there will still be a black market for other drugs. Research from the RAND Corporation found drug cartels would lose as much as 20 percent of their overall drug revenue if legal competition cut cartels' marijuana revenues by 85 percent or more. That's a significant source of revenue for the cartels, but it also emphasizes how much money the criminal organizations get from harder drugs like cocaine, heroin, and meth.

Walsh and other experts express no doubt that drug cartels will be able to sustain themselves by selling harder drugs. Addressing that issue will take a lot more than what Uruguay is doing, even if legal pot helps weaken criminal groups.

The price and regulations are a balancing act

As much as Uruguay is interested in fighting drug cartels, it's also interested in not increasing drug use and access to youth in particular. After all, while marijuana is safer than, say, alcohol and tobacco, there's still some evidence that it could pose detrimental cognitive effects to youth.

Uruguay, in essence, is trying to avoid alcohol-style legalization. Most drug experts readily say that ending alcohol prohibition was the right call, but they also argue that how loosely alcohol is taxed and regulated today is a huge problem, since alcohol is so dangerous to people's individual health and society as a whole.

As UCLA professor Mark Kleiman put it in a previous interview with Vox about US drug policy, "Without a national solution — a national framework for safe cannabis policy — we're going to wind up going down the road we went down with alcohol — toward commercial sale, low taxes, loose regulation. And that's a bad place to be for alcohol. It's not as bad a place to be for cannabis, but it's the worst place we could be."

The goal for legal pot, then, is to eliminate the criminal element created by prohibition without increasing potentially detrimental effects on society as a whole. That's why Uruguay wants to keep a low price on one hand and strict regulations on how much can be bought and grown on the other.

Whether Uruguay will strike the right balance at first is an open question. Walsh says, if anything, Uruguay's approach will be too cautious and strict at launch, but that could be fixed over time.

"I think they've been intentionally cautious and strict," he says. "As a political matter, it's going to be easier to loosen something that's too strict than it would be to tighten something that's too loose at the beginning."

There are political reasons the measure could fall apart

Beyond the question of whether the system will work once sales begin in November, there are political reasons to be cautious about whether legalization will last.

For one, the majority of Uruguayans still don't support the idea. A 2013 poll from Equipos Consultores found 58 percent of Uruguayans oppose legalizing pot, although that was down from 68 percent earlier in the year. With a general election in October, the issue could play a key role.

There's also the issue of international relations. In the past, international groups and the US in particular have pushed against marijuana legalization. When other Latin American countries considered loosening drug laws in the past, the US and international bodies were quick to criticize them.

"The US is in no position to be the bully in cannabis anymore"

"The United States pushed drug prohibition on the world via the Treaty of Versailles in 1919, and its role as 'prohibitionist-in-chief' has continued under the UN's drug-control treaties — which, by the way, appear to bar Uruguay from legalizing marijuana," Cato's Miron wrote. "The UN may push back against the new law."

But so far the US, a key player in the debate, hasn't publicly criticized Uruguay for its new approach. Walsh attributes America's silence to the proliferation of legalization and medical marijuana in the states, which would make the US look hypocritical if it tried to speak up.

"What the states are doing and the fact that there's no national authority controlling it has put the US at odds with [international] conventions," Walsh says. "The US is in no position to be the bully in cannabis anymore."

There's another possible international repercussion. With Uruguay moving ahead with marijuana legalization, there's an opening for other countries to watch the experiment and seriously consider adopting it themselves. But whether Uruguay is ultimately the beginning or end of legalization could depend on how successful the country is in achieving its own goals.