



ILLEGAL MARKETS: THE ECONOMICS AND SOCIAL COSTS OF DRUG DISTRIBUTION

Muhammadfahmee Talek M.D., Ph.D
Faculty of Nursing
Prince of Songkla University

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2. Concept of the market
3. Distinctive features of drug markets
4. Effects of production and trafficking on source and transit countries
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INTRODUCTION



ESTIMATE SIZE OF ILLICIT MARKET

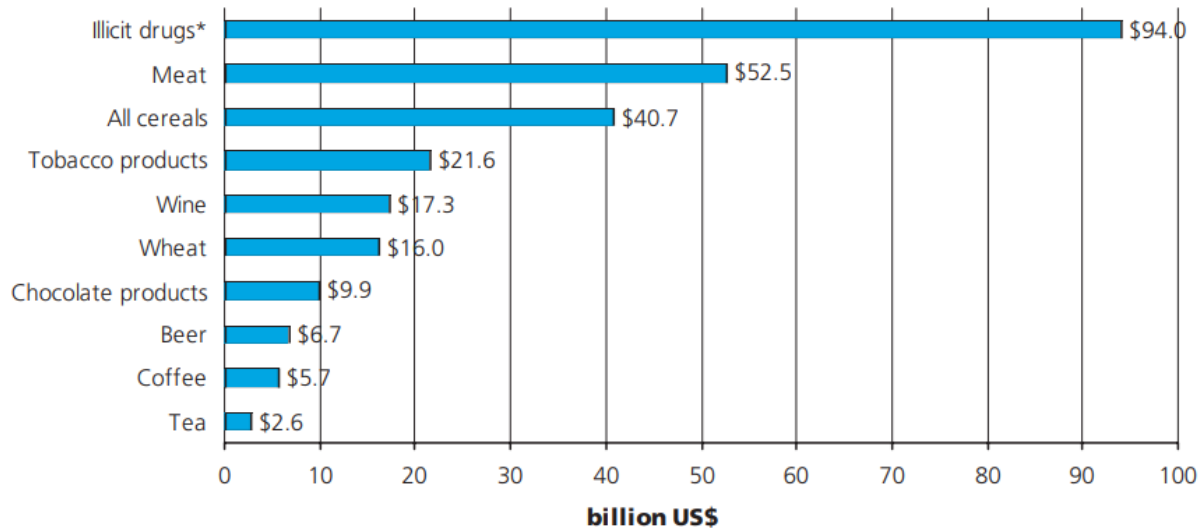
Table X1. The Retail Value of Transnational Crime

Transnational Crime	Estimated Annual Value (US\$)
Drug Trafficking	\$426 billion to \$652 billion
Small Arms & Light Weapons Trafficking	\$1.7 billion to \$3.5 billion
Human Trafficking	\$150.2 billion
Organ Trafficking	\$840 million to \$1.7 billion
Trafficking in Cultural Property	\$1.2 billion to \$1.6 billion
Counterfeiting	\$923 billion to \$1.13 trillion
Illegal Wildlife Trade	\$5 billion to \$23 billion
IUU Fishing	\$15.5 billion to \$36.4 billion
Illegal Logging	\$52 billion to \$157 billion
Illegal Mining	\$12 billion to \$48 billion
Crude Oil Theft	\$5.2 billion to \$11.9 billion
Total	\$1.6 trillion to \$2.2 trillion

Source: Global Financial Integrity 2014

DRUG VS WHOLESALE

Fig. 3. Value of illicit drugs at wholesale level (in billion US\$) compared to the export values of selected agricultural commodities in 2003

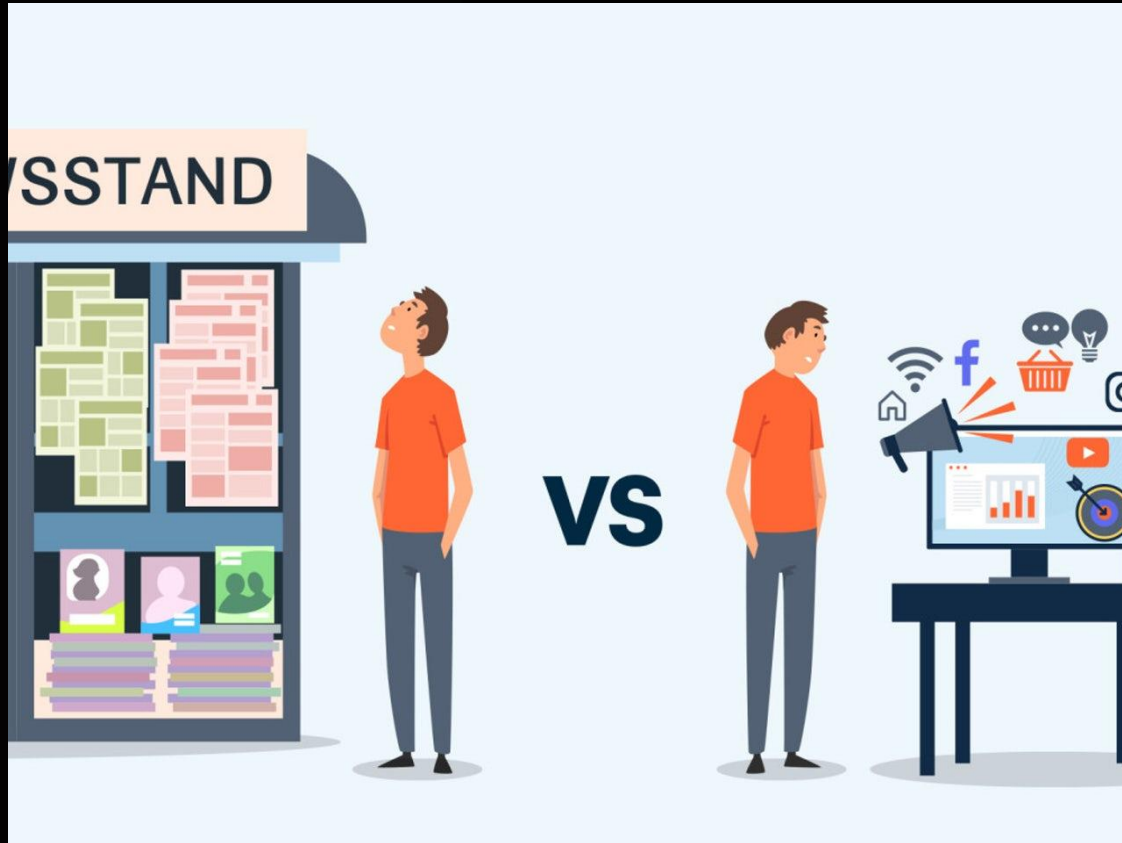


/source: UNODC World Drug Report 2004

CONCEPT OF A MARKET



PHYSICAL VS ABSTRACT





เจามีด @PFsufMwSyxYgLb4 · Feb 15
 หนมรูปแปง ดีกว่าทรมแน่นอน #โค้ก #โคเคน #แป๊ะ #เคดามีน #หนมนอก #ยาอี #สาย
 ดี #ของเมา #ยามา #เคเกร็ด #เคเคน



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อัดแท่ง (Thaistick) ทรืดเตอร์ใหม่ @ningzycannabis · Jan 29, 2020
 แรปไลซ์ซิด 1500
 ยกโล 8500
 *จัดส่ง Kerry กทมฯ-เซนต์เปย์ ib. โลดจำ
 #กัญชาอัดแท่ง #กัญชาเชียงใหม่ #ดอกกัญชา #กัญชา #Weed #Cannabis
 #Marryjane #ดูดเนื้อ #กัญชาลี #เนื้อเขียวๆ



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กิจการใหญ่ประหนึ่งโอทอป ทหารจับลอบตมน้ำท่วม-โต๊ะบอล ใหญ่ที่ชุมพร

ข่าว

ทั่วไป

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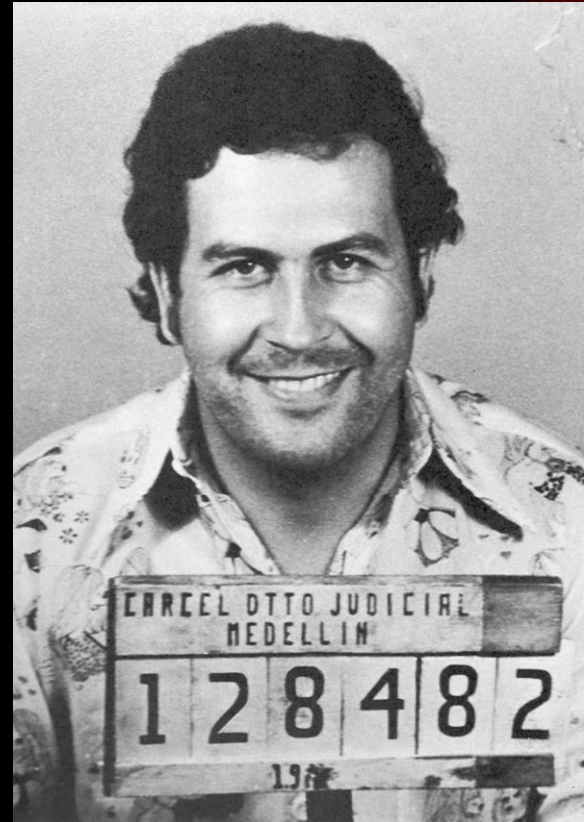
SHARE



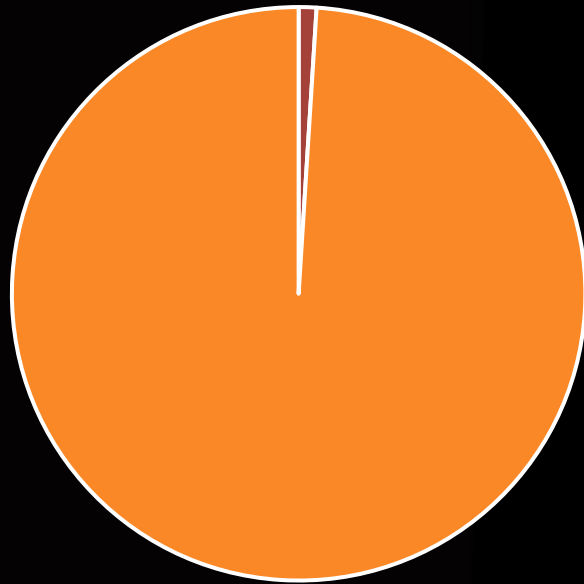
DISTINCTIVE FEATURES OF DRUG MARKETS



HOW ORGANIZED CARTEL INFLUENCED MARKET?



PROPORTION OF ORGANIZED CARTEL IN THE MARKET



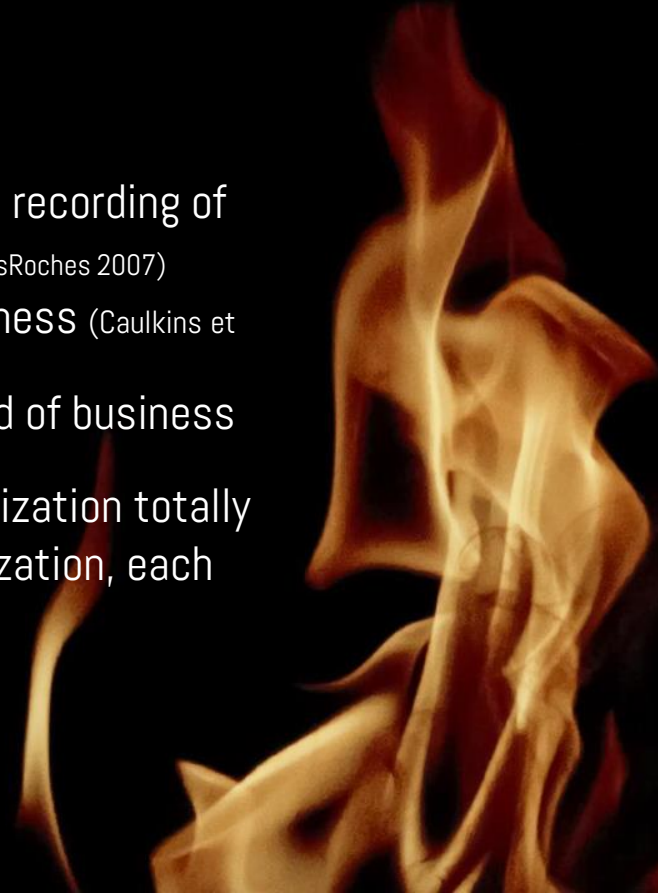
■ Organized cartel ■ Unorganized cartel

Source: Office of National Drug Control Policy. 1997. National Drug Control Strategy, 1997: FY 1998 Budget Strategy. Washington, DC: ONDCP. Available from: <http://www.ncjrs.gov/htm/tables.htm#table3> (accessed on 27 January 2018).



WHY CARTEL FAIL TO STAND AS LONG AS THEY WISH?

- They are illegal and unaccepted (Reuter 1983)
- Their business not protected by law (Reuter 1983)
- Cartels seem difficult to protect their assets due to recording of money transition is threat to organization (Paoli 2002; DesRoches 2007)
- The competition in this market not same other business (Caulkins et al. 2006)
- Armed and violence are key of successful in this kind of business (Caulkins et al. 2006)
- No transparency in this business, structure of organization totally different from normal business → no trust in organization, each member limit to access information.

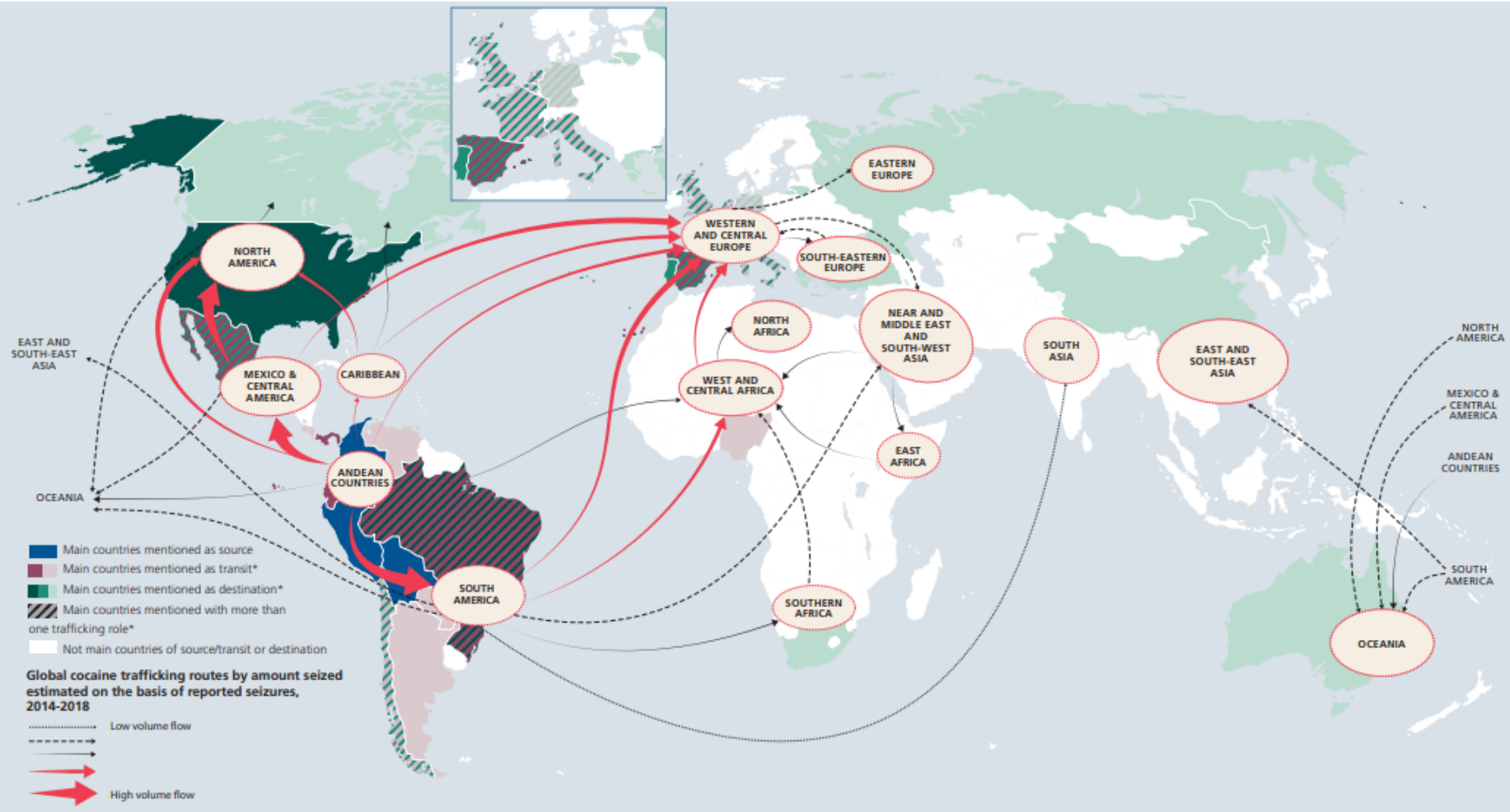


WHY GOVERNMENT ALWAYS FAIL TO ERADICATE DRUG MARKET

- Decentralization make the market survived as long as demand still (Bouchard 2007; Malm and Bichler 2011; Duijnet al. 2014)
- Every arrested drug dealers will substitute by other dealers due to incentive is high (Kleiman 1997)



Cocaine trafficking routes as described in reported seizures, 2014–2018



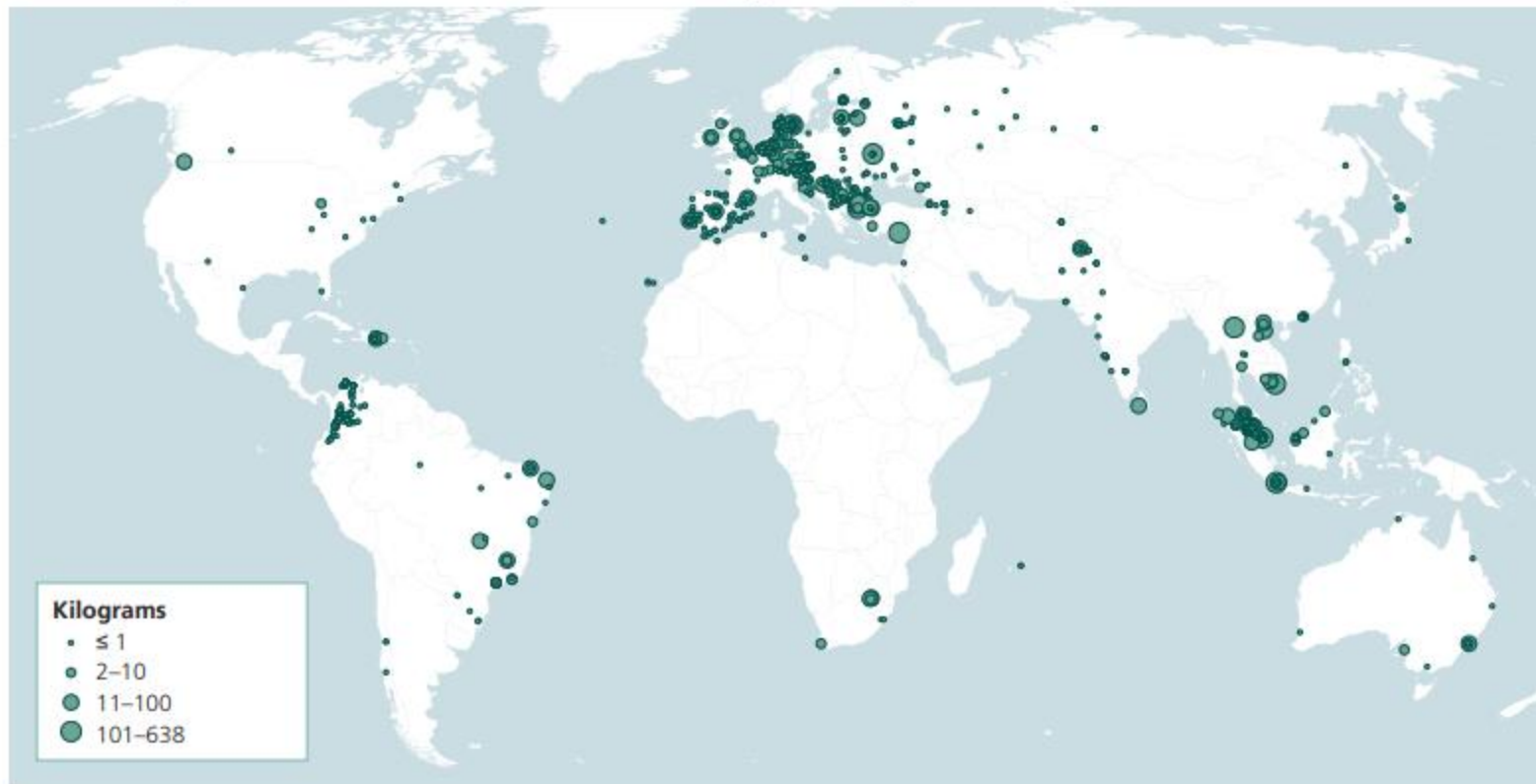
Source: UNODC, responses to the annual report questionnaire, and individual drug seizure database.

Main heroin trafficking routes as described in reported seizures, 2014–2018



Source: UNODC, responses to the annual report questionnaire, and individual drug seizure database.

MAP 5 Significant individual seizures of "ecstasy", January 2014–April 2020^a



Source: UNODC, Drugs Monitoring Platform.

^a The latest 600 cases.

The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

RELATIVE NUMBER OF MARKET PARTICIPANTS

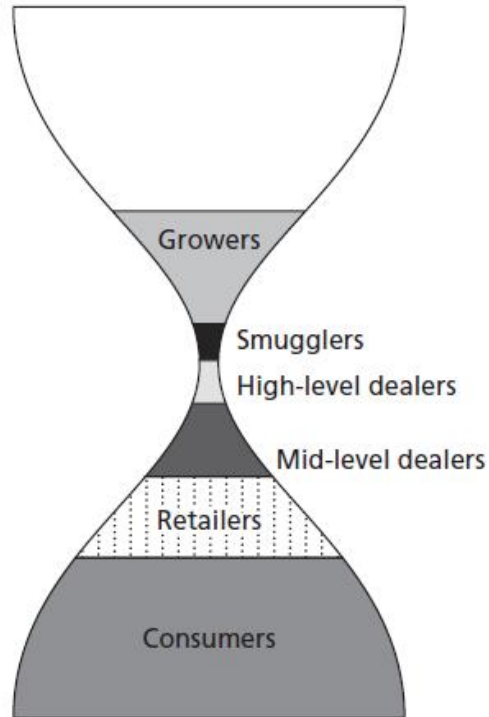


Fig. 5.1 Relative number of market participants at different market levels.





PRICE



LEGAL STATUS

structural consequences
of product illegality



RISK

compensation for non-
monetary risks

Table 5.1 Mark-ups along the distribution chain for legal and illegal commodities (in USD)

	Legal		Prohibited		
	Coffee	Silver	Cocaine	Heroin	Cannabis resin
Price per gm (export)	\$0.01	\$0.77	\$2.68	\$2.23	\$0.75
'Serving size' (grams)	17	'0.5'	0.2	0.2	0.4
Price per serving					
Export	\$0.17	\$0.38	\$0.54	\$0.45	\$0.30
Wholesale	\$0.29	\$0.40	\$7.40	\$10.71	\$1.04
Retail, bulk	\$0.35	\$0.42	\$14.20		
Retail, as sold	\$1.25	\$0.42	\$35.00	\$17.15	\$3.44
% Increase over export					
Wholesale	69	5	1280	2302	247%
Retail, bulk	108	8	2548		
Retail, single serving	635	9	6427	3745	1047%

Adapted with permission from Caulkins, Jonathan P. "Effects of Prohibition, Enforcement and Interdiction on Drug Use." In *Ending the Drug Wars: Report of the LSE Expert Group on the Economics of Drug Policy*, edited by John Collins. London: LSE IDEAS, 2014. <http://www.lse.ac.uk/IDEAS/publications/reports/pdf/LSE-IDEAS-DRUGS-REPORT-FINAL-WEB01.pdf>.





WHY DRUG ALWAYS EXPENSIVE

- Price is relatively to economic status of final market
- Multimodal of transportation (Caulkins and Reuter 2010; Caulkins 2014)
- No economies of scale (Caulkins et al.1999)
- Price is depend on threat and risk (Reuter and Kleiman 1986; Caulkins and Reuter 2010)
 - Being arrested, law enforcement
 - Penalty and fines
 - Violence with other dealers



PRODUCT QUALITY



PURITY OF PRODUCT

- No regulation of quality
- No product brand
- No trust in selling process
- No innovation of product



TIME WASTING

- Time to seek drug

EFFECTS OF PRODUCTION AND TRAFFICKING ON SOURCE AND TRANSIT COUNTRIES



POVERTY AND POLITICAL CONFLICT

POVERTY

- Production is concentrated in places with low state control, and contributes to that lack of state control.
- Heroin → Afghanistan, Myanmar
- Cocaine → Bolivia, Peru, Colombia

POLITICAL CONFLICT

- Both the low state control and the production itself produce harms
- Political conflict situation in all growing countries
- Corruption

POVERTY AND POLITICAL CONFLICT

POVERTY

POLITICAL CONFLICT

Country	GDP Per capita (USD per year)	Organized army
Thailand	7,806.7	-
Afghanistan	507.1	Tribal army
Myanmar	1,407.8	Tribal army (Kashin, Shan, Pa-O, Wa)
Bolivia	3,552.1	Cartels
Peru	6,977.7	Cartels
Columbia	6,428.7	FARC, AUC, Cartels

MARKET HARMS IN FINAL MARKET COUNTRIES



CRIME AND EDUCATION



CRIME

- Users committing crimes to finance their purchases.
- The accumulation of people with criminal records who subsequently find it difficult to re- enter legitimate labour markets.



EDUCATION

- Drug sellers' productive time away from school or legitimate labour market activities



ECONOMIC AND SOCIAL CONSEQUENCE



ECONOMIC

Loss of productivity
Loss of circulating money



SOCIAL AND POLITICAL CONSEQUENCE

Corruption
Organized crime