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Legal Pot Gets Calderon Consideration as Deaths Mount

By Jens Erik Gould - Fri Aug 20 05:00:00 GMT 2010



Even after 28,000 deaths tied to trafficking since Felipe Calderon came to power vowing to fight the cartels, U.S. figures point to an increase in drug cultivation. Photographer: Susana Gonzalez/Bloomberg



R. Gil Kerlikowske, director of the U.S. Office of National Drug Control Policy. Photographer: Andrew Harrer/Bloomberg

A record number of homicides in Mexico is forcing President [Felipe Calderon](#) to open discussions on a new strategy in the war on drugs: legalization.

Calderon said earlier this month he's willing to rethink measures to fight trafficking after 28,000 deaths tied to drug cartels since he entered office in December 2006. His remarks prompted debate, with former President [Vicente Fox](#) and other politicians saying legalization would cut funding to gangs and boost government revenue, while U.S. drug policy director [Gil Kerlikowske](#) argued it wouldn't curb violence or weaken cartels.

"It's a major shift in the public discourse," said David Shirk, a professor of politics at the University of San Diego who studies Mexico. "The government recognizes that the current strategy is unpopular and that there may be other options."

Calderon's statement he's willing to consider legalization, even while saying he disagrees with the approach, may be a sign of fatigue with a military crackdown backed by \$1.3 billion in U.S. aid, Shirk said. The increase in the pace of killings has drawn comparisons with Colombia in the early 1990s, when cocaine kingpin Pablo Escobar waged a war of terror on the state.

This week, the mayor of a northern Mexican town known for tourism, near the industrial hub of Monterrey, was kidnapped and killed. Business associations in the state of Nuevo Leon, which is home to Monterrey and companies such as cement maker Cemex SAB, took out an ad in Reforma newspaper Aug. 18 demanding authorities act faster to stop the violence and requesting that the army send more troops.

Economic Impact

The government says that narcotics trafficking saps 1 percentage point from gross domestic product annually. The impact of violence is the biggest threat to the Mexican economy according to 57 percent of Mexican executives, a [survey](#) published last month by Deloitte Touche Tohmatsu showed.

The State Department estimates Mexican cartels get as much as \$30 billion a year from the sale of cocaine, marijuana and other drugs, and U.S. figures point to an increase in drug cultivation. Mexico's opium production [more than doubled](#) from 2006 to 2008, the latest year for which figures are available, while marijuana output jumped 39 percent.

"I know that the strategy has been questioned," Calderon, who as recently as May said that he wouldn't change tactics, told political leaders at a summit Aug. 10 to discuss the drug war. "My government has the best disposition to review it, strengthen it or modify it."

Legalization Debate

Several proposals to legalize drugs have been submitted to congress, although none are currently up for debate. Calderon, while willing to consider the merits of legalization, has said it would be

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“absurd” for Mexico to act alone.

Fox wrote Aug. 8 on his [website](#) that “radical prohibition strategies have never worked” and legalizing the production and sale of drugs would curb violence, thereby bringing in more tourists and attracting investment.

The rethinking comes as deaths tied to organized crime are on pace to reach a record this year. Attorney General [Arturo Chavez](#) reported 7,048 deaths as of July 16, already topping the 6,250 reported in the first 10 months of last year.

In March, billionaire [Ricardo Salinas Pliego](#), who controls broadcaster TV Azteca SAB and retailer Grupo Elektra SAB, urged the legalization of drugs in the U.S. and Mexico.

Mexican cartels serve as middlemen for 90 percent of South American cocaine shipments bound for the U.S. Farmers in Mexico grow opium poppy, the raw ingredient used to make heroin, as well as marijuana. In the 1960s and ‘70s, Mexico became known for a potent strain of cannabis called [Acapulco Gold](#).

Marijuana Profits

Marijuana is the primary source of drug revenue for the cartels because of low overhead, widespread cultivation and high demand, according to the U.S. Drug Enforcement Administration.

“Marijuana is the cash cow for drug traffickers,” said [Gabriel Casillas](#), chief economist at JPMorgan Chase & Co in Mexico City. “If more U.S. states legalize, Mexico will take that step.”

Fourteen U.S. [states](#) have approved laws allowing marijuana for medical use. In November, Californians will vote in a referendum on whether they favor legalizing the possession of 1 ounce or less.

Kerlikowske, director of the [White House Office of National Drug Control Policy](#), said that legalization won’t reduce violence in Mexico because the cartels would continue to engage in other illicit activities including kidnapping, extortion and theft. A black market would continue to thrive, he said.

“The people that are involved in drug trafficking are engaged with automatic weapons and really horrific acts of violence,” Kerlikowske said in an interview Aug. 11. “They’re not going to suddenly turn around and apply to IBM or Microsoft because they lost one part of their criminal enterprise.”

Mexico, which spends about \$8.2 billion annually on law enforcement, would save between 5 percent and 15 percent of [GDP](#) if narcotics were legal in all countries, said Luis Rayo, a finance professor at the University of Utah. Savings would fall to as low as 1 percent of GDP if drugs were only legalized in Mexico, he said.

“The ultimate solution is for all countries to simultaneously legalize and regulate the drug trade,” Rayo said.

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