

Special Report

Britain's 'Dope, Inc.' grows to \$521 billion

by Dennis Small

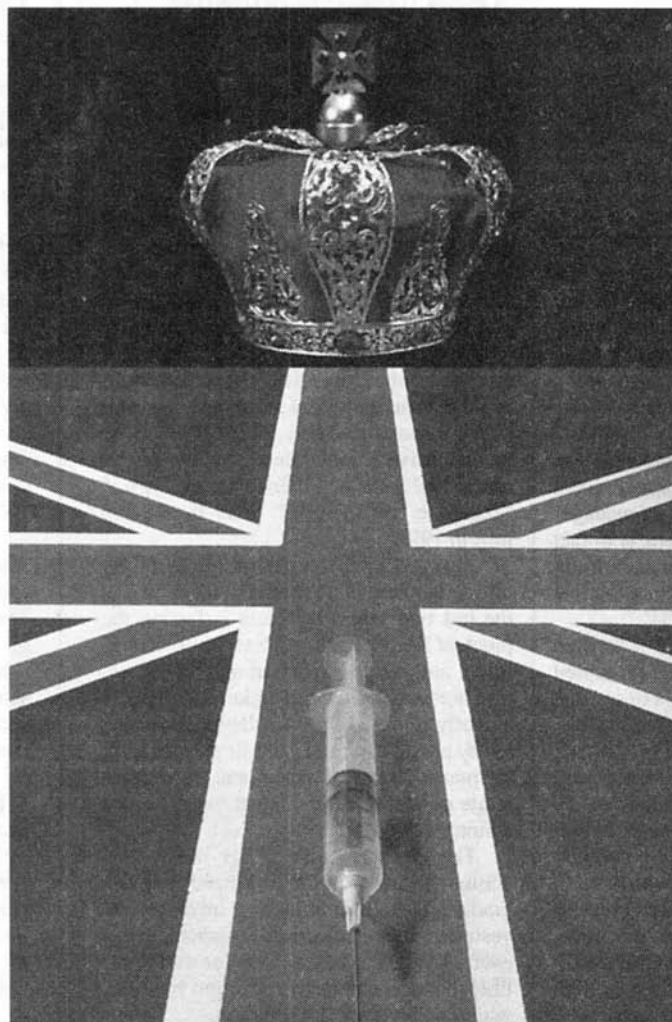
The war on drugs *can* be won. There is no need to raise the white flag of surrender and tolerate legalization. There is no reason to accept yet another generation of American youth being turned into blank-stared, lost souls. We don't have to watch any more Third World nations sink into the slavery of drug-producing dictatorships. And we need not, and must not, allow the world financial system to remain addicted to—and governed by—blood money from the drug trade, just as a heroin addict is hooked on smack.

The apparatus which runs the international drug trade—or Dope, Inc., as Lyndon LaRouche and associates have called it for nearly two decades—is an entity which can be known, profiled for weaknesses, publicly identified, and *destroyed* by concerted action carried out by cooperating sovereign nations.

That is the single, most important conclusion to be drawn from the detailed information and analysis presented in the pages that follow.

Does the Queen run drugs?

Who is behind Dope, Inc.? Does the Queen of England really run drugs, as people often ask LaRouche in shocked disbelief? No more than Adolf Hitler killed millions of innocent people. Neither of the two com-



It is demonstrably the case that powerful oligarchical financial interests, centered in Great Britain, run the drug trade today, from the top down, as they have for centuries, almost as if it were a single, multinational firm.

Shown here is the cover graphic to *Dope, Inc.: Britain's Opium War against the United States*, the book which exposed the British Crown forces behind the drug trade.

mitted the crime personally, with their own hands—at least, not as far as can be proven. But, in both cases, it is their policies, their *intentional* policies, which fit the Nuremberg Tribunal's criteria of "knew or should have known" what the deadly consequences of their actions would be, which are responsible for massive crimes against humanity.

In the case of drugs, it is demonstrably the case that powerful oligarchical financial interests, centered in Great Britain, run the trade today, from the top down, as they have for centuries, almost as if it were a single, multinational firm—thus the sobriquet, "Dope, Inc." As we document below:

- The British Commonwealth and other countries under the British imperial thumb account for 94% of all licit and illicit opium production in the world today, which is the source of deadly heroin. Historically, opium has been *the* British drug par excellence.

- In Colombia, the linchpin country in the world cocaine trade, the narco-dictatorship of Ernesto Samper is being buttressed in power, against the Clinton administration's escalating pressure, by the British House of Lords, whose members describe Samper's Colombia as a "model democracy." And British government officials, such as Trade Minister Richard Needham, rub it in by snootily commenting to the media in Colombia on the subject of U.S. concern over drugs: "That is *their* problem."

- Belize, the British Commonwealth nation which borders on Mexico, plays a critical role in the transshipment of Colombian cocaine up through Mexico into the United States. The narco-terrorist Zapatista National Liberation Army in the adjacent Mexican state of Chiapas, was manufactured by British intelligence to aid in this and related projects.

- Most significant of all, the British directly control an estimated 52% of all dirty-money-laundering operations globally—which is the actually the controlling force behind the international drug trade, as we show in the pages that follow.

Those yearly proceeds from the drug trade, totalling an estimated \$521 billion in 1995, are supplemented by some \$200 billion from tax evasion, \$125 billion from flight capital, \$100 billion from illegal gambling and prostitution, \$100 billion from contraband commodities, and \$70 billion from the illegal weapons trade, to add up to a *trillion-dollar-per-year* flow of dirty money. This is the crucial margin keeping the global speculative bubble afloat—all \$75 trillion of it. Cut off that flow of laundered

money, and the entire speculative system will implode, more or less overnight.

It is this, above all, which is the driving force behind the British sponsorship of drug trafficking, and their use of supranational institutions such as the International Monetary Fund and the United Nations, to impose economic policies which promote the drug trade.

Dope, Inc. doubled in a decade

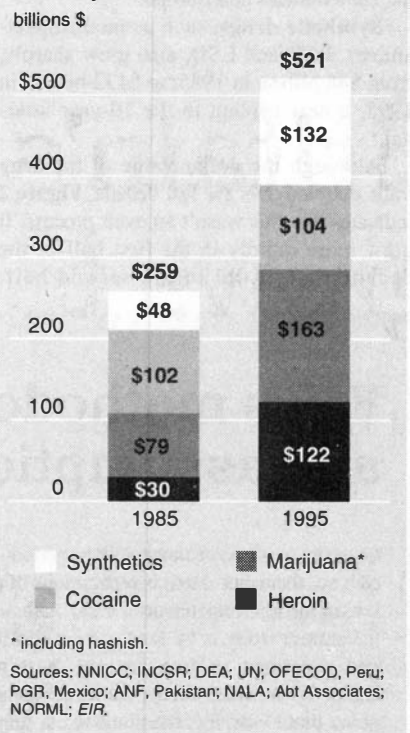
The yearly "take" from illegal narcotics can be conservatively estimated at \$521 billion in 1995, a 101% increase over the \$259 billion of a decade earlier (see **Figure 1**). The sales revenues come from four principal drug categories:

Heroin, which quadrupled from \$30 billion in 1985, to \$122 billion in 1995, has over 5 million addicts worldwide, most of whom are located, not in the United States or Europe, but in the *producer* nations (for example, Pakistan), where 70% of world heroin consumption occurs.

Marijuana, still the "drug of preference" in the United States, where over 10 million people use it yearly, has more than doubled, from \$79 billion in 1985, to \$163 billion in 1995. Marijuana has been, and remains, the "gateway" drug, which has introduced an estimated 72 million Americans into experimenting with illegal drugs.

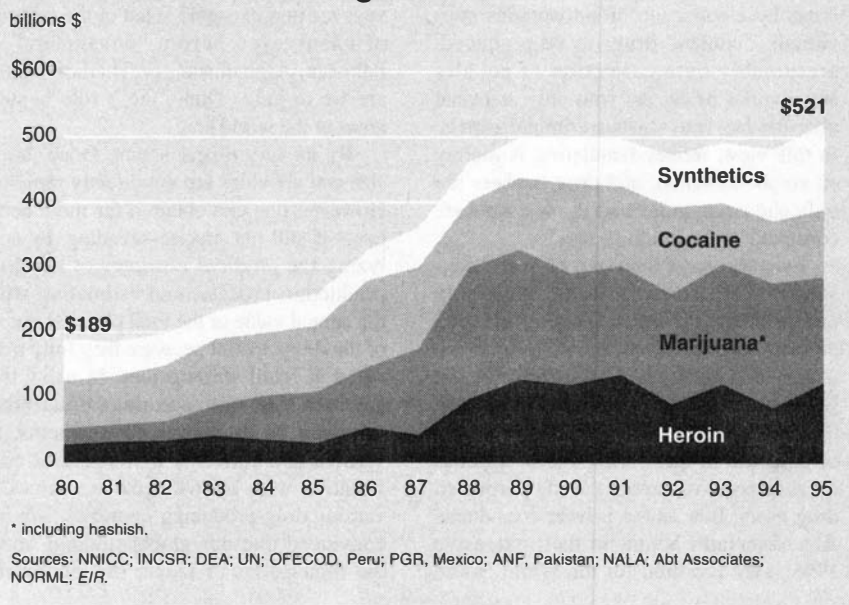
Cocaine, whose dollar value was rela-

FIGURE 1
Total value of world drug sales, 1985 and 1995



tively steady over this period, grew from \$102 billion in 1985, to \$104 billion in 1995. This is because the physical output of the drug grew significantly over the decade

FIGURE 2
Total value of world drug sales



(by about 104%), but this was nearly offset by an equivalent drop in the average price per gram of cocaine on the streets of both the United States and Europe.

Synthetic drugs, such as methamphetamines, PCP, and LSD, also grew sharply, from \$48 billion in 1985, to \$132 billion in 1995, a near tripling in the 10-year interval.

Although the dollar value of the drug trade doubled over the last decade, **Figure 2** indicates that this wasn't an even process: It grew more rapidly in the first half of the decade than it did in the second half.

However, it would be a serious mistake to conclude from this that the drug problem is somehow leveling off. Rather, what is going on is a period of relative consolidation, preparatory to a new take-off stage in production, consumption, and the value of total sales—a trend which is already visible in the figures for the last two years. In other words, what we are seeing is a classic “S-shaped” function, whose stage of relatively slower growth has already ended, as the curve accelerates back upwards.

There are two principal reasons for this conclusion.

First, the data used in this study, and reflected in the graphs, do *not* include information on Russia, or other states of the former Soviet Union or of the East bloc. The reason is that data on this area are simply not available, neither publicly available, nor, according to high-level law-enforcement sources, even privately available to the U.S. government. And yet, it is universally acknowledged that, since 1989-91 especially, there has been an explosion of drug consumption and production in the region, most notably in the former Soviet republics of Central Asia. In fact, this has been Dope,

EIR's methodology and assumptions

Over the past two decades, *EIR* has conducted a number of in-depth investigations of the size of the international drug trade. Although the current study is by far the most detailed and systematic to date, each of these has addressed the matter from the same vantage point: that Dope, Inc. functions like a single, unified, multinational corporation, whose various production, processing, transportation, distribution, sales, consumption, and money-laundering phases are centrally coordinated to a single purpose.

We therefore discard as misleading, and inaccurate, all “demand-” or consumption-based approaches, whose implicit assumption is that the “aggregate demand” for drugs by a collection of autonomous individuals, “causes” drugs to be produced, presumably by a collection of equally autonomous producers who only associate after-the-fact into various criminal cartels. In this view, money laundering is merely an epiphenomenon, and drug bankers are only the occasional bad apples who are corrupted by the producer cartels.

Even the most thorough of such “consumption”-driven approaches inherently underestimate the actual scope of the drug problem, and vastly so, probably by a full order of magnitude. For example, the National Household Survey on Drug Abuse (NHSDA), the most comprehensive survey of drug use in the United States, depends on responses to surveys from purported drug users. But, as the private consultants Abt Associates admit, in their extensive 1995 study prepared for the White House

Office of National Drug Control Policy (ONDCP), entitled “What America's Users Spend on Illegal Drugs, 1988-1993,” “drug users often misrepresent their drug use when interviewed. . . . Those who are reached probably have an incentive to misrepresent their consumption.” No amount of sophisticated mathematics and complex regression analyses can make up for flawed assumptions and methodology: It only makes the problem worse by convincing the gullible layman that it is somehow “scientific.”

And what of the rest of the world outside the United States, where even less is known about consumption, and such surveys are non-existent? What of the millions of unsurveyed heroin “consumers” in Pakistan, Afghanistan, or Thailand? How are we to judge Dope, Inc.'s role in such areas of the world?

By its very illegal nature, Dope, Inc.'s size and activities are not directly reported. However, one can obtain a far more accurate—if still not precise—reading, by analyzing the *physical economy* of the drug production process, and estimating what the annual value of the total physical output of the drugs would be, were they fully marketed at retail street prices. In using this approach, *EIR* has made use of official data provided by numerous governments, as verified and corrected by direct *EIR* consultation with knowledgeable sources in various drug-producing countries. We are convinced that our global findings about the dimensions of Dope, Inc. err on the

conservative side.

The single most comprehensive, and consistent time series for much of this data is provided by the U.S. government's National Narcotics Intelligence Consumers Committee (NNICC), a multi-agency task force which includes the Drug Enforcement Administration (which chairs the group), the Federal Bureau of Investigation, the Department of the Treasury, the U.S. Customs Service, the U.S. Coast Guard, the Department of State, the Department of Defense, the Internal Revenue Service, the Central Intelligence Agency, the National Institute on Drug Abuse, the Immigration and Naturalization Service, and the Office of National Drug Control Policy.

The NNICC produces an annual report which presents a range of probable hectares under cultivation for each of the major drug crops: coca, marijuana, and opium. These estimates come from aerial surveys, on-site inspections, country reports, and other data. They then multiply their area figures by estimated yields per hectare, which provides an estimated range of output in tonnage. In most cases, *EIR* has used the higher value of the range under consideration, since it seems most likely that some of the drug crop escapes detection. In specific cases where other data were available for cross-checking, the higher figures were in fact borne out as the more accurate. Also, where official data were subsequently modified by new estimates for either area cultivated or yields, the modifications almost always increased the earlier estimates.

In some cases, additional physical production data were obtained from the yearly *International Narcotics Control Strategy Report* (INCSR), published by the U.S. State Department, which has more detailed country studies than the

Inc.'s principal "growth market" over the last five years. When data finally do become available as to what has been happening over this period, there is no question but that the totals for 1990-95 will have to be adjusted upwards accordingly. If unchecked, it furthermore portends an ominous, exponential leap over the next few years in all drug-related parameters in this strategically critical region.

There is a precedent, on a far smaller scale, for this type of phenomenon. In 1989, official marijuana production figures for Mexico were announced that were *twelve*

times greater than what was reported for 1988. Actual output didn't grow that much in one year. What happened is that systematic surveillance flights were conducted for the first time during that year, and Mexican and foreign law-enforcement agencies discovered that they had been sitting on a mountain of marijuana, undetected and out of control.

The world will shortly discover something similar regarding Russia and other former Soviet countries: The problem there is *already* probably an order of magnitude greater than anyone has dared to imagine.

The second consideration behind our "S-shaped" curve hypothesis, has to do with Dope, Inc.'s deliberate pricing policies.

If ever there were any doubts about the cartel-like nature of Dope, Inc., the next three figures should put them to rest. When cocaine (and especially crack cocaine) was first introduced into the U.S. market, its price was so high (\$640 per pure gram in 1977) that there was not much of a market for the drug. Dope, Inc. then employed a classical marketing technique, taken from a Harvard Business School manual: They deliberately slashed the price of their "prod-

NNICC annual report.

If one starts with such figures for total potential crop output, based on the amount sown or cultivated, one must then subtract the amount eradicated before the crop is even harvested. In the case of marijuana, this is quite substantial; with coca and opium, less so. This leaves the total amount harvested, or the total production of the raw material of the drug in question. Then, standard conversion ratios are applied for the respective refining processes, taking into account variations both over time, and from one country to the next. For example, 10 kilograms of opium yield 1 kilogram of refined pure heroin—pretty much across the board. In the case of cocaine, back in the mid-1980s, it took about 500 kilograms of coca leaves to produce 1 kilo of pure cocaine HCl; whereas in the 1990s, the productivity improved, and it now requires only 333 kilos of leaves to produce a kilo of cocaine, according to official estimates.

In this way, we generate a time series of the physical amount of output of each of the refined drugs. From that amount, one must subtract the amount lost to seizures worldwide, which leaves a net amount which is potentially available for sale. We say "potentially," because there is no way of determining whether the entirety of this amount is actually sold in a given year, or whether some of it is lost to spoilage, or is stockpiled for use in subsequent years. But as a trend, it is the best available indicator of Dope, Inc.'s marketing process.

EIR then determined, in broad terms, how much of the total net production was consumed locally in the producer countries, and how much was exported, differentiating the share which went to each of the major export markets (the United States and Europe). This breakdown is necessary, because the price of cocaine and heroin, for

example, is significantly different in these three markets (local, United States, and Europe).

With this determined, the amount available for sale in each market was multiplied by the respective average retail street sale price for each drug (taking into account variations in purity from year to year). This then yielded the total value of potential sales of that drug per market, which was reagggregated to give world totals.

U.S. retail prices for marijuana, cocaine, and heroin were obtained and cross-checked among various sources, including NNICC (using the median value of the range they report), Abt Associates, and others. It should be noted that price and purity information are the only data generated by the methods of street samples and surveys, which are relatively reliable.

In the case of Europe, no similar time series currently exists for any of these drugs. *EIR* developed the first such published series of which we are aware, based on partial data for a half-dozen European countries, made available in various United Nations study documents. Other empirical studies of purity levels of drugs sold in Europe were then applied, to develop a single series for the estimated price per pure gram of cocaine and heroin. Those findings are presented in the graphics that follow.

More specific assumptions and estimations employed in the calculations are as follows:

Cocaine: quantities of production as per NNICC, and Peru's Executive Office of Drug Control (OFECOD); U.S. sales prices 1977-80 from NNICC, 1981-95 from Abt Associates.

Marijuana: U.S. eradication as per Drug Enforcement Administration (DEA) data, and quantities of production were estimated based on an eradication ratio of

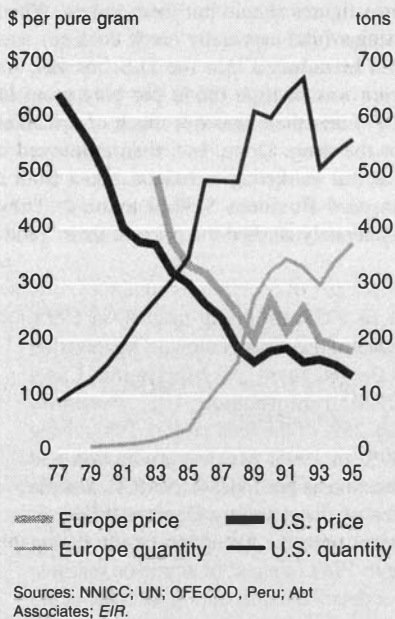
33% in 1985, dropping to 20% in 1995, based on DEA and National Organization for the Reform of Marijuana Laws (NORML) information; U.S. *sinsemilla* equals 25% of the total crop in 1983, rising to 40% in 1995; Mexico production and eradication as per INCSR, NNICC, and the Office of the Attorney General (PGR) of Mexico, with the exception of the period prior to 1989 (see text of article on marijuana for detailed explanation); all other countries' production and eradication as per NNICC and INCSR; on *hashish*, quantities as per NNICC and the National Alliance of Lebanese Americans (NALA) for Lebanon, with retail price assumed equal to that for *sinsemilla* marijuana in the same year.

Heroin: production and eradication data as per NNICC (median value) and INCSR; percentage of total opium that is converted to heroin is based on INCSR and other country sources, including NALA and Pakistan's Anti-Narcotics Force (ANF) (in Burma, 20% in 1980, rising to 70% in 1995; Laos 50% in 1980, rising to 80% in 1995; Thailand 100%; China 50%; Afghanistan and Iran, 50% in 1980, rising to 85% in 1995; Pakistan 70% in 1980, rising to 100% in 1995; Lebanon 100%; India 10% in 1980, rising to 50% in 1995; and Mexico, Colombia, and Guatemala 100%); local or regional consumption of heroin as per INCSR, UN, and country sources; of total Southeast Asia exports, assume 75% shipped to the United States, and 25% shipped to Europe; Southwest Asia exports 25% to the United States, and 75% to Europe; Ibero-America exports 100% to the United States; prices in the United States and Europe as explained above; local price of heroin assumed to be 10% of the current European price.

Synthetic drugs: this is fully explained in the article below on synthetics.

—Dennis Small

FIGURE 3
Cocaine: price vs. quantity produced, U.S.A. and Europe



uct" in order to increase the volume of purchases. It worked for Henry Ford's "Model T," and it worked for Dope, Inc. As the U.S. price was reduced down to \$135 per pure gram in 1995, the quantity of cocaine shipped to the United States for sale, shot up

from 85 tons in 1977, to 560 tons in 1995 (see Figure 3).

The identical marketing strategy was repeated for Europe a few years later, with equal success. The European street-sale price of cocaine has closely followed the U.S. trajectory down, with a phase difference of a few years: It dropped from \$493 per pure gram in 1983, to \$180 today. Not surprisingly, the quantity shipped for sale in Europe rose too, from next to nothing in 1979, up to 373 tons in 1995. In fact, as Figure 4 shows, Europe's estimated share of world cocaine sales has been steadily rising, and today stands at about 40% of the world total. This parameter also does not take into consideration the opening up of the eastern European market, which will further shift the proportion in the years immediately ahead.

Back in 1990, EIR had already warned of exactly this danger, in a feature story on the drug trade. "Dope, Inc. is now engaged in a vast expansion of its markets in Europe and Japan, which, if not checked, will do to their youth, their cities, and their economies what has already been done to ours in America," we forecast.

If one looks at the global pattern, as reflected in Figure 5, one sees how successful Dope, Inc.'s strategy has been: World cocaine prices dropped from \$640 per pure gram to \$150 per pure gram between 1977 and 1995 (a decline by a factor of 4.3), while the quantity produced skyrocketed from 90

tons to 933 tons (a factor of more than 10). Furthermore, world cocaine production is now set for another take-off stage after a few years of relative stagnation, as we document in the section on cocaine below.

It should be noted that Dope, Inc. has engaged in similar marketing tactics for heroin: From 1980 to 1995, the U.S. price per pure gram was cut by more than half and the European price by two-thirds, while production rose sixfold.

A war-winning strategy

The LaRouche movement has been at war with Dope, Inc., and its British sponsors, for nearly two decades. The first salvo was our 1978 publication of the best-seller *Dope, Inc.: Britain's Opium War Against the United States*. That was followed by the founding of the National Anti-Drug Coalition and its magazine *War on Drugs*; by numerous exposés and feature stories in EIR; by two additional English-language editions of *Dope, Inc.*; and by a Spanish-language edition, called *Narcotráfico, SA*, which was so provocative to the drug bankers that it was banned in Venezuela (and almost banned in Peru).

We take this opportunity, of the publication of this EIR Special Report, to announce that EIR will be releasing a new, updated edition of the book *Dope, Inc.*, in both English and Spanish editions, in the next few months. We intend it as a battle manual to put Dope, Inc. out of business, once and for all.

FIGURE 4
Cocaine: share of world sales, Europe vs. U.S.A.

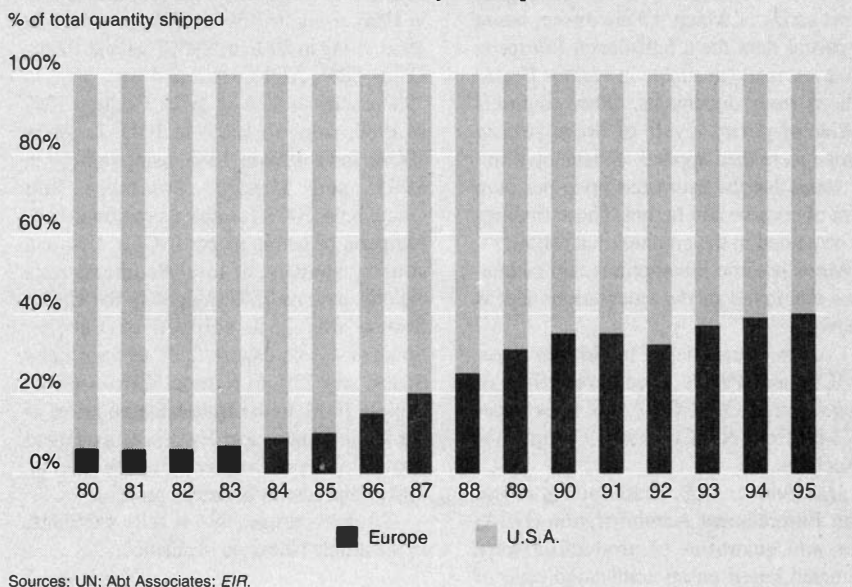


FIGURE 5
Cocaine: world price vs. quantity produced

