

Executive Summary

1. Trends in World Drug Markets

1.1 Overview

Evolution of the world drug problem

The world's drug problem is being contained. In 2005/06, the global markets for the main illicit drugs – the opiates, cocaine, cannabis, and amphetamine-type stimulants – remained largely stable. Particularly notable is the stabilisation seen in the cannabis market, which had been expanding rapidly for some time. In line with a long-term trend, the share of total drug production that is seized by law enforcement has also increased – some 42 per cent of global cocaine production and 26 per cent of global heroin production never made it to consumers.

Of course, within this aggregated picture, there remains considerable variation. Most notably, heroin production continued to expand in the conflict-ridden provinces of southern Afghanistan. While global heroin consumption does not appear to be growing, the impact of this surge in supply needs to be monitored carefully.

How is drug production changing?

Most of the world's drug markets start with the farmer. Unlike other crops, however, the cultivation of opium poppy, coca leaf and cannabis take place under threat of eradication, and so the location and the number of hectares tilled vary substantially from year to year. UNODC, in cooperation with the relevant national authorities, conducts drug crop monitoring surveys in all of the world's major opium poppy and coca producing countries. Changes in the number and location of hectares under cultivation, as well as crop yields, can thus be tracked with some precision.

Around 92 per cent of the world's heroin comes from poppies grown in Afghanistan. Despite a massive increase in opium poppy cultivation in Afghanistan in 2006, the global area under poppy was actually 10 per cent lower than in 2000. This decline was mainly due to sustained success in reducing cultivation in South-East Asia. Poppy cultivation in the Golden Triangle has fallen by some 80 per cent since 2000.

Most of the world's cocaine comes from coca leaf cultivated in Colombia, Peru and Bolivia. The global area under coca cultivation fell by 29 per cent to some 156,900 hectares between 2000-2006, largely due to reductions of coca cultivation in Colombia. The areas under coca cultivation in Peru and Bolivia increased over this period but remained significantly below the levels reported a decade earlier.

As discussed in last year's *World Drug Report*, it is impossible to accurately estimate the location and total number of hectares under cannabis, because it is grown in at least 172 countries, often in small plots by the users themselves. The one country where reliable estimates are available is Morocco, the source of about 70 per cent of the hashish consumed in Europe. UNODC and the Government of Morocco have been monitoring large-scale hashish production since 2003. Based on these surveys, cannabis cultivation in Morocco has declined in recent years, from a peak of 134,000 hectares in 2003 to just 76,400 hectares in 2005. Outside Morocco, there have been few national or regional studies of the extent of cannabis cultivation.

There is an important distinction between the extent of drug crop cultivation and the extent of drug production, however. Crop yields can be affected by weather conditions and changes in production technology, among other things. As a result, long-term declines in cultivated area do not necessarily translate into declines in total production. Opium production in Afghanistan rose almost 50 per cent in 2006, bringing global heroin production to a new record high of 606 mt in 2006, exceeding the previous high (576 mt in 1999) by 5 per cent. Similarly, the success in the reduction of coca cultivation from 2000 to 2006 has not led to a commensurate decline in cocaine production, apparently due to improvements in coca cultivation and cocaine production technology. Cocaine production has remained largely stable over the last few years, estimated at 984 mt in 2006.

Amphetamine-type stimulants are manufactured illicitly using legally-produced precursors, and thus global production can only be estimated indirectly. This production appears to be stable, however, at about 480 mt in

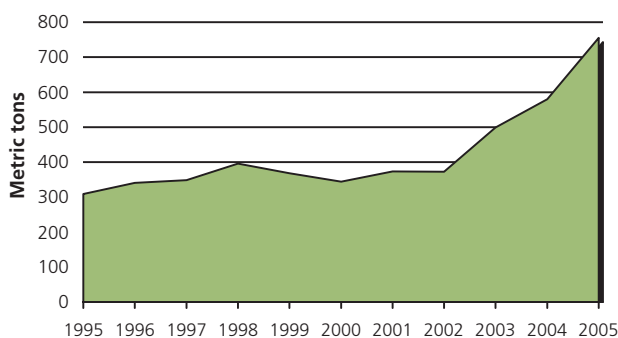
2005. At the same time, seizures of ATS labs and precursors declined dramatically, likely a result of improved precursor control and significant reductions in domestic production operations in key markets such as the USA.

How is drug interdiction changing?

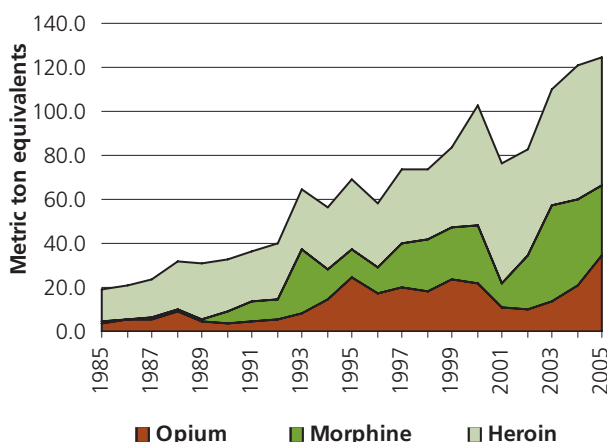
An increasingly large share of the world's drug supply is being seized by law enforcement agencies each year. In 2005, 42 per cent of global cocaine production and 26 per cent of global heroin production was intercepted by the authorities. With regard to heroin, this means that the amount available to the consumer in 2005 was actually 5 per cent lower than in 2000 and 8 per cent lower than a decade before. Cocaine seizures have increased even more markedly, up from just 24 per cent of production in 2000. Improved cooperation among law enforcement bodies has led to improved seizures close to the source. In fact, 58 per cent of global cocaine seizures took place in South America, the Caribbean and Central America in 2005.

In the last decade, the most significant seizure trend has been the increase in the number of seizures of amphetamine-type stimulants (ATS). These seizures peaked in 2000 at 49 mt, before dropping over the following four years. In 2005, they began to rise again, to 43 mt.

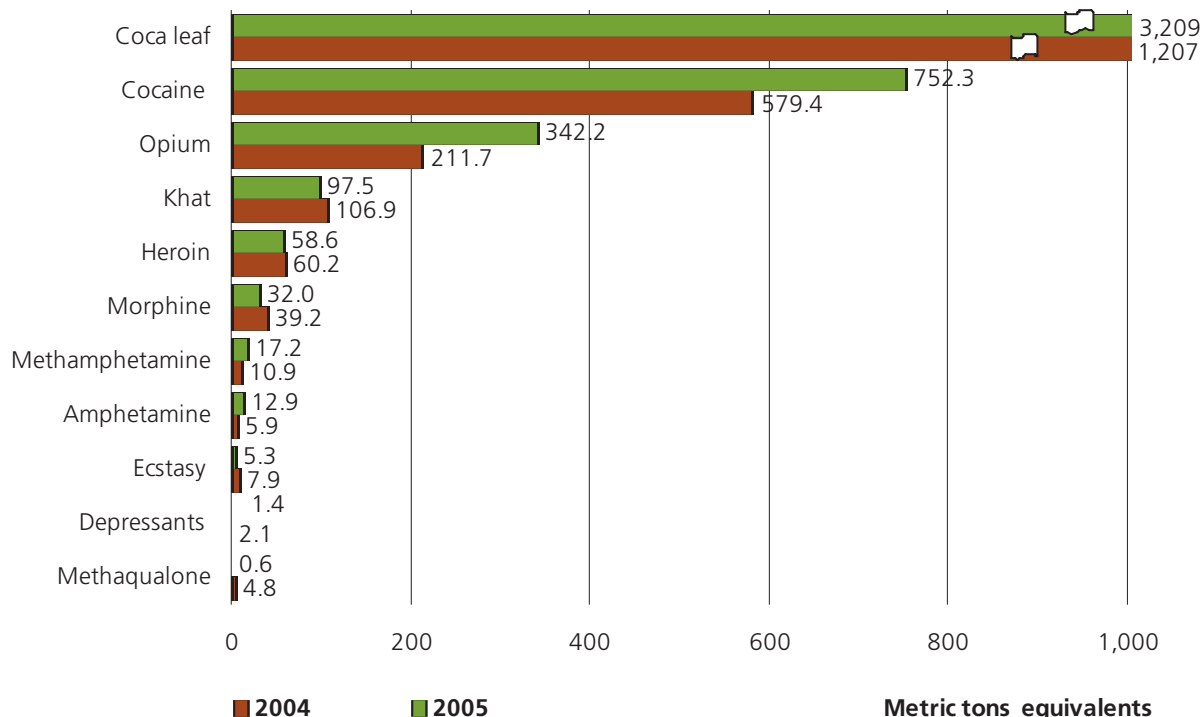
World cocaine seizures, 1995-2005



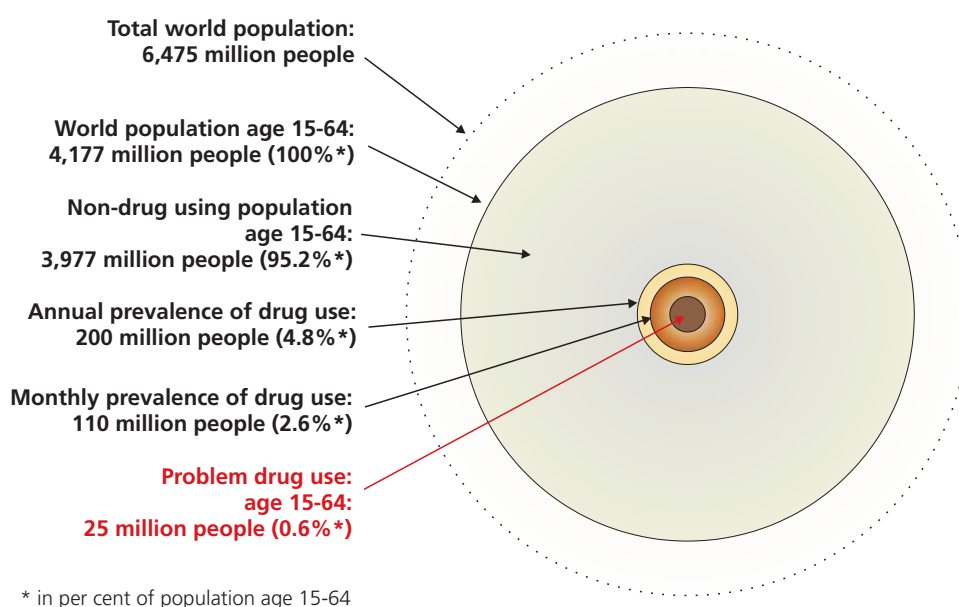
Global opiate seizures, expressed in heroin equivalents, by substance, 1985-2005



Global drug seizures, excluding cannabis, 2004-2005



Illegal drug use at the global level (2005/2006)



Herbal cannabis seizures, in contrast, were down in 2005, a trend seen across continents. The reasons for this decline are due to increased eradication and are occurring in the context of stabilised demand and may be related to decreased transnational trafficking due to a growing reliance on domestic cultivation. Cannabis resin seizures were also down, but this can be directly tied to the decline in hashish production in Morocco.

How is drug use changing?

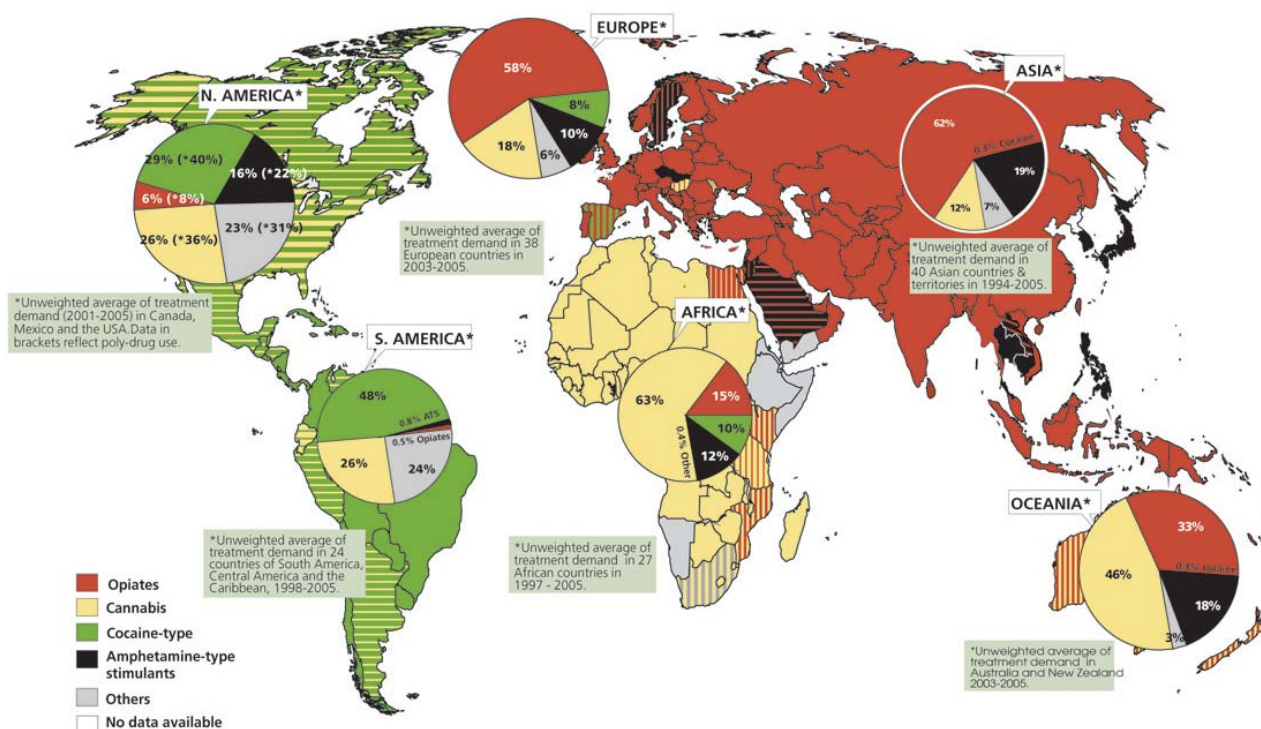
While a large share of the world's population uses illicit drugs each year (about 5 per cent of the population between the ages of 15 and 64), only a small share of these can be considered "problem drug users" (0.6%). About 200 million people use drugs each year globally. Unsurprisingly, the main problem drugs at the global level continue to be the opiates (notably heroin), followed by cocaine. For most of Europe and Asia, opiates continued to be the main problem drug; in South-America, drug related treatment demand continued to be mainly linked to the abuse of cocaine; and in Africa, the bulk of all treatment demand is linked to cannabis.

Extent of drug use (annual prevalence*) estimates 2005/6 (or latest year available)

	Cannabis	Amphetamine-type stimulants		Cocaine	Opiates	of which heroin
		Amphetamines	Ecstasy			
(million people)	158.8	24.9	8.6	14.3	15.6	11.1
in % of global population age 15-64	3.8%	0.6%	0.2%	0.3%	0.4%	0.3%

* Annual prevalence is a measure of the number/percentage of people who have consumed an illicit drug at least once in the 12 month-period preceding the assessment.

Main problem drugs (as reflected in treatment demand), 2005 (or latest year available)

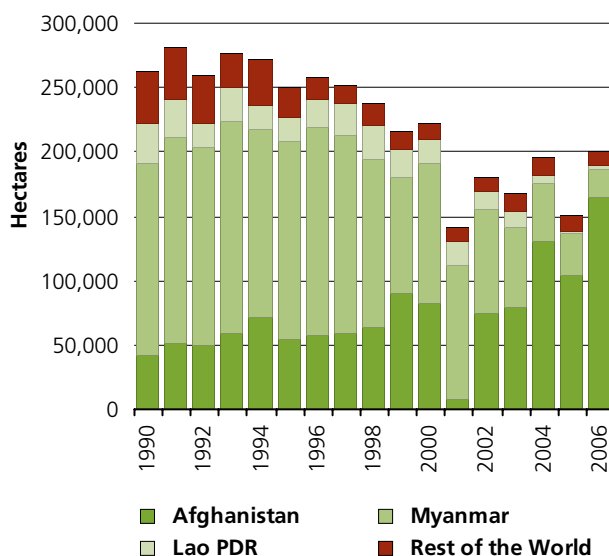


1.2 Opium/Heroin Market

At least in the short-term, conditions in the world's heroin markets will be determined by what happens in southern Afghanistan, as the country was responsible for 92 per cent of global opium production in 2006. For no other drug is production so concentrated in a single area. This concentration went hand in hand with a remarkable long-term progress in eliminating other sources of supply, principally in South-East Asia. Poppy cultivation in South-East Asia is down by more than 85 per cent over the last decade. Between 2005 and 2006 alone, poppy cultivation in South East Asia declined from 35,000 hectares to 24,000 hectares.

The significance of the contraction in opium cultivation in Myanmar and Laos cannot be overstated. Although opium poppy cultivation in Afghanistan increased massively in 2006, the global area under illicit poppy cultivation was still 10 per cent lower in 2006 than in 2000, due to reduction in South-East Asia. But despite the reduction in the area under cultivation, potential heroin production is up, because Afghan fields are more productive than fields in South-East Asia. In 2006, global opium production soared to a new record high of 6,610 mt, a 43 per cent increase over 2005.

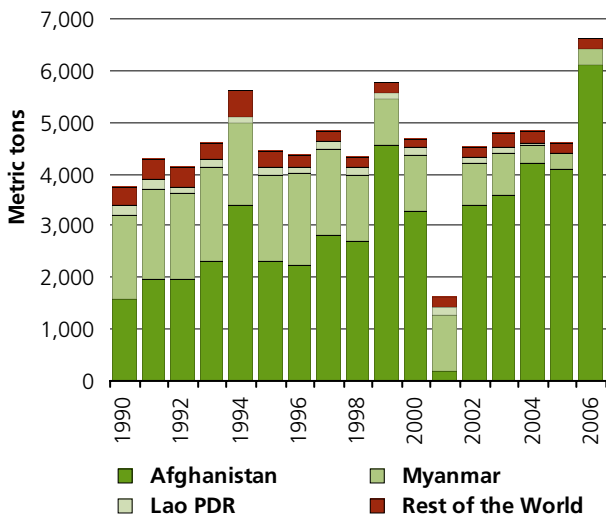
Global opium poppy cultivation (hectares), 1990-2006



Under these conditions, with a surge in supply and stable demand, a price decline would be expected near the source, but opiate prices are not easy to predict,

because the global dynamics of this market are not well understood. Despite the 49 per cent increase in production in Afghanistan in 2006, opium prices actually fell by just 17 per cent in the country. This could suggest that there is substantial stockpiling, but there is little evidence as to where and how it is occurring.

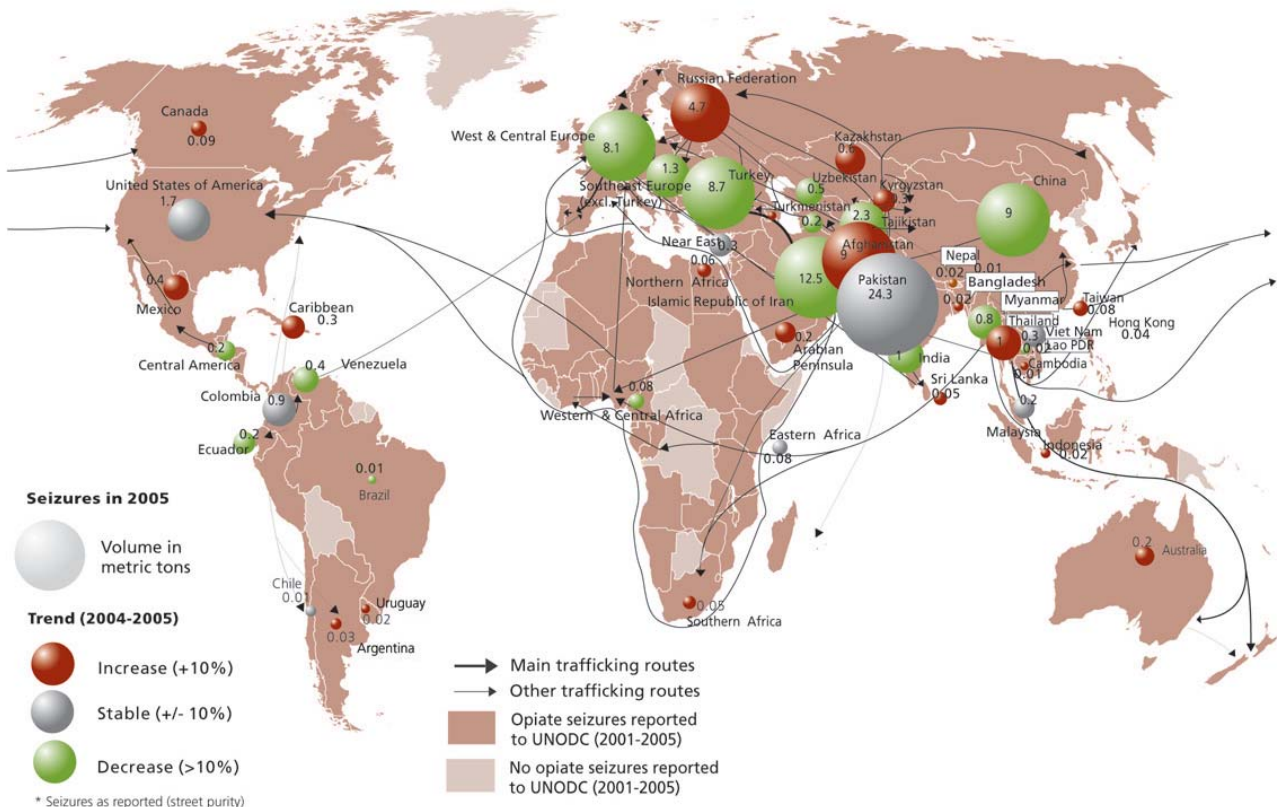
Global opium production, 1990-2006



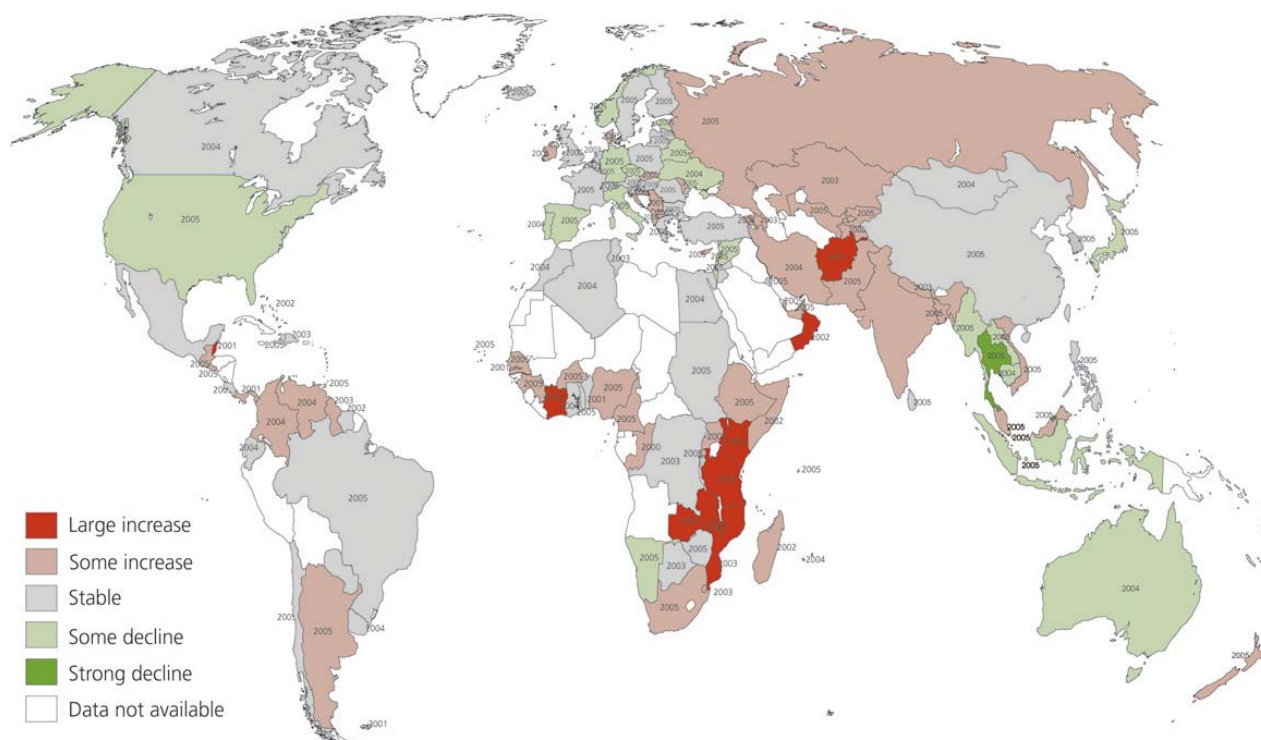
In recent years, the world heroin market has been divided into three regional submarkets. Afghan opiates have supplied the markets of neighbouring countries, Europe, the Near and Middle East, and Africa. Opiates produced in South-East Asia have supplied the markets of China and other South-East Asian countries, as well as Oceania. Opiates produced in Latin America supplied the North American market. However, it appears that cross-regional trafficking is gaining in importance. For example, there are indications that a small but increasing proportion of opiates from Afghanistan are being trafficked to North America, either via eastern and western Africa, or via Europe.

Overall, the consumer market has remained encouragingly stable, despite important increases in the countries along major trafficking routes. Countries experiencing an increase in heroin usage include those surrounding Afghanistan (Pakistan, Iran and Central Asia), as well as Russia, India and parts of Africa. Many of these areas have high levels of poverty and HIV, leaving them vulnerable to the worst effects of this drug. It is important that these trends are carefully monitored over the coming years.

Trafficking in heroin and morphine seizures, 2005 (countries reporting seizures* of more than 10 kg)



Changes in the use of heroin and other opiates, 2005 (or latest year available)



1.3 Coca/Cocaine Market

The global cocaine market is largely stable in terms of both supply and demand. Supply stability has been achieved only through intensive eradication efforts, especially in Colombia. The area under coca cultivation fell by 29 per cent between 2000-2006, including a 52 per cent reduction in the area under coca cultivation in Colombia. The areas under coca cultivation in Peru and Bolivia increased over this period but remained significantly below the levels reported a decade earlier, reflecting long-term supply reduction.

Though contained, there are indications that the supply side of this market remains adaptive. The success in the reduction of coca cultivation from 2000 to 2006 did not lead to a decline in cocaine production. In recent years, the use of fertilizers and pesticides, and better production technology, have improved coca yields, leaving cocaine production largely stable over the last few years (1,008 mt in 2004, 980 mt in 2005, 984 mt in 2006).

With production largely stable, there are encouraging signs that progress is being made at reducing supply through growing rates of interdiction. Overall, the interception rate rose from 24 per cent in 2000 to 42 per cent in 2006. Improved cooperation among law enforcement bodies in and across countries appears to

have led to an increase in seizures in and around the producer countries. In fact, 58 per cent of global cocaine seizures took place in South America, the Caribbean and Central America in 2005. North America and Western/Central Europe, the two main cocaine consumption regions, also continued to seize large amounts of the drug (28 per cent and 14 per cent of global seizures respectively). The world's largest cocaine seizures in 2005 were, once again, made by Colombia, followed by the USA, Venezuela, Spain, Ecuador and Mexico.

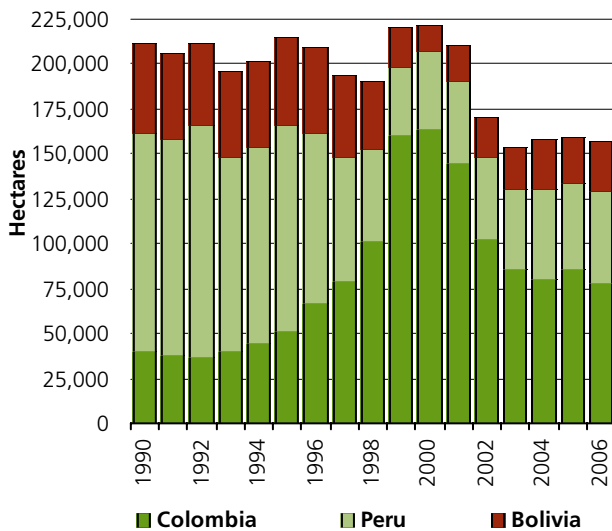
Cocaine is frequently trafficked to Europe via the Caribbean region and, increasingly, via Africa. Over the 2000-2005 period, the largest increases in cocaine seizures were reported by countries in Africa and Western/Central Europe. In Africa, seizures rose sixfold, and in West and Central Europe they rose fourfold. The largest cocaine seizures in Europe in 2005 were made by Spain, followed by Portugal and the Netherlands, reflecting both strong national law enforcement activities and the increase in trafficking towards these countries – which contain vibrant consumer markets and which are the main entry points of cocaine into the European Union.

Similarly, rising levels of seizures in Africa reflect the fact that this continent, notably countries along the Gulf of Guinea and off the coast of Cape Verde, is increasingly being used as a transshipment point for cocaine from South America to markets in western Europe.

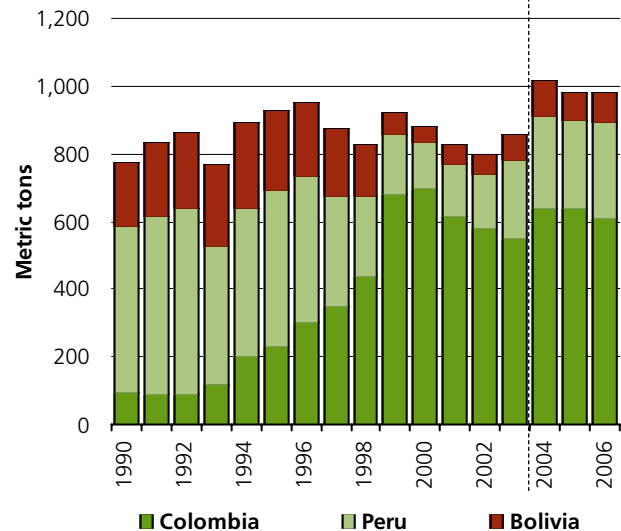
While the consumer market in North America has ceased to expand, cocaine is making worrying inroads into new and growing markets. Consumption increased

significantly in Europe, doubling or tripling in several countries over the last decade. In Africa, notably in the countries of western Africa, cocaine use has also increased. Overall cocaine consumption levels in Europe are still significantly lower than in North America. However, Spain recently reported that, for the first time, cocaine annual prevalence levels exceeded those of the USA in 2005. High and rising levels of cocaine use have also been reported from the UK and Italy.

Global coca cultivation, 1990-2006

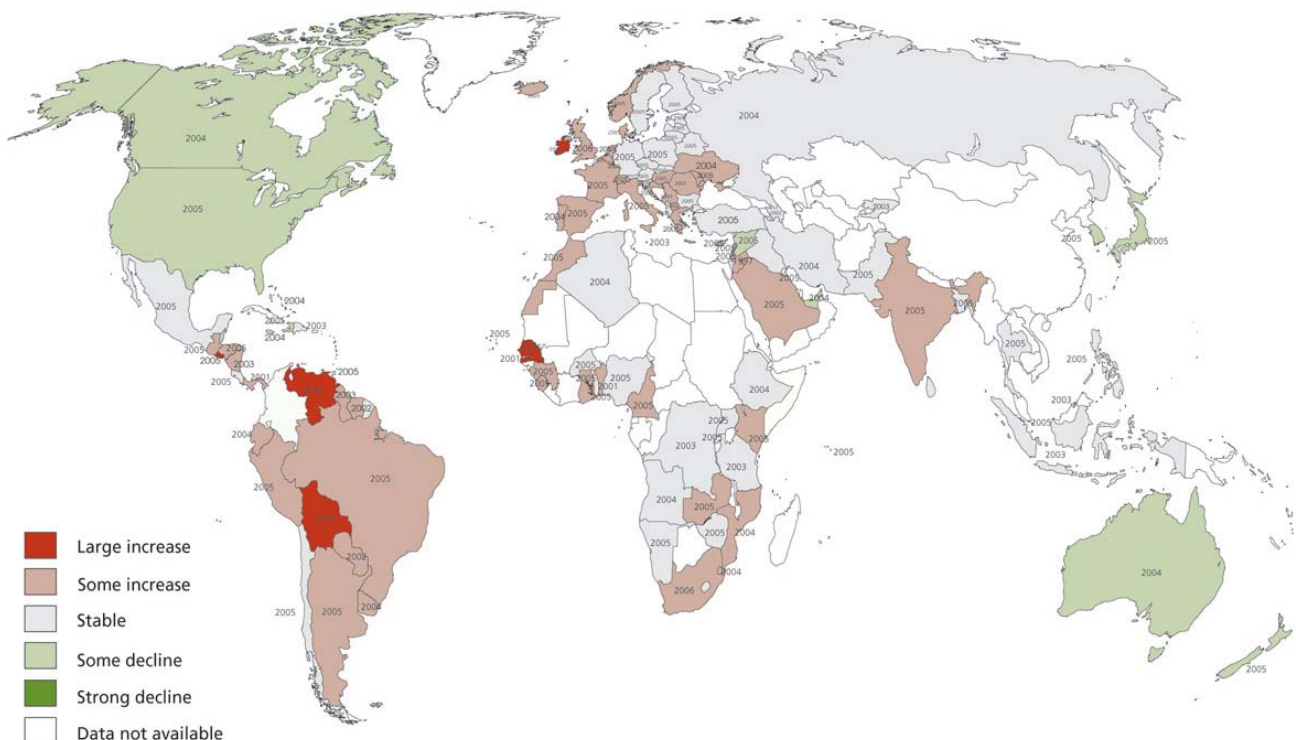


Global cocaine production*, 1990-2006



* revised data

Changes in the use of cocaine, 2005 (or latest year available)



1.4 Cannabis Market

Cannabis is the largest illicit drug market by far, including roughly 160 million annual consumers. The widespread nature of production and consumption make it very difficult to define and quantify. Reports received by UNODC suggest that cannabis production is taking place in at least 172 countries and territories.¹ Indications of an overall stabilisation in the market in 2005 are extremely encouraging but it remains to be seen whether this will emerge as a long-term trend.

The production of cannabis resin (also known as hashish) is concentrated in North Africa (Morocco) and in the South-West Asia/Middle East region, particularly in Afghanistan and Pakistan. UNODC surveys conducted in collaboration with the Moroccan authorities revealed a fall in the area of cannabis resin cultivation in that country in recent years, from a peak of 134,000 ha in 2003 to 76,400 ha in 2005. Resin production declined even more strongly, from 3,070 mt in 2003 to 1,070 mt by 2005. Most of this production is consumed in Europe.

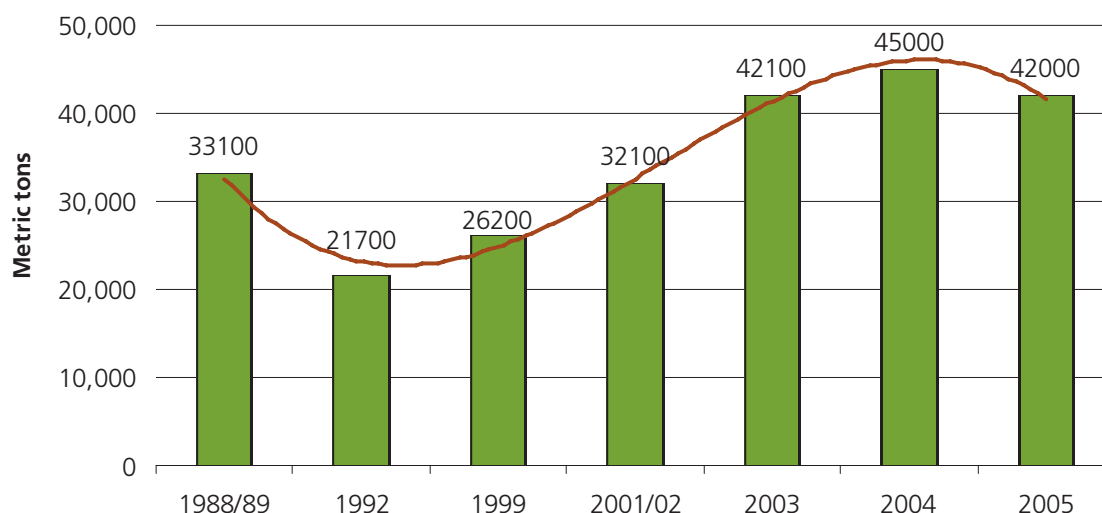
Cannabis herb seizures continue to be mainly concentrated in North America (66% of global seizures in 2005), followed by Africa (16%). Global seizures of cannabis herb showed a strong increase over the 2000-2004 period, a probable reflection of rising cannabis

herb production, trafficking and consumption. However, in 2005, cannabis herb seizures declined substantially to the levels reported back in 2000. The decline was reported across all continents. Eradication played a role but other factors are not yet fully known. Sustained declines could also indicate a growing reliance on domestically produced cannabis.

Global cannabis resin seizures also declined in 2005 due to lower production of cannabis resin in Morocco. The world's largest cannabis resin seizures continued to be reported by Spain (52% of global hashish seizures in 2005), followed by Pakistan (7%) and Morocco (7%).

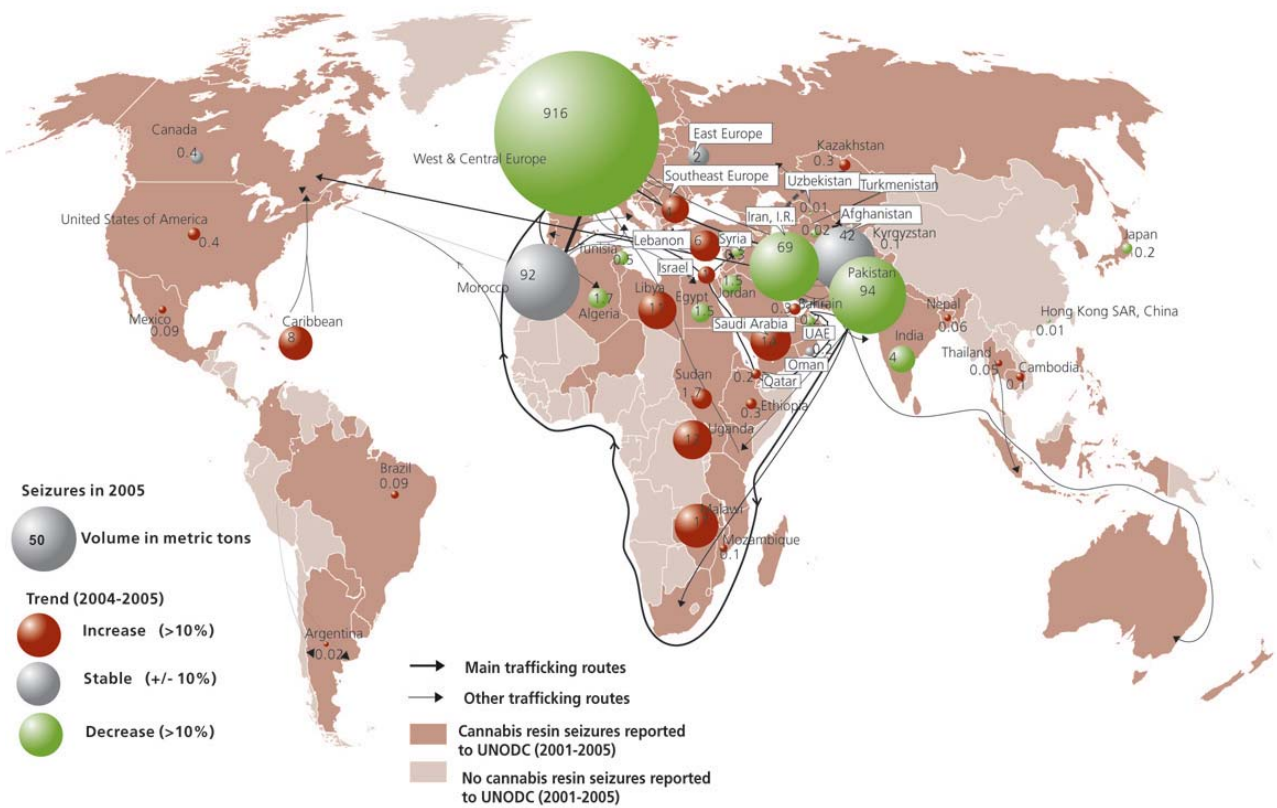
The consumer markets in North America appear to have contracted somewhat. A decline of cannabis use was also found in the Oceania region, which has the world's highest levels of prevalence rates for cannabis. But there has been a reported increase of cannabis use in Africa and in most countries of South America. The situation in Europe and Asia is mixed. The number of all countries reporting increases in cannabis use fell from 58 per cent of all countries reporting in 2000 to 45 per cent in 2005, while the number of countries reporting declines increased from 7 per cent in 2000 to 21 per cent in 2005.

Estimates of global cannabis herb production, 1988-2005

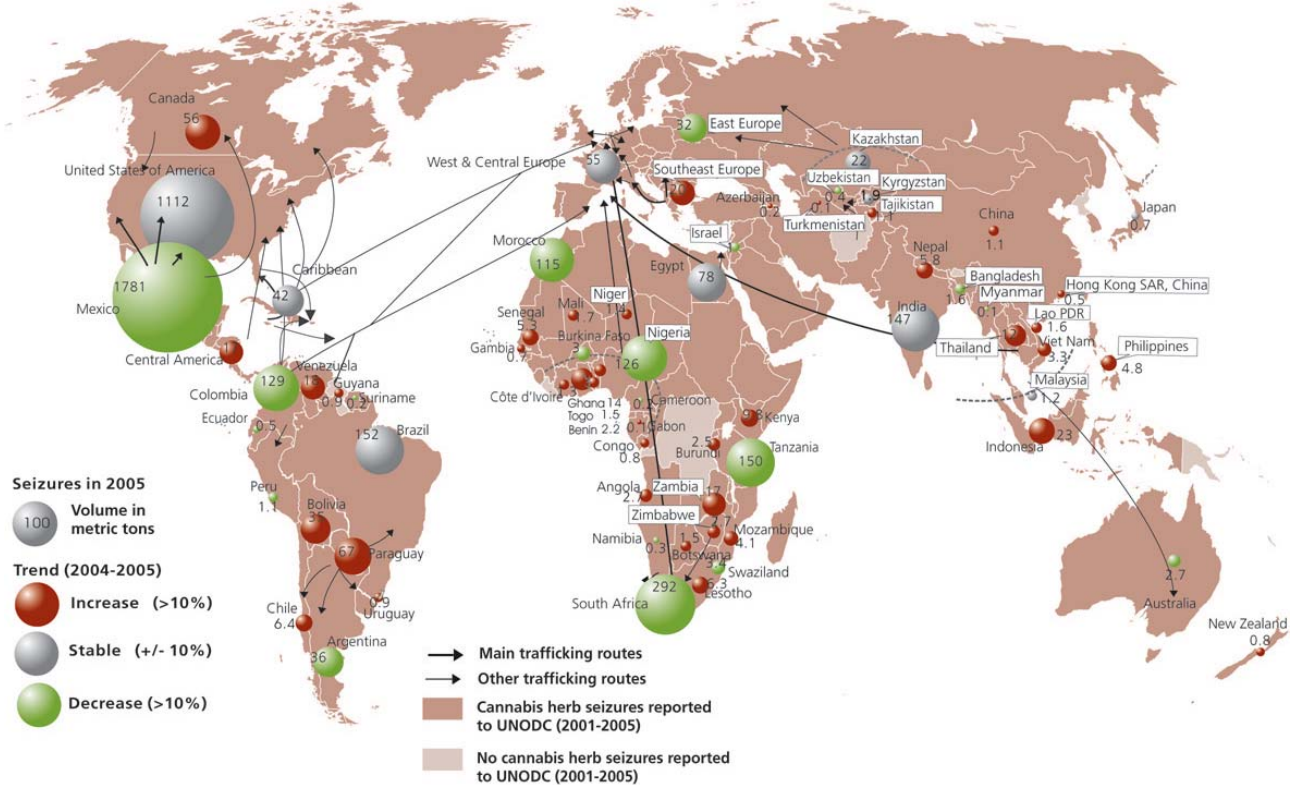


¹ A total of 82 countries explicitly reported the illicit cultivation of cannabis on their territory over the 1995-2005 period. In addition, Member States identified 134 source countries for the production of cannabis. Moreover, 146 countries reported seizing cannabis plants over the 1995-2005 period, which is an indirect indicator for the existence of cannabis plant production in a country, as cannabis plants are usually not trafficked across borders (only the end-products are). Combining these data suggests that cannabis production is taking place in at least 172 countries and territories.

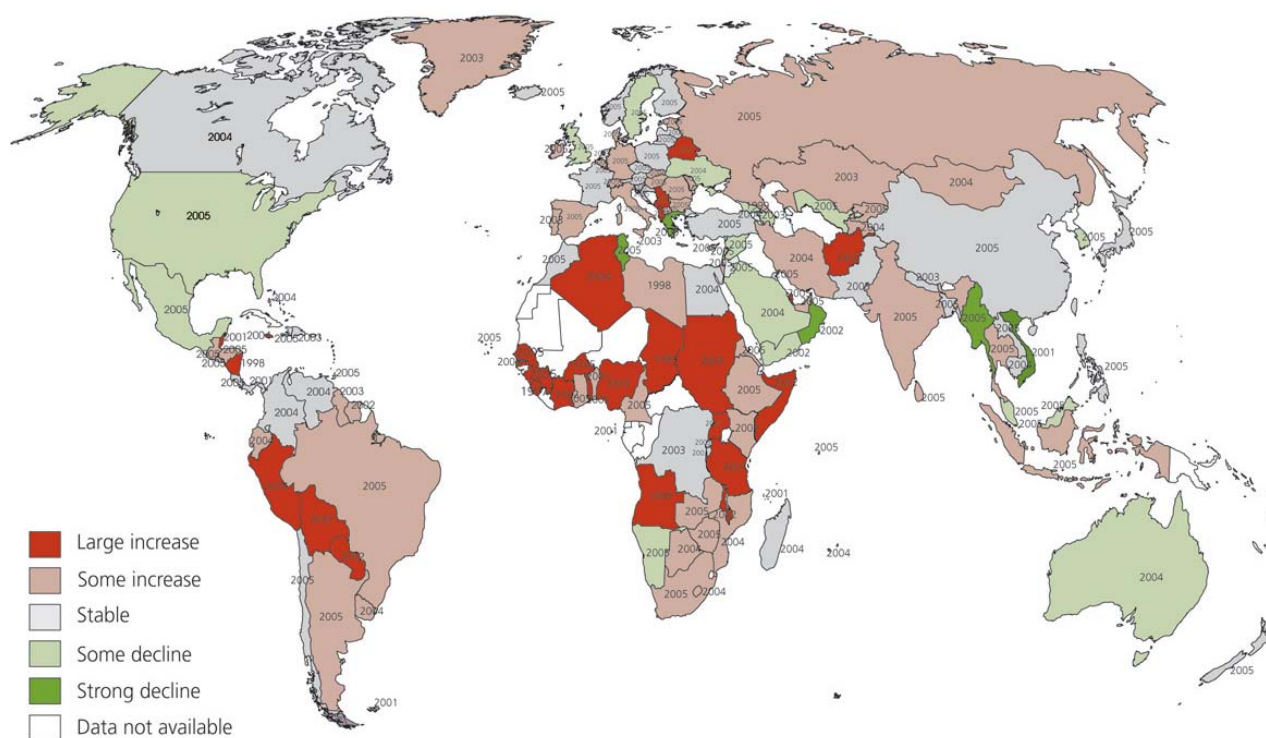
Trafficking in cannabis resin, 2005 (countries reporting seizures of more than 10 kg)



Trafficking in cannabis herb, 2005 (countries reporting seizures of more than 100 kg)



Changes in the use of cannabis, 2005 (or latest year available)



1.5 Amphetamine-type Stimulants Market

There has been an overall stabilisation of the ATS market. The alarming increases in the production of ATS throughout the 1990s seem to have levelled off over the last few years. This is likely a result of recent efforts to monitor and improve precursor control.

The largest production areas for methamphetamine continue to be in South-East Asia (including Myanmar, China and the Philippines) and in North America. Traditionally, the majority of methamphetamine in the USA was produced domestically, with the precursor chemicals smuggled into this country via Canada or Mexico. Improved controls in Canada and further tightening of controls in the USA have led to a decline in the number of clandestine laboratories operating within the USA and a shift of production across the border to Mexico. However, Mexico has now also improved its precursor control regime, prompting drug trafficking organizations to exploit other areas, such as Central America and possibly Africa.

In South Africa, where methamphetamine is produced for the domestic market, both production and consumption have increased. The Oceania region, notably Australia and New Zealand, continue to be important producers and consumers of methamphetamine, but there are no indications that these drugs are exported from there.

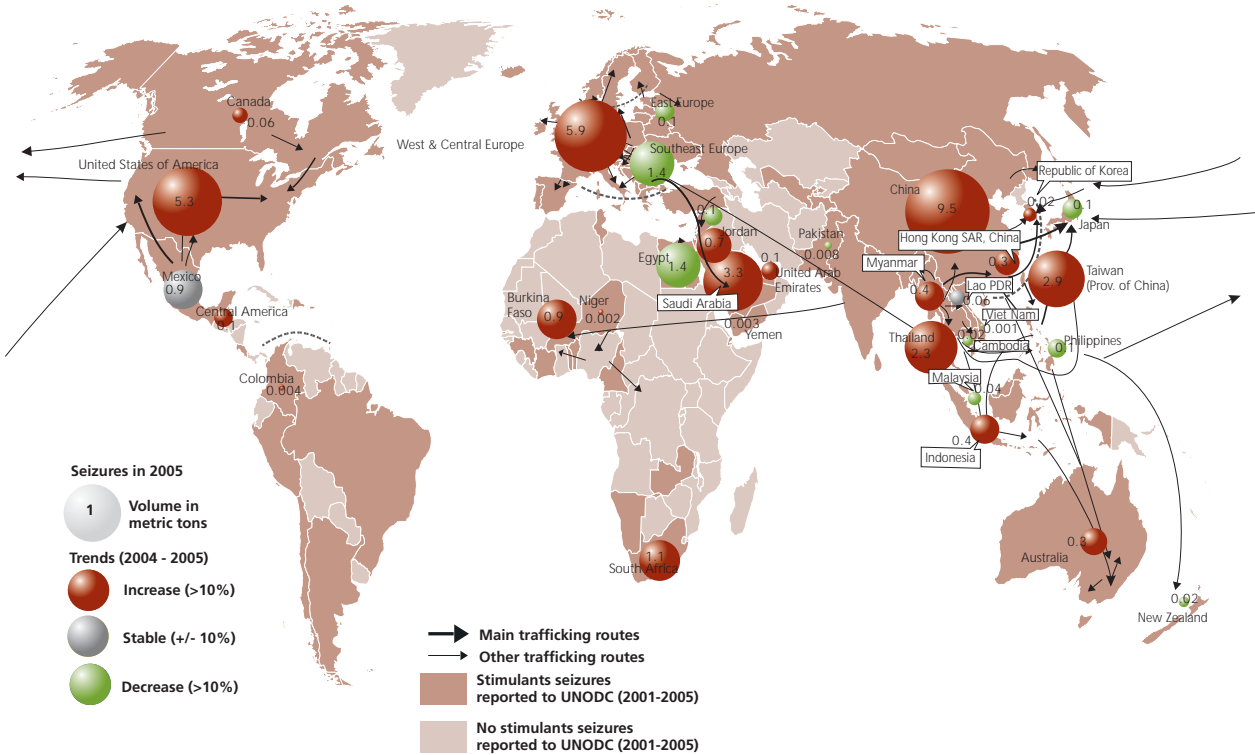
Amphetamine production continues to be primarily located in Europe, notably in the Netherlands and Poland, followed by the Baltic region and Belgium. Amphetamine production also takes place in North America (notably in the USA) and in South-East Asia.

Ecstasy production also continues to be largely concentrated in Europe, though the expansion of ecstasy production, in recent years, has mainly taken place outside Europe, notably in North America and in East and South-East Asia.

Global seizures of ATS continue to be dominated by seizures of methamphetamine. Over the 2000-2005 period, 49 per cent of ATS seizures were in the form of methamphetamine, 15 per cent in the form of amphetamine, and 14 per cent in the form of ecstasy. The trend in recent years, however, has been towards rising proportions of amphetamine and falling proportions of methamphetamine, reflecting improved control over the two main methamphetamine precursors, ephedrine and pseudo-ephedrine.

Global demand for amphetamines (methamphetamine and amphetamine), which increased strongly in most parts of the world in the 1990s, is now showing signs of overall stabilisation. At close to 25 million people, the global amphetamines consumer market is larger than

Trafficking in amphetamines, 2005 (countries reporting seizures* of more than 1 kg)

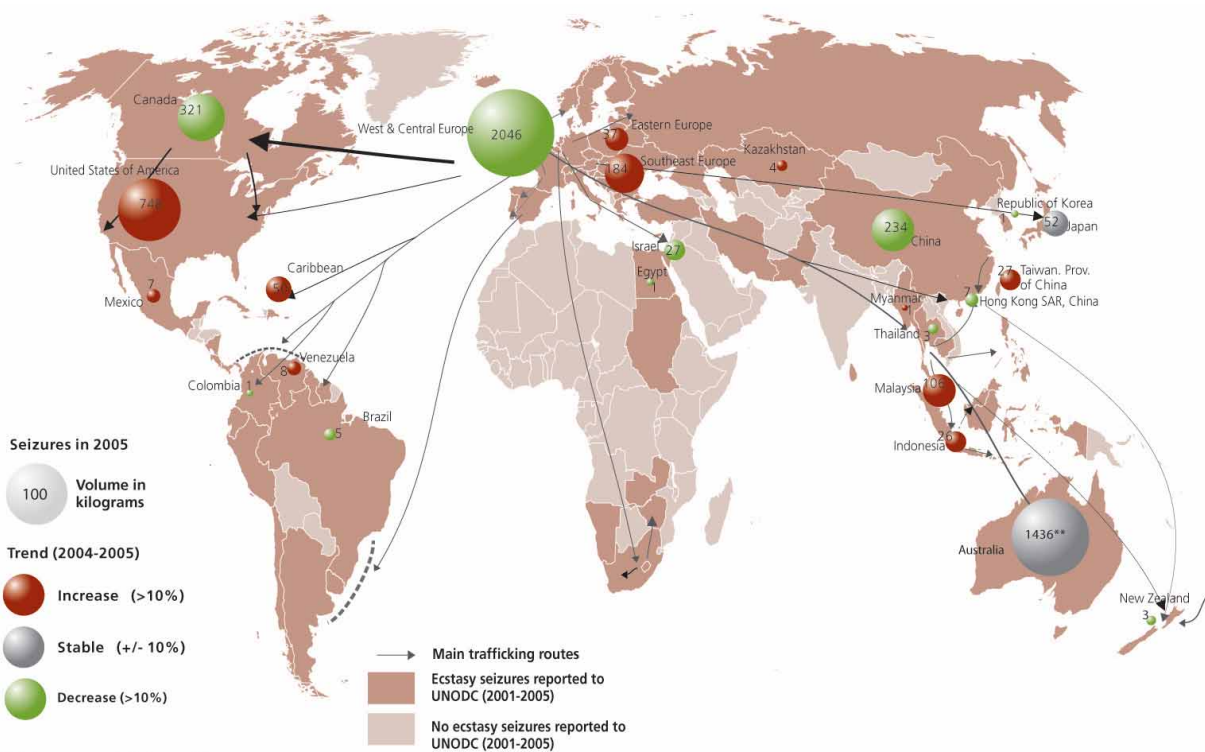


* Seizures as reported (street purity); units converted into weight equivalents (30mg per unit)

the markets for cocaine or heroin. Between 15-16 million of these users are thought to consume methamphetamine. Following the expansion of the consumer

market throughout the 1990's, there have been consistent signs of slow down and stabilisation over the last few years, particularly in North America.

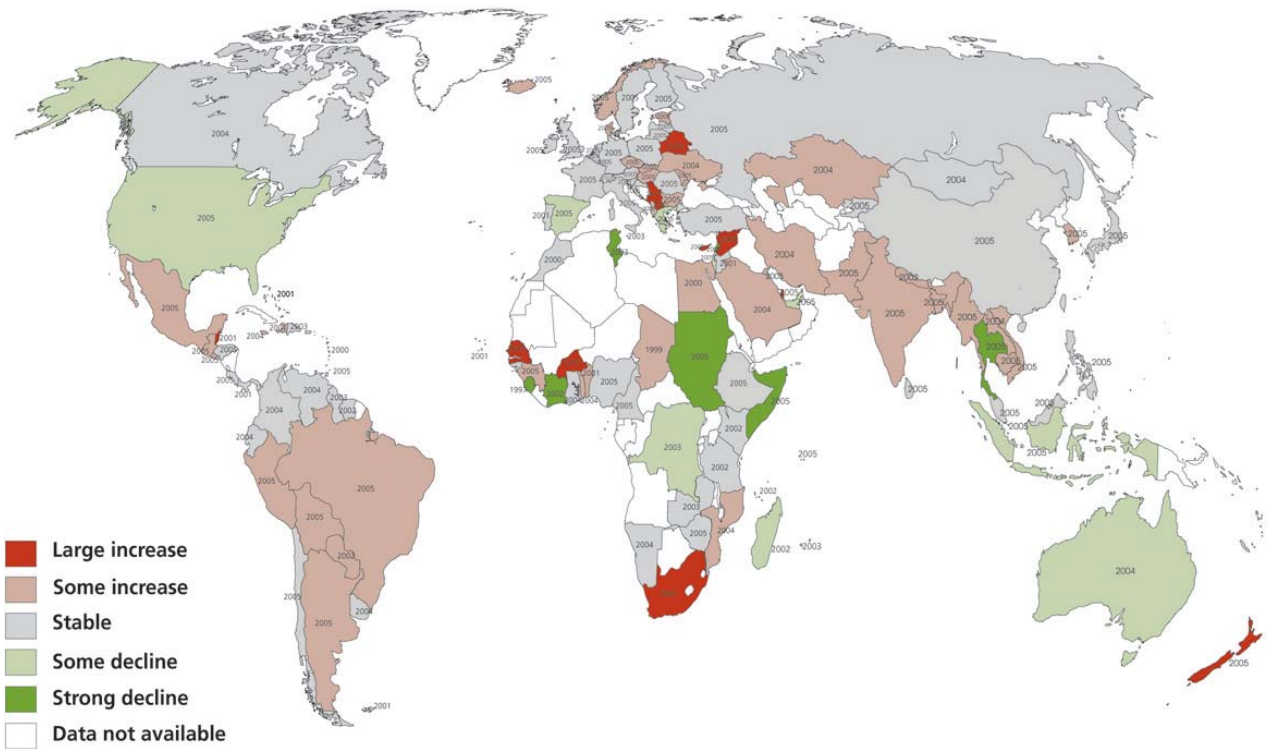
Trafficking in ecstasy, 2005 (countries reporting seizures* of more than 1 kg)



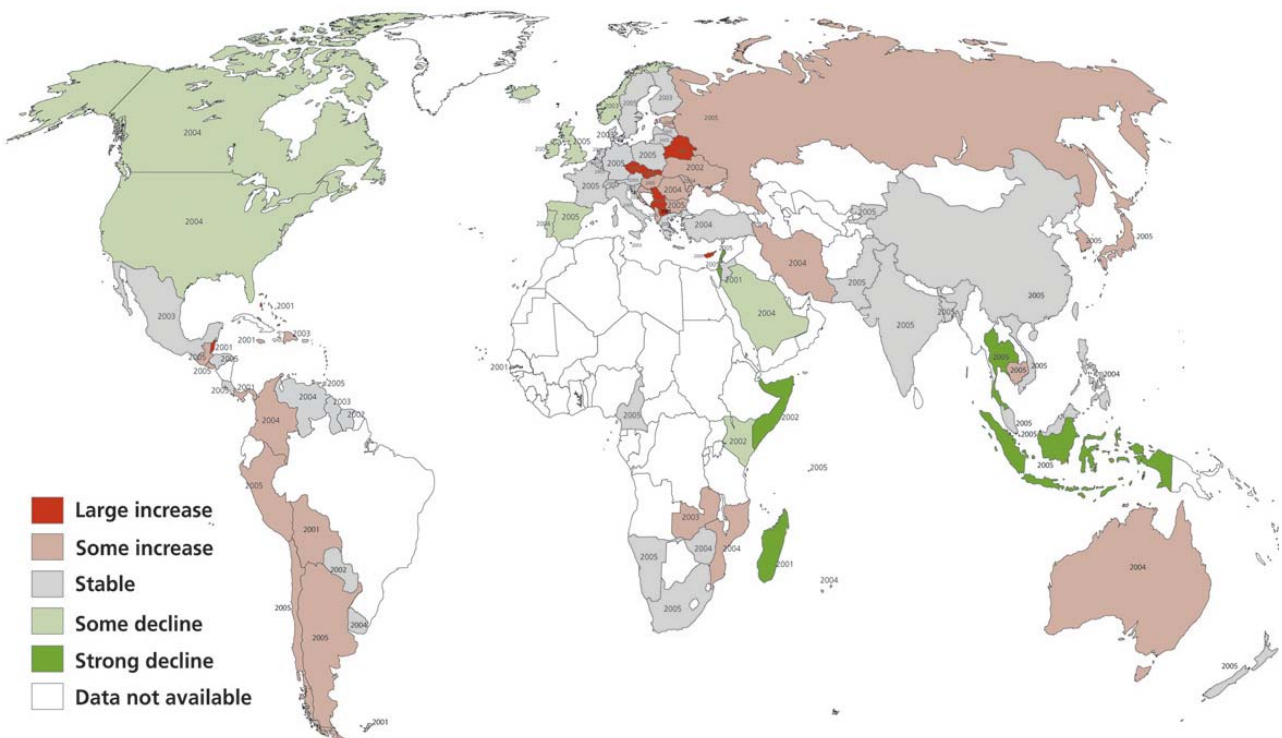
* Seizures as reported (street purity)

** sum of seizures reported by national, State & Territory law enforcement agencies.

Changes in the use of "amphetamines" (methamphetamine, amphetamine and related substances), 2005 (or latest year available)



Changes in the use of ecstasy (MDMA, MDA, MDEA), 2005 (or latest year available)



2. Invisible empire or invisible hand? Organized crime and transnational drug trafficking

Is transnational drug trafficking in the hands of large and organized criminal groups or is it mainly conducted by smaller and looser associations of smugglers? The answer to this question has implications for the way drug interdiction is approached. This question might be answered through existing indicators, particularly seizure figures, price data and drug use trends. In order to assess the potential of this approach, these indicators are explored in two of the world's largest value drug flows: the transshipment of cocaine via Central America to the USA and the trafficking of heroin through Central Asia to the Russian Federation.

Cocaine via Central America to the USA

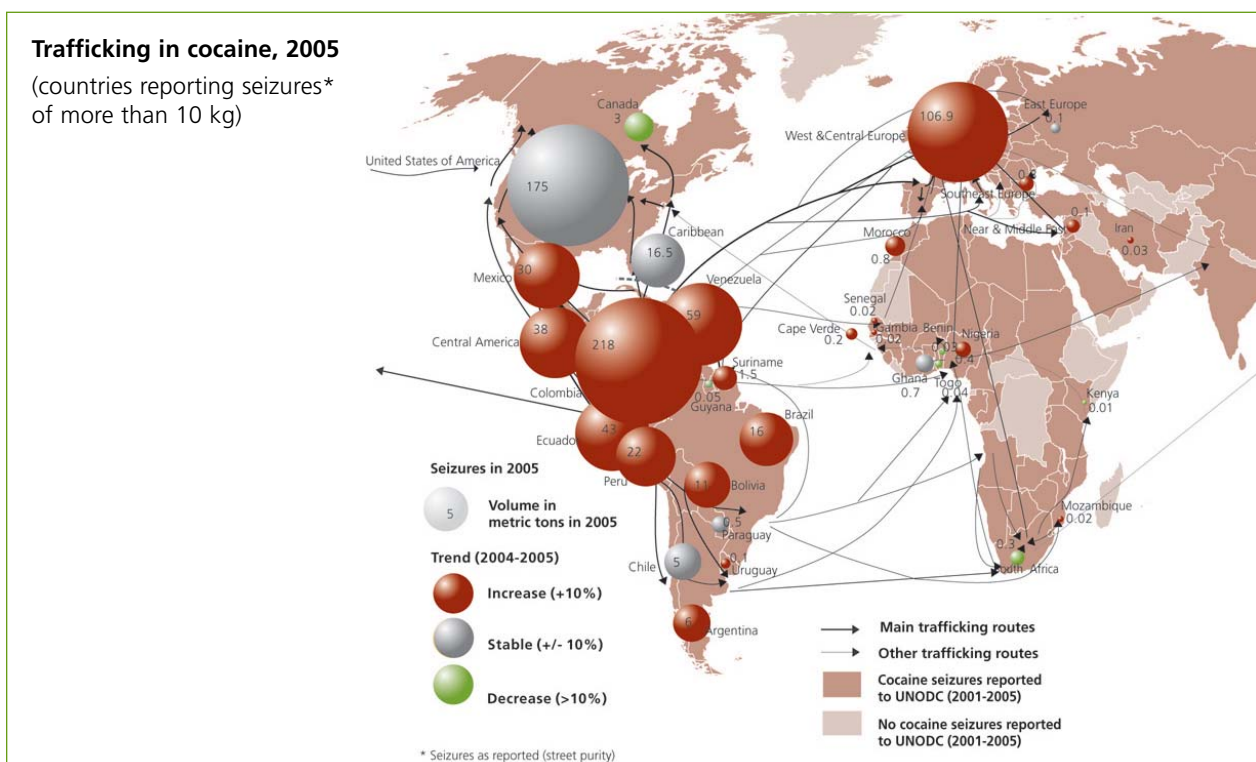
This drug flow has surely become less centralised than it was during the days of the Cali and Medellin cartels, which dominated the cocaine market at all levels. But the size of the seizures made in this region, as well as low levels of drug use in the transit zone countries, suggest that cocaine trafficking remains highly organized and dominated by some very large organizations.

The USA remains the world's largest cocaine consumer, and some 88 per cent of the cocaine destined for the USA transits the Central America/Mexico corridor, about 50 per cent along the Pacific and 38 per cent along the Caribbean coast of Central America. Most of the cocaine flow today is maritime and given the cost

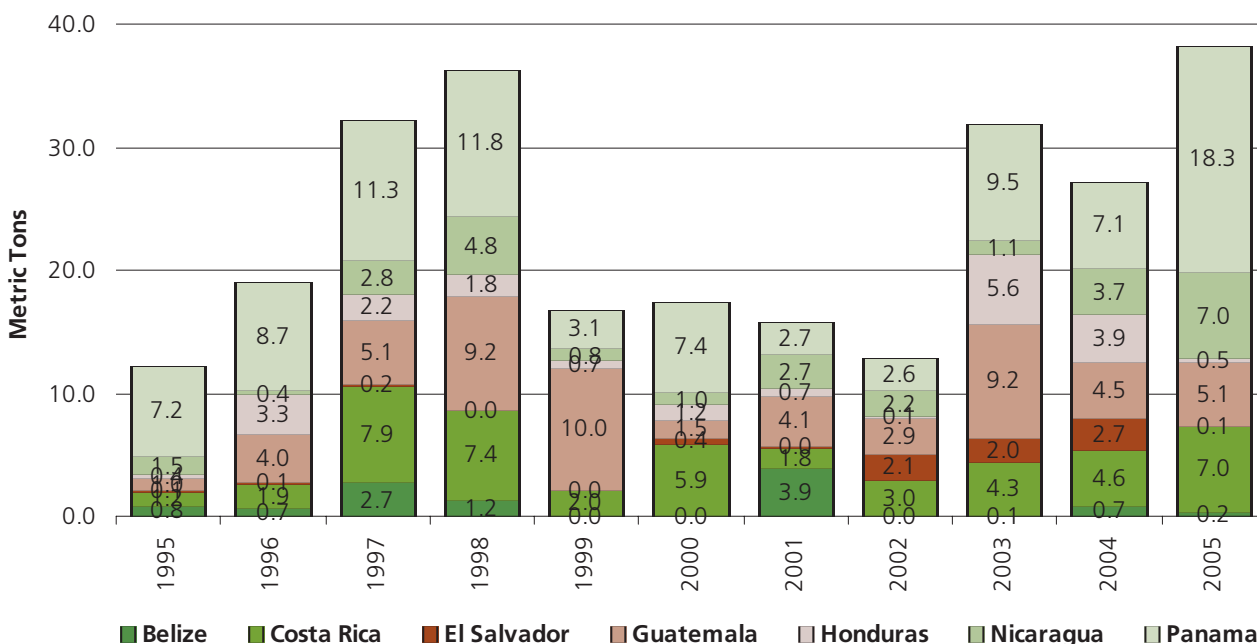
and complexity of trafficking on the high seas, this fact alone suggests high levels of organization.

The largest cocaine seizures, as reflected in the UNODC Individual Drug Seizure database, involve multiple tons of the drug and are worth tens or even hundreds of millions of dollars. Such shipments are clearly beyond the scope of small networks of individual traffickers. The share of large seizures in national seizure totals highlight the fact that, while smaller scale trafficking does take place, the backbone of the market remains in the hands of more sophisticated operators. For example, in 2004, more than 25 per cent of the cocaine seized in Honduras came from just one maritime seizure, while 42 per cent of that seized in Nicaragua came from two major seizures on the Atlantic Coast.

The presence of large loads can be inferred from the volatility of national seizure totals even where individual seizure details are not available. For example, El Salvador seized 32 kg in 2001 before increasing seizure totals to two or three tons annually between 2002 and 2004. In 2005, the country seized only 32 kg. It is unlikely that either the real flows of cocaine through the country or the enforcement efforts made to interdict drugs varied so greatly from year to year, so seizure totals likely reflect the presence or absence of a small number of large seizures.



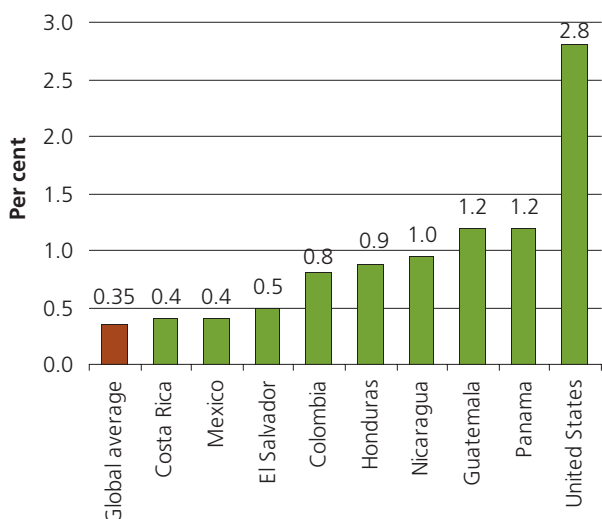
Tons of cocaine seized in Central American countries (rounded)



Since drug trafficking organizations would ideally like to deliver all the drugs produced to their highest value destinations, “spillage” of cocaine into the lower value markets of transit countries represents a kind of inefficiency, often associated with diffuse networks of body couriers who are paid in kind rather than cash. Relatively low drug use levels among transit countries suggest that drug flows through this region remain highly organized.

drug producers controlled the entire supply chain, it demonstrates that the drugs are not simply percolating northward, exchanging hands multiple times. Arrest figures suggest that there is very little involvement within the USA of transit country (Central American) nationals.

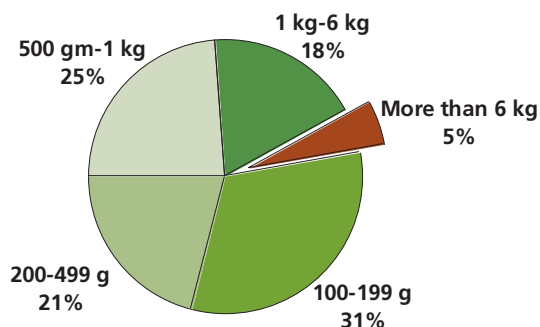
Share of adults using cocaine in the last year (age 15-64)



Heroin via Central Asia to the Russian Federation

In contrast, trafficking through Central Asia appears to be relatively disorganized. Estimates suggest a small share of heroin bound for Russia is seized (perhaps 10%), leaving open the possibility that large shipments are occurring under cover of corruption. Most of the seizures that are made, however, are very small with 95 per cent totalling less than six kg. This amount can be purchased in Afghanistan for about US\$10,000, well within the reach of smaller syndicates.

Breakdown of quantities of heroin seized in 1870 large (100 g+) seizures in the Russian Federation, 2004-2005



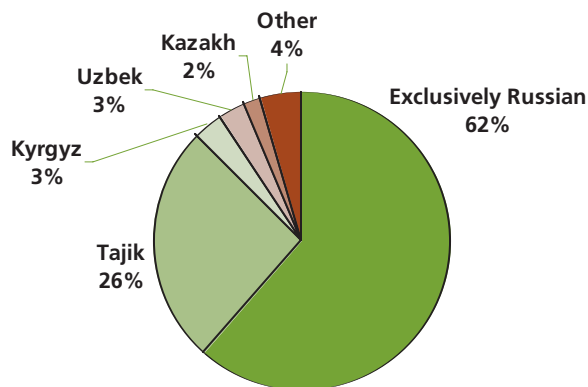
Finally, federal arrest figures in the USA show that the cocaine trafficking is dominated by syndicates of two nationalities: Mexican and Colombian. While this indicates less centralisation than would be the case if the

It would appear that Afghans are involved in bringing the drug out of Afghanistan. From there, the heroin may change hands to Kyrgyz or Kazakh nationals until reaching Kazakhstan, and thereafter Kazakh or Russian groups transport it to Russia. It would appear that Kyrgyz and Kazakh nationals are reliant on the Tajik and Uzbek groups to provide the drugs for further trafficking. In general, transport through the transit zone often appears to be controlled by the nationals of the transit zone, with border crossings involving groups of both states.

Few Tajik nationals are arrested in Kazakhstan for drug trafficking but a large share of major seizures in Russia involve Tajik nationals. Of 954 heroin seizures of over 100 grams reported to the UNODC between 1999 and 2004 in which the nationalities of the traffickers were specified, 252 involved Tajik nationals (26%), operating either alone or in concert with traffickers of other nationalities. However, while Tajik groups are important in both cross-border operations with Afghanistan and trafficking within Russia, the small numbers arrested in Kazakhstan leave open the possibility that they do not control the heroin during the intermediate trafficking period.

Afghanistan to Russia. It appears that the two regions are vaguely converging, however - cocaine trafficking has become less organized since the days of the Medellin and Cali Cartels, and the heroin trade in Afghanistan, is growing increasingly and is getting more organized.

Non-Russian involvement in large Russian heroin seizures, 1999-2004



Finally, drug use rates have been growing rapidly in Central Asia, suggesting that the smuggling is indeed being conducted by a large number of small couriers, with the possibility that the heroin is sold-on multiple times before reaching its final destination.

The two examples discussed above highlight two extremes of a spectrum: on the one hand, the highly organized groups active in shipping multi-million dollar consignments of cocaine from Colombia to the USA; on the other, the many, uncoordinated players who, responding to market incentives, move heroin from