

NISKANEN C E N T E R

TRADE NOT WAR: A New Approach to Counternarcotics Supply-Side Policy

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Supply networks of illegally manufactured fentanyl flourish because of *deficits of governance*—the regulatory and other government failures most readily apparent in Mexico and China. Criminal organizations may exploit these failures—but they are a symptom, not the cause. Directed against the secondary target of drug trafficking organizations, the current international supply-side counternarcotics policy of the United States is designed to achieve security objectives more than affect drug supply.

This white paper specifies a supply-side counternarcotics policy model that targets the failures of governments, not the actions of criminals. This shift entails a change of venue from diplomacy and security arrangements to trade, replacing the tools of law enforcement with those of economic statecraft. Specifically, to motivate source and transit countries to rectify their deficits in governance, I propose a compensatory tax on the conduits of entry for illegally manufactured fentanyl: border tolls on people and border adjustments on traded goods. Compared to the current approach to counternarcotics, border adjustments and tolls offer the opportunity to set discrete, well-defined objectives and establish metrics needed to evaluate policy; furnish more agility to adapt to variation, including changes in source and transit countries; and target entities capable of meaningful interventions, and more desirable responses, particularly when incentivized in the rules-based system of global trade that prioritizes fairness and transparency.

Using the tools of economic statecraft to achieve the goals of counternarcotics policy adds another dimension to securing the nation's borders, transforming a bulwark capable of only episodic, marginal success in drug interdiction into an instrument of accountability for more upstream, structural, and vital interventions to curb illicit drug traffic.

This white paper proposes a shift to economic statecraft to supplant, not merely supplement, the current U.S. approach to supply-side policy. The era of synthetic drugs exacerbates the inadequacies of global counternarcotics treaties, which surrender U.S. priorities to governments unwilling or incapable of change. This proposal deploys unilateral power in service of supply-side outcomes—not policy outputs, like arrests or policy changes, which may not yield desirable results. By pivoting to economic statecraft and targeting nation-states, this paper reorients supply-side policy to serve the counternarcotics objectives most relevant to ordinary Americans enduring the worst drug crisis in U.S. history.