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FEATURED Q&A

What Does a Legal Cannabis Sector Mean for Colombia?



Colombia's government last month expanded the scope of allowed activities related to medical cannabis. // File Photo: Esteban López via Unsplash.com.

Q On April 1, the Colombian government issued a decree expanding the scope of legal activities involving medical cannabis, which the country has regulated since 2016. Colombia is one of a few countries in the world to regulate cannabis production and exportation, yet the legal global cannabis economy is expected to reach a value of \$45 billion by 2025, according to Forbes. What benefits does the legal cannabis industry bring to the country, in terms of jobs, foreign investment and government revenue? Can Colombia put its reputation as a source of illicit narcotics behind it and create a thriving sector based on legalizing formerly prohibited substances? What can Colombia learn from the experiences of Mexico and Uruguay when they liberalized their marijuana laws?

A Paola Cubillos, scientific and medical advisor at Knowde Group: "The most recent decree bolstered already-established opportunities for the cannabis industry, as laid out in a decree from Colombia's health ministry in 2021. These provisions have opened the doors to cannabis' industrial uses and production in free-trade zones, which will accelerate development of the sector. With this latest regulation, the Colombian cannabis industry is poised to become one of the most competitive in the region. The decree establishes the rules for foreign trade of seeds, grain, plant material, cannabis plants, cannabis and its derivatives and related products for medical or scientific purposes. According to Procolombia, Colombian cannabis exports in 2021 totaled \$5.2 million, an increase from \$4.8 million in 2020. The agency estimates that the exports will reach \$1.7 billion by 2030 and may

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TODAY'S NEWS

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Peru's Congress Rejects Castillo's Bid for Vote on Constitution

A Peruvian congressional committee rejected a measure pushed by President Pedro Castillo to ask voters whether the country's constitution should be rewritten.

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ECONOMIC

Guyana in 'No Rush' for New Offshore Output Agreement

Guyana's natural resources minister said the country is in "no rush" to create a new offshore production sharing agreement with oil companies.

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POLITICAL

Chaves Takes Office as President of Costa Rica

Rodrigo Chaves, who formerly served as Costa Rica's finance minister, on Sunday took office as the country's president. Chaves said he would tackle several ills that Costa Rica is facing.

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Chaves // File Photo: Facebook Page of Rodrigo Chaves.

POLITICAL NEWS

Rodrigo Chaves Takes Office as Costa Rica's President

Rodrigo Chaves, a former Costa Rican finance minister and World Bank official, took office Sunday as the Central American country's president, ticking off a list of ills he said he would fix, the Associated Press reported. In his inaugural address, Chaves complained about what he said was a high cost of living in Costa Rica, as well as crime, drug trafficking and long lines at social security offices, the AP reported. "Not only are we going to put the house in order, we are going to rebuild it," said Chaves. "This is the sign of our times. It is the urgency for change that cannot be delayed, the cry of a democracy that we will not let disappear," he added. Chaves also said that "if the political class fails one more time, the country could fall apart," the AP reported. A conservative economist, Chaves ran as an outsider and pointed out in his inaugural address that his Social Democratic Progress Party had never won an election for any office before this year. The candidate he defeated in Costa Rica's April 3 runoff, José María Figueres, is a former president and son of José Figueres Ferrer, who was the country's president three times. Chaves' victory "reflects the electorate's weariness of traditional parties," Francisco Chacón-González, a former Costa Rican congressman of the National Liberation Party and former minister of communications, told the Advisor in a [Q&A](#) published April 5. Chaves may find it difficult to govern, however, as his party holds only 10 seats in the 57-seat Legislative Assembly. On Sunday, Chaves also vowed to continue debt payments, Reuters reported. "The country is responsible for its debts. We have never failed to pay, we will do what we have to do to honor our obligations," said Chaves. Approximately three quarters of the country's \$42.62 billion debt is internal, and the remainder is external, Reuters reported. Chaves was elected despite a scandal, in which female colleagues accused him of sexual harassment, at the

World Bank. The accusations led to Chaves' demotion at the World Bank, from which he ultimately resigned. Two weeks ago, Chaves publicly apologized to two former colleagues at the institution who had accused him of sexual harassment, Agence France-Presse reported. "I deeply regret the things that happened more than 15 years ago and that affected my former colleagues at the World Bank, in such a way that they felt the need to file a harassment complaint against me," Chaves said in a video posted on social media. "I once again offer my sincere apologies to these colleagues, without reservation," he added.

Peru's Congress Rejects Asking Voters on Constitution

Peruvian lawmakers on Friday rejected a bill presented by leftist President Pedro Castillo that could have led to a referendum on whether to rewrite the Andean nation's 1993 constitution, Reuters reported. A congressional commission rejected the proposal with 11 votes against and six votes in favor. A public opinion survey that Ipsos Peru took last month found that only 7 percent of Peruvians thought that setting up a constituent assembly should be the government's priority. In a speech to Congress in March, Castillo said Peru was going through an "institutional crisis" after he survived a second impeachment attempt. Castillo's opponents have tried to oust him on the grounds of alleged "moral incapacity," the constitutional condition for dismissal that was also leveled against former President Martín Vizcarra, who was removed from office in November 2020, ushering in a period that led Peru to have three presidents in fewer than 10 days. Mercedes Aráoz, a former second vice president of Peru and current professor of economics at Universidad del Pacífico, told the Latin America Advisor last week that "Peru requires some reforms of the constitution, especially ones related to state organization and the political checks and balances across its institutions, but those changes can be done through Congress."

NEWS BRIEFS

At Least 31 Killed in Havana Hotel Explosion

The death toll rose late Sunday to 31 in the explosion of a luxury hotel in Havana on Friday, and some people remain missing, the Associated Press reported. The Hotel Saratoga in Old Havana had been preparing to reopen after being closed for two years. The blast happened when a gas leak apparently ignited, blowing out the hotel's outer walls. On Sunday, rescue crews with dogs continued searching the rubble for survivors.

Brazil's Lula Formally Launches Campaign, Seeks to Unseat Bolsonaro

Former Brazilian President and labor activist Luiz Inácio Lula da Silva on Saturday launched his campaign for a new presidential term, and at the same time formally named his one-time political rival and former São Paulo Governor Geraldo Alckmin as his running mate, state-run Agencia Brasil reported. Lula, 76, left office 12 years ago with a strong economy and 87 percent approval ratings, AFP reported. But his reputation became tainted by revelations of massive corruption during his administration. Meanwhile, far-right President Jair Bolsonaro, 67, has narrowed the gap between him and Lula in the latest polls, bringing the Oct. 2 election closer than had been expected.

LATAM Airlines Receives Creditors' Backing for Bankruptcy Exit Plan

Chile-based LATAM Airlines on Friday received support from a majority of its unsecured creditors in its plan to exit Chapter 11 bankruptcy protection, Reuters reported. The airline said 65 percent of its low-ranking creditors had approved the exit plan. LATAM Airlines filed for bankruptcy in the United States in 2020 amid the travel downturn during the Covid-19 pandemic.

ECONOMIC NEWS

Guyana in ‘No Rush’ for New Offshore Production Deal

Guyana is in “no rush” to create a new offshore production sharing agreement (PSA) with oil companies, the South American country’s natural resources minister told Reuters on Friday. The statement is a departure from previous plans to revamp a 2016 PSA with ExxonMobil and its partners in the Stabroek offshore oil well, to improve terms for the country. “We have started some of the work on designing



Bharrat // File Photo: Government of Guyana.

a model PSA according to internationally accepted standards,” Natural Resources Minister Vickram Bharrat said at the Offshore Technology Conference in Houston last week, Reuters reported. “However, there is no rush to conclude it immediately because we don’t see any other companies applying for a PSA just yet,” he added. Instead, Guyana is prioritizing the creation of an oil and gas regulatory body, according to the wire service. Regarding the prospect of Guyana forming a state-owned oil company to manage its new-found oil reserves, many observers say the risks outweigh the benefits. “Setting up a national oil company has potential upside for Guyana, but there are also considerable risks,” Theodore Kahn told the Energy Advisor on Friday. “However, it would also have to contribute to the costs of developing oil blocks. New state-owned firms often borrow from their international partners to finance their share of costs,” he added. [Editor’s note: See the related [Q&A](#) in the May 6 edition of the Energy Advisor.]

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lead to the creation of as many as 44,000 jobs, which could well move the industry to second place in terms of employment. Colombia continues to display a great level of leadership regulating the substance for medical and scientific purposes, being thoughtful and deliberate in placing emphasis on meeting international standards and proving it can rewrite its drug policy history. Colombia has a unique focus on medical, industrial and scientific uses of cannabis and its derivatives. Other countries in Latin America with budding cannabis markets include Uruguay and Mexico. The former has a well-established regulatory framework for both recreational and medicinal uses, while in the case of the latter, regulations for recreational and medicinal cannabis use remain to be well defined. Colombia has the distinct advantage of focusing its regulatory framework on every stage of research, cultivation and exportation. Colombia should develop its domestic market to meet the needs of millions of Colombians who would benefit from medicinal cannabis, invest in research and development toward the creation of value-added cannabis-based products, which may further open markets in the region that do not have strong local production frameworks, such as Brazil, Peru and Argentina. The industry offers possibilities for the scientific and technological development of the country, and recent regulatory developments indicate that Colombia is on the right track to realizing these potentials.”

A Gary J. Hale, drug policy fellow and Mexico studies scholar at the Baker Institute, and retired DEA Houston Division intelligence chief: “On July 23, 2021, President Iván Duque issued a decree legalizing the cultivation of marijuana domestically and extending the regulations passed in 2016. This allows the Colombian cannabis marketplace to wholly convert itself from an illegal enterprise to a legitimate business venture. The economic impact will be substantial for

Colombia and may pave the way for cannabis products, including seeds, plants and by-products, to be included among the agricultural commodities that can be exported to the United States under the Trade Promotion Agreement (TPA). The TPA has proven to be a beneficial trade accord and may serve to remove barriers to the importation of cannabis products into the United States. The United States has been slow to innovate and remains stressed with the challenge of reforming marijuana laws and policies. Just this month, the U.S. Congress began the process of promoting The Marijuana Opportunity Reinvestment and Expungement (MORE) Act, which would strike marijuana from the Controlled Substances Act, and that would decriminalize charges against individuals who cultivate, sell or consume the drug. Bogotá has largely healed from fighting the drug wars of the 1980s and 1990s and recalibrated its thinking, while the United States suffers from PTSD from losing its fight against the same demons—some real, some perceived. Colombia will capitalize on this paradigm shift and will export medicinal marijuana and cannabis products to Brazil, Argentina, Paraguay, Uruguay and others under the flag of the Mercosur trade bloc, gaining a foothold in an emerging and highly profitable marketplace. The United States, meanwhile, remains dumbfounded by more progressive nations.”

A Melvyn Levitsky, professor at the University of Michigan’s Gerald R. Ford School of Public Policy and former assistant U.S. secretary of state for international narcotics matters: “Colombia’s regulatory system is not yet well defined. Cannabis, like the opium plant, contains both useful and destructive elements. Opium, for example, is the source for morphine and codeine, both of which are beneficial, legal drugs used under medical supervision and which mitigate pain and coughs respectively. However, illegal heroin is also a product derived from opium.

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Research supporting the benefits of CBD, an element contained in the cannabis plant, is still limited. Smoked cannabis or cannabis in food products, like brownies, can be dangerous and addictive. Leakage from cannabis plots can also enter the illegal criminal market. Colombia's obligations under the drug conventions, prohibit so-called 'recreational cannabis.' It's a bit early to make a judgment on the economic effects of the Colombian decree. Here, the devil's in the details, both in terms of the regulatory system and the manner in which it is implemented."

A **Luz Helena Adarve, partner at the law firm Dentons Cardenas & Cardenas in Bogotá:** "The legal cannabis industry in Colombia has the potential to generate 17.3 direct jobs for each hectare of cannabis cultivated in the country, according to a 2021 study by Fedesarrollo (the Center for Economic and Social Research). For each license granted, the legal industry generates more and more jobs for Colombians. The cannabis industry is also focused on the export market, allowing participation in international trade and attracting foreign investment to Colombia. There are several countries that have been successful in liberalizing marijuana laws. For example, Mexico and Uruguay have been pioneers in this area. But those countries were different in that they fully legalized cannabis, including for recreational use, and gave approval to anyone who wanted to cultivate and sell marijuana, and there was not much of a financial stake for the government. This is not the case in Colombia, where the production of cannabis for recreational use is not allowed, and where the industry has been promoted from a medicinal and scientific point of view. Colombia's reputation as a source of illicit narcotics has been a consequence of the production, consumption, and trafficking of different drugs including, for example, cocaine. The correlation between cannabis production, drug trafficking and

violence in Colombia must be studied carefully. However, decriminalizing recreational cannabis production, while it may reduce the country's drug trafficking cases, may also revive the Colombian stigma."

A **Oliver Zugel, Founder and CEO of FoliuMed:** "Currently there are more than 2,000 licensed cannabis producers in Colombia, providing direct jobs and income to thousands of people. With the opening of the domestic market and accelerating the growth of exports, there is the potential for the cannabis sector to replace the oil and gas industry as the main driver of economic activity in the

“The program for legalizing cannabis has been sensibly regulated, and the growth prospects are exceptional.”

— Oliver Zugel

coming decades. Colombia is one of the most stable and democratic economies in South America, with a well-educated workforce. The program for legalizing cannabis has been sensibly regulated, and the growth prospects are exceptional. In time, the perception of the country will adjust to these new realities. Colombia has found its unique way of legalizing the business, learning from experiences abroad. It took a deliberately slower approach toward opening the domestic market, which has proven to be beneficial as it forced exporters to comply with the most stringent pharmaceutical regulations in markets such as Germany and Australia."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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