

ILLICIT DRUG ECONOMIES AS STATE SUBSTITUTES: AN INSTITUTIONAL
APPROACH TO DRUG TRAFFICKING IN MEXICO AND COLOMBIA

by

KELLEY MCRAE JOHNSON

(Under the Direction of Howard Wiarda)

ABSTRACT

Illicit drug economies are salient yet under-theorized topics in political science. Existing institutionalist arguments can be applied to explain how weak states, those that perform poorly on states' most critical functions, offer the conditions necessary for drug trafficking groups to find areas to organize, entrench, and grow stronger. Once illicit drug economies grow strong they can take on traditional state functions, thereby becoming state substitutes. Mexico and Colombia are two cases in which drug cartels have captured their own "states within states." Both have been considered potentially failing states (Colombia in the 1980s-90s and Mexico in 2009), but this study concludes that determined institutional strengthening and reform will achieve the gradual reincorporation of territory lost to illicit drug economies and avoid the prospect of state failure.

INDEX WORDS: illicit drug economies, drug trafficking, Mexico, Colombia, cartels, state substitute, institutionalism, institutions, state failure

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DEDICATION

I dedicate this Thesis to my grandparents: consummate scholars, world travelers, innovators, and natural born researchers.

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CHAPTER 1

A THEORY OF ILLICIT DRUG TRAFFICKING

Introduction

On December 2, 1993, the infamous cocaine trafficker Pablo Emilio Escobar Gaviria was gunned down by the Colombian police. At the time of his death he reportedly controlled an 8,000-acre luxury ranch with an aircraft runway, a private army of 1,000 “soldiers,” an air network, export outlets, mechanics, chemists, and hit men, and kept on his payroll a veritable “who’s-who” of Colombia’s political leaders; in essence, Escobar operated his own “government within a government.”¹ Although Pablo Escobar’s story may seem the stuff of Hollywood screenwriters, the drug trade is no fictitious tale. Illicit economies exist in various shapes and sizes in virtually every country on the map. In some states, illicit organizations are strong enough to supersede the capacities and control of the licit economy and official government.

Aside from the astonishing wealth and power amassed by Escobar and others like him, the growth and expansion of these illicit organizations raises important questions about the relationship between a state and its society. The fundamental query is: how and why have drug traders like Escobar been able to rule over regions of territory, corrupt government officials at the highest levels, resist pressures from law enforcement, and operate outside the country’s legal economy? The state (with its various institutions and agencies) is supposed to be the recognized and respected authority over its territory. However, can an illicit economy like the drug trade become a state substitute and entrench itself as the legitimate authority in some regions?

These questions have enormous implications for political science as well as policy decision-making. Interestingly, plenty of policy work has been done in response to the extraordinary capabilities of drug traffickers; however, the political science academic literature has left the phenomenon of illicit economies largely out of its scholarship. Illicit economies are plainly under-theorized—a problem this essay intends to remedy. Reinforcing the need to pursue this line of research, an early-2009 Department of Defense study predicted that Mexico may capitulate to the excessive corruption and violence drug traffickers have pushed onto the political scene. Regardless of whether the prophecy is accurate or far-fetched, this publication sounded alarm bells around the academic and policy worlds, reminding scholars and policy decision-makers that the topic demands attention.

A theory of illicit economies must incorporate the state as an independent actor, which engages in continuous and complex interrelations with illicit organizations present in its society. As Jordan (1999) advises, an understanding of the government's actions and policies is essential to an understanding of the drug trade.² Particularly in the case of illicit drug trafficking, the state is one of the primary (if not *the* primary) determinants of how large, lucrative, and powerful those organizations can become. Political science's institutional theories already acknowledge that the behavior of the state can influence and change the behavior of non-state actors, and vice-versa. Thus, institutionalism, a well-developed theoretical framework, can be used to explain the relationship between states and illicit economies like drug trafficking.

Mexico and Colombia are home to some of the world's most powerful illicit drug economies. In the following chapters, these cases are used to test the theory of illicit economies and demonstrate real-world manifestations of the hypothesized relationships. Mexico and Colombia, although not the most difficult tests of the theory proposed here, have the most direct

impact on the United States and are the most frequently addressed in U.S. policy decision-making. This study will explain how weakened states (like Mexico and Colombia) provide opportunities for illicit economies (like drug trafficking) to find areas to entrench and grow their organizations. These organizations can fulfill the responsibilities that a state would traditionally provide, thereby essentially becoming substitutes for the state. Certainly, this process is more nuanced than the quick explanation indicates. The following paragraphs of Chapter 1 will describe the complexities of drug trafficking and its relationship with the state, building a model of illicit drug economies that can apply comparatively across cases.

Defining “Illicit Economy”

Illicit Economies Trade in Illegal Products or Activities

Before a thorough analysis of illicit economies, and the illicit drug trade in particular, can continue there must be a clear definition of an “illicit economy.” Economists have discussed what they term “shadow economies,” which comprise all goods and services which normally should be added to the calculation of the gross national product but are not.³ Basically, any economic activity that occurs outside the regulatory framework of the state (its laws, taxes and oversight) falls into the category of “shadow economy.” Other names have been applied to this type of trade, like “underground,” “informal,” “alternative,” “second,” “secondary,” “cash,” “parallel,” and “submerged” economies. There are two facets of the shadow economy: “irregular” activities that trade in a legal product, but produce and/or distribute it illegally and “criminal” activities which trade in an illegal product and produce and/or distribute it illegally. The state determines the difference between an irregular and illegal economy simply by declaring some product or activity unlawful.

For example, an Oaxaqueño woman who bakes breads, cakes, tortillas, and other food from her home, pays some friends to help her, sells the food to tourists in Oaxaca's *zócalo* (main square), makes enough money to pay for a small vehicle, but never pays any taxes or acquires a formal business license, is a member of the "irregular" economy. In contrast, her uncle, who supports his family by selling cocaine to the beach-goers in Cancun, is a member of the "criminal" economy. If Mexico decided to legalize and regulate the cocaine trade, then the uncle would no longer be a member of a "criminal" economy; rather, if he continued to peddle his drug without following the law or paying taxes he would join the "irregular" economy.

Thus, an "illicit economy" is a "criminal economy"—it is based on the trade in an illegal product that is produced and/or distributed illegally. This paper will use the terms "illicit, illegal and criminal" interchangeably to refer to an illicit economy. Illicit economies exist around many different outlawed products and/or activities. Some nauseating examples of illicit economies include trafficking in human beings for forced labor or the sex trade and trafficking in human body parts. Other illicit economies revolve around selling endangered or protected wildlife. Some traffic in illegal nuclear materials, weapons, or lethal biological and chemical agents. Other organized crime groups may branch out into many different illegal activities, like smuggling immigrants, extorting "protection" money, loan-sharking, money laundering and anything else that may generate a profit. This paper focuses on drug trafficking economies which, reportedly, are worth \$500 billion annually.

Illicit Economies Pursue Money, not Ideology or Faith

An illicit economy is distinct from a political, ethnic, religious or social organization in that its primary purpose is economic—to make money efficiently and increase profits. Manwaring (2007), on the other hand, argues that illicit organizations are really political groups,

saying that “illicit commercial motives are, in fact, becoming an ominous political agenda...[Their] putative objective is to neutralize, control, or depose governments to ensure self-determined (nondemocratic) ends.”⁴ Calvani, et al (1997) also echo the claim that, “Nowadays, drug lords aspire to short-circuit the democratic process of target countries and illicitly gain political power.”⁵ Although Manwaring and Calvani, et al are correct in pointing out the importance of an illicit economy’s ability to control the leaders and policies of the state, an illicit economy’s entrance into the political sphere does not make it a political organization. Rather, an illicit economy’s meddling in government is intended to ensure its illegal trade will continue.

Take Colombia, for example: over the past decades it has experienced the rise of powerful drug cartels as well as formidable leftist guerrilla groups (fortunately, not so formidable in recent years). The *Fuerzas Armadas Revolucionarias de Colombia* (FARC) is one of those guerrilla groups. It is a political organization with a fundamental aim: to establish a Marxist-Leninist regime in Colombia. While other rebel groups may not share a Marxist ideology, if they share as their ultimate goal the harming, changing or ending of the existing political leadership in favor of a new ideology, they also are classified as political organizations. Rebel groups, like the FARC, certainly need a source of income, but merely raising money by kidnapping or trafficking drugs to fund purchases of food, weapons, and other supplies does not mean the group is an illicit economy. Any activity they engage in is to further their ultimately *political* goals.

Conversely, drug trafficking organizations, like Escobar’s famed Medellín cartel, have a different aim: to make money. To do this, drug traders may need to take control of some piece of territory, pay off or threaten politicians, or kill someone who is making their lives difficult. All this is to ensure that their money-making enterprise can continue to function without troublesome state interference. If illicit economies become involved in harming, changing or

ending an existing regime it is not so that their group can bring in a new ideology or political revolution; rather, it is ultimately to make sure that their illegal trade can continue, regardless of the government's ideology. As Naylor asserts, "There is a fundamental incompatibility of objectives between the [FARC and drug traffickers]. The narco-barons were and are capitalist insurgents, seeking to beat or buy their way into a hitherto largely closed social system, whereas the guerrillas are political insurgents seeking to overthrow that system."⁶

In a second example: Sierra Leone's diamonds are some of the most coveted in the world and are frequently stolen, smuggled and sold to unregulated markets. However, "conflict diamonds," as the illicit trade is known, are "diamonds that originate from areas controlled by forces or factions opposed to legitimate and internationally recognized governments, and *are used to fund military action in opposition to those governments*" (emphasis added).⁷ Sierra Leone's conflict diamond traffickers, like the Revolutionary United Front (RUF), are self-avowed political revolutionaries—their ultimate goal is to oppose and end the current regime. Thus, Sierra Leone's conflict diamond trade is not a true illicit economy: the diamonds are used as a source of money to achieve political goals, not the furtherance of the diamond trade itself.

In sum, illicit economies are distinguished from political, social, ethnic, and religious groups because their fundamental goal is to continue making money as easily and efficiently as possible. Later in this paper, however, the author will discuss how illicit economies, which exist as money-making enterprises, can begin to take on functions that a weakened state cannot successfully provide to its population. So, although illicit economies are recognized by their fundamentally economic goals, they can take on political functions.

(Un)Organized Illicit Economies

In the discussion of illicit economies, or illicit “organizations,” scholars differ on their assessment of how (un)organized illicit economies are. Often, the structure of illicit economies is described as a stringent hierarchy, with a leader (like Escobar), some close advisers, and a descending chain of command, all of which follow the directives of and report to the authority figures. Not a few dramatic tales have depicted secretive meetings of the leaders of the world’s largest illegal economies to divide control of illicit global commerce.

This image of an omnipresent, tightly-bound, focused organization that controls production, trafficking and distribution of its product has been challenged by researchers like R.T. Naylor (2004). While highly organized groups may have existed long ago, Naylor argues that “what has emerged today is a set of interrelated, mutually supporting black markets...within which there exists a mix of individual entrepreneurs along with ‘firms’ large and small, all engaged in essentially arms-length commercial exchanges.”⁸ Donald Liddick (1999) likewise maintains, “Research has shown that organized crime is not a single vast corporate-like organization...but consists of thousands of less formal groups which at times would not even qualify as *organizations*.”⁹

Certainly, illicit economies are not the fastidious, focused, unipolar hierarchies that much fiction, and even non-fiction, writing depicts. For example, in the Colombian drug trade, “boundaries are fluid, the characters change, and their links show...confusion of kinship relationships [and] formal and informal partnerships.”¹⁰ Naylor also contends that the term “cartel” has been misapplied to drug trafficking organizations.¹¹ He says a true cartel is a conspiracy in the restraint of trade, an illegal clique to restrict quantity, divide up the market, and push up prices. Naylor has found no evidence that drug traders endeavor to reduce quantity and

control the prices of their products. In fact, he suggests the term “*gremio*” (a corporate trade association) rather than “cartel” is more appropriate to describe the economic activities of drug traders.

The image of a hierarchical, structured illicit economy is further challenged by Naylor’s insistence that after the death of Escobar, the supposed leader of the Medellín “cartel,” Colombian and DEA law enforcement continued to insist that equal if not greater enemies remained in Medellín territory. Similarly, Gilberto Rodriguez-Orejuela (the alleged leader of the Cali drug ring), proclaimed, “The Cali cartel...[is] a figment of the... imagination... There are lots of groups, but there is no cartel.”¹² Thus, scholars must be aware that illicit economies are complex creatures that pursue a similar goal (earning money), but are not necessarily the integrated, bureaucratic, or strictly organized animals we imagine them to be.

The Overlap of Illicit and Licit Activities

Another complicating factor in the definition of “illicit economy” is the frequent overlap of legal and illegal activities. Certainly, the key abiding characteristic of an illicit economy is its fundamental goal to pursue greater money-making capabilities. Liddick agrees, saying, “That what motivates organized criminals is the acquisition of wealth and power is self-evident.” However, he says, “...there is often a very fine line between legal and illegal business behaviors.”¹³ For example, while human trafficking rings may operate brothels legally, and employ adults in their establishments, they may also bring in children and force them into illegal service. Alternatively, Liddick points out that loan sharking (money-lenders in the “shadow economy” charging steep interest rates) in the United States is illegal. However, the very same practice is pursued legally by “easy credit” finance companies. Thus, it is important for scholars to recognize the often gray areas between licit and illicit economic activities.

A similar dynamic in the attempt to clarify “illicit economies” is, as Liddick proclaims, the “countless informal networks of ‘underworld’ and ‘upperworld’ societal participants” that form the membership of illegal organizations. That is, illicit economies can include participants from both the licit and illicit economic sectors. To add even more complexity, the state itself often shares members with an illicit economy, protects the illegal activities, and in some cases even desires the illicit economy to continue operating (although this would likely not be stated publicly).

In sum, an illicit economy may not be well-organized, it may engage in legal trade, and its membership may include government officials and other legitimate individuals. If all this is true, it seems that identifying and studying a so-called “illicit economy” is an exceedingly difficult, nigh impossible task. However, illicit economies are distinctive phenomena that can be studied thoroughly and accurately.

The Best Definition of “Illicit Economy”

The nature of illicit economies is quite complex: they are not always well-organized and they often insert themselves into the gray areas between the legal and the illegal. Yet, when the state declares the production and trade in a given product illegal, the groups which profit from that product (without ultimately political, social, religious, or ethnic goals) are thereby “illicit economies.” Although some members of the state may collude with illicit economies, and the state may benefit from profitable illicit trade, the fact that a state has proclaimed a given activity illegal and maintains the law enforcement personnel to combat the outlawed activity indicates that the state and the illicit economy can always be separated at some point. This study, while acknowledging the frequent overlap of licit and illicit economies, assumes the illicit economy and the state to be separate entities—the former pursuing illegality, the latter pursuing legality.

Further, while understanding that illicit economies are not necessarily tightly organized, hierarchical groups, this paper assumes a necessary level of communication between and among individuals who are involved in trading a product from a similar source. In order to survive, these groups must have a minimal amount of focus, coordination, planning, structure and accountability. While this exists to a greater and lesser extent throughout varying illicit organizations, this essay assumes that any illicit economy has a baseline level of cohesion which allows the group to grow in size and increase profits. Thus, reference to an illicit economy in this paper signifies a somewhat-coherent organization that focuses on the pursuit of more money and power by producing and/or trading in an illegal product. Although the term “cartel” may not perfectly describe the nature of illicit drug economies, this term is widely accepted and recognized in academic and policy circles and will be used here to signify a drug trafficking group.

Drug Trafficking

This study is primarily focused on the illicit drug trade because, as many scholars and policy-makers recognize, drug trafficking may be the most resilient and vicious illicit economy. As Kelly, et al (2005) report,

Despite decades of intensified eradication programs and aggressive drug control and enforcement efforts, more drugs are being produced and distributed... The growth of drug use has occurred within many international statutory structures whose laws and criminal codes have been designed to contain it... [and] drugs represent one of the world’s largest and most lucrative markets.¹⁴

The commonly cited statistic is that the drug trade is worth about \$500 billion a year. Leading illicit drug producing countries include Myanmar (Burma), Thailand and Laos (the “Golden Triangle”), Iran, Pakistan and Afghanistan (the “Golden Crescent”), Colombia, Peru, Bolivia, India, and China.¹⁵ Some countries, like Mexico, produce illicit drugs but, even more

importantly, provide invaluable transit routes for the drugs. Generally, when scholars and policy-makers talk of the illicit drug trade, they are most concerned with cocaine and heroin trafficking, though the marijuana (and other culturally-specific drugs) trade continues to be targeted by state governments and international organizations.

Although tough policies to quell the drug trade have been implemented, the global drug business continues to sustain profitable illicit economies. For example, since the intervention in Afghanistan following the 9/11 terrorist attacks, U.S., U.N. and NATO groups have worked to rid the country of its powerful drug traders. Despite all this, opium production in Afghanistan is still going strong and sustains an estimated \$4 billion per year heroin industry.¹⁶

Drug trafficking is a brutal business to enter. Reported across the world are gruesome murders in defense of illicit drug economies. In the 1990s, the violent mix of drug traders, leftist guerrillas and right-wing paramilitaries earned Colombia the title “murder capital of the world.” Recently, *TIME* magazine reported that masked gunmen stormed a Mexican hospital to ensure their competing traffickers did not survive gunshot wounds.¹⁷ Another report surfaced that a victim killed by Mexican drug traffickers was placed over a live grenade that was rigged to explode when medical staff came to pick up the body. Fortunately, since the victim was dead, the medical staff did not release the grenade blast.

While no one questions the vicious nature of illicit drug economies, Naylor (2004) has explored the claim that drug trafficking is worth \$500 billion annually. He writes,

The \$500 billion figure was the result of ‘research’ attempted by the United Nations agency responsible for coordinating the global assault on drug trafficking—when the boss was desperate for a quick number before a press conference. Thereafter the figure was cited often in the mass media. It achieved new dignity when no less an authority than *Fortune* magazine repeated it. With that accolade, the figure was quoted with approval by the U.S. Senate Judiciary Committee. Yet when one of the senior UN officers involved in the original

estimate was queried skeptically about its accuracy, he replied that whatever its scientific failings, \$500 billion was a useful figure for capturing public attention.¹⁸

The figure was crafted in the 1990s, along with the report that the U.S. is responsible for \$100 billion of the \$500 billion. Later, Naylor explains, the RAND Corporation commissioned a study that concluded the United States' drug trade is worth about \$20 billion per year. Naylor's main point is that the drug trade is not as wildly lucrative as we may assume. It does not make many Escobars, meaning few people could ever amass a private army, a zoo, a lavish estate, and a payroll of high-up government officials.

Certainly, most members of illicit drug economies are not generating high levels of income. And, most likely, the \$500 billion figure is overblown. However, even if the United States' drug industry is only worth \$20 billion, instead of \$100 billion, significant amounts of money still flow through illicit drug economies. The difficulty inherent in measuring the concealed flow of illegal products has prohibited an accurate account of the market value of any type of illicit economy. However, the best estimates of illicit drug flows indicate it is a lucrative and reliable trade to join, even if it is not worth \$500 billion a year.

Literature Review

Illicit Economies in the Criminology, Sociology, and Economics Literature

While illicit economies, and drug trafficking in particular, have been the infrequent subjects of political scientists' theory-building, they have not been completely absent from academic literature. Certainly, the best place to find scholarship on illicit economies is the criminology and criminal justice literature. Donald Liddick (1999) explores organized crime and focuses on bringing together the myriad definitions and conceptualizations of the illegal groups. Although most of his data are gathered from United States organized crime groups (like the

“Mafia”), Liddick’s efforts to clarify the disorganized, complicated, not-so-glamorous world of illicit groups are an invaluable contribution to the illicit economy literature.

Another body of research into illicit economies includes sociological studies of what motivates individuals and groups to engage in illegal activities. For example, an early group from the Chicago School of Sociology argued that crime was the result of social disorganization (caused by rapid social change) that characterized the inner-city areas.¹⁹ Other scholars, like Edwin Sutherland, argue that people learn to be criminals by being isolated from non-criminal behavior.²⁰

Economics is a third field in which illicit economies have received attention. Unfortunately, many economists like Schneider and Enste (2002) avoid studying illicit economies because of the inherent difficulty in measuring concealed transactions. Rather, these economists prefer to stick with the informal economy because data collection is easier and often more accurate. However, there are some adventurous economists who tackle the challenge of quantifying and analyzing illicit economies. Naylor (2004), in *Wages of Crime*, is one of those brave scholars. He, like Liddick, dispels many of the wildly fictitious myths surrounding criminal organizations, arguing that they are less organized, less wealthy, and often confusingly legal. He discusses the illicit economic activities of rebel groups, financial institutions, terrorists and even governments. His evidence that drug trafficking may not be worth the reported \$500 billion (as discussed in a previous section) is an undeniably necessary addition to the illicit economy literature.

Illicit Economies in the Political Science Literature

While political science may not yet have a burgeoning literature on illicit economies, some political science scholars have recognized the importance of analyzing the phenomenon of

illicit trade. In fact, in 1995 the American Political Science Association convened a panel to discuss the illicit global economy. Some significant books and articles came out of that series of conversations, including an edited volume by H. Richard Friman and Peter Andreas (1999). In it, the authors agree that “the illicit global economy has been curiously overlooked by most of the international relations literature;”²¹ thus, they and their contributors explore illicit economies’ ramifications for international relations. The book’s core argument is that the state is not passé, contrary to globalization theorists who believe the state is “in retreat.” In addition to this core assertion, the other contributors make interesting claims, like Louise I. Shelley, who argues that transnational organized crime is a new form of non-state-based authoritarianism.²²

Another political scientist, David C. Jordan, has written on the illicit drug trade. His book *Drug Politics: Dirty Money and Democracies* (1999) analyzes how narcotics trafficking and corruption have deeply penetrated the international environment and he addresses the impact of this development on the theories of democracy and international relations. His focus is on the process of “narcostatization”—how globalization and narcotics trafficking corrupt the state.

Max Manwaring (2007) also offers an international relations perspective on illicit economies. His monograph, *A Contemporary Challenge to State Sovereignty*, argues that criminal gangs and transnational criminal organizations (TCOs) can threaten the stability of the nation-state, and can even lead to failing or failed states. He further argues (as mentioned in previous paragraphs of this essay) that these groups now have political, rather than economic, goals and seek to “neutralize, control, or depose governments.”²³

In sum, the political science literature does contain limited scholarship on illicit economies. Certainly, the arguments are compelling, useful, and worth pursuing in further research; however, most of the theoretical work has come from international relations rather than

comparative politics. While comparative scholars do acknowledge and well understand the phenomenon of the illicit drug trade, they more often speak of illicit economies descriptively and anecdotally or as single case studies. In José Luis Velasco's (2005) *Insurgency, Authoritarianism, and Drug Trafficking in Mexico's "Democratization"* he crafts a "transitions to democracy" theory of illicit drug economies. He argues that the illicit drug trade has undermined the rule of law, corrupted government officials, and generally reduced the scope of democratic transition in Mexico. While Luis Velasco is contributing an interesting theoretical argument, he explores only the case of Mexico.

Similarly, Francisco Thoumi (1996), in "Why the Illegal Psychoactive Drugs Industry Grew in Colombia," focuses his theory-building on a single case. He argues that, although Colombia boasts prime geographic positioning and economic incentives (and even culture) for a flourishing drug trade, these factors are true of other Latin American countries and cannot alone explain the circumstances in Colombia. Rather, Thoumi, like the present author, believes an institutional perspective is the most useful theoretical approach to understanding Colombia's drug trafficking.

Other comparative scholars have contributed thorough explorations of drug trafficking but have not focused on theoretical foundations for their arguments. For example, Edmundo Morales (1990) and Elena Alvarez (1995) published articles that reveal the illicit drug industry was powerful enough in Peru and Bolivia to give loans and absorb laid off workers when the licit economy could not. While contributing fascinating studies of Peru and Bolivia, these authors represent the tendency in comparative politics to thoroughly describe illicit economies, yet offer little in the way of theoretical frameworks. This study, by contrast, will craft a theory of illicit drug economies that can be applied comparatively across cases. Comparative politics already

contains the appropriate framework for such a task; thus, the following sections explore institutionalism and use existing scholarship to hypothesize the interrelations of states and illicit drug economies.

Institutionalism as a Theoretical Framework

Institutions Matter

In much of the existing scholarship on illicit trade, although the literature is rather limited, scholars consistently recognize the importance of the state's role in shaping the behavior of an illicit economy, and vice versa. As Jordan (1999) advises, an understanding of the government's actions and policies is essential to an understanding of the drug trade.²⁴ Calvani, et al (1997) agree, pointing out that drug production is relocated and distribution is rerouted in response to drug control efforts by state institutions. Relatedly, if drug control succeeds in one region of a state, illicit drug traders will set up shop in a less well-regulated region. Or, if a state is able to control drug trafficking relatively well throughout its borders, then the core of an illicit drug economy will likely move to a weaker neighboring state. Friman and Andreas (1999) likewise argue, "How organized and sophisticated the trafficking groups are often depends on...the intensity and form of state controls."²⁵

Thus, institutions matter. In the study of illicit economies scholars must acknowledge the independent and influential role of the state in shaping the behavior of illegal groups in its society. Political science's "institutionalism" is a well-developed and well-supported theory which holds at its core the assumptions that the state is an independent actor in political phenomena and that the behavior of the state can influence and change the behavior of non-state actors, and vice-versa. Thus, institutionalism, a widely accepted theoretical framework, can be used to explain the relationship between states and illicit economies like drug trafficking.

Institutionalism

Institutionalism is not new to this field; in fact, it was the original approach for early political scientists. At that time, the approach focused on the formal-legal aspects of politics, like laws, government structures, and constitutions, and generally discussed only the “West” (the United States, Western Europe, and Russia/Soviet Union). However, early institutionalism fell out of favor when scholars realized this perspective was unable to explain the world after World War II and decolonization. So, political scientists began focusing on other dynamics, like culture, exploitative relationships between developed and developing countries, and even things like human psychology to explain political phenomena in the West and non-West.

Eventually, though, many political scientists renewed their interest in states and institutions, recognizing that the state really is a significant, independent player in political phenomena. As Evans, Rueschemeyer, and Skocpol (1985) contend, states affect society through their interventions—or abstentions—and through their relationships with social groups. And, as Frank Wilson (2002) explains, political institutions are complex, have independent roles in political life, and interact with members of society in important ways.²⁶ March and Olsen (1983) assert,

Social, political, and economic institutions have become larger, considerably more complex and resourceful, and *prima facie* more important... Most of the major actors in modern economic and political systems are formal organizations, and the institutions of law and bureaucracy occupy a dominant role in contemporary life.²⁷

Now, however, political scientists are much more nuanced in their theories—no longer do they focus strictly on the West’s laws, constitutions, and government structures. They recognize the importance of both formal and informal aspects of the state and identify political institutions as: executive, legislative and judicial branches of government, formal organizations like the

military, political parties, and interest groups, government bodies and organizations, legal structures, and informal rules of game.

According to the literature compiled in *Bringing the State Back In*, states are actors that formulate and pursue their own goals. Institutionalists have proffered a number of salient claims, like Alfred Stepan (1978), who argued that Peru's institutional arrangement of "inclusionary corporatism" was the key reason for the government's uneven successes in dealing with social groups and promoting economic development.²⁸ Another institutional argument, crafted by Charles Tilly (1984), claims that the state functions like an organized crime group—it subsists on effective predation and "protection rackets." That is, states collect money from their citizens in exchange for protection and success in war-making.²⁹ As suggested previously, recent scholars of illicit economies have also echoed institutionalist arguments, albeit implicitly. For example, Jordan (1999) says we must understand how the state acts in order to comprehend the illicit drug trade. And, Calvani, et al (1997) remind us that illicit drug organizations change their behavior based on actions taken by the state.

The Weakness of the "Globalization" Explanation

Some scholars argue that in this modern, technologically-savvy, internationally-integrated, globalized world we live in, the state is retreating in the face of international interdependence.³⁰ However, as the limited illicit economy literature reiterates, the state remains the primary determinant of where an illicit economy sets up shop, whether it succeeds, whether it relocates, and whether it changes its operating procedures. As Naylor says about the globalization arguments, "The only problem with this theory is that there is no sign of a post-Communist withering away of the state, just of some states, while others continually increase their share of world wealth and power, just as they have been doing for ages."³¹

Granted, globalization and the accompanying technologies facilitate the cross-border activities of illicit economies. But, if globalization is a universal phenomenon it cannot explain the difference in size, shape and type of illicit economies that exist in different countries. Globalization cannot explain why illicit drug economies have flourished in Mexico and Colombia, while remaining unspectacular in Costa Rica. As Luis Velasco (2005) observes, “Not all political regimes give the illegal drug market the same opportunities to develop and they are not equally vulnerable.”³² Something else must be at work, something that other scholars have already caught onto: the state and its institutions, not the forces of globalization, will make or break an illicit economy.

An Institutional Theory of Illicit Drug Economies

Weak States Breed Illicit Activity

The first step to constructing an institutional theory of illicit drug economies is to clarify the role of the state’s institutions and agencies. The strength or weakness of the state is the initial factor to consider when analyzing the behavior of an illicit drug economy. As Shelley (1999) points out, illicit economies “seek locations where they will not be apprehended for their criminal conduct” and they “are predicated on a weak state.”³³ Likewise, Manwaring (2007) asserts that “gangs inevitably begin to control ungoverned territory within a nation/state or begin to acquire political power in poorly governed space.”³⁴ Thus, as these political scientists (who are not alone in their views) explain, weakly governed areas and generally weak states are the breeding grounds for successful illicit economies. However, “weakness” must be explored and explicated clearly.

Evans, Rueschemeyer, and Skocpol (1984) say a state has two components: its autonomy and its capacities. Friman and Andreas (1999) echo, saying the state can be defined by its

authority and its control. “Authority” and “autonomy” are similar concepts, both signifying the state’s right to claim itself as ruler over a given piece of territory. This is a metaphysical-type characteristic, meaning the state can determine its own goals and policies and can proclaim rules and regulations for its territory.

The metaphysical authority (and autonomy) to make rules, however, differs greatly from the ability to enforce them. “Capacities” and “control,” according to Evans, et al, are the specific organizational structures the presence (or absence) of which seems critical to the ability of state authorities to undertake given tasks. The state may proclaim an activity unlawful, but the control (and capacities) of the state will determine whether it can enforce that proclamation.

In some rare cases, a state will lose both its authority and its control. This has occurred in completely failed states, like Somalia. Most often, a state does not lose its authority; rather, it loses control over specific locations or issues. The loss of control is what distinguishes weak states from strong ones (while the loss of authority indicates a failed, not weak, state). While all states struggle to control a number of places and problems, some state functions are far more critical than others.

According to the literature on weak, failing and failed states, the most essential functions of the state are to provide individual security, ensure an adequate standard of living, uphold the rule of law and address the needs of all its territory.³⁵ Other functions which can affect the citizens’ opinions of the state are its provision of a sense of group identity, electoral participation and competition, civil rights, medical care, education, physical infrastructure, communication networks, and environmental regulations.³⁶ However, when a state falters on the key functions it is much more serious than if it performed poorly on the secondary functions (like environmental protection, for example). Strong states can successfully carry out their critical functions, and

generally their non-critical functions.* Weak states, on the other hand, are unable to carry out some or all of their critical functions.

Illicit Drug Economies Can Become State Substitutes

As other scholars assent, “The weakened state...becomes an attractive environment in which to settle and operate a criminal organization.”³⁷ And, La Porta, et al (1999) are right when they conclude that an institutionally weak state will create an environment conducive to illicit organizations.³⁸ Francisco Thoumi (2002) further specifies that illicit drug economies want to find a place, like the rough geography of Colombian jungles, where the state has very little presence and control.

In the absence of a strong state—one that can provide individual security, ensure an adequate standard of living, uphold the rule of law and address the needs of all its territory—illicit drug economies can begin to fill in the gaps and do these critical things for the local population. Many descriptions have surfaced that reveal how illicit drug economies have stepped in to fulfill the critical functions a weak state is not able to provide its population. Elena Alvarez (1995) found that the Bolivian government’s structural adjustment policies in the 1990s pushed many people from the labor force and, since the state was unable to ensure an adequate standard of living, the drug industry absorbed many of those workers.

In another example, Marco Palacios (2006) reveals that in the 1970s Colombia was so decentralized, so tense, and so ideologically divided that the state could not provide its citizens with basic human security. In the drug traders’ territory they began to provide the necessary security, upholding their own code of conduct, moved to tax collection, and ultimately to answering the routine needs of the local population (more on this later). Alan Dupont (1999)

* “Strong” does not mean authoritarian or dictatorial; rather, it signifies good performance on the specified critical functions.

reports that drug lords in the poor Golden Triangle region (Thailand, Burma/Myanmar, and Laos) have their own security forces and administrative structures, including “armies, diplomats, intelligence services, banks, merchant fleets, and airlines.”³⁹

Not only can illicit drug economies fulfill some of the government’s formal responsibilities, but the groups can also fulfill a population’s need for “civil society.” Civil society includes the non-state, often unregulated and informal, institutions and agencies that a population creates, like professional associations, sports clubs, social movements, charities and other voluntary unions. Illicit drug economies have been known to build public infrastructure and sports parks and organize some civil society groups (often sports leagues) for the regions under their influence.

Ultimately, it is not terribly important to explain that illicit drug economies have their own governing structures. Certainly, any group needs operating procedures to keep the trade going. Instead, the important claim here is that the governing structures of illicit economies can become substitutes for the institutions of the state. Criminal groups can create a “state within a state,” according to Fuentes and Kelly (1999).⁴⁰ Manwaring (2007) called this phenomenon “parastates,” while Naylor (2004) called them “parallel governments.”

When illicit drug economies have successfully created a parastate or parallel government they have earned “legitimacy” in that area. Legitimacy can be a complicated concept, but the *International Encyclopedia of the Social Sciences* defines it as “the foundation of such governmental power as is exercised both with a consciousness on the government’s part that it has a right to govern and with some recognition by the governed of that right.”⁴¹ In Max Weber’s writing on this concept, he says legitimacy in democratic governments is a function of the state’s monopoly on the use of force and the perception that the government derives its

powers from the country's constitution. In essence, legitimacy is the belief that your government has the right to rule and is doing what it should for you. If a segment of a country's population believes a non-state entity has the "right to govern," the state's legitimacy has been substantially deteriorated or even stolen. Hence, parastates and state substitutes can arise.

Illicit Drug Economies in Producing and Strategic Transit Countries

While critical state weakness provides the sufficient conditions to allow non-state groups to steal territory and legitimacy from the central government, the likelihood of a powerful illicit drug economy arising in a weakened country is amplified further when the territory offers advantageous conditions for the growth and transport of illicit drugs. In political science parlance, good location and good environmental conditions for illegal drugs are generally necessary, but not sufficient, conditions to facilitate the growth of a formidable illicit organization.

Drug trafficking economies are a special type of illicit economy, because few other illegal trades depend on such large swathes of territory. For example, human trafficking and the arms trade are two other lucrative activities, but these illicit economies need no particular locale. Humans can be trafficking in vehicles or boats at any point along a country's border and only need a building or two as a possible hiding place before ending up at their final destination. The arms trade is carried out by shipments from and to any possible place. Drug trafficking is more complex.

Illicit drug economies rely on specific regions that provide the proper conditions for growing cannabis, coca and opium. For example, coca plants cannot grow on the European continent or in the United States (save some locations in Puerto Rico, Hawaii, and Guam).⁴² Rather, coca requires the tropical soils found in only a few countries. Also, illicit drug

economies rely on the ability to traffic at crucial cross-border transit points. For example, the border between Colombia and Panama is the only way, by land, to access markets in Central or South America. Thus, illicit drug economies operating in either or both of these circumstances are very likely to take on critical state functions because they must ensure that the state cannot reassert its control over critical growth and transport locales. They must provide security, a way to make a decent living, uphold rules, and address the daily needs of the locals. The physical locations essential to the drug traders must be controlled and must be defended.

In the following case studies of Colombia and Mexico, the emergence of powerful illicit drug economies can be linked to institutional weakness and the propitious conditions for the growth and transport of illicit drugs. As Colombia is currently asserting more control over its famously powerful drug cartels, Mexico is struggling with its most difficult battles against the illicit drug rings to date. These cases are the real-world manifestations of the predictions made by the institutional theory of illicit drug economies. Not only do they inform comparative political science literature, but they give policy-makers the tools to understand how and why drug traders attained such power.

CHAPTER 2

COLOMBIA’S STRUGGLE WITH ILLICIT DRUG ECONOMIES

Introduction

In matters of illicit drug economies, Colombia has been the case most often studied by academics and the situation most feared by policy-makers. While Mexico may now be stealing some of the “glory” in this regard (and will be addressed later), Colombia’s struggle with illicit drug economies is a real-world manifestation of the processes theorized in the previous chapter. The institutional theory predicts that an already-weakened Colombian state became attractive to illicit drug economies and did not have the capabilities to fight off growing and entrenching illegal organizations. As the weak state faltered on its critical functions, this theory argues, the illicit drug economies filled in the gaps and were able to become state substitutes and create states within states in some regions of the country. The theory also predicts that a weak state geographically and ecologically ripe for the growth and traffic of illegal drugs, like Colombia, will offer even greater advantages for illicit drug organizations.

Other scholars have observed the fundamental flaws of the Colombian state and, like this study, have charged them significantly responsible for the rise of large drug cartels. Francisco Thoumi (1996) agrees that an institutional perspective is the most useful theoretical approach to Colombia’s drug trafficking. He asserts, “Colombia’s main advantage as locus for illegal drug production comes from a growing de-legitimation of its governmental system, particularly in the last 45 years, which has caused a weakening of the state and its institutions.”⁴³ Colombia has

even earned its own phenomenon, called “colombianization,” which refers to the disintegration of political, economic, and social structures and a permanent state of violent crimes such as political assassinations, executions, and human rights violations.⁴⁴ Illicit drug economies are not solely responsible for colombianization in Colombia, but may be the fuel to the on-going fights initiated by both guerrilla groups and paramilitaries.

From the 1980s to the early 2000s, scholars and policy-makers warned that Colombia may become a failed state. Kline and Gray (2000) reported, “The question [had] become whether the political system in its current configuration [could] remain viable.”⁴⁵ So, how did Colombia reach this point of possible failure? The following sections outline the processes at work, beginning with the critical weaknesses of the Colombian state, the rise of powerful drug cartels, and the ability of those illicit groups to take over large swathes of territory and serve as state substitutes. First, though, some background explanation of Colombia and its sordid history is in order.

The Geography of Illicit Drugs

Colombia is a geographically and ecologically fascinating place. Located at the very north of South America, with both Pacific and Atlantic coasts, it is famous not just for its violence, but also for its impressive landscapes teeming with fascinating plant and animal species. Unfortunately, the three ranges of Andes Mountains, cloud forests, deserts, rain forests, and snow peaks create an ideal situation for drug cultivators. Not only are environmental conditions in the mountainous and tropical regions ideal for cultivating coca, marijuana, and opium poppies, but Colombia is strategically located at the small border between Panama (Central America) and access to all of South America.

Before the mid-twentieth century Colombia was not a heavy grower of coca and opium (like Peru and Bolivia had been for some time), but, because of its ideal geographic position as the “gateway to Central America,” it had traditionally been a route for smuggling all sorts of illicit products.⁴⁶ But, Colombians also had the environmental conditions necessary to grow coca and opium poppies. Eventually, large tracts of land in the Andes mountain regions, especially Putumayo and Caquetá, and areas in the lowlands of the Orinoco and Amazon rivers, became major locales of coca cultivation. In addition, high altitudes of the Andes became prime territory for poppy growth.

This diverse and often rough geography isolated communities and regions from one another and allowed many Colombians to remain out of sight of the state and its institutions. The strategic location of Colombia as the only way to travel north or south, as well as its advantageous ecological conditions for growing illegal crops, have played a distinct role in the evolution of drug trafficking in the country.

Brief History of Illicit Drug Trafficking in Colombia

Before Colombia became the most notorious cocaine trafficking country, several unorganized groups were engaged in small-time trafficking and smuggling of various illicit products across its borders. Illicit drug organizations grew cannabis and smuggled marijuana into consuming countries in North, Central, and South America. As the U.S. drug market grew larger in the mid-twentieth century, marijuana traffickers earned increasingly more money. When cocaine became a popular drug, Colombian drug traffickers began to arrange shipments of coca and the other necessary products from Peru and Bolivia, then the highest producers of coca and cocaine. Later, however, with the massive influx of money and better organization on the part of drug cartels, Colombia shifted to growing its own illegal crops and only importing a few

base chemicals for the processing of cocaine. Then, cartels branched out to the cultivation of opium poppies and refining of heroin.

Before powerful drug cartels arose in the country, Colombia had struggled with a long history of violence. Since the 1800s, vicious retaliation against the opposing political party became the norm in Colombia's "democracy." Eventually, in the 1940s-60s, the violence between Liberals and Conservatives reached such a pervasive level that the period was termed *La Violencia* ("The Violence"), with hundreds of thousands killed. Thus, when drug cartels grew strong enough to battle the state for control over some regions, it was nothing new to the history of Colombia, just a new actor on the political scene.

In the 1970s and 80s, when cocaine profits began rolling in, illicit drug economies were able to amass superior weapons and the ability to challenge the state. Under the Betancur presidency (1982-86) Colombia decided, given the rising power of drug rings, to allow the extradition of cartel leaders to the United States. These leaders became known as *extraditables* (individuals subject to extradition). This policy prompted Escobar's Medellín cartel to go to war with the Colombian government, bribing and assassinating police, judges, magistrates, journalists, presidential candidates, and other political figures. Hundreds were killed, like presidential candidate Luis Carlos Galán, and in 1991 the government reversed its policy and decided against extradition (although this changed later).

Since the U.S. had traditionally given aid to Colombia, it stepped up its assistance in the face of such a dangerous situation in the country, especially considering the addition of violent guerrillas and paramilitaries. Also, in 1986 the U.S. adopted the "certification" process, which required the president to certify by March 1 every year that major drug-producing and trafficking nations ("the majors") were cooperating fully with U.S. anti-drug policies. If "decertified,"

countries would be cut off from economic assistance (but could still receive counter-drug and humanitarian aid), would be denied loans from multilateral banks, and would be subject to trade sanctions.⁴⁷ However, this threat did little to quell the lucrative drug trafficking industry in Colombia, as well as the major violence, including bombings, kidnappings, and shootings. In the 1990s Colombia earned the unfortunate accolades of having the highest murder rate and highest rate of kidnappings in the world.

Many Colombia-watchers feared the worst—that Colombia was slipping into state failure. Even the presidency was fallible, given the evidence that the Samper campaign and administration (1994-98) was financed by drug traffickers. Between 1996 and 1997 U.S. President Clinton decided to decertify Colombia, publicly reprimanding the Colombian government for not doing enough to combat the drug cartels. In the late 1990s the U.S. and Colombia worked out Plan Colombia: a massive aid package to strengthen the Colombian government's capabilities to defeat drug traffickers, guerrillas, and paramilitary bands.[†] Plan Colombia, after much negotiation, came to entail \$1.8 billion to Colombia. Although the idea was proposed by former Colombian president Pastrana, and involved economic, political and social development projects, the money finally budgeted for Colombia is largely intended to beef up its security apparatus (over 80% of the aid is military funding). The billions of additional dollars to Colombia propelled it to one of the top five recipients of U.S. aid worldwide.

One of the core strategies of Plan Colombia is illegal crop eradication. This involves aerial fumigation, or spraying chemicals from planes to destroy coca and poppy plants. Although this method has been in use for many years, it remains controversial and has many of the same results as traditional law enforcement efforts. If aerial eradication is damaging the coca

[†] Plan Colombia was formally named the “Andean Counterdrug Initiative (ACI)” in 2002.

output in one area, often the drug cartel will arrange cultivation in another less frequently patrolled locale. And, if coca is grown next to legitimate crops, farmers will lose their legitimate crops as well. Further, the chemicals have adverse health effects on humans and, for that reason, are strongly opposed by some groups.

Other strategies, like providing incentives for farmers to cultivate coca alternatives (gourmet coffees, for example) have met with limited success and cannot guarantee the same level of income as the coca crop can generate. However, Plan Colombia continues as the United States and beleaguered Colombian authorities work to strengthen institutions, break up drug cartels, kill illegal crops, and create a more secure country. This process is made more difficult by the roving bands of paramilitaries and the fervent leftist guerrillas.

A Word on Guerrillas and Paramilitaries

Although guerrillas and paramilitaries have been mentioned in this chapter, a word on their role in Colombia's struggle with illicit drug economies is necessary. As Rabasa and Chalk (2001) assert, Colombia became a "synergy of drugs and insurgency" and an analysis of illegal drug cartels cannot occur without some background explanation of leftist guerrillas and right-wing paramilitaries.⁴⁸ In many ways, drug cartels and rebel groups have followed similar paths and capitalized on the weaknesses of the Colombian state to establish their own strongholds.

As mentioned in the previous section, Colombia has long struggled with a history of violent factionalism between rival political groups, regions and communities. Guerrilla groups (meaning anti-state rebel organizations) had existed in Colombia since the early 1900s. However, during *La Violencia* (the era of vicious political violence) guerrilla factions multiplied, attracting thousands of radicalized Colombians. By the end of *La Violencia*, guerrillas became a permanent fixture in society. Their goals were tied to radical or Communist ideology.

Formally coalesced in 1966 after decades of sporadic organization, the *Fuerzas Armadas Revolucionarias de Colombia* (FARC) became the most powerful group to emerge from the legacy of guerrilla warfare.⁴⁹ Another group, the *Ejército de Liberación Nacional* (ELN or *Elenos*), claims its founding year to be 1965, but has not maintained the same level of power as the FARC. The FARC and ELN, along with smaller groups that held temporary sway, terrorized the countryside from the 1960s on. The April 19th Movement (*Movimiento del 19 de Abril*, M-19 or *La Eme*), a guerrilla faction concentrated in urban areas, arose in 1970 and perpetuated fighting among soldiers and violence toward politicians and civilians. The guerrillas acquired an internationally recognized reputation from constant reports of kidnapping and murder. Beginning in the 1960s guerrillas amassed greater and greater control of regions within Colombia.

The military was trying to get a hold on guerrillas but made little progress. Guerrilla warfare victimized the civilian population, which began to organize and retaliate. The military permitted these paramilitary organizations to endure and the two began calling each other *primos*, meaning “cousins.”⁵⁰ A civilian-organized group called Death to Kidnappers (*Muerte a Secuestradores* or MAS) is the most widely recognized example of the many paramilitary organizations which answered guerrilla attacks with more violence. Eventually, paramilitaries became equally as brutal, if not more so, than guerrillas. Now, they have adopted the name United Self-Defense Forces of Colombia (*Autodefensas Unidas de Colombia* or AUC) and have refused to disband despite being instructed to do so.

Mixed into the conflict between guerrillas, the military, and paramilitaries is a terrifically lucrative drug trade. Drug cartels were carving out their own regions of influence in the 1960s and 70s which, at times, coincided with the guerrilla or paramilitary strongholds. Eventually, the

FARC was ceded a *zona de despeje* (demilitarized zone) in response to their robust challenge to the Colombian state. This 42,139 sq. km region in South-Central Colombia happens to coincide with some of the major drug cultivating regions of the country: Meta and (especially) Caquetá.⁵¹ The AUC came to control an area around the Córdoba and Urabá region of Antioquia—close to the drug trafficking stronghold of Medellín.

In the 1980s guerrillas, especially the FARC, and paramilitaries began to link up with drug traffickers as a source of funding for their operations. Traditionally, much of the FARC's money had come from kidnapping and demanding ransoms or “taxing” (extorting) people, which they continue to do.⁵² But, as drug profits grew exponentially rebel groups used the product as a source of much-needed income. This by no means indicates that the FARC and the drug trade are one and the same. Instead, it indicates the two distinct actors make alliances when convenient. It has been reported that the FARC, for a fee, uses its particular skill set to protect drug growing regions, cocaine labs, and airstrips.⁵³

Recall from the first chapter that guerrilla groups cannot be classified as illicit drug economies and are not the direct subjects of the present analysis and theoretical development. As Rabasa and Chalk (2001) explain, “For the FARC leadership, funding from the illegal drug trade is a means to an end, not an end in itself. The end is political power.”⁵⁴ Illicit drug economies, although they get involved in political and social spheres, ultimately seek the continuation of the illegal drug trade (not an ideological revolution). Drug traders take on state functions out of necessity and to ensure their economic activities will continue.

Certainly, guerrillas and paramilitaries have established parastates and have become state substitutes in some regions of Colombia. Like illicit drug economies, the guerrillas “are particularly active in areas where the state has lost the capacity to provide security to the

population.”⁵⁵ However, the problem of a rebel group(s) intent on overthrowing a given state is a well-theorized and long-analyzed field of study. When illicit drug economies arise with similar or greater state-threatening capacities, the circumstances have changed and the political science literature has much less to say about it. Thus, for the remainder of the case study, it is important to remember the influence of guerrilla and paramilitary forces on the illicit drug trade and the Colombian state, but these rebel groups will not be directly addressed.

The Illegal Drug Industry in Colombia

In the first half of the twentieth century Colombia’s illicit drug economies consisted of small drug trafficking operations trading primarily in marijuana. Then, in the 1960s and 70s the illegal drug traders earned increasing profits and began to diversify to cocaine and heroin trafficking. The first years of the cocaine trade in Colombia were carried out by importing base products from Peru and Bolivia. Now, however, Colombia itself is the primary producer of nearly all the components required to refine cocaine and heroin.

In the 1970s and early 1980s Colombian cartels frequently shipped illegal drugs into the United States via the Caribbean ocean and Florida. The cartels are notorious for employing pilots and clandestine airstrips and large ships and “go fast” boats to transport their products. In the 1980s successful interdiction efforts by U.S. authorities shifted Colombian trafficking from the Caribbean and Florida to the U.S.-Mexico border. As discussed in the next chapter, this new, necessary alliance with Mexican illicit drug economies propelled the Mexican groups to the powerful positions they hold today.

Coca is now grown primarily in the Andes mountain region, Pacific coast, and areas in the lowlands of the Orinoco and Amazon rivers. Meta-Guaviare, Caquetá, and Putumayo are recognized as the areas of greatest coca cultivation. According to a Governor of Putumayo, in

late 1990s about 135,000 of the department's 314,000 inhabitants depended directly on coca for their livelihoods.⁵⁶ The high elevation mountainous regions are used to grow opium poppies. Colombia has become the world's principal producer and distributor of refined cocaine and the Western Hemisphere's largest producer and distributor of refined heroin. Colombia is responsible for ninety percent of the cocaine and around forty percent of the heroin seized in the United States.

The 2008 World Drug Reports says Colombia's share of global coca cultivation is fifty-five percent. While coca growth was highest in the 1999-2000 period, it declined, but began to increase again in 2007. Still, current cultivation levels remain forty percent less than 2000 levels. In the early 1980s it was estimated that illegal drugs accounted for seven to ten percent of Colombia's GDP, but by the late 1990s it was estimated at three to four percent—very high, but a decrease from the previous decade.⁵⁷ Rabasa and Chalk (2001) claim that the illicit drug economies in Colombia may earn hundreds of millions if not billions of dollars each year.

Although the country is beautiful and fascinating, Colombia's history has been a difficult one, fraught with violence. By the 1980s and 90s, the intense nexus of guerrillas, paramilitaries, and illicit drug economies became almost too much for Colombians to abide. In the next section, it will become clear how and why non-state actors, like illicit drug economies, were able to steal so much control away from the Colombian government and replace it with their own authority.

Colombia's Enduring Institutional Weakness

The institutional theory of illicit drug economies predicts that a weak state will be a likely setting for the growth and entrenchment of an illicit drug economy. Unfortunately for Colombia, "the central government's loss of authority, economic deterioration, and social disintegration" are just the kinds of circumstances in which illicit economies can find success.⁵⁸ Colombia has

struggled to fulfill its critical functions (recall: providing individual security, ensuring an adequate standard of living, upholding the rule of law, and addressing the needs of all the territory), which has opened up the option for non-state actors (like drug cartels) to serve as proxies for the state.

A History of Violence and the Failure to Ensure Human Security

Certainly, the worst problem Colombia has faced is its history of pervasive violence. Even before the explosion of *La Violencia*, the state had never been able to truly secure its borders, protect far-flung villages, or discourage Colombians from resorting to violence to resolve most conflicts. Since little to no basic security was available from the central government (particularly since partisan politics were so strong), each community had to find a way to protect itself.

During *La Violencia* of the 1940s-60s, approximately 300,000 Colombians died. Liberal versus Conservative violence began the conflict, which ended with violence for violence's sake. Factional battles so engulfed the population that death squads emerged with assassins known as *pájaros*, raping, pillaging, and murdering as they went. Marco Palacios (2006) speaks of the "business of violence," the routine application of extreme and terrible violence that characterized Colombian conflicts during and after the *Violencia* period. Kline and Gray (2000) say "an entire generation of Colombian *campesinos* grew up thinking that violence was the normal way of life."⁵⁹

Eventually, the ferocious fighting did subside, but violence became a routine occurrence and Colombians felt a "complete lack of confidence in the state and its security and judicial institutions."⁶⁰ Until the mid-2000s there was no police presence in one fourth of the country's *municipios* or *corregimientos* and the small police posts that did exist became easy targets for

whoever was battling the state in the region. From 1974 to 1995 the homicide rate rose from fifteen to ninety-two per 100,000 people. Further, from 1980 to 1995 homicide rates for males ages fourteen to forty-four rose from twenty-nine to 394 per 100,000—a 1,350 percent increase.⁶¹ Communities had to keep their own security forces or look to another group to provide protection from the continuous threat of violence.

Poverty, Peasants, and the Failure to Ensure an Adequate Standard of Living

Compared to most Latin American countries, Colombia historically has had one of the most stable economies in the region. However, even though its economy may not have suffered as many crashes, shocks, currency devaluations, and astronomically high inflation rates as other nations, its policies have still failed to provide an adequate standard of living to many Colombians. Kline and Gray (2000) point out, “Disparities of income, living standards, and access to health care and education are egregious. It cannot be overemphasized that Colombia continues to rank among the countries with the worst inequality levels in the world.”⁶² In 2003 Colombia’s average GDP per capita was approximately \$1,818. The poorest ten percent of the population control only 0.8 percent of the country’s income, while the richest ten percent control 46.5 percent. 14.4 percent of the population live in extreme poverty (less than \$1 per day), while 26.5 live in poverty (less than \$2 per day). In total, 40.9 percent of the population is impoverished.

Policy-making at the state level has done little to improve the living standards of many Colombians. Ramírez-Lemus, et al (2005) say the government did not make an effort to enact land reforms or a “strategy for rural development that would ensure sustainable livelihoods for Colombia’s small farmers and limit the attraction of growing coca.”⁶³ In the past, the government relied heavily on agricultural products, like coffee, which are notoriously subject to

the whims of the global markets. Rapid population growth, rapid urbanization, and an economic crisis in the 1990s only further strained the inadequate economic policy decisions made by the Colombian government. Many peasants have had little alternative but to turn to illegal money-making sources, like the hardy coca crop, to achieve a tolerable standard of living.

The Judicial Branch, Corruption, and the Failure to Uphold the Rule of Law

A third critical function, upholding the rule of law, is another area in which the Colombian state continues to struggle. This failure is not only linked to the history of violence discussed in previous sections, but is also linked to the deep pockets of wealthy drug cartels. Rabasa and Chalk (2001) report that law enforcement and judicial institutions have been “singularly ineffective” at dealing with the violence and corruption that plague Colombia’s government. Drug cartels earned so much money that they were able to easily threaten and buy their way into government, forcing officials to do their bidding. Even the presidential campaign and administration of Ernesto Samper in the mid-1990s was reportedly financed by drug traffickers.

Army and police officials can be bought, certainly when the alternative is the murder of them or their families. Persons in the judicial branch, even judges themselves, are vulnerable. In fact, so many judges had been killed in drug, guerrilla, and paramilitary-related violence that Colombian courts started to hide the faces of judges in hopes that they would not be corrupted or murdered. Unfortunately, corruption and intimidation had already become so infectious that less than thirty percent of murder cases were even being investigated in 1995 (down from eighty percent in 1985).⁶⁴ Certainly, drug traffickers were increasingly able to dictate the actions of the Colombian government and erode its ability to uphold the rule of law. Jordan (1999) observed, “The Colombian courts historically have not been severe either in meting out prison sentences or

in demanding asset forfeitures of convicted drug lords. Even when drug lords are sent to jail, they receive very light sentences and their business empires remain intact.”⁶⁵ Drug traffickers have even built their own prisons, like Escobar, to ensure they can continue to run the cartels from inside. If the state cannot uphold the rule of law, Colombians must look to another source to dictate the rules of the game.

Regionalism, Power Sharing, and the Failure to Answer the Needs of all the Territory

A final critical weakness of the Colombian state is its failure to answer the needs of all its territory. An excellent assessment of the problem is this:

Colombia has historically been a weak state, exercising only incomplete jurisdiction over its territory and only imperfectly able to enforce its authority over powerful corporate or local interests...[a] lack of national integration and a large degree of regional autonomy have characterized the Colombian political environment. None of Colombia's regions have been strong enough to dominate the others; as a result, a dominant center has not emerged...The forces at play in the Colombian conflict reflect this fragmentation.⁶⁶

Colombia's institutions have a small, often non-existent presence in many areas of the country. As a result, many places have learned to be self-sufficient and get along without the aid of the government. These places are especially enticing to illicit drug economies because they can easily gain control over the communities and administer them with impunity. Widespread regionalism has isolated areas from one another, hindered the ability of the state to enter and fulfill its necessary duties, and allowed alternative groups to form fiefdoms and parastates.

Another popular claim, that Colombia is one of the oldest democracies in Latin America, reveals important insight into the failure of the state to answer its population's needs. While some people continue to claim that Colombia's democracy has been a sign of strength in an often volatile region, the idea that stable democracy existed in the country is a misguided one. Even

before *La Violencia*, partisan violence was common and communities identified themselves as “Liberal” or “Conservative” as if it was an ethnic trait rather than a political opinion. According to Thoumi (1996), party identification became something people were born into.

After the widespread chaos of *La Violencia* began to decline, in 1957 Colombia created the *Frente Nacional*, or National Front, which was established as a power-sharing agreement between Liberals and Conservatives to alternate holding the Presidency every four years.⁶⁷ This system allowed only the two political parties to participate and completely excluded alternative viewpoints or new parties. In the 1970s Colombia began to allow some new voices in the political system, but political participation was still heavily restricted to the two main parties. In Kline and Gray’s (2000) view, this “reduced the capacity of the state to administer the national territory effectively.”⁶⁸

With an historically small physical presence of the state throughout Colombia, combined with a power-sharing agreement that did not incorporate alternative views, Kline and Gray (2000) make the accurate observation that a “large groups of *campesinos* and urban poor are not yet beneficiaries of most national policymaking.”⁶⁹ And, with a spotty state presence many Colombians must look to other groups to administer day-to-day needs of the population.

The legacy of violence, the failure to enact economic policies able to eradicate poverty, the corruption and murder of government officials, the isolation of many communities, the lack of state presence in many regions, and the refusal to incorporate alternative political viewpoints rendered Colombia weak. Because of these critical flaws the government has often been ill-equipped to combat the entrenchment and growth of illicit drug economies in some regions of the country. The following section describes the evolution of drug trafficking organizations in Colombia and discusses in some detail the most powerful cartels.

The Entrenchment and Growth of Illicit Drug Economies

The four critical weaknesses of the Colombian state provided opportunities for illicit drug economies to set up shop and grow stronger, particularly given the regionalism, isolation, and self-preservation that characterize much of Colombia. The rise of powerful drug cartels can be observed in two phases, the first is prior to the cocaine boom of the 1970s and the second is after the transition to cocaine cultivation and trafficking (the 1970s and following). The entrenchment and growth of lucrative drug cartels can be linked to state weakness in Colombia, its fortuitous climate, and its strategic location for the illegal drug cultivation and trade. The cartels themselves are fascinating creatures and are described in the following sections.

Illicit Drug Economies Prior to the 1970s

Historically, small-time smuggling rings operated inside Colombia trafficking various illicit products across the border into Central or South America. Nicaso and Lamothe (2005) say that some Colombians had operated illegal import/export rackets for more than a century before the demand for cocaine hit the radar. The first illicit drug to turn a profit was marijuana. Growing cannabis and producing marijuana was a traditional trade which, until the 1960s, was not a major economic activity. In the 1960s, however, drug profits from marijuana sales in U.S. markets, the highest consuming country, grew steadily and drug smuggling rings were able to better organize and equip their groups with the tools to continue the marijuana trade. Most of the marijuana growth was concentrated in Sierra Nevada de Santa Marta on Colombia's Caribbean coast.

In the early 1970s profits from marijuana increased and the cartels were able to expand. More money allowed them to carve out their areas of influence and entrench themselves in those communities, enticing poor peasants to cultivate illegal crops. At this point, Peru and Bolivia

remained the major producers of coca and cocaine, with few areas of Colombia cultivating the plant. However, Colombia had the same environmental conditions necessary to grow a plant that would transform a moderately profitable marijuana trade into a highly lucrative and violent illicit drug economy.

Illicit Drug Economies During and After the 1970s

The 1970s were a time of transition for Colombian drug rings. In this decade, groups began trafficking small quantities of cocaine, after observing the profit potential for the drug. The quick and high earnings allowed them to expand their organizations further and develop more secure links to Bolivia and Peru as suppliers of coca paste and other components of cocaine. And, since many Colombians had moved to the United States, it was easy to establish networks for distributing drugs.⁷⁰ In the late 1970s the marijuana trade declined as cocaine took its place.

Profits from cocaine poured in. Colombians recognized that they had the proper ecological conditions for growing coca and began to break their bonds to Peruvian and Bolivian drug rings. Coca cultivation flourished and during the 1980s Colombian cartels began to gain on their neighbors' total acreage of coca plants. Thoumi (2002) says that by the 1990s the number of coca plantings "exploded" in Colombia. Then, by the end of the 1990s Colombia became the highest producer of coca in the world. Cartels also branched out into the heroin trade and in 1986 opium poppies were first detected in the country. Since 1995 the area under coca cultivation in Colombia has expanded by over 140 percent. Now, Colombia produces and refines most of its cocaine at home, rather than receiving shipments from Peru or Bolivia.⁷¹

In the 1970s and early 1980s Colombian groups frequently moved their products through the Caribbean and Florida, but better interdiction by U.S. authorities caused the Colombians to

ally with Mexican groups and, since the 1980s, traffic much of their product across the U.S.-Mexico border. This alliance, discussed in detail in the next chapter, is partly responsible for the recent warning in 2009 that Mexico may be in danger of state failure. By the time Colombians hooked up with Mexicans the Colombian drug trade was already generating massive profits and giving the cartels an edge in weaponry, bribe money, and control over regions of territory.

The 1980s-90s were the hey-day of the most famous drug traders, like Pablo Escobar, the Ochoa brothers, and Pacho Herrera. By the mid to late-1990s many of the famous figures were either killed or imprisoned, which changed the structure of Colombian illicit drug economies. “The large drug cartels that dominated the cocaine trade in the early 1990s have been replaced by groupings that are flatter, less hierarchical, and more diversified, and hence harder to penetrate.”⁷² Nevertheless, Colombian groups remain responsible for over half the world’s production of coca and cocaine. According to Kline and Gray (2000) drug trafficking in Colombia has allegedly created six billionaires and at least 160 millionaires.

The Cartels

For the major cartels, like Medellín and Cali, the 1990s were their apex. In recent years, these and other drug trafficking organizations have adapted and learned to operate in a more decentralized and less hierarchical manner. However, since cocaine production and trafficking from Colombia has not dramatically slowed, illicit drug economies still earn substantial profits and can continue to retain control of their strongholds. The evolution of Colombian cartels is a fascinating study, at times verging on the unbelievable.

The Medellín cartel was the first major illicit drug organization to arise in Colombia. Its stronghold is in the area of Medellín, Antioquia, where it was able to entrench and grow in wealth and power in the 1970s and 1980s. The early leaders of the cartel were Pablo Escobar,

Carlos Lehder, José Gonzalo Rodríguez Gacha, and Jorge Luis Vásquez Ochoa. The Medellín cartel was able to expand into producing and refining its own cocaine, rather than importing most base products from Peru or Bolivia.

One of the most interesting anecdotes is the description of Escobar's lavish ranch, funded by the profits from cocaine trafficking. He reportedly controlled an 8,000-acre luxury estate with an aircraft runway, a private army of 1,000 "soldiers," an air network, export outlets, mechanics, chemists, and hit men. He built a zoo filled with exotic animals, whose dung was used to conceal the smell of cocaine during transport. Allegedly, he even hired Israeli mercenaries to train the cartel's private army. At the time, some say he may have been one of the wealthiest men in the world.

Kelly, et al (2005) say the Medellín cartel operated a "government within a government" that struggled against the competition of other cartels and the interference of guerrilla and paramilitary forces. In 1989 the organization controlled an estimated seventy-five percent of the world's supply of cocaine. Carlos Lehder even purchased Norman's Cay, a Bahaman island, which greatly aided the trafficking of illegal drugs into other markets, particularly the United States.

Meanwhile, the violence in Colombia was reaching astronomical levels, with the near-constant murders and kidnappings of government officials, journalists, judges, and anyone caught in the middle. A "war of the cartels" between Medellín and the rising Cali cartel was underway and, allegedly, Cali cartel members gave information that led to the capture of some top Medellín leaders.⁷³ Ochoa (a.k.a. "The Fat Man") was on the run during the late 1980s and early 1990s. In 1991 he "surrendered" to police, pled guilty to a few small crimes, was released in July 1996, and is believed to be one of the world's wealthiest men and is probably worth more

than \$10 billion.⁷⁴ Pablo Escobar was also a wanted man and was finally captured in the early 1990s. Escobar was allowed to build his own comfortable prison and could run his organization from inside. Eventually he wanted out, so he escaped from his own jail and became a wanted fugitive. He was killed in a gunfight with Colombian law enforcement in 1993.

The loss of Escobar and other top leaders of the Medellín cartel took away some of the organization's hegemony in Colombia. In 1993, at the time of Escobar's death, the Medellín cartel only controlled about forty percent of the world's cocaine supply. By the mid-1990s the Cali cartel was able to rival the Medellín cartel in levels of cocaine production. Kelly, et al (2005) reported that the Medellín cartel was taking in \$10 billion per year in the 1980s, but likely lost some of those profits to rival cartels in the 1990s. Still, it is believed to control nearly thirty percent of Colombia's best farmland. Until the late 1990s it and the Cali cartel were the main players in the drug trade.

Although the Cali cartel was organized in the 1970s, it came to prominence in the late 1980s and early 1990s. Its core operational stronghold is the area around Cali, Valle del Cauca, near the Pacific coast of Colombia. The key leaders include Helmer Herrera Buitrago (a.k.a. Pacho Herrera), Gilberto and Miguel Rodríguez Orejuela, and Jose Santacruz Londono. Although the Medellín cartel earned a wild, and often fictitious, worldwide reputation, Nicaso and Lamothe (2005) explain that the Cali cartel was also very well-organized but operated small, independent cells that were less flashy than Medellín groups. Jordan (1999) says the Cali cartel established links with Japan, Russia, Eastern and Western Europe, North, South, and Central America, and the Caribbean.

By the 1990s, the Cali cartel was rivaling the Medellín cartel in amount of drugs processed and trafficked. It is estimated that by 1993 the Cali drug traders were moving eighty-

five percent of the cocaine shipped out of South America.⁷⁵ Reportedly, the group was earning approximately \$7 billion per year by the mid-1990s. However, even though it was well-organized, it tried to stay out of the spotlight and began to take over some of the Medellín cartel's profits. But, the Cali cartel also lost some important leaders and struggled a bit in the mid to late-1990s. Pacho Herrera and three other Cali leaders were indicted under the U.S. RICO laws in June 1995. Then, Herrera was killed by an unknown person in September 1995. Cali leaders Gilberto and Miguel Rodríguez Orejuela were captured and jailed and Jose Santacruz Londono was killed.⁷⁶ Still, the Cali cartel has retained its strongholds and continues to rake in drug money.

Some other small groups have arisen recently, particularly given the structural changes to illicit drug economies in Colombia. The Alejandro Bernal group, reportedly active since the late 1990s, seems to have followed the trend of decentralization and a flatter hierarchy. The DEA believes that many other groups like this exist, but they are now more difficult to penetrate. The Alejandro Bernal cartel has been accused of allying with the Juárez cartel in Mexico and coordinating the shipment of twenty to thirty metric tons of cocaine to the U.S. every month.⁷⁷ The Valle del Cauca cartel, which allegedly works with the Cali cartel on occasion, is recognized for one of its leaders, Henry Loaiza (a.k.a. "The Scorpion"). Jordan (1999) says, "He became a celebrity in his town, buying the poor with free bus tickets and sponsoring beauty pageants; showering the children with candy; and even supporting the church with donations for building repairs."⁷⁸ The Norte del Valle cartel, a group capitalizing from the decline of the Medellín and Cali cartels, operates near the Pacific coast. It uses its coastal location to traffic illicit drugs up the west coast of the United States or coordinates with Mexicans to ship along the U.S.-Mexico border.⁷⁹

Illicit drug economies have been able to entrench and grow in their territorial strongholds because of the fundamental weaknesses of the Colombian state, combined with the propitious location and climate of the country. Powerful cartels grew in and around Medellín and Cali and they were not shy about using violence to battle the state, rival cartels, paramilitaries, or guerrillas if necessary. Now, the structure of cartels is generally less hierarchical and centralized, but groups still control definitive territories and, as explained in the following sections, are able to rule their own “governments within a government.”

Illicit Drug Economies’ State Functions

As the institutional theory predicts, illicit drug economies in Colombia began to take over the key functions that the state had been unable to fulfill for most Colombians. Rabasa and Chalk (2001) explain that the drug cartels’ parallel economic, political, and military structures took power in the face of the “decay of government authority and social cohesion.”⁸⁰ By the 1980s and 90s some illicit drug economies were able to substitute for the state’s presence and ensure human security, provide an adequate standard of living, uphold a rule of law, and answer the needs of the territories under their control.

Illicit Drug Economies Can Ensure Human Security

By far, the worst problem that has plagued Colombia for centuries is its inability to provide security to the population. Violence has been a constant occurrence in Colombia, exploding into chaos during *La Violencia*, declining to a moderate, continuous rate thereafter, and rising again in the 1980s and 90s. Communities have traditionally formed their own fighting forces or been subsumed under the protection of a prominent group in the area. As mentioned in a previous section, until the mid-2000s, one fourth of the country had no state law enforcement

presence, and many other communities had only a small, vulnerable, and corruptible law enforcement presence.

As Rabasa and Chalk (2001) observe, “a climate of insecurity at all levels of Colombian society ... fostered the accelerated growth of privatized armed security groups.”⁸¹ Illicit drug economies by necessity coordinate their own security forces, like Escobar’s 1,000-member army, which are used to protect and defend the territorial strongholds of the cartels. At times, the cartels hire guerrillas to perform security functions of, for example, airstrips, coca and poppy fields, and important buildings. The cartels are able, whether doing it themselves or subcontracting, to provide security to their members and ensure that crop cultivation continues and drug shipments are trafficked.

Illicit Drug Economies Can Ensure an Adequate Standard of Living

While scholars have spoken positively of Colombia’s economy, saying it has been one of the most stable in the region, many overlook the fact that “the long-standing failure of government policies to improve the welfare of many Colombians living in squalor and marginality is an indictment of the policy process overall.”⁸² Approximately forty percent of the population lives in poverty and the Colombian government has not been able to correct the highly skewed income inequality that leaves many millions with an intolerable standard of living. Not surprisingly, “the highest concentrations of coca are in provinces with especially high indicators of poverty.”⁸³ With profits alleged to be in the hundreds of millions, if not billions, illicit drug economies rival the state in providing consistent income-generating activities to many Colombians. In the late 1970s, the drug trade reportedly brought in more foreign currency than all the legal export earnings combined.⁸⁴ And the drug trade only increased in the years following.

Rabasa and Chalk (2001) say that the cocaine trade has created a demographic revolution in the country because of the economic opportunities created by production, processing, and marketing of coca products. Many migrants have moved to the coca-growing areas intent on earning a moderate income for their families. Certainly, in response to the failure of the state to substantially correct high unemployment, vast income inequality, and general poverty, one can understand the need to seek an adequate standard of living by growing or trafficking illegal drugs.

Illicit Drug Economies Can Uphold a Rule of Law

The history of violence and corruptibility of officials has created a critical weakness in the Colombian state. The army and police can be threatened or paid to do the will of the drug cartels. The judicial branch is heavily strained by the intimidation and murder of judges, lawyers, and other officials. As Kline and Gray (2000) observe, laws passed by the Colombian government can at best be enforced in the major cities, but not in the hinterlands. Drug traffickers make their own rule of law, like Escobar, who was allowed to build his own prison, or Ochoa, who was allowed to plead guilty to small crimes and keep his fortune of drug money.

With no assurance that the government can uphold its own legal system, communities are subject to take-over by non-state actors who can impose their own authority and their own “rule of law.” As Jordan (1999) maintains, “This climate of unfettered brutality deeply undermines community trust and contributes to the further erosion of community confidence in the government. The population ceases to believe that it will be able to hold its government officials accountable as they too become part of the organized disturbance.”⁸⁵ Illicit drug economies have been able to construct their own rules of the game and enforce their own rule of law in private parastates within Colombia.

Illicit Drug Economies Can Answer the Needs of a Piece of Territory

Colombia's institutions and agencies have only a small presence in many areas of the country and in some areas are not present at all. Many communities have been forced to make it without the state's aid. In addition, the system that has dominated Colombia's political history has excluded alternative voices and groups from participating in policy-making. These physical and structural failures have seriously hindered Colombia's ability to answer the needs of all its population. Other groups have been able to step in and fulfill the needs of segments of the Colombian territory.

By the 1990s drug cartels were estimated to control over forty percent of the land in Colombia. Like feudal lords they administered the concerns of the local populations and even collected taxes. In Medellín, for example, the drug cartel poured money into local construction, which quadrupled in the 1980s.⁸⁶ On Escobar's ranch members of the cartel could visit a zoo or swim in swimming pools. Other civil society deeds, like those of Henry Loiaza, provided some services to the local communities than the state could not provide. Jordan (1999) explains that Loiaza ("The Scorpion") bought bus tickets for the poor, sponsored beauty pageants, showered children with candy, and donated to the church for building repairs. According to Kline and Gray (2000), other drug cartel leaders have built stadiums and owned and operated sports teams.

Since the state has been absent or marginalized in many regions of the country, Colombians have been vulnerable to the imposition of new authorities and new rulers, like illicit drug economies. With the money from drug trafficking the cartels were able to substitute for the state and answer the day-to-day concerns of local communities, providing the inhabitants with infrastructure, civic groups, social services, and leadership. In 2004, the U.S. State Department

estimated that Colombia's central government still did not control up to forty percent of its territory.⁸⁷

Illicit drug economies in Colombia have been able to take on functions that the state, its institutions, and agencies should normally provide to its population. Drug cartels can protect their members, can provide many poor peasants with a tolerable standard of living, can uphold a rule of law and even control the actions of some law enforcement and law-makers, and can answer the needs of the people living in their strongholds. However, the dire situation that existed in the 1980s to early 2000s has improved and, although the Bookings Institution still considers Colombia the weakest Latin American country (not including Haiti), there has been a gradual reassertion of the state over some of the parastates held by illicit drug economies.⁸⁸

The Gradual Reassertion of the Colombian State

By the 1990s, many people thought Colombia was a failing state and apprehensively predicted it could decline into utter failure. The situation was bleak—not only had illicit drug economies become substitutes for the state in some regions, but guerrillas and paramilitaries had also been able to wrest control over other areas of the country. As McLean (2002) explains, drug lords assumed power by ruling over regions of territory, controlling the activity within their borders, providing protection to their subjects, collecting taxes from the subjects, answering concerns of their subjects, and rebuffing interference from the central government. In essence, drug cartels had become “the state” in their strongholds.

Although the possibility existed that Colombia would continue unraveling, the situation has improved in recent years. With the election of Álvaro Uribe Vélez in 2002, the Colombian government has taken a more hard-lined approach to rebel groups and drug cartels: Uribe has used some special executive powers, deployed more troops to especially mutinous areas, and has

even put some places under military control. With these and other strategies Uribe is trying to overcome the critical weaknesses that have allowed non-state actors to take so much power. The *Economist* reports that he believes “only tighter security, a stronger state and the rule of law” will be able to make Colombia a safer place.⁸⁹ Some programs implemented in Colombia have made slow but observable progress. For example, in 2002 about 158 *municipios* lacked a police presence. By 2004, all *municipios* had a police presence for the first time in history, although some could not safely leave their posts.⁹⁰

Many Colombians are happy with the gradual reassertion of the government over illicit drug economies. Uribe’s approval ratings have frequently hovered at sixty to seventy percent. In fact, Uribe pushed for constitutional change so he could serve a second term (not allowed previously) and was re-elected in 2006. Reportedly, he is hoping for a third term as president (in 2014), which would require another constitutional amendment. The *Economist* writes that during his first term he curbed guerrilla violence, reduced crime, and revived economic growth. In fact, the FARC, which was strong enough to earn its own *zona de despeje* (“demilitarized zone”), has declined in membership and power in recent years. Since 2007, the FARC has lost three of the seven members of its ruling secretariat, including Manuel Marulanda (the FARC’s 78-year-old founder and undisputed leader), who died of a supposed heart attack. Further, thousands of fighters have deserted and the FARC has returned a number of hostages.⁹¹

Certainly, the gradual decline in violence and criminality is a welcome trend. But the term “gradual” is important to emphasize. Although levels of violence associated with rebel groups and drug trafficking have fallen, they still remain high by international standards.⁹² And, although Uribe’s administration is working to strengthen the government and reclaim lost legitimacy, the 2008 Brookings Institution Index of State Weakness ranks Colombia 47th and

Foreign Policy's 2008 Failed States Index ranks Colombia 37th—in both scales still the weakest state in Latin America (not including Haiti). Estimated coca cultivation levels have fallen by forty percent since the 1999-2000 period, but have risen since 2007. The 2008 World Drug Report explains that Colombia alone remains responsible for over half of the world's supply of coca, an achievement they have boasted since the 1980s and 90s. And, Colombia is still the source of approximately ninety percent of the cocaine and forty percent of the heroin in the U.S.

Colombia continues to receive billions of dollars in aid from the United States, whose anti-drug agencies work closely to vigilantly pursue illicit drug traffickers. The non-military aid to Colombia has been focused on promoting legitimate economic alternatives to coca and opium poppy, assisting Colombia's vulnerable groups, particularly internally displaced persons, and strengthening the country's democratic, legal, and security institutional capabilities.⁹³ But, even into the mid to late-2000s, there have been limited successes. Frequently, many people are still unwilling to cultivate alternative crops and, even more frequently, drug traffickers still hold a monopoly on violence and corruption capabilities. The *Economist* reports that Plan Colombia, which has cost the U.S. more than \$6 billion since 2000, has been effective as a counter-insurgency exercise, helping to beat back guerrillas and paramilitary warlords, but it has been a relative failure when it comes to coca.⁹⁴

The strong hand of the Uribe administration has allowed the Colombian government to gradually reassert control over powerful illicit drug economies. Although progress is slow and drug cartels still hold considerable sovereignty over their strongholds, at the very least the state has been able to hinder any further growth of illicit drug organizations. The critical weaknesses of the state, combined with the fortuitous location and ecology of Colombia, gave illicit drug economies the opportunities to gain such power. Drug cartels serving as proxies for the state

have assumed critical functions a government (and its institutions and agencies) would traditionally provide. This situation will be difficult to remedy, although evidence suggests the Colombian people and many of its leaders are ready for change.

The next chapter analyzes Mexico, a country which is arguably facing the situation Colombia experienced from the late 1980s through 1990s. Like Colombia, it is an historically weak state that lies on a strategic transit point and offers the environmental conditions necessary for illegal crops. Illicit drug economies have carved out parastates in some regions of Mexico and have gained control of security functions, income-generating activities, the rule of law, and the routine administration of territory. Like Colombia, these groups are posing a serious threat to the Mexican state and in 2009 earned a warning by officials in the United States that Mexico may be declining to a failing or failed state. While this warning may be overstating the situation, Mexico may be fighting a losing war on illicit drug economies.

CHAPTER 3

MEXICO'S BATTLE AGAINST ILLICIT DRUG ECONOMIES

Introduction

Mexico's illicit drug economies, unlike those in Colombia, have recently become stronger, more violent within and between groups and more defiant toward the state. By the mid-2000s, scholars like Manwaring (2007) agreed that, in some regions of Mexico, strong illicit drug organizations have removed themselves from the constraints of Mexican state authority and replaced that authority with their own. In essence, the state has been "neutralized."⁹⁵ While this situation had already been observed in Colombia (especially in the 1970s-90s), the strength, power, and corrupting influence of illicit drug economies is actually growing in Mexico, while gradually shrinking in Colombia. In early 2009 a report generated from the United States Joint Forces Command made the dire prediction that the two countries most likely to become failed states are Mexico and Pakistan.⁹⁶ While this prophecy seems excessive, particularly to researchers and others who have visited Mexico (but probably not hyperbolic to experts on Pakistan), it signifies that political science needs a good theory of illicit drug economies to inspire proper policy-making that can avoid the scary prospect of a failed state on our border.

The Geography of Illicit Drug Trafficking

Mexico and the United States share a 2,000 mile border along which rugged mountains, dry deserts, and many acres of land are relatively unguarded. Other major cities, like Tijuana

and its mirror San Diego, see thousands of people cross to and from Mexico every day. It is impossible for border security to thoroughly inspect all incoming and outgoing traffic at the big crossings. In fact, over 250,000 vehicles travel from Mexico into the U.S. each day. The size and inconsistency of the border between Mexico and the United States has been an historic geographic advantage for the drug trade, particularly since the U.S. is the world's largest and most lucrative market for illegal drugs.

According to Meyer (2007), the major drug entry points are Matamoros (into Brownsville, TX), Nuevo Laredo (into Laredo, TX), Ciudad Juárez (into El Paso, TX), Agua Prieta (into Douglas, AZ), Nogales (into Nogales, AZ), Mexicali (into Calexico, CA) and Tijuana (into San Diego, CA). Most of the drugs pass over into Texas, mainly because it has the longest border with Mexico. Certainly, no one can be sure of the amount of drugs passing through the relatively uninhabited and unpatrolled areas of the border, nor can they be sure of the amount of drugs passing through crowded border crossings.

Environmental conditions are right for the growth of opium and marijuana in Mexico, particularly in the area referred to as the Mexican "Golden Triangle,"[‡] encompassing the Sierra Madre mountain regions of Sinaloa, Durango, and Chihuahua. Other places, like Guerrero, also provide an optimal climate for growing the plants required for heroin and marijuana production.⁹⁷ Thus, not only is Mexico environmentally suited for illegal drug production, its geographical placement is advantageous for trafficking into the United States. In the following section the author briefly explains the history of drug trading in Mexico, which has benefited from these ecological and geographic "blessings."

[‡] This nomenclature is a play on the original "Golden Triangle:" Myanmar (Burma), Laos and Thailand.

Brief History of Illicit Drug Economies in Mexico

In the 1920s Mexico signed on to the Hague International Opium Convention and began to prohibit the trade in opium, cocaine and marijuana. Meanwhile, in the first three decades of the 1900s Mexicans increased their illegal production of opium and marijuana and became a key provider for the U.S. market. In the 1940s and 50s the Mexican government raised the penalties for drug traffickers and signed all the applicable international agreements, yet did not consider illegal drugs a significant domestic or international issue.⁹⁸ Traditionally, Mexico has viewed illicit drugs as a “demand” issue, rather than a “supply” issue; meaning, Mexicans have been skeptical of policies intended to eradicate cannabis or opium because they grow the crops to meet high consumer demands. The first drug traffickers were family-based groups that smuggled drugs and other contraband across the U.S. border. However, as discussed in following sections, those small networks have become large, wealthy, technologically-savvy, heavily armed groups that have thoroughly mastered the business of drug trafficking.

In the 1960s Mexico became one of the targets of the Nixon administration’s battle against the drug trade, an effort that other U.S. presidents perpetuated. Operation Intercept, launched in 1969, involved inspecting vehicles going to and from the border, but the inspection process caused problems with tourism into Mexico and the Díaz-Ordaz government did not like the initiative.⁹⁹ Mexican and U.S. agencies attempted other operations—always at the insistence of the United States—to try to end the increasingly frequent flow of drugs over the border.

Operation Condor in the 1970s was another key point in the unfolding battle against illicit drug economies. Under President Echeverría the Mexican military was, for the first time, deployed as anti-drug forces. This began the process of “militarization” in Mexican counter-drug efforts. Traditionally, the military is viewed as less corrupt than police and garners more

respect from the Mexican citizenry; however, recent evidence suggests that the military may be equally corruptible.

The 1920s-70s were a mere foreshadowing of the events to come in the 1980s and 90s. In the 1980s, U.S. agencies became more successful at interdicting drugs coming in through Florida and the Caribbean ocean. So, the border with Mexico became the most viable transit route for illegal drugs pouring into the United States from Latin American sources. Mexican groups joined with non-Mexican cartels, particularly Colombians, and shared in the highly profitable cocaine trade, while increasing their own heroin, marijuana and methamphetamine business. Under President de la Madrid (1982-88), the Mexican government finally declared illicit drugs a national security issue.

Militarization continued and more U.S. law enforcement and anti-drug agencies were deployed to Mexico, particularly in tandem with the anti-drug campaigns of the Reagan administration. The wealth, authority, and corrupting powers of Mexico's illicit drug economies reached an alarming point in this era. On February 7, 1985, DEA agent Enrique Camarena and his pilot Alfredo Zavala Avelar were kidnapped from Guadalajara and tortured and killed by drug traffickers. This jolted Mexico observers because Camarena and Zavala Avelar's murder happened with the complicity of police and probably the federal government. Thus, the 1980s saw other major efforts (generally less enthusiastic on the Mexican side) to end trafficking along the U.S.-Mexico border.

In 1986 the U.S. adopted the "certification" process, which required the president to certify by March 1 every year that major drug-producing and trafficking nations ("the majors") were cooperating fully with U.S. anti-drug policies. If "decertified," countries would be cut off from economic assistance (but could still receive counter-drug and humanitarian aid), would be

denied loans from multilateral banks, and would be subject to trade sanctions.¹⁰⁰ Of course, Mexico looked unfavorably on this unilateral punishment threatened (but never administered) on the country. However, initiating the certification process represents the turning point of the 1980s, when the United States recognized the illicit drug economies' capabilities to undermine governments.[§]

Problems with illicit drug organizations have only increased since the 1980s. In mid-April of 1990, the magazine *Proceso* published a list naming forty-nine DEA agents in Mexico. In 1993, the cardinal of Guadalupe, Juan Jesus Posadas, was murdered by drug traffickers, who also assassinated Luis Donaldo Colosio, the PRI presidential candidate named to succeed President Salinas, on March 24, 1994. Since then, many high-level officials in all branches of the Mexican government have been killed or corrupted by drug trafficking organizations.

The Illegal Drug Industry in Mexico

In the 1980s, when the problems associated with illicit drug economies came to the forefront, illegal drugs were estimated to be valued between 1.6 percent and 4.3 percent of Mexico's GDP—around \$2.8 to \$7.4 billion.¹⁰¹ Mexico has continued to be a producer of opium and cannabis, a trafficker of cocaine, heroin, and marijuana, and a recent producer and trafficker of methamphetamines. Drug production increased from the 1980s into the 1990s and drug trafficking became so prevalent that Mexicans are now responsible for bringing in (but not necessarily cultivating or refining) ninety percent of the cocaine found in the U.S.

[§] According to Freeman and Luis Sierra (2005) the certification process was reformed under U.S. President George W. Bush. Now, countries are only decertified and only if they have "failed demonstrably, during the previous 12 months, to make substantial efforts to adhere to their international counterdrug obligations." Countries are automatically certified unless their anti-drug efforts are deplorable.

As mentioned previously, the Sierra Madre mountain region is the main drug producing area of Mexico. With the estimated production from the Sierra Madres (Sinaloa, Chihuahua, Durango) combined with the estimated yields from the Pacific coast (Guerrero, Jalisco, Oaxaca, Nayarit, Michoacan), the 2008 World Drug Report names Mexico as one of the world's largest cannabis producers, and a high producer of opium and methamphetamines.

Now, Mexico is the main transit point for cocaine getting to the United States (although Colombia is the main producer), but in 2006 Mexico's cocaine seizure rates were ranked only ninth in the world. Further, the country's portion of world-wide cocaine seizures has actually *declined* since 2000: thirty-nine percent of the world's total seizures in 2000, and only twenty-one percent of total seizures in 2006. If, as argued in this study, illicit drug economies have become more powerful and have increased cocaine trafficking since the 1980s and 90s, this decrease in cocaine seizures is a dangerous sign.

Mexico's Persisting Institutional Weakness

Although Mexico is often called a "strong" state, in terms of top-down authoritarian intervention and control, it is really an institutionally weak country. The institutional theory of illicit drug economies elaborated in the first chapter warns that weak states are breeding grounds for illicit organizations. States that have trouble carrying out their critical functions (recall: providing individual security, ensuring an adequate standard of living, upholding the rule of law, and addressing the needs of all the territory) are prime locations for illicit drug economies to entrench, grow, and fill in the key functions the state traditionally performs. Mexico struggles to some extent in all of its critical functions.

Corruption, Law Enforcement, and the Failure to Ensure Human Security

Certainly, the most commonly discussed problem in Mexico is its broad, consuming corruption that plagues all government institutions, agencies and political parties. Although most scholars and policy-makers point to drug trafficking as the main corrupting influence in Mexico, Jorge Chabat explains that government and police corruption is a very old problem that existed before drug trafficking became such a threat. However, illicit drug economies have capitalized on the opportunities to corrupt and have decidedly worsened the issue.¹⁰² Howard Wiarda has explained that governments can carry on with a moderate amount of corruption without very serious consequences. However, when corruption reaches a level like Mexico's there are many negative repercussions.

The most dangerous repercussion is the thorough corruption of law enforcement agencies by the highest bidder (now drug traders). In fact, it is generally assumed that the local and regional Mexican police do little to equitably enforce the law; rather, they often collect the bribes offered them and join forces with illicit drug economies. Many people become police officers so that they can collect the guaranteed bribes that come along with the job. The average Mexican citizen understands this pervasive problem and rarely expects the local and regional police to act for the greater good of society; rather, Mexicans realize that nearly any encounter with the police can be bribed away.

Mexicans are no longer guaranteed the individual protection and security that a state traditionally provides with its law enforcement apparatus. As Manwaring (2007) claims, those institutions "responsible for protecting citizens' security—notably the police and judiciary—have been intimidated and coerced to the point that they are unable to carry out their basic

functions... the state is not adequately exercising its social-contractual and constitutional-legal obligations to provide individual and collective security within the national territory.”¹⁰³

Even the Mexican military, which citizens have held in higher esteem than the police forces, were obviously corrupted by the 1980s and 90s. Since then many high-level officers (and even more lower-ranked troops) have been discovered participating in drug trafficking. Chabat (1996) reported that in the late 1980s even the governor of Sonora was accused of growing marijuana and opium on his farm, which was guarded by the military. And, the U.S. media implicates high level officials in drug trafficking on a routine basis. Since the state has historically been unable to guarantee human security, because of the corrupt police and military, many Mexicans have been forced to seek “protection” elsewhere—like family, rebel groups, or drug cartels.

Economic Disorder and the Failure to Ensure an Adequate Living Standard

Not only has Mexico struggled to provide a modicum of individual security to its population, it also has had little success ensuring an adequate standing of living throughout its diverse regions. Historically, the Mexican economy has borne little resemblance to its economically prosperous neighbors to the north (and partners in NAFTA). In the 1950s, 60s and 70s, Mexico pursued statist policies of heavy regulation, import substitution industrialization (ISI), and nationalizations of various industries and economic sectors. In each successive administration the presidents pursued alternating tactics of regulation/deregulation and nationalization/privatization, creating instability and inconsistency for decades.

Mexico’s economy suffered a major debt crisis in the 1980s. Later, though, the presence of oil in the country helped to generate higher levels of economic growth in the mid to late-1980s. However, vast income inequality and high levels of poverty remained and, even with the

mid-1990s inception of NAFTA, the same problems continue to plague the majority of Mexican citizens. Attempts at democratic openness and plurality in the 1990s did not notably improve the economic situation; in fact, in 1994 the Zedillo administration had to again devalue the peso and lead Mexico into another economic crisis.¹⁰⁴

Freeman and Luis Sierra (2005) reported that, as of the mid-2000s, Mexico's average GDP per capita was \$6,214. But, the GDP per capita does not fully reveal the difficult economic circumstances in the country. Income inequality is still a major problem, with the poorest ten percent of the population sharing only one percent of the country's income, while the richest ten percent share 43.1 percent of Mexico's annual income. Eight percent of Mexicans live in extreme poverty (less than \$1 per day), while twenty-three percent live in poverty (less than \$2 per day). Certainly, one can understand the temptation that illicit drug economies provide to the many masses of people still unaided by Mexican economic policies. Freeman and Luis Sierra say it best:

...U.S. drug control policy cannot continue to ignore the role poverty plays in drug cultivation. Viewed from certain angles, Mexico is an economic powerhouse: it is the world's ninth-largest economy and the second-largest U.S. trading partner. However, Mexico's impressive economic growth since the mid-1980s has not benefited the majority of Mexicans. More than half of Mexico's 100 million people are so poor they cannot meet their own basic needs. Twenty-four million Mexicans, most of them in rural areas, are considered "extremely poor"—so impoverished they are unable to adequately feed themselves. For the one-fourth of Mexico's population in such desperate conditions, harvesting marijuana and poppy crops is one of the only means of survival.¹⁰⁵

Ensuring an adequate standard of living is a critical function that the Mexican state has been able to extend to some, but not all, of its citizens; thus, people have been forced to seek income elsewhere.

The Judicial Branch, Corruption, Law Enforcement, and the Failure to Uphold the Rule of Law

Not only does corruption, including that of law enforcement, hinder Mexico's ability to provide individual security, it also undermines the rule of law throughout the country. The judicial branch, the arm of government responsible for administering Mexican law and punishing criminals, is "very weak."¹⁰⁶ The court system only processes a very small percentage of cases and individuals implicated in crimes can often bribe their way out of trouble.

Instead of maintaining consistent policy on crime, and illicit drugs in particular, each president has made changes in the judicial branch. There has been near-constant reorganization, restructuring, and reassignment of responsibilities to new and old anti-drug agencies. For example, the Attorney General's Office (PGR) has traditionally administered most counter-drug law enforcement, but since the military has become involved, army officers have some of the PGR's duties. Presidents have made new agencies from old ones, like Federal Investigations Agency (AFI) which used to be Federal Judicial Police, and have created and disbanded many elite law enforcement groups (which were also found to be corruptible). And, it is hard to disentangle the responsibilities and jurisdictions of local, regional and Federal Preventative Police (PFP).¹⁰⁷

In general, Mexicans have little to no faith that their local law enforcement and judiciary will uphold the rule of law equitably and without corruption. It is assumed that local and regional agencies can be influenced by the "*plata o plomo*"—silver or lead; meaning, a bribe or a bullet. Mexicans generally believe that federal judicial and law enforcement entities are moderately corrupted, although less so than local and regional bodies. Unfortunately, many officials in federal agencies have had to choose *plata o plomo*—and more often choose *plata*. In

the late 1980s and into the 1990s, a federal prosecutor from Baja California, Juan Alejandro Arévalo (son of the Minister of Defense), was implicated in drug trafficking, as were José Antonio Zorrilla Pérez, the head of the Mexican Security Police, and Miguel Aldana, the head of Mexico's Interpol Office (to name a few).¹⁰⁸ According to Freeman and Luis Sierra (2005), the Federal Security Directorate (DFS) even handed out police badges to drug traffickers and other criminals so they could continue their crimes without fear of arrest.

Failing to uphold the rule of law has cost Mexico. By allowing drug traffickers to continue to buy the favor of judicial and law enforcement officials, without making a major effort to curtail the corruption, Mexico now faces drug traders who are tolerated in the political system. The term “narcostate” has been applied to situations like Mexico's, in which all levels of government have, to some extent, been infiltrated by drug money. “Complacency,” “complicity,” and the lack of “determination to fight drug trafficking” now characterizes the entire branch of government tasked to uphold the law.¹⁰⁹ Chabat (1996) says Mexico, by the 1990s, demonstrated an “Olympic spirit” regarding the war on drugs: they compete so the United States will take notice, but do not care to win. If average Mexicans cannot trust most government agencies to uphold the rule of law, then many will not respect the law and will look to other groups to provide the rules of the game.

Physical and Structural Problems and the Failure to Answer the Needs of All its Territory

The judicial and economic structures in Mexico are not the only points of institutional weakness. Other entities also have trouble reaching out and meeting the needs of all Mexicans. As Manwaring (2007) observes, Mexico's institutions “in many of the rural areas and poorer urban parts of the country are absent or only partially present.”¹¹⁰ Medical care, educational

facilities, social services, and other state agencies are difficult to access for many Mexicans in need.

In addition to the physical limitations of Mexican institutions, the organization and structure of many institutions have also contributed to weakening the state. Jordan (2005) points to “presidential dominance,” while Freeman and Luis Sierra (2005) say “one-party rule” has crippled Mexico’s institutions. The results have been damaging: “The legislature and judiciary existed to affirm and uphold the president’s actions and thus did not develop into full-fledged, independent actors capable of checking the executive’s excessive power.”¹¹¹ Legislative law-making and judicial law-adjudication is less able to answer the needs of all Mexicans and more able to answer the needs of the particular group in control of the executive branch (like the Institutional Revolutionary Party—PRI—until 2000).

According to Jordan (2005) and Luis Velasco (2005), another organizational/structural attribute has created areas of institutional weakness in Mexico: the transition to democracy that began slowly in the late 1970s and picked up speed in the 1990s and 2000s. Between 1979 and 1997 there were seven rounds of federal elections, all of them under different electoral rules, in an attempt to achieve greater democracy and plural politics. The constant changes in electoral rules and participation have provided opportunities for illicit drug economies to step in and exploit the transition.

Luis Velasco says Mexico’s democracy “remains weak and superficial” and the “real struggle for social, economic, and political power remains unsettled.”¹¹² Thus, drug traders are very much interested in capturing as much unclaimed power as possible. One particularly vulnerable point in the on-going transition to democracy was the PRI’s defeat in the presidential elections of 2000. Although many Mexicans were looking forward to positive changes, the

PRI's loss dismantled some traditional clientele networks, causing competition and changing relations among illicit drug organizations and the state. In essence, it destabilized Mexico further from its already weak and transitory democracy.

The combination of physical and organizational/structural limitations of Mexico's institutions is a critical weakness and invites Mexicans to seek answers to their needs elsewhere. It invites other groups, like illicit drug organizations, to step in (much like Hamas or Hizballah in the Arab Middle East) to build schools and sports parks or to answer the day-to-day needs of a given area.

Weak states are prime territory for opportunistic illicit drug economies. Mexico has struggled, and often faltered, with all of its critical state functions. Its self-interested and always-for-sale law enforcement, its inability to bring millions of Mexicans out of poverty, its corruption of the equitable rule of law, and its physical and structural weaknesses have given illicit drug economies opportunities to step in where the state has proven inferior. The next section details how drug trafficking organizations began to entrench and grow inside their increasingly stable boundaries. It also gives some further details into the various drug cartels and their spheres of influence.

The Entrenchment and Growth of Illicit Drug Economies

As discussed in the previous sections, Mexico is an institutionally weak state, failing to consistently fulfill its critical functions. This, combined with its geographically and environmentally well-suited conditions for the growth and transport of illicit drugs, makes for a dangerous recipe. Drug trafficking organizations in Mexico exploited these circumstances and expanded the cartels in the 1960s-70s. Then, when Colombian drug traffickers needed to ally with Mexican cartels in the 1980s, Mexican groups were propelled to new heights of wealth and

power. Now, Mexican drug cartels control distinct strongholds, especially along the U.S.-Mexico border, and serve as de facto “states” in those areas.

Drug Trafficking Before the 1980s

The first drug traders in Mexico were family groups who smuggled marijuana and opium/heroin over the border into the United States. These were small-time operations that did not greatly concern the U.S. or Mexico. While drug cultivating regions, the Sierra Madre mountains and the Pacific coast, continued to produce cannabis and opium poppies, the Mexican government signed the international agreements regarding illegal drugs, strengthened its own laws, and gradually increased prosecution of members of the small illicit drug groups. Still, by the 1940s and 50s, illicit drugs were of little concern to the state.

The “free” decades of the 1960s and 70s prompted the U.S. to fight drug trafficking and drug abuse, which meant that Mexico was expected to go along. Nevertheless, the relatively small-time drug traders were not considered particularly significant to Mexican domestic security. However, as the market in the U.S. increased, so did profits for Mexican drug traffickers. Gradually, and without much attention paid by the Mexican government, drug traders carved out their territories, with the most powerful cartels controlling stretches of the U.S. border. For example, the Tijuana cartel controlled entry points around Tijuana and transit along the coast of Baja California. And, since Mexican institutions had historically been weak and easily corruptible, groups or individuals with money could buy off government officials and law enforcement personnel.

More powerful in the 1960s and 70s were Colombian cartels, who were almost entirely focused on the cocaine business. They primarily used routes through the Caribbean and Florida to get drugs into the United States. Mexican groups stuck to their own products—marijuana and

heroin—and operated relatively independently from the Colombians. The profits earned by Colombian groups were far higher than those going to Mexicans, although Mexican groups did earn steadily more. When the 1980s arrived, Mexican groups had carved out enough definitive territory that they were well-prepared for the upcoming alliance.

Drug Trafficking During and After the 1980s

The decade for Mexican illicit drug economies was the 1980s. The steadily increasing drug profits of the 1950s-70s provided drug traffickers with stronger organizations, quasi-boundaries, and greater capacities to corrupt the weak Mexican state. When the United States achieved more and more successful interdictions of Colombian traffic through the Caribbean Ocean and Florida, Colombians had to find alternative routes. Mexico was it. Colombian cartels were pushed out of one region and into another, which was already set up with entrenched drug trafficking groups, albeit less sophisticated and less wealthy.

The influx of Colombian cocaine money was the catalyst that propelled Mexican illicit drug economies from entrenchment (already achieved by the 1980s) and growth (moderately achieved by the 1980s) to immense wealth and power. By the time U.S. and Mexican officials realized the cartels had become so entrenched, Colombian drug money had allowed Mexican cartels to grow stronger than the state could (or would) combat. Perhaps, trying to fight Mexican cartels in the 1980s and 90s was far too late—they were no longer the small-time, vulnerable organizations of the first decades of the twentieth century.

By the 1990s, drug trafficking penetrated nearly every level of security forces at the federal, regional, and local levels, and had corrupted some or most of the legislative, executive and judicial branches of government. In the late 1990s estimates suggested that between 200,000 and 300,000 people lived off of cannabis and opium cultivation. That estimate did not include

people doing other jobs in the drug industry, like transporting drugs or providing security, so many more thousands may be involved in illicit drug economies throughout Mexico.¹¹³ Since the 1980s, Mexican cartels traffic cocaine, heroin, and marijuana (and methamphetamines most recently), while continuing to grow cannabis and opium for production. Meyer (2007) and Manwaring (2007) agree that even though successive presidents have undertaken major initiatives to combat drug trafficking in the country, the power, money, reach and violence of Mexican cartels have only escalated.

The Cartels

The most powerful cartels have coalesced along the U.S.-Mexico border, with each cartel controlling a section of the border, its contacts with Colombian (or other non-Mexican drug cartels), and its cells in the United States. At times, the cartels cooperate with one another or engage in vicious battles for control over certain locations. Usually, the cartels most powerful in a given region will control the law enforcement and some military there and will use them to retaliate against or link up with other groups.

The U.S. DEA (Drug Enforcement Administration) has named the “big four” cartels in Mexico: Juárez, Gulf, Sinaloa, and Tijuana cartels. Other smaller cartels exist in Mexico and often operate as hired guns or temporary partners with the big cartels. The small-timers include the Amezcua cartel, entrenched in Colima and Jalisco and specializing in meth production, the Milenio cartel, whose leader was arrested in 2003, and the Cancun cartel, which arose as a spin-off of the powerful Juárez cartel.

The big-timers, however, are where the real power lies. The Tijuana cartel’s base operations are in Tijuana and Mexicali (along the Mexico-California border), where they are protected by local officials. The cartel receives shipments from Colombia and Peru, traffics

them from Mexico to the U.S., and distributes the drugs throughout the United States and even Canada. In the 1990s this group, also known as the Arellano-Felix Organization (AFO), began a taxation system that allowed other drug cartels to use their transportation routes on the Baja-California border. They charged sixty percent of the value of the shipments.¹¹⁴ By the end of the 1990s the Tijuana cartel was one of the most powerful in Mexico.

Lately, the Tijuana cartel has faced intense pursuit by agencies like DEA (and others which actually desire to prosecute drug traffickers), internal weakness after the death of cartel boss Ramon Arellano Félix, and battles with other cartels. The DEA arrested some of the cartel's bosses in 2002—like its new leader Benjamín Arellano Félix (brother of Ramon). And, other cartels are battling with the AFO because they believe the taxation system is predatory and bad for business. It is rumored that these circumstances have prompted the Tijuana cartel to ally with the Gulf cartel, particularly since the Gulf cartel's leader is imprisoned in the same facility as Benjamín Arellano Félix, and both are allowed to run their organizations from jail. Another brother, Eduardo Arellano Félix, who had taken over the day-to-day operations of the cartel, was killed in a gun battle in Tijuana in October 2008.¹¹⁵ Tijuana is an exceedingly dangerous town, with people routinely victimized by shootings, kidnappings, and other drug-related violence.

The Gulf cartel controls drug trafficking along the Gulf coast of Mexico—in Tamaulipas and Nuevo Leon, and especially in the cities of Matamoros, Reynosa, and Ciudad Miguel Aleman (along the Texas-Mexico border).¹¹⁶ Although it may have weakened in the mid-1990s because of the arrest of its leader Juan Garcia Abrego in 1996, with a new leader, Osiel Cardenas Guillén, the Gulf cartel (also known as the Cardenas Guillén Organization—CGO) reasserted as a powerful group. The key asset of the Gulf cartel is its private security force known as the *Zetas*. This fighting force is made up of ex-police and ex-military who either joined the drug

traffickers after retiring from law enforcement or were convinced to change sides during their stints with the police or military.

The *Economist* reports that the main rival of the Gulf cartel is the Sinaloa cartel, yet the Gulf cartel has emerged in the late 2000s as the victor.¹¹⁷ Even though Osiel Cardenas Guillén was arrested in 2003, he continues to control the Gulf cartel from jail and, as mentioned previously, is suspected to have allied with Benjamín Arellano Félix (of the Tijuana cartel) in La Palma prison. The Gulf cartel receives shipments from Colombia, Guatemala, Panama, and other areas of Mexico and transports them all over the United States. In 2008 the DEA conducted Project Reckoning I and II against the Gulf cartel and its groups in the U.S. The operation netted some big leaders, like another of the Cardenas family—Ezequiel Cardenas Guillén.¹¹⁸ However, the cartel remains rich, powerful, heavily armed, and influential in its region of Mexico.

The Sinaloa cartel has made headlines for the brutal battles taking place in its core stronghold—the area of Culiacán, Mexico. Powerful along the Pacific coast of Mexico and along the Arizona-Mexico border, this cartel has been battling the Gulf cartel for some time. It has not been able to weaken the Gulf cartel but, although it may be less powerful than its rival, the Sinaloa cartel is still entrenched in its region and controls local law enforcement there. Culiacán is now one of the most violent places in Mexico and drug traffickers operate with impunity.

The Juárez cartel, in contrast, has maintained its own territory and trafficking routes despite the strength of both the Gulf and Tijuana cartels. The cartel (also known as the Carrillo Fuentes Organization—CFO) controls the area of Ciudad Juárez along the Texas-Mexico border. It, like the Tijuana cartel, receives shipments from Colombia and Peru, traffics them from

Mexico to the U.S., and distributes the drugs throughout the United States. Despite set-backs in the 1990s, like the alleged death of its cartel leader during plastic surgery in July 1997, the Juárez cartel has emerged in the 2000s as a powerful organization led by Vicente Carrillo Fuentes. The top leaders almost never leave Mexico, a strategy designed to risk arrest for only low-level traffickers. The arrests that concern the Juárez cartel are not those in Mexico, but those in the United States.

The “big four” Mexican cartels have become powerful organizations that can often operate at will, especially in the locales they consider their organization’s core. It is essential that these groups keep control over their growth and transport areas to prevent intrusion by another group or by the state. The next section elaborates on the functions illicit drug economies came to perform as they gradually became (and are becoming) state substitutes in some regions of Mexico.

Illicit Drug Economies’ State Functions

The powerful illicit drug economies in Mexico have successfully created “small and large criminal-run ‘free-enclaves’ in the cities and states of the Mexican nation-state.”¹¹⁹ These groups have been able to erode the state’s control over their core operating areas. Further, in their strongholds, drug trafficking organizations have captured de facto legitimacy that traditionally should be directed toward the state. Since Mexico has historically struggled in its critical functions, illicit drug economies were able to step in and provide what the state often could not: human security, an adequate standard of living, the rule of law, and general answers to day-to-day needs of all its territory.

Illicit Drug Economies Can Provide Human Security

For a long time, Mexicans have rarely been able to trust that the agencies of the government tasked with protecting the population (police and military) will actually protect the average citizen. Especially true for local and regional police, law enforcement officers most often work for their own self-interests or the interests of the highest bidder (usually a drug cartel). Thus, Mexicans generally are deprived of a critical state function—its best attempt at providing individual human security to its population.

When Mexico's illicit drug economies began to earn greater profits in the 1950s-70s they could afford to purchase a wide variety of weapons, technology and other security-related paraphernalia. Then, in the 1980s when Colombian cocaine money entered the picture, Mexican cartels were infused with huge sums of cash to buy superior weaponry (like rocket launchers, grenades, machine guns and armor-piercing sniper rifles) and essentially outgunned the struggling state's armaments. From the 1980s and into the next decade the illicit drug economies earned more money than the local and regional governments could earn. Thus, the government's security apparatus was not well equipped to fight off the increasingly powerful and heavily armed drug cartels. An example is the Gulf cartel, with its private army known as the *Zetas*. These men are well-trained ex-police or ex-military who carry out the offensive and defensive security operations for the cartel.

So, when it comes to security, Mexico's drug cartels are well-armed and able to use those armaments to protect their groups. Participants in drug trafficking are provided with protection and security by their respective organizations, while peasants cultivating opium and cannabis are shielded from many half-hearted state-led attempts at eradication or interference. Illicit drug economies, by the 1980s, became the sources of human security in many communities

throughout Mexico, especially around Culiacán, Matamoros, Tijuana, and Ciudad Juárez. Drug trafficking organizations are much more concerned with protecting their members than many police or military are with protecting the Mexican population.

Illicit Drug Economies Can Provide an Adequate Standard of Living

Since illicit drug economies exist as money-making enterprises (and would not exist under any other mantra), the lack of competitive opportunities and income from the state, its economic institutions, and its policies has contributed to the growth of illicit groups. As mentioned in the previous section, illicit drug economies reportedly earn more money than local and regional state institutions have at their disposal. Thus, the combination of high unemployment, high income inequality, and high levels of poverty (all of which the state has not been able to substantially mend) give illicit drug economies the opening they need: drug cultivation and trafficking is a relatively stable and high-earning endeavor.

In the 1970s, when drug cartels were solidifying and formalizing their boundaries and organizations, they were able to take control of rural areas by offering the desperately poor *campesinos* a way to earn money.¹²⁰ As Freeman and Luis Sierra (2005) put it, *campesinos* and indigenous groups join the drug trade to *survive*. And, as urbanization increases at rapid rates, especially in Mexico City and along the US-Mexico border, drug traffickers can offer impoverished city-dwellers a source of income (often, their only source).

The illicit drug trade is able to fill in the gaps that the Mexican state has allowed so many destitute people to fall into. And certainly, the income-earning potential is tempting to middle and even upper-class individuals, who have seen the money rolling in to illicit drug economies. In many communities, the nice homes and new cars are known to belong to drug traffickers.

This is an unfortunate trend, demonstrating the inability of the state to implement economic policies that can provide a comfortable living standard for many Mexicans.

Illicit Drug Economies Can Uphold Their Own Rule of Law

The corruption of the judicial system, police, and the military leaves Mexico struggling, and often failing, to uphold the rule of law throughout the country. It is assumed that nearly any official is susceptible to the *plata o plomo*, and can be bribed so they will not be killed. Law enforcement and the courts often do not uphold the rule of law equitably, but in favor of the local drug cartel. Thus, the cartels are able to dictate the actions of law enforcement and other government institutions, creating their own rules of the game and enforcing their own rule of law.

For example, in the cities held by the Gulf cartel, the *Zetas* (their own military force) have been able to attract men away from their current positions in the police or armed forces and convince them to change sides and begin working for the cartel. That the *Zetas* are a group with such legitimacy and such temptation is a dangerous and fascinating phenomenon in Mexico. In fact, the cartels so brazenly usurp the state's rule of law in Mexico that the *Zetas*, in several US-Mexico border towns, actually hung up banners inviting current and former soldiers to join them.¹²¹

Certainly, the Gulf cartel and others are writing the rules of the game in many Mexican communities. Manwaring (2007) agrees, saying that the illicit drug groups have their own systems of law and order that they can impose. The cartels are able to take their existing operating rules, combine them with the corrupting power their money brings, and take over the state's historic position upholding the rule of law in many locales.

Illicit Drug Economies Can Answer the Needs of a Piece of Territory

The fourth critical function that illicit drug economies have been able to fulfill is the general day-to-day administration of territory. Mexico's institutions and agencies struggle, and often fail, to maintain a physical presence in many a far-flung region. Further, Mexico's weak democracy and transitional phases have left many sectors of the population without an institution or agency to answer their many needs. Luis Velasco (2005) observes, "some parts of the state become accountable to drug trafficking organizations rather than to the citizenry" (their own elected government).¹²²

Beyond providing security, some income, and a rule of law to its core territory, illicit drug economies have taken over many other state functions, like delivering social services and building some public infrastructure. Manwaring (2007) explains that illicit drug organizations in Mexico even tax their residents and businesses, like a state government would do. Very popular civil society roles are the sports parks and recreational facilities that drug trafficking organizations have provided their "citizens." Much like Hizballah and Hamas in the Arab Middle East, illicit drug economies can become the de facto administrators of their territory. They receive and answer the petitions and concerns of the people and, "in some Mexican regions, drug strongmen are above local elected officials."¹²³

In some regions of Mexico, strong illicit drug organizations have removed themselves from the constraints of Mexican state authority and replaced that authority with their own. In their core operating areas, illicit drug economies have fulfilled the critical functions that the Mexican state should, but cannot consistently, provide. While these dire and dangerous circumstances do not plague every community, the cartels have created "parastates," "parallel governments," and "state substitutes" in some areas of Mexico.

The “Mexican Model”

In early 2009, U.S. officials predicted that Mexico could become a failed state because of the powerful illicit drug economies now viciously battling each other and the state. Two years earlier, Manwaring (2007) also warned of state failure in Mexico after observing that the institutions and agencies of the government are continuing to lose the capacity and/or the will to perform legitimizing security and governance functions. As explained in the previous sections, illicit drug economies in Mexico have been able, in their core strongholds, to capture the state’s legitimacy and become state substitutes.

While state failure is an extreme prediction and may be overstating the problem, Mexico has recently dealt with far more powerful and violent illicit drug organizations than in previous decades. Although corruption of government and law enforcement has been an historic problem, now many government officials, agencies, committees, task forces, and law enforcement personnel that may want to end the rule of drug rings are unwilling to blatantly accuse any drug cartels of the well-known crimes they have committed. This is a problem of “political will,” as it is commonly called.

That Mexico’s anti-drug institutions and agencies are often unwilling to accuse, interdict, or attack the powerful drug cartels distinguishes Mexico from the drug problems in Colombia.

According to Chabat (1996),

The ‘Colombian model’ could be characterized as one in which drug traffickers act out of the established political rules and confront the state openly, in some cases associating themselves with other actors outside the system, like guerrillas. In this model violent manifestations, like terrorist actions, are common and the government considers drug trafficking as a real threat to national security. Also, although corruption associated with drug trafficking is not absent, it is present to a minimal degree and the government has the *political will* to fight traffickers to the last. A defining outcome in this model is the phenomenon called ‘narcoterrorism.’ By contrast, the ‘Mexican model’ could be characterized as one

in which drug traffickers are tolerated—but not legal—actors in the political system ... and the degree of official corruption derived from drug trafficking is very high. A defining outcome in this model is the phenomenon called ‘narcopolitics.’¹²⁴

Mexico differs from Colombia at the point of political will. The next chapter will discuss further implications of such a difference; nevertheless, this distinction has become increasingly obvious in recent years.

Under the Vicente Fox administration (from 2000 to 2006) Mexico continued its strategy of militarizing the struggle against illicit drug economies. Fox continued to make the appropriate anti-drug statements to the United States and created some new law enforcement agencies that were supposed to be above corruption (most were not). However, Luis Velasco (2005) argues that “...official anti-drug campaigns have dealt fatal blows to groups with scarce economic resources and poor political connections, but have been less damaging to large and powerful organizations. Perhaps unwittingly, these campaigns have contributed to the concentration of power within the drug business.”¹²⁵ Even with U.S. aid pouring in and Fox at least appearing to support anti-drug efforts, the major illicit drug economies were not derailed from their positions of power and territorial strongholds.

When Felipe Calderón assumed the presidency at the end of 2006 he faced a rapidly deteriorating situation. He reacted by attempting a major crackdown on drug gangs: he deployed thousands more Mexican troops and has tried to initiate the judicial and law enforcement reforms necessary to root out some of the pervasive corruption in government, but violence has only increased. Major turf wars are underway among competing cartels, and drug organizations are targeting high-level government and law enforcement officials much more frequently and violently than ever before.¹²⁶

Some scholars argue that the increasing attacks between cartels and against the state are a good sign: it means that the illicit organizations are feeling the pressure of Calderón's anti-drug efforts and are lashing out to either defend their decreasing territory or capture some of a weakening competitor's sphere. Other scholars argue that the frequent gun battles, kidnappings and assassinations of important officials indicate the amount of power the drug cartels really have: they have forced many law enforcement officers to wear masks (so they will not be recognized and killed) and can act violently with little fear of prosecution. Chabat (2002) predicted: "...if the Mexican state strengthens its offensive capabilities, it may provoke a reaction from the drug gangs that can transform drug-related violence into a real threat to governance in Mexico."¹²⁷

As predicted, drug trafficking groups have become more violent and threatening, continuing their activities with the frequent aid of police and corrupted officials. The DEA reports that in March 2007 it seized \$207 million in Mexico City—the largest single drug cash seizure in history—from chemical brokers who supplied chemicals to Mexican cartels for the production of methamphetamines.¹²⁸ Thus, the vast money-making power of the cartels is still intact, along with their fire-power, territorial control, and corrupting *plata o plomo* offers.

In 2007 and 2008 the United States negotiated the Mérida Initiative, also known as "Plan Mexico" (like the well-known "Plan Colombia"). It is a hundreds-of-millions-of-dollars program to help strengthen Mexican institutions and help them combat drug trafficking and organized crime. Although not much time has passed since the Mérida Initiative began, Mexico has become more unstable and in dire need of reform. Murders linked to illicit drugs are quite high, especially along the US-Mexico border. According to Kurtzman (2009), Tijuana witnessed more than 600 people killed in 2008's constant drug violence.

Although much of Mexico is not as chaotic and crisis-laden as the drug rings' strongholds, the violence and corruption running rampant in the country is linked to the power of illicit drug economies and their predation on weak states. Mexican drug trafficking groups have been able to insert themselves into the critical weak spots of Mexico's institutions and agencies, providing to some regions the things the state has been unable to provide. Now, as state substitutes, these illicit organizations are the most powerful non-state actors and will feed off Mexico's deficient political will. The next chapter reviews the Mexican and Colombian cases, outlines the model of illicit drug economies, explains the theoretical contributions of the study, and extracts the proper policy prescriptions for these and other similar cases.

CHAPTER 4

A COURSE OF ACTION

Introduction

While past studies have thoroughly described illicit drug economies without building a theoretical framework, other studies have addressed theoretical issues but tended to speak only to a single case. The present study, by contrast, offers a theory of illegal drug trafficking that can apply comparatively to a broad spectrum of cases. It adds to the political science literature as well as illuminating significant policy prescriptions for states struggling with powerful illicit drug organizations. This concluding chapter reviews data from the two case study chapters, reexamines the theory and its contributions to academia, explores the policy implications of such a theory, and charts the paths we should pursue as a result of this analysis.

A Summary

The case studies of Colombia and Mexico presented in the previous chapters reveal how and why illicit drug economies can take control of territory and rule as state substitutes. Although drug trafficking in Colombia started out with small-time marijuana deals, drug traders recognized the potential for cocaine profits in the 1960s and 70s. As they shifted to the more profitable product the groups became larger, more organized, better equipped, and more entrenched in their strongholds. In the 1970s and 80s Colombians stopped importing most of their coca and refining chemicals from Peru and Bolivia and began cultivating and refining their own illegal drugs. Large tracts of land in and around the Andes mountains and the Amazon and Orinoco rivers have become the territory of illicit drug economies. With such power, illicit drug

organizations (with the help of guerrillas and paramilitaries) earned Colombia the highest murder and kidnapping rates in the world in the 1980s and 90s. Many Colombia-watchers feared the worst—that Colombia was slipping into state failure. So, how did illicit drug economies become “the state” in some regions of the country?

Four critical state weaknesses provided non-state groups like drug cartels the opportunities to entrench and grow stronger in various regions of the country. For centuries (arguably since the very first years of the country’s existence), the Colombian government has been unable to provide basic human security to the population. The history of violence that has engulfed the country forced communities to find ways to protect themselves or turn to groups who could protect them, prompting the rise of guerrillas, paramilitaries, drug cartels’ private security forces, and other locally-based armed factions. The money earned by drug cartels allowed them to equip their private armies with superior weapons and technology and even (allegedly) hire specialized foreign fighters to train them.

Another fundamental weakness is the failure of the state to enact proper policies to provide an adequate standard of living for the population. Although Colombia’s economy has not been as unstable as some of its Latin American neighbors, at least forty percent of Colombians live in poverty (fourteen percent in extreme poverty) and income inequality in the country is one of the world’s worst. Few government policies have done much to change these desperate circumstances; thus, many people have chosen to cultivate coca or traffic cocaine because it is one of the most lucrative economic endeavors. In fact, a demographic revolution has occurred as many people deliberately relocated to drug traders’ strongholds to tap into the income-earning potential.

Third, Colombia has struggled to uphold the rule of law throughout its territory. Judges, police, and military have proven susceptible to bribes and threats by drug lords and Colombians rarely regard their law enforcement and judicial structures as honest or effective. Drug cartel leaders have been allowed to build and escape from their own prisons and plead to low-level crimes and keep their hefty fortunes. The rules of the game in Colombia are often dictated by the violent and wealthy drug cartels that corrupt or bully their own rule of law to prominence.

Fourth, the Colombian state, its institutions, and agencies have often failed to answer the needs of much of the country's territory. Many of Colombia's communities are isolated from each other and difficult to access, creating a problem of regionalism and decentralization. The Colombian state is often thinly present or completely non-existent in many areas of the country and numerous communities have come to rely on non-state groups like drug cartels to answer their needs and provide leadership, administration, and civil society functions. For example, the Medellín cartel poured money into new construction in the towns they controlled, while the leader of the Valle del Cauca cartel gave money and other items to the poor, the church, and the local children.

State weakness in Colombia has allowed illicit groups to take control of their own fiefdoms and squeeze out the government's already-spotty presence in those regions. Further pressuring the already-weak state are the strategic location of Colombia as the access point to Central and South America and its traditional smuggling routes, and second, the environmental conditions that allow flourishing coca and opium cultivation. Thanks to such an advantageous combination of circumstances, Colombia has become the world's highest producer of cocaine and the Western Hemisphere's highest producer of heroin. Recently, there have been noticeable efforts at reasserting the Colombian state over territory ruled by drug cartels, guerrillas, and

paramilitaries. The Uribe administration is gradually taking back some of the control the state lost to illicit drug economies and is pulling Colombia back from the brink of failure.

In Mexico, the relationship between institutional weakness and the growth of illicit drug economies is also observed. During the first half of the twentieth century, drug trafficking was an unremarkable activity, centering on small family groups who produced and sold marijuana and opium. Although smuggling was common, given Mexico's spot as the only way to access the United States, drug trading was not a highly lucrative business. In the 1960s and 70s, when the U.S. demand for marijuana and other drugs grew, Mexican groups earned increasing profits and were able to broaden their enterprises and carve out more definitive zones of control.

The decade of the 1980s was the turning point for drug cartels. Since Colombian groups were being pushed out of their traditional transport routes, the U.S.-Mexico border became the most viable option. The new alliance brought an influx of Colombian money, well-refined strategies, and illegal products. Mexican cartels boomed and further entrenched their organizations in specific regions of the country, especially along the border with the United States and the Pacific and Atlantic coasts. The "big four" cartels arose (Juárez, Gulf, Sinaloa, and Tijuana cartels) along with some smaller groups (like the Amezcuca, Milenio, and Cancun cartels). The cartels are large, wealthy, technologically-savvy, and heavily armed groups that produce opium and cannabis and traffic cocaine, heroin, marijuana, and methamphetamines. These organizations have become stronger, more violent, and more defiant toward the state in recent years, earning Mexico a warning in 2009 that it could be slipping toward failure. So, how did Mexico reach the point that drug cartels can supersede state control in some regions and pose a substantial threat to governance in the country?

Although Mexico is often called a “strong” state, in terms of top-down authoritarian intervention and control, it is really an institutionally weak country. Four critical weaknesses of the Mexican state have allowed illicit drug economies to step in and fulfill the functions that the Mexican government, institutions, and agencies should traditionally provide. Ensuring basic human security has posed a major challenge to Mexico. The corruption of police, military, and other law enforcement officials at all levels is an historic problem in the country, but is now exacerbated by the deep pockets of wealthy cartels. Often, individuals that should be equitably protecting the population are instead on the payroll of illicit drug economies. Thus, especially in the drug cartels’ strongholds, the source of protection and security is the cartel. For example, the Gulf cartel boasts the *Zetas*, its private army of ex-police and ex-military personnel that protect the activities and members of the organization.

Mexico also struggles to provide the majority of its population with the resources to achieve an adequate standard of living. Although Mexico is one of the world’s largest economies and a member of NAFTA, unemployment, poverty, and income inequality characterize much of the country. Approximately thirty percent of Mexicans are impoverished (eight percent live in extreme poverty) and the richest ten percent of the population holds around forty-three percent of the country’s income. The economic policy decisions made by the Mexican government have brought on currency devaluations, debt crises, and instability. Although the economic situation is currently more stable, millions of Mexicans have not benefitted from economic policy-making and remain in desperate circumstances. It is no surprise that drug organizations, which reportedly earn more money than Mexico’s local and regional governments are budgeted, can attract struggling people seeking a tolerable standard of living.

A third critical weakness is Mexico's inability to uphold the rule of law in some areas. Thanks to the pervasive corruption, essentially all levels of government have, to some extent, been infiltrated by drug money. Drug cartels can offer state officials a choice: *plata o plomo*? If they choose *plata* (silver) they will be corrupted with a bribe, but if they choose *plomo* (lead) they will be killed. Certainly, the choices for *plata* are frequent and the corruption of the various branches of government has handicapped the efforts at upholding the written laws of the country. Drug cartels can dictate the actions of government officials in many regions, even reportedly getting their corrupted policemen to hand out police badges to drug traffickers so they will not be arrested. Also, the Gulf cartel operates with such impunity in its strongholds that the group fearlessly hung up signs advertising for police and military to abandon their jobs and join the *Zetas*. With a government often incapable of upholding its laws, drug cartels have been able to impose their own rules of the game.

The fourth critical weakness is Mexico's inability to answer the needs of all its territory. Physically, Mexico's institutions are absent or only partially present in many communities. Things like educational facilities, medical care, and other social services are difficult, if not impossible, for many people to access. Structurally, the one-party rule of the PRI that dominated Mexican politics for decades crippled other branches of government and squashed many alternative viewpoints. Further, the transition to more inclusive democracy from the 1980s to the present has created a constantly changing political system that has remained weak and superficial. Thus, drug cartels are substituting for the state's failings by providing infrastructure, schools, sports parks, and other civil society functions. In the drug cartels' strongholds, the leaders are often considered more legitimate authorities than the local elected officials and the cartels become the de facto administrators of their own sections of territory.

While the Colombian government is gradually reasserting control over drug cartels' strongholds, Mexico is just beginning to see how strong those fiefdoms really are. After a review of the institutional model of illicit drug economies, the range of theoretical and policy implications of the present study are explored, along with a final assessment of the future of Colombia and Mexico.

Toward a Model of Illicit Drug Economies

This study has crafted a comparative politics-based theory of illicit drug economies. Its fundamental contention is that in matters of illegal drug organizations, the state matters greatly. In fact, the state and its institutions and agencies are the primary determinants of how large, lucrative, and powerful an illicit group can become. Institutionalism's key assumptions buttress the implicit arguments that many scholars have already made about illicit drug economies: that the state is an independent actor and its actions influence, and are influenced by, the behavior of illicit drug organizations. This study has extracted the implied arguments from studies of drug trafficking (which have rarely been tied to a formal theory) and married them to existing institutional literature to create an institutional theory of illicit drug economies.

The condition sufficient to facilitate the growth and entrenchment of illicit drug economies is institutional weakness. If a state is critically weak, meaning it cannot consistently provide basic human security, an adequate standard of living, a rule of law, and day-to-day answers to its entire population, it is at risk for becoming host to a strong and wealthy illicit drug economy. A factor of secondary importance is the country's location and environment. If the territory happens to lie along strategic trafficking routes and/or contain proper environmental and ecological conditions for cultivating illegal drugs, then the already-weakened country is even more likely to face powerful drug cartels.

As the state fails to fulfill its critical functions, illicit drug economies can step in and substitute for the state. In Colombia, drug cartels took advantage of the spotty state presence, both physically and meta-physically, across the country and began to provide things that the government could not: protection and security, more sophisticated weapons, a stable source of income from coca growth and trafficking, a rule of law, infrastructure, homes, recreational activities, and general administrative authority. Similarly, illicit drug economies in Mexico have become proxies for the Mexican government. They now protect the members of their organizations and inhabitants of their strongholds with modern weapons and technology, give many impoverished Mexicans a source of income, corrupt state personnel and institutions to impose their own rule of law, build houses and other edifices, and become the de facto rulers even over elected officials.

Often, areas of territory in which state institutions do not noticeably exist or have been replaced are considered by the outside observer to be ungoverned. But, as Manwaring (2007) points out, “such areas are not ‘lawless’ or ‘ungoverned.’ These territories are governed by the gangs, warlords, drug barons, and/or insurgents who operate where there is an absence or only partial presence of state institutions.”¹²⁹ In the case of illicit drug economies, the groups begin to govern private fiefdoms and become state substitutes, even attracting state personnel to their “side,” like the *Zetas* who openly advertise for Mexican police and military to come work for the Gulf cartel’s security force.

Theoretical and Policy Implications

Theoretical Implications

The implications of this theory are many. First, the accuracy of this study’s hypothesized processes and relationships indicates that alternative theories like culture, structural theories of

globalization, or geography alone cannot explain the growth of illicit drug economies. Many countries have cultural attributes that would support illicit drug economies. Many communities across the world had a traditional use for now-illegal crops, like Colombian and other indigenous groups who routinely chewed the coca leaf. And, many cultures have a permissive attitude toward the use of these substances in their natural and refined forms. However, these practices are common to many states. To again use the example of coca: culture cannot itself explain why drug cartels became immensely powerful in Colombia, but not as strong in Ecuador, Venezuela or Bolivia, which have similar cultural uses of now-illegal crops. This is not to say that political culture arguments are not salient in myriad political science research avenues, but in questions of illicit drug economies, cultural theories are less useful.

Alternatively, some scholars argue that structural forces, like globalization, can better explain the evolution and growth of illegal drug organizations across the world. These arguments contend that “the state” is waning, that our modern age of internationalization and global commerce has rendered “the state” increasingly less significant to its own domestic affairs. Granted, the boom of technology and international trade is an asset to illicit criminal groups, but there is less evidence that “the state” is really in decline. As R.T. Naylor (2004) explains, only some states have withered, while others have continued in their positions of authority, and some have even exerted more dominance in recent years.^{**} Thus, not only is there little evidence of a global decline of “the state,” but structural explanations that talk of general phenomena cannot explain why, for example, Colombia became home to powerful cartels, while other Latin American neighbors did not.

Geography and ecology also cannot stand alone in explaining illicit drug economies’ growth and expansion. While strategic geographical placement and proper environmental

^{**} See Chapter 1 for more on the globalization argument.

conditions are certainly assets to an illicit drug economy, Thoumi (1996) argues that many countries have “prime geographic positioning” for a “flourishing drug trade,” but those circumstances *alone* cannot explain the situation in Colombia. Rather, Thoumi agrees that an institutional perspective is most appropriate for understanding illicit drug economies. Like Evans, Rueschemeyer, and Skocpol (1985) proclaim, it is time to “bring the state back in.”

Policy Implications

The policy implications of this study are also significant. Given that institutionalism is the best theoretical framework with which to understand powerful illicit drug economies, it should be obvious that *institutions* ought to be the primary target of policy-making. In Colombia and Mexico, as well as in other states, corruptible army and police, the lack of law enforcement throughout the territory, inept economic decisions, poor social services, regional isolation, and an uneven state presence throughout the territory have created ideal circumstances for illicit drug economies to set up shop and steal control from governments.

For many years, the bulk of United States aid and attention to Colombia and Mexico has focused on strengthening the military and law enforcement apparatus. But, working on the security forces is like putting some band-aids on a gushing wound needing staples and stitches. Certainly, a stronger and better equipped army and police is an asset, but when the fundamental problems remain (corruption is rampant, the judiciary is unwilling to prosecute drug traffickers, millions of people live in poverty, and many officials and institutions can be intimidated with violence) the U.S. risks throwing money into a bottomless pit.

This study affirms the wishes of Andrés Pastrana, former president of Colombia, who came up with the idea of Plan Colombia. He called for social and economic development, international cooperation, a peace agreement with guerrillas and paramilitaries, and political

reform. This version of the Plan was not enacted; instead, the United States budgeted nearly eighty percent of Plan Colombia's money for the military and police: in 2006, nearly \$650 million for security forces and about \$140 million for other programs.¹³⁰ While a Pastrana-like Plan Colombia should not be photocopied and applied to all other states, the guiding principle can be: the state, its institutions, and agencies *must* be reformed and strengthened so they can fulfill the critical functions expected from a national government.

Mexico and Colombia are in dire need of institutional reform, although their specific needs differ. Mexico, according to the "Mexican model" explained by Chabat (1996), is paying a great price for its legacy of corruptible law enforcement and government officials. Now that illicit drug traffickers have attained positions of great power and pay large sums in bribes, there has frequently been little political will to eradicate corruption, prosecute traffickers, or hurt the drug trade's profits (however, under the current Calderón administration the necessary political will may begin to surface). Attempts have been made to root out corrupt law enforcement and military personnel, but most policy changes have met with little success. The corruption of individuals, institutions, and agencies is deeply embedded in Mexico, although many voices have recently been calling for reform. Rather than concentrating an overwhelming sum of money on security forces (\$326.5 million out of \$400 million in the Mérida Initiative and \$700 million recently pledged by the Obama administration for increased law enforcement along the border) the U.S. and Mexico should also be working on eradicating the corruption that will continue to feed the illicit drug economies for many more years.

While Colombia has experienced its fair share of corruption, the most pressing institutional reform required in that country is the physical expansion of the state. The state still has little or no presence in many regions, especially the zones ceded (de jure or de facto) to the

FARC, paramilitaries, and drug cartels. While Colombia may boast more political will to stand up to the threats of drug cartels, especially under the current Uribe administration, many challenges remain. With few options and limited contact with state services, Colombians in far-flung, isolated regions will continue to be controlled by non-state groups intent on keeping the government from interfering.

The strategy of institutional reform may be less attractive to some policy-makers because it seems too gradual, too complicated, or “not our problem.” The U.S. tends to focus their financial aid packages heavily on strengthening military and law enforcement in other countries. However, even though this is an important goal, it does not necessarily remedy the underlying problem. Probably, corrupted military or police in Mexico and Colombia have used these influxes of money to protect their local drug cartel or retaliate against the enemy cartels. Throwing more money at the problem will not yield a true solution. Instead, fixing the institutional failings will starve illicit drug economies out of their positions of influence and make drug trafficking less profitable, less tempting, and less wide-spread. Ideally, this strategy would make illicit drug trafficking too costly for most people to join because the risk of arrest would be high regardless of the person’s wealth or organization, crimes would be prosecuted equitably and efficiently, state services would be superior to the cartel’s administration, money-making opportunities would be stable and accessible in the licit economy, and the drug trafficking organizations would be considered antithetical to reform and development.

What Happens Next?

So, now that we know illicit drug economies can become state substitutes and serve as de facto rulers in some regions, what happens next? Will weak states that contain large and powerful illicit economies fail, as was feared in Colombia and now suggested in Mexico? While

Colombia and Mexico can blame drug traffickers for contributing to violence, chaos, and potential devastation, utter failure—the complete loss of authority and control—does not have a single cause or culprit. Few failed states have appeared on the world stage, but in those that have disintegrated, like Somalia and Sudan, there are multiple ruinous forces at work. Each failed state has its own set of wretched circumstances that may or may not contain a forceful illicit drug economy. And, as revealed in this study, there are problems that precede and contribute to the rise of drug cartels, which are much more likely to be the underlying causes of state failure.

Since the 1980s and 90s (the decades in which Colombia was predicted to fail), we have actually seen a gradual reassertion of the Colombian state. Under Uribe, levels of violence have fallen, guerrillas groups have declined (although not necessarily because of Uribe's policies), strong-arm tactics have been employed against drug cartels, and some governmental reforms have been enacted. So, state failure is not a foregone conclusion, even in a country that has been wrecked by violence and had decentralized into competing parastates. Perhaps, the reality of possible failure lit the proverbial fire underneath the Colombian state to take back control and begin to make up for their critical weaknesses. Like many drug addicts, Colombia had to hit bottom before beginning the long climb back up.

The future of the country, although challenging, is looking brighter. Most likely, we will see more progress toward a stronger state, decreasing popularity of guerrilla and paramilitary groups, more prosecutions of drug traffickers, and a small decline in violence. However, the drug trade is showing little signs of decline despite constant aerial eradication efforts, military and police involvement, alternative crop programs, and other U.S. and Colombian policies. It will be many years before cocaine and heroin trafficking loses the positions of power achieved in

the country. The only way to take back control from the illicit drug economies is to starve them out by making the state institutions, functions, and services far superior to drug cartels.

Unfortunately, Mexico has not yet hit bottom. In mid-2009 we are beginning to see a foreshadowing of the violence, turf wars, corruption, and defiance of the state that will most likely characterize Mexico in the coming years. Mexican organizations came to prominence in the 1980s and 90s, at least a decade after the Colombian drug cartels, and owe much of their successes to the Colombians. State failure was predicted in Colombia in the 1980s and 90s, but was not considered a possibility in Mexico until 2009. So, this ten to twenty year difference reflects the time lag between the rise in Colombian cartels (1960s-70s) and the rise of Mexican cartels (1980s-90s). While this study's author does not expect state failure to occur in Mexico, the author does predict that the situation in Mexico will get worse before it gets better.

In March 2009 the Obama Administration pledged \$700 million in supplementary aid to beef up border control and help quell the raging violence in places like Tijuana and Ciudad Juárez. And, militarization of the war on drugs continues as current President Calderón recently deployed thousands more troops to drug trading strongholds. Calderón appears to be taking a strong-arm approach to drug traffickers, like Uribe in Colombia, so he may eventually be able to spur a gradual reassertion of the Mexican state as well. But this may not come soon, and it may take many years to make headway against corruption, violence, lack of economic opportunities, lack of state presence around the country, and lost legitimacy.

Mexican and U.S. officials should take note of the successful policies enacted in Colombia and implement appropriate versions in Mexico. We should waste no time and must cut short the violent and chaotic years that powerful drug cartels are creating and will perpetuate in Mexico. The aim, says Eduardo Medina Mora, President Calderón's attorney-general, is not to

end drug-trafficking "because that is unachievable." Rather, it is "to take back from organized criminal groups the economic power and armament they've established in the past 20 years, to take away their capacity to undermine institutions and to contest the state's monopoly of force."¹³¹

Drug cultivation and trafficking will not end, but with a better grasp of the evolution of illicit drug economies we can work to eliminate the propitious conditions for drug cartels: critical institutional weaknesses that allow criminal groups to become far too powerful. Illicit drug economies that can serve as state substitutes are dangerous things, but they do not have to break the country. The institutional theory of illicit drug economies rightly reveals that institutional reform and fortification of the state must be pursued. Genuine, dogged, unwavering, continuous efforts at strengthening the state will not disappoint, and Mexico, Colombia, and other drug-swamped countries can gradually win back the areas they lost to illicit drug economies.

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