

The persistence of the drug trade in Colombia: The political, social, and economic dimensions of
new illicit business paradigms in Colombia

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Abstract

With the demise of the Colombian cartels in the late 1980s, a new business paradigm has emerged in Colombia and other Latin American countries. Throughout the last several decades, numerous political, social, and economic factors have aided in the emergence and growth of this new illicit venture. Internally, illicit ventures are shaped by the state's increased dependence on the illicit drug trade, a shift in societal acceptance of the ventures, the nature of Colombian culture, and a lack of opportunity in the legal economy. Externally, these ventures are shaped by increased foreign political pressure from the United States as well as economic globalization. These factors have aided in the emergence and development of these ventures, resulting in the ventures being increasingly more integrated economically, socially, and politically. I argue that these external and internal factors of Colombia's environment have shaped new illicit business paradigms that, in practice, share many similarities to legal business paradigms. These ventures are similar to legal businesses in countries that are characterized by these particular external and internal factors.

Introduction

Much of the narrative that surrounds illicit ventures portrays a sensationalist view of extreme violence, corruption, and crime. Each day, mass media provides a commentary on the drug wars in Colombia, Mexico, and many other Latin American countries that perpetuates the same global response. This narrative and response exposes the inability of many to fully understand these illicit ventures. The ventures' aim is simple but their organization is complex, focusing on supplying a very lucrative and high margin product to their customers. The demand for drugs remains dangerously high; the 230 million global drug users provide the ventures with a seemingly infinite number of customers. (Buggle, 2013, para. 9). To keep up with this demand, many illicit ventures are utilizing business paradigms similar to those of legal, multinational corporations. These standard business practices are merely adapted to fit their illicit product. As countries see a shift in the political, economic, and social landscapes, illicit ventures must further alter their business practices.

Colombian drug trafficking emerged as a powerful strength with the development of the marijuana drug trade in the mid 1970s. By the 1980s, two large cocaine cartels grew out of the success of the marijuana trade. They then took a much more integrated role within Colombia and were making a profit similar to that of a number of multinational companies (Canales, 2013). The cartels' size and structure required much of the same organization and practices of these same large corporations. After the cartels' collapse in the early 1990s, smaller, more decentralized drug ventures emerged. Many of the new illicit ventures used the same paradigms of their predecessors, with some adaptation due to shifts in the internal and external environment. As they developed, these new ventures began to appear even more akin to legal businesses than the cartels had been. Because of this, I seek to explore what social, economic, and political factors have shaped the new business paradigm that is seen in these new illicit ventures.

Through the examination of these political, social, and economic factors, I determined that there are six internal and external forces that aided in the emergence and development of the illicit ventures seen today. Focusing internally, the dependence of the government on the drug trade, the social shift in attitude towards the industry, the nature of Colombian culture, and the lack of ample opportunities in the legal economy all have helped shape the paradigms of illicit drug ventures. Externally, increased foreign political pressure on Colombia and economic globalization have aided in shaping these ventures as well. Based on this analysis, I argue that these external and internal factors of Colombia's environment have shaped new illicit business paradigms that, in practice, share many similarities to legal business paradigms. Despite the present narrative that these ventures are merely simple and violent organizations, they are in fact very similar to legal businesses in countries that are characterized by these particular external and internal factors.

The role of the illicit economy in the global political economy

Defined as the relationship between states and international illegal markets, the illicit economy is an extremely prevalent and integrated part of the global political economy. Known by numerous names (shadow, hidden, black, underground, gray, clandestine, illegal, and parallel), this economy consists of undetected economic activities that are not recorded in national income reports (Fleming et al., 2000). There are numerous illicit activities including arms trafficking, human smuggling, organ trafficking, wildlife trafficking, piracy, drug trafficking, and counterfeiting ("Havocscope", 2013). Specifically in Colombia, the list of illicit activities includes cocaine

production, manufacturing counterfeit U.S. dollars, producing (and using) assassins for hire, the export of prostitution in Latin America, and producing high quality counterfeit documents, pirated software and CDs (Thoumi, 2005).

States ultimately have the capacity to define which activities are illicit, as the mere existence and enforcement of governmental controls are the drivers of innovation in these activities. Illicit ventures consistently have to improve their systems and business models to be able to evade state controls and enforcement in their industry (Andreas, 2004). In addition, some states have neglected to provide adequate and appropriate regulatory framework for legal businesses, which has provided an entry point for legal businesses to enter into partnerships with illicit ventures through areas such as money laundering and business fronts (Zeidler, 2011). Currently, many states that have previously struggled with defining boundaries and preventing the growth of illicit activities have reinstated their power through more expansive, comprehensive, and technological innovation; this has greatly aided in regulation efforts of the illicit economy (Andreas, 2004).

States are unable to tax illicit activity causing state tax revenue to be much lower than it should be. Thus, the illicit economy limits the state's ability to provide its citizens with the public goods their citizens need (Fleming et al., 2000). Bribery and corruption often run rampant throughout political institutions in countries with a large illicit economy, with states sometimes looking to illicit activity to provide state revenue. Low salaries paid to government workers and law enforcement agents often cause many to look elsewhere for payments, such as bribery from illicit activity (LeoGrande & Sharpe, 2000). Specifically in Mexico, the state's legal economic instability often leads to the state relying on illicit revenue to fund state activity (Andreas, 1998; Vellinga, 2004).

The social, political, and legal characteristics of a country help to shape the composition and size of their illicit economies, which causes certain countries to be more susceptible to illicit activity. Developing countries, such as Chile, Colombia, Costa Rica, Venezuela, Brazil and Paraguay, greatly rely on the informal sector for employment and productivity. Between 1990 and 1994, the illicit economy in these countries was 25-35 percent of these states' productivity (Fleming et al., 2000, p. 405-406). However, with its clandestine nature, the illicit economy is extremely difficult to measure because of unreliable and undocumented data. It has been estimated by Havocscope, a leading provider of black market data and information, that the illicit economy today is worth over \$1.79 trillion, with the drug trade being over \$500 billion of that total number ("Havocscope", 2013; Andreas, 2004)¹. Even with a lower estimate of \$100 billion in the drug trade industry, it would still be one of the leading industries in the international economy (Andreas, 2004).

The nature of drug trafficking

Countries can participate in drug trafficking in three ways: production, trans-shipment, and targeted consumption (Singer, 2008). Colombia acts as a country of production, which then

¹ Statement from Havocscope, LLC: "The Havocscope World Black Market Value is the estimated value of the illegal black market. This figure is calculated by combining the total value of 50 global security threats along total value of illegal networks and markets in 91 countries. The total impact values from both the security threats and country markets are added together and divided by 2 in order to produce the estimated value of the black market."

transships through numerous countries in Latin America and West Africa to target its main consumption areas of the United States and Europe. In 1993, over 23 percent of Colombia's GNP came from the drug trade and 2.5 to 2.7 million people in Latin America relied on drug production for employment. Often the production and distribution of drugs provide a very similar socioeconomic structure within the country of that established by legal industries, particularly agribusiness (Salazar & Fierro, 1993, p. 87; Zabludoff, 1997).

There are several key aspects that make a country particularly susceptible to the growth of drug trafficking. The legitimacy of the state, the existence of ample opportunities within an active national economy, societal acceptance of the drug trade, and pre-existing civil conflict are keys to the development of the drug industry within a country (Bybee, 2011). The Andean region, specifically Colombia, has seen huge growth in drug trafficking over several decades. Aiding in this growth is the government's inability to remain accountable to citizens, fight corruption, and exert state power over large geographic areas (Vellinga, 2004). Colombia is split by three mountain ranges, with the easternmost range containing half of the total land in Colombia. Four-fifths of Colombians live in the western region (McLean, 2002). The government does not have the resources to effectively combat these geographic and social challenges, and ultimately has lost the state's legitimacy and accountability. Without state power in these regions, drug traffickers are able to take over and provide Colombians with economic growth, employment, and public goods (McLean, 2002; Thoumi, 2005; Vellinga, 2004).

When drug trafficking initially emerged in the 1980s, the economic benefits it generated caused many Colombians to view its growth as positive (Hartlyn, 1993). The legal economy was not able to provide the employment opportunities that the illicit economy was able to provide Colombians (Fleming et al., 2000). Today over 300,000 Colombians work within the drug industry and roughly the same number of Mexicans are growing drug crops in Mexico (Andreas, 1998, p. 160; Podur, 2003, para. 5). Individuals involved in any aspect of the supply chain now rely on drug trafficking for their economic livelihood and have come to accept the violence of the industry as a social norm (Whiteford, 2002).

The theory of constructivism helps to explain the role that history and norms have played in establishing and promoting the drug trade. It examines the idea that society and political actors are merely adhering to the social rules and norms that society has established (Balaam & Dillman, 2011). The lack of state power, geographic challenges, and a history of civil violence in Colombia caused the establishment of the drug trade as a norm in society. Without any sense of social cohesion or national identity, factions within society appeared and the government began promoting a zero-sum partisanship, leaving society to deal with and accept the violence that followed. As drug cartels began integrating themselves into society and political institutions, they were able to provide the resources and economic stability that the government could not (Brysk, 2009). The head of the Medellin cartel, Pablo Escobar, held a political office, provided housing for the extreme poor, and built soccer pitches throughout his community (Zimbalist et al., 2010). The violence continued, but society began to look at these drug lords as legitimate leaders who provided a logical narrative that allowed society to accept drug trafficking as a norm and a part of their society (Brysk, 2009).

Historically, violence and civil conflict in Colombia existed before the emergence of the drug trade, during a period of civil conflict known as *La Violencia* from 1947 to 1958 (Millet, 2002). This period of time is seen to have destroyed social capital within Colombia and aided in the increased regionalism of the country with a large migration from rural to urban (Brysk, 2009; Thoumi & Windybank, 2007). Initially, the primary cause for violence was the uneven distribution of resources, particularly land, that the government had failed to address. Drug traffickers bought large sections of land and guerrilla groups began to set up their own form of land reform. These groups then built roads and schools, and contributed to political campaigns. Under a government that did little to help society, criminal groups were the ones to provide the needed resources to the communities they operated in. This community support from the drug traffickers has caused many Colombians to endure and accept this way of life (Whiteford, 2002). This social acceptance of the drug trade, the state's ineffective combative methods and historical civil violence has shaped a new social reality that effectively allows drug production and trade to be a norm within society (Pankratz & Matiassek, 2011).

Components of business paradigms

Defined as a clear example, model, or pattern in business, business paradigms often provide the precedence that companies rely on to implement business practices that will help them grow. More often than not, these paradigms can shift to respond to a change in the external or internal environment that the business operates in. Businesses confront these challenges on a daily basis; some being so radically different than the norm that a new model is needed to establish new strategies and management practices. As mentioned earlier, illicit ventures use business paradigms and practices that legal businesses rely on to operate in the legal economy. The illicit nature of their product often forces many to adapt these paradigms for an illicit context.

Business paradigms in an illicit context

The capitalist mode of production has ultimately turned drugs into a new, extremely profitable commodity that attracts many entrepreneurs (Salazar & Fierro, 1993). Many of these entrepreneurs pursue a profit from this illicit commodity using similar, yet slightly different business practices than a legal business would use. Due to the illicit nature of the product, many use a mix of legal and illegal business practices that allows them to continue the growth of their venture. Since they are operating outside boundaries of formal institutions, they use illegal methods to overcome and deal with issues outside of legal boundaries (Singer, 2008; Webb et al., 2009). Areas of business like conflict management cannot be dealt with formally due to the illegality of the business, fair prices not being government set, and mediation of drug related problems not being taken seriously. Due to little government arbitration or formal boundaries, illegal and informal measures are used to settle conflicts (Jacques & Wright, 2011).

Similar to legal entrepreneurs, illicit entrepreneurs are motivated by profit and have the same desires as their legal counterparts. They have a heightened desire for wealth, are comfortable risk-takers, and are extremely competent in their chosen field (Smith, 2009). Before becoming an entrepreneur or head of an illicit venture, many are trained by high-level people within their fields, reflecting the structure of an internship or mentorship (Vannostrand, 1999). They are able to learn each aspect of the trade that enables them to move up in the business once their mentor trusts them. Many of these entrepreneurs typically obtain ownership over their illicit venture by exploiting opportunities in the market (as was seen in the establishment of Colombian cartels),

exploiting connections with people already in the drug trade, or obtaining ownership through succession and promotion (Brice, 2003; Vannostrand, 1999).

An illicit entrepreneur's focus on growth ventures often means that he follows the standard and legal entrepreneurial process to build a business (Zabludoff, 1997). This process is broken down into the stages of 1) entrepreneurial alertness, 2) opportunity recognition, 3) opportunity exploitation, and 4) decisions concerning growth. Just as an entrepreneur in a legal business would be alert to opportunities, illicit entrepreneurs are able to recognize opportunities and begin their business based off growth decisions. Opportunity recognition can occur spontaneously with an idea brought on as a flash of insight. The entrepreneur will then exploit opportunities by leveraging new and existing resources to establish more effective processes. For drug entrepreneurs, this could be exploiting, or even taking over, existing networks or distribution channels. Lastly, entrepreneurs will make decisions that will allow their venture to grow. This could include sustaining their business in existing markets while also leveraging opportunities in new markets (Webb et al., 2009). More than likely every legal sector has an illicit counterpart that entrepreneurs can thus recognize and then exploit (Andreas, 2004).

The business model of an illicit venture

A standard business model consists of four main components: customer value proposition (CVP), profit formula, key resources, and key activities. This same business model, which is commonly used in licit ventures, can effectively be applied to illicit ventures. The customer value proposition consists of the value transfer that occurs from dealer to customers. As drugs are highly addictive in nature, much of the value is perceived as the high that the customer receives from the provided drugs (Kurrle, 2013). The United States accounts for more than half of the global demand for drugs, resulting in a relatively consistent demand that has shown great profits (Canales, 2013). However, illicit ventures are always looking for unfilled demand that they can cater. There is no customer loyalty to a certain drug venture, as customers will seek the most easily accessible or cheapest drug they can find. Because of this, many illicit ventures unleash extreme violence to kill off competition for control of the border, markets, raw materials, and distribution of the product (Kurrle, 2013; Salazar & Fierro, 1993). Much of the territorial battles that occur in Mexico stem from the major cartels competing for dominance in the industry as well as the drug routes into the United States (Khan, 2013).

The profit formula is much more difficult to accurately depict due to the lack of public financial statements and cash transactions. Profit margins are enormous: one transport of a delivery across the border provides a steep increase in their profit margin. The expense of losing a shipment is merely the cost of doing business. Entrepreneurs follow the principle 'with high risk comes high reward' and it often pays off if they are willing to take the risk. As it stands today, Mexican and Colombian cartels have raked in a profit of \$4.6 billion just from exporting to the United States (Badkar, 2011, slide 4). Expenses also consist of the cost of paying their employees, their subcontractors and bribes. Venture capital is also seen in illicit enterprises as they look to invest in and provide capital for an external firm to do research and development. This is extremely necessary for the venture to stay ahead of its competition and increased policing efforts (Kurrle, 2013).

An illicit venture's key resources are vital for their survival and key to their business model. People are a huge resource, and somewhat of a liability, to these ventures. They generally have been trained through first hand experience, which allows them to fully understand the networks that surround the business. The venture can combat any risk of disloyalty by stressing a culture of trust, secrecy, and loyalty while also promoting a reputation of violence that is known within their network and community. In the enterprise, this culture is held in high regard and is both extremely important to the fellow employees as well as the leaders of the venture. Trust must be established between the venture and the workers, as this will reduce the likelihood that, if caught by law enforcement, they will give up information (Kurrle, 2013). Similar to legal businesses, trust is gained through business processes such as following through on agreements. In order to minimize risk, avoid detection, and neutralize competition, secrecy is used by the venture to protect their business and its people. Without traditional marketing methods, keeping information on contacts, partners, markets, and clients a secret is vital to gain an edge over competition. An illicit venture's reputation is often built off of violence or the discourse that surrounds them (Kurrle, 2013; Zaitch, 2005). Violence is often used not only as a reputation builder but also as a resource to enforce deals, resolve conflicts, and threaten competitors and law enforcement (Singer, 2008; Zaitch, 2005).

Their processes heavily depend on the bribery and extortion on key players within their industry. These can be law enforcement officials who, in Mexico, fight over major smuggling routes for the bigger bribes or prominent government officials that are threatened, assassinated, or bribed to reverse or lobby for legislation (Andreas, 1998; Kurrle, 2013). They also rely heavily on intelligence for the surveillance of all their operations, which require precision and careful planning (Kurrle, 2013). Efficiency and effectiveness greatly depend on their ability to acquire intelligence that will aid in anticipating advanced and updated policing efforts (Williams, 1998).

The structure of an illicit venture

The constantly changing environment requires drug ventures to be highly flexible and promote redundancy in their supply base and product to operate. If for any reason their networks are compromised, they are flexible enough that they can alter their shape and have enough redundancy built in so that they can still operate and supply their product to their consumers. The threat of enforcement, disloyal employees that give away trade secrets, and competition forces ventures to rely heavily on networks within their core and periphery networks (Williams, 1998).

The core is composed of a dense network of connected individuals that lead the entire organization. Entry into the core largely depends on the level of trust that one has within the organization. The core remains autonomous and directive of the periphery (Zabludoff, 1997). Generally, with a top leader that handles major decisions, the core is connected and bonded by high levels of trust, which is critical for the sustainability of the operation (Williams, 1998; Zabludoff, 1997). Similar to CEOs of large, legal businesses, the leadership of an illicit venture must consist of quick decision-makers that are highly flexible in making changes. Leaders of illicit ventures are not afraid to use violence to establish dominance and power. They oversee all day-to-day operations and consistently try to reduce all business risk within their operations (Zabludoff, 1997).

The periphery is made up of essential employees that have much looser relationships. Depending on the size of the organization, this can consist of 100-200 people with over 100 subcontractors that specialize in specific functions throughout the organization (Lopez et al., 2001). For many Mexican cartels, they are known to employ at least half a million people (Khan, 2013). Similar to a large corporation, the venture will often employ legal lawyers, economists, and other financial experts that can provide wealth management within their periphery (Lopez et al., 2001). New people are constantly brought into the industry to increase the reach of the venture and grow their activities while reducing the risk of day-to-day operations (Williams, 1998; Zabłudoff, 1997). Each part of the periphery only knows the information that is needed for their operations, which often causes many employees to feel less connected or bonded to the organization (Kurrle, 2013). As these ventures amass a greater amount of profit and grow, the scope of the periphery increases (Lopez et al., 2001).

Corporate Social Responsibility (CSR) and investment

Many of the drug cartels in the 1980s and drug entrepreneurs today invest some of their profits locally, whether it is for their own economic interests or for community improvement. Regardless of the intent of their investments, their money is injected into the economy, which helps to improve the economy while often improving the lives of thousands. A large share of their investments is used to acquire property and businesses in Colombia (Zabłudoff, 1997). As discussed earlier, Pablo Escobar invested in the community through housing projects for the poor, improving soccer field conditions, and other endeavors that improved the lives of Colombia's most poor (Vellinga, 2004; Zimbalist et al., 2010). Some Mexican cartels organize community events such as picnics and barbecues (Khan, 2013). The relationship that is built between an illegal business and the community is very important due in large part on the venture's dependence on society for resources as well as its legitimacy (Brice, 2003). Through this corporate social responsibility, the Medellin cartel had the backing of some of the nation's poorest neighborhoods and was ultimately able to gain legitimacy from the community (Zimbalist et al., 2010). Conversely, the Cali cartel extended their economic prowess through the construction and operation of 432 drugstores. In addition, they owned hotels, supermarkets, banks and credit institutions, radio stations, soccer clubs, airlines, and labs that went towards the betterment of society and economic strength as they invested in legal businesses (Vellinga, 2004).

Illicit entrepreneurs today in Colombia have a much lower profile within society, but they still invest in the legal economy by extending their business into society through contracting services of legal businesses. These services can include transportation, security, banking, communication, investment and legal assistance, and, perhaps the most controversial, money laundering (Andreas, 1998; Vellinga, 2004). For products sold in the United States, the drug traffickers must convert the huge sum of U.S. dollars to pesos without detection. Often, many legal banks are involved in this transaction (especially U.S. banks), whether the bank is aware of it or not. Colombian traffickers have been known to utilize the legal services of banks in Colombia, the United States, and Mexico to launder their money. HSBC in Mexico recently was exposed after a drug lord claimed the bank to be "the place to launder money" ("HSBC", 2012). As they strive to blend in more with mainstream society, these ventures take part in legal and illegal transactions and businesses, which makes it difficult to isolate illicit transactions and distinguish business fronts from legitimate businesses (Zabłudoff, 1997).

The shift in the illicit business paradigm

The Colombian drug trade rapidly emerged in 1975 with the marijuana trade and the coffee boom. Mexico was undergoing major interdiction efforts that opened the door for Colombia to take over 70 percent of the market share of the marijuana going into the United States (Garavito, 2013). This along with the Colombian coffee boom led to an influx in foreign exchange that poured into the economy causing inflation to rise. To address this crisis, the president at the time, Lopez Michelsen, declared a state of economic emergency in order to pass measures that would stabilize the economy. This included significantly cutting public investment and social welfare programs. These measures, in addition to several other austere ones, did little to help; they merely widened the income gap and established a great dissent towards the government (Butler, 1999). While the coffee boom did not continue, the drug trade flourished. It had endured the economic crisis and brought about continued economic growth. The initial growth in the mid to late 1970s established support for the drug trade among several factions of society, especially growers in rural areas (Hartlyn, 1993). The wealthier the drug cartels became, the more money they would invest in the economy and the community. One example of this improvement occurred with the construction of buildings, both residential and commercial, by the cartels. This construction would provide jobs to community members as well as build residences and office space for locals. The height of wealth for the cartels in the early to mid 1980s was a time that the illicit economy actually benefited more Colombians than the legal economy (Garavito, 2013).

The era of the cartels and the drug lords began in the early 1980s. The country was run by two main cartels, both headed by Colombian drug lords that had earned a large majority of their money from the marijuana trade. The Medellin cartel, run by Pablo Escobar, and the Cali cartel had since diversified their product and began to control more than 70 percent of the Colombian cocaine exports by the mid 1980s (López et al., 2001p. 15). The Medellin cartel unleashed extreme violence to gain control of the industry, the state and its people, often using the threat *plata o plomo* (silver or lead) to establish corruption among various ranks in the state (McLean, 2002; Vellinga, 2004). This corruption ran rampant as many accepted bribes out of fear of assassination by Escobar. The judicial system was torn apart as many judges were killed after the sentencing of various drug traffickers within the cartels. It was this corruption and fear within the government that ultimately caused the deterioration of many Colombian institutions and state sovereignty, allowing further growth of the drug trade (McLean, 2002).

By the early 1990s, more threats came from the United States government to end the cartels' control of Colombia. The Colombian government began to strike back against the cartels, but not yet with the purpose of destroying them. The differing goals of the United States and Colombian governments created tension between the two countries (Friman & Andreas, 1999). With the threat of being extradited, Escobar took advantage of this tension and lobbied to pass legislation banning extradition in 1991. He killed anyone that blocked him and eventually had the President change the Constitution so that no one could be extradited to the United States (Zimbalist et al., 2010). However, as the pressure from the United States continued and the Colombian government continued to fail to respond to public problems, violent riots broke out throughout the capital Bogota. In the end, police and military forces were able to shoot and kill Escobar, ultimately ending the Medellin cartel's reign on December 2, 1993. The Cali cartel took over the cocaine market, but by 1995 was overtaken by the Colombian government (Friman & Andreas, 1999).

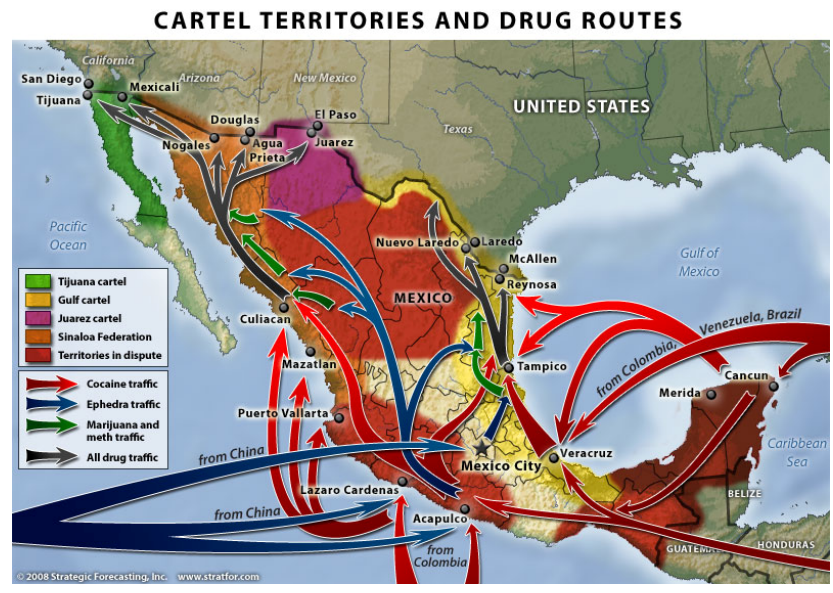
The demise of the cartels did little to slow the production and supply of drugs; it merely changed the structure of the business paradigm. The departure of the big drug lords brought with it much less order in the drug world and more opportunity for newer, smaller enterprises to establish themselves in the market (LeoGrande & Sharpe, 2000). Instead of two main cartels in Colombia, there are now between 250 and 300 trafficking enterprises that are much smaller, enclosed and secretive than the cartels before them (López et al., 2001, p. 24).

The paradigms these ventures utilize are an adaptation of those used by the cartels before them. The continued crackdown on drug traffickers caused these new ventures to decentralize and reduce their size allowing much more flexibility for the changing environment (Vellinga, 2004). The large, visible size of the cartels was a significant part of their undoing, which the new ventures recognized and thus corrected. Operating as smaller, more disconnected cells has allowed these new ventures to collaborate much more effectively with a variety of partners that specialize in certain areas. One criminal organization may be specialized in production while another may be more efficient in distribution; the new ventures partner with the most specialized (Germain, 2010). In addition, they directly injected themselves into the international market to establish new distribution channels as well as enter new markets (Lopez et al., 2001). The chart below compares the paradigms of the old and new illicit ventures:

Paradigm	Old Illicit Venture	New Illicit Venture
Brand Reputation	Yes	Yes
Visibility to the public	Yes	No
International channels	No, not past Central and North America	Yes
Efficient distribution channels	Yes	Yes
Supplier relations	Yes	Yes
Political lobbying/participation	Yes	No
Human resources	Yes	Yes
Quality control	Yes	Yes
Research and Development	Yes	Yes
Corporate Social Responsibility	Yes	Yes
Centralized Structure	Yes	No
Partnerships	No	Yes
Customer relationship management	Yes	Yes
Bribery	Yes	Yes, less visible though

Specifically, as the United States pushed through with its war on drugs, many of the old trafficking routes through the Caribbean and Latin America became heavily guarded. Because of this intensification of border control and political pressure on eradicating drugs, the new drug ventures needed to diversify their transit routes and form a new strategy to supply the United States. These illicit ventures' new size and flexibility made it possible to expand internationally into countries like Guinea Bissau and establish themselves there for easier entrance into another large market, Europe (Rodas, 2013). Additionally, the need to continue supplying the United States forced many of these enterprises to partner with Mexican cartels, since NAFTA allowed

easier trade across borders. The importance and success of this partnership with Mexican cartels cannot be overstated. Approximately 93 percent of cocaine leaving South America for the United States now travels through Mexico (Perkins and Placido, 2010, para. 10). The image below depicts the routes of cocaine traffic from Colombia that goes through Mexico:



Source: Canales, Rodrigo. 2013. *The*

deadly genius of drug cartels. Ted Talk, October 2013.
http://www.ted.com/talks/rodrigo_canales_the_deadly_genius_of_drug_cartels.html

In response to this increase in the amount of cocaine traveling across borders, many initiatives have been put in place to monitor the movement. This has forced many of these ventures to export small amounts and reduce the risk of their load being seized across the border. The ventures have altered their transportation system to be multi-stage rather than one step transportation like the cartels before them. The sheer amount of goods, both licit and illicit, flowing between the borders made it extremely difficult for border officials to find the small, but frequent shipments exported by these new ventures (Dermota, 1999; Perkins and Placido, 2010; Zabłudoff, 1997).

The smaller size of these ventures allowed the business to extend itself into Colombian society. The size of the old ventures provided a large enough internal network that could provide them with the resources they required. Transportation, production, and distribution were usually done by their periphery network allowing them to rely less on outside resources. As these ventures decreased in size, much of the services they needed were no longer available within the organization, so they looked to the community to provide those services. When the drug cartels disbanded, many small businesses working with the cartels lost their power both economically and politically. This faction of small businesses within society thus accepted this new paradigm and many of these same legal businesses became subcontractors for these ventures, thereby allowing the drug ventures to become decentralized and further expand among society. As mentioned earlier, transportation, legal services, investment consulting, and money laundering were services needed by these new ventures. Society began to accept the expansion of this industry into society and was able and willing to provide these services (Vellinga, 2004).

Today, the drug ventures continue their expansion throughout Colombia, with paramilitaries becoming much more involved in the production of the coca plant. The guerrilla's military chain of command structure has greatly aided in their success in the industry, with clear promotion paths and clear authority figures (Canales, 2013). Their protection of coca fields will cause Colombia to miss their 2013 target of eradicating 135,000 hectares of coca by a considerable margin. The guerrillas have been known to shoot down aerial spray planes, set booby traps for manual eradicators, and pressure communities into obstructing access to the fields (Parkinson, 2013). This guerrilla protection allows these new ventures to diversify their portfolio and broaden their reach into Colombian life; they now participate in extortion, illegal gold mining, micro trafficking, gambling, and marijuana dealing in Colombian cities (McDermott, 2013).

The illicit paradigm as found in Mexico

To fully develop a clear picture of the operations of drug ventures, it is imperative to look at the country of Mexico and, in particular, the Sinaloa cartel. The Mexican experience is quite similar to that of Colombia, only with a more recent entrance into the drug trade. Once NAFTA was established in 1994, the floodgates opened for drug trafficking in Mexico. Many entrepreneurs in Mexico recognized the opportunity in working with Colombian producers of cocaine and exploited it. These ventures had previously been exporting marijuana and smaller amounts of cocaine, but by the mid 1990s they had begun to export 75-85 percent of the cocaine into the United States (Gootenberg, 2011, p. 9). The United States Drug Enforcement Administration estimates that Mexico earned more than \$30 billion in revenue in 1994, the same year that NAFTA was signed (Andreas, 1998, p. 160). Mexico's origin in the drug trade stems from similar sources as Colombia. The drug trade flourished in Mexico due to the lack of economic opportunity, widespread inequality among rural regions, and poor state management.

Political, social, and economic dimensions

There have been high levels of inequality amongst rural populations with little opportunity for legal employment and high migration out of these towns. An ethnographic study that was done by James McDonald (2005) in a small, rural Mexican town of 10,000 people shows the extent to which the drug trade has affected many rural people. Like many rural communities in Colombia, the town had historically relied on agriculture for their livelihoods. However, the onset of globalization made it difficult for these communities to keep up, which led to widespread unemployment, displacement, and migration. The result was devastating: dramatic inequality (McDonald, 2005).

This industry generated jobs for these communities both indirectly and directly; it provided an "underground exit option" for those that had limited employment options in the legal economy. Currently, there is an estimated 300,000 people in Mexico purely growing drug crops, which does not include the other services these drug ventures employ (Andreas, 1998). Politically, the drug trade has been able to exploit the weaknesses of the state, which has allowed the industry to flourish. It is estimated that Mexican cocaine traffickers spend \$500 million a year on bribes. The ventures also take advantage of the poor state management that is prevalent throughout much of Mexico (Andreas, 1998, p. 163).

The business paradigms of the Sinaloa Cartel

Operating as one of the largest and most powerful illicit organizations in the western hemisphere, the Sinaloa cartel enjoys a \$3 billion yearly revenue, which is comparable to the earnings of Facebook. Their reach is global, with operations in over twelve countries but remains highly flexible (Keefe, 2012). Their global operation structure and organization resembles many of the paradigms that large multinational corporations use. The cartel controls a large amount of territory along the U.S.-Mexican border, which they defend violently (“Insight Crime”, 2012). The large amount of territory requires strong leadership and networks to maintain and protect their control.

The Treasury Department has described the leader of the Sinaloa cartel, Joaquin “El Chapo” Guzman, as the world’s most powerful drug trafficker. In order to protect the powerful El Chapo, the organizational structure of the cartel and the networks are designed accordingly. There is no count on the number of people working for the cartel, including those subcontracted by the cartel. Police and border officials have been known to work closely with the cartel, providing it with eyes and ears in many different social and political arenas. It was exposed in early 2010 by a former police officer working for Sinaloa that the cartel had the entire Mexican police force on its payroll. The cartel also pays civilian lookouts \$100 a month just to monitor border inspections and police convoys (Keefe, 2012). Sinaloa recently partnered with the Gulf cartel, La Familia Michoacana, and Tijuana cartel, which has provided the cartel with an even larger network throughout Mexico (“Insight Crime”, 2012).

Similar to a legal business, Sinaloa is very conscious of their brand reputation and its impact on the cartel’s operations. The cartel has built up a brand of professionalism, innovation, and business savvy that Sinaloa strives to protect (Canales, 2013). The cartel can be exceedingly brutal and violent, but they are also very conscious about the consequences of excessive violence. Violence is used strategically for intimidation, but will never be overused. This pragmatic approach to the use of violence has allowed Sinaloa to cultivate necessary relationships with communities and protect the cartel’s brand (Keefe, 2012).

Additionally, the cartel has been regarded as one of the most innovative in the industry due in large part to El Chapo’s many contributions. Perhaps one of the most prominent innovations that El Chapo developed was a tunnel between the United States and Mexico. This underground passageway provided the cartel with heightened access to their largest market. After the tunnel was discovered, El Chapo developed a new approach of shipping canned goods full of cocaine from Guadalajara to Mexican owned grocery stores in California. This strategic and frequent innovation has allowed the cartel to stay ahead of competition, often being a first mover in new markets. The cartel has begun selling cocaine to Australia while also exploring opportunities in Southeast Asia, Japan, and China (Keefe, 2012).

The role of large cartels like Sinaloa in the Mexican experience provides an interesting comparison to the discussion on Colombian illicit ventures. However different these illicit ventures are in terms of size and global prowess, Mexican cartels utilize business paradigms that are not only similar to those of large legal corporations, but are also characterized by the internal and external factors of Mexico. By looking further at the impact of the Colombian political, social, and economic dimensions on illicit ventures, we can identify the characteristics of Colombia that impact and shape the business paradigms of these ventures.

The role of the state in shaping illicit ventures

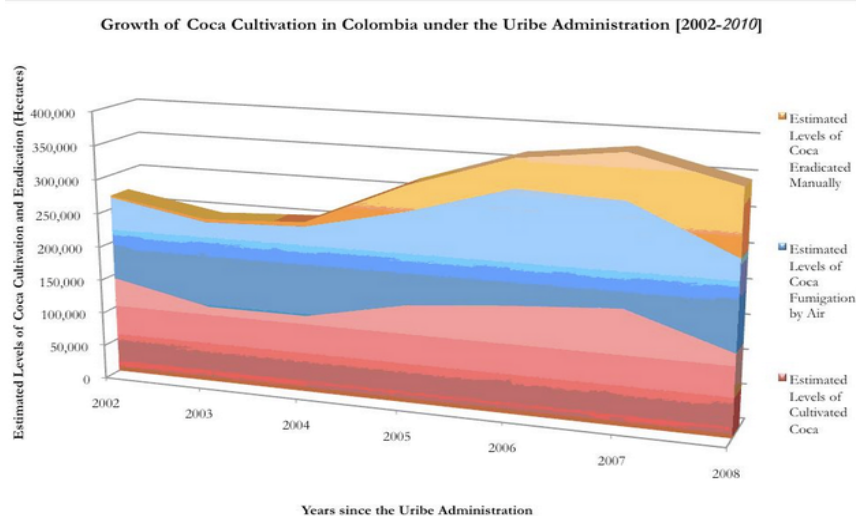
Throughout the course of Colombia's drug trafficking history, the role of the state in the growth and progression of these illicit ventures is quite prevalent. As the drug industry has grown through the integration of the industry into the political landscape, the state has become more and more dependent on the profits generated from such a lucrative industry. As the United States and other countries initiated a war on drugs, external political pressure has forced the Colombian state to reduce the visibility of its activities in aiding illicit ventures, which shapes the business paradigms of the smaller drug ventures seen in Colombia today.

Since the beginning of the cocaine industry in Colombia in the 1980s, the state has tolerated the industry with little intervention or control, which has allowed drug traffickers to exploit weak institutions (Hartlyn, 1993). Thoumi (2005) and Hartlyn (1993) assert that the initial belief about the industry was that it had very few perceived negative effects; the huge economic boom of the drug trade initially brought with it relief from Colombia's chronic foreign exchange scarcity. As discussed previously, money and foreign exchange from the drug trade was injected into a stagnant economy, causing many citizens and governmental officials to view the drug trade as a positive and welcome change.

As illicit ventures integrated themselves into the system, Colombia has become increasingly dependent on these ventures due to the number of benefits the country receives (Hartlyn, 1993). The way the state is politically structured and the lack of campaign finance controls greatly aided the infiltration of illicit money entering the political process (Hartlyn, 1993; Thoumi, 2005). Many governmental officials benefit from the bribery and the corruption associated with the state's dealings with the drug traffickers. Illicit ventures produce larger bribes for governmental officials and law enforcement officers in response to increased outside pressure put on countries to halt these ventures (Andreas, 1998). In Mexico, it was estimated that in 1996, 70-80 percent of the judicial police force were corrupt. Of the 270 corrupt employees fired by the attorney general that same year, many were merely rehired in other parts of Mexico or reinstated after challenging their firing in court (Andreas, 1998, p.164).

Changes in the political landscape in the 1990s greatly aided in shaping the smaller drug ventures seen today. As discussed earlier, the war on drugs in the United States brought with it a crackdown on drug shipments arriving in Florida by way of the Caribbean, which forced many drug ventures to change their routes (Dermota, 1999). With this constant attack and changing international policies, these enterprises needed to adapt to survive and sought new ways to continue to deliver their product to the United States markets (Kurrle, 2013). After the implementation of NAFTA, the decision to begin shipping through Mexico to the United States was an easy one. The illicit ventures need to be more nimble and willing to transport smaller shipments to get past heightened security on the Mexican border. As this security increased, the need to bribe officials and government officials increased, which also increased the state's dependency on these ventures' success (Dermota, 1999). In Mexico alone, it is estimated that as much as \$30 billion a year is being laundered for the drug trade, with 10 percent of that being used for law enforcement, military, and political payoffs (Eskridge, 2001).

As the suppression of the drug trade continued, outside political pressure forced the Colombian government to be less visible in its activity with drug traffickers. The state's cooperation with paramilitaries made this invisibility possible. The involvement of the paramilitary in drug trafficking is extensive, with much of the paramilitaries' income generated from various activities within the drug trade (Hristov, 2009). This includes using extreme violence to protect inputs, production sites, and labs (Salazar & Fierro, 1993). In 2002, there was a secret negotiation between paramilitaries and the Colombian state, which ended in the incorporation of the paramilitary into the state and economy. This relationship has enabled the state to "conceal its role and evade responsibility for crimes by entrusting much of the dirty work to armed civilian groups which operate under the clandestine coordination of the army and the police" (Hristov, 2009, p. 14). The governmental tie to paramilitaries only increased; by mid-2008, over 40 percent of Congress members were found to have close ties to paramilitaries (Hristov, 2009, p. 15). Paramilitaries provided the apparatus in which to hide the state's role within drug trafficking. Under the Uribe administration from 2002 to 2010, coca cultivation actually increased throughout much of his term. The graph below depicts the lack of state control over, or the possible state ties to, the cultivation of coca:



Source: Brittain, Prof. James J. "Colombia and America's War on Drugs." *Global Research*, November 30, 2009. Accessed December 14, 2013. <http://www.globalresearch.ca/colombia-and-america-s-war-on-drugs>

As the states role became less visible through their relationship with paramilitaries, the ventures were still able to exploit the government and continue to cultivate coca. If these new ventures were any larger or more visible, they would not be able to benefit from their relationship with the government and the paramilitaries, which would harm their ability to produce and distribute cocaine (Vellinga, 2004).

The effects of illicit ventures on the state

Not only has corruption and bribery left citizens with little faith in the ethics of their government, but it also has led to the government's loss of legitimacy and an inability to protect their citizens' human, labor, or legal rights that Colombian's are constitutionally guaranteed. The country has been able to maintain its democracy even with the drug trade's presence, with free elections, a resilient Constitution, and a well-developed judicial system. However, the state remains weak,

offering little protection of its citizens' rights (Brysk, 2009). Similarly, Guinea Bissau's drug trafficker-tainted government remains irrelevant to many citizens as it completely lacks basic functions and fails to produce any benefits for its citizens (Kohnert, 2010).

This was seen in the country of Guinea Bissau, as government officials and traffickers entered into what was seen as a mutually beneficial relationship, allowing traffickers to operate freely in the country (Bybee, 2011). Guinea Bissau was the most enticing of countries for the new ventures due to the poor, uneducated population and the country's lack of natural resources. The unprotected and unpoliced coastline and ninety islands, allowed easy exploitation by the drug ventures. Corruption further aided in the development of the relationship between the military elite and the drug ventures allowing access to key ports, airstrips, and human capital needed to transport the product (Rodas, 2013; Zeidler, 2011). By expanding into these new countries for transshipment, the ventures are able to diversify their supplier points, invest in other economies, and utilize a new, desperate population and government (Thoumi & Windybank, 2007).

By the early 1990s, attempts to destroy the drug trade in Colombia had led to the beginning of eradication campaigns as suggested by the United States. In an effort to save their livelihood, many growers lobbied their government for legalization rather than eradication. The government did not listen and with further outside political pressure began to eradicate crops. This displaced many growers as they watched their livelihood burn before their eyes and were unable to replant anything on their now barren land. Left with no other alternatives, many guerrilla groups found new recruits among the displaced farmers adding to the strength and size of these violent groups (Friman & Andreas, 1999; LeoGrande & Sharpe, 2000). The eradication campaign only fueled a larger distrust in the government that these guerrilla groups and drug traffickers were able to take advantage of.

In the face of such violence, turmoil and displacement, Colombians have the right to expect security and protection from their government (McLean, 2002). However, the government's attempt to disintegrate the cartels in the late 1980s left over a thousand people dead, including 500 police, 40 judges, and 500 civilians (LeoGrande & Sharpe, 2000; Singer, 2008). The violence only continued as the government and smaller enterprises continued to use paramilitaries and guerrilla groups to aid in the drug trade. In 2002 alone, the number of human rights violations and displacement of Colombian people was staggering: 373,020 Colombians were displaced, 2,986 kidnapped, 500 'disappeared', and 4,000 killed as a result of political conflict (Holmes et al., 2006, p. 13). Paramilitaries account for over 80 percent of these human rights violations even after the state declared them illegal in 1989 (Holmes et al., p. 13). The participation of the guerrillas in the drug trade has proved to be a huge source of funding for the guerrillas, which has made it extremely difficult for the government to come to a peace agreement with them. The inability of the government to effectively manage the state and protect its citizens has caused the loss of the legitimacy of the government. However, in the past few months, the government has begun to establish a peace agreement with the guerrillas and regain some control over the state (Neuman, 2013).

In the last month, the government has been able to make movement towards accomplishing a peace deal with the Revolutionary Armed Forces of Colombia (FARC) guerrilla group by establishing a framework for FARC to participate in the political process. The guerrilla group has

not yet ceased warfare or put down its weapons, but if a full peace deal is completed, the guerrillas could possibly establish a political party and run candidates in elections. This would be a huge step in helping to stop the extreme violence that is still prevalent throughout Colombia (Neuman, 2013). In an effort to influence these peace talks to advocate for societal and economic rights, 150 illicit crop growers in Colombia met last week in Bogota to advocate for their human rights. It is their hope that the solutions reached will also be solutions for those whose livelihood depends on the illicit crops. They want the solutions to be all encompassing rather than just to solve the violence between the government and the paramilitaries (Volckhausen, 2013).

The role of society in shaping illicit ventures

As the shift occurred in the business paradigm in illicit ventures in 1991, there was a coinciding shift in society's attitudes towards the drug industry. This shift in attitude toward the drug industry, along with the Colombian culture, ultimately shaped both the cartel's business paradigm as well as the new illicit business paradigm today.

Historically, Colombia has had difficulty establishing a common national identity that each region can share and take pride in. As mentioned above, the extreme regions within Colombia's geography made it difficult for a social structure to be established that allowed upward social mobility throughout the country (Vellinga, 2004). With the introduction of the coca trade in the Andean region, much of their culture and traditional way of life is now intertwined with the coca plant and the trading of it (Morales, 1986). As the constructivist theory suggests, the history of La Violencia has made it difficult for Colombians to break the norm of internal violence formed during that time (Millet, 2002; Thoumi, 2005).

La Violencia destroyed social capital in Colombia, leaving the country with an individualistic society (Brysk, 2009). Instead of a collective identity that some nations share, Colombian culture promotes individuals seizing opportunities that will most benefit them as an individual. As the drug cartels began to seize power in Colombia, individuals acted upon their own self interest in joining an industry that did more harm to the collective (Thoumi, 2005). Colombians began to legitimize the drug industry and the employment they had within it. Constructivists would say that Colombians began to accept the violence and the industry as social norms due to country's violent past (Webb et al., 2009). The drug industry allowed them the upward social mobility that their social structure had been lacking, creating a new emerging middle class (Hartlyn 1993; Lopez et al., 2001). This mobility and success through the drug industry ultimately provided the societal and community acceptance that these illicit ventures needed to grow.

The relationship between the community and an illicit venture is extremely significant. Without communities viewing this business as legitimate, many drug enterprises would fail. The ventures can provide the community with protection, employment, and public goods, such as neighborhood improvement and the soccer fields that Pablo Escobar built for the poorest section of his neighborhood (Brice, 2003; Zimbalist et al., 2010). Even after Pablo Escobar was dead, the poor went to his funeral because they had admired and respected him, regardless of the number of people he had assassinated and terrorized for the growth of his business. Escobar was there for his community in a way that the government was not able or willing to be (Zimbalist et al., 2010).

However, as the violence and control that these cartels had over society increased, they soon began to lose the legitimacy and community acceptance that they had previously enjoyed. The industry still provided a livelihood to many, but the negative effects of displacement, guerrilla and paramilitary involvement, and government corruption was not accepted any longer (Lopez et al., 2001). In 1997, half of Colombia's registered voters (10 million people) voted for a peace referendum that called for a peace talk between the guerrillas and the government (LeoGrande & Sharpe, 2000, p. 9). This shift in attitude towards the industry ultimately established new norms and social rules that the new business paradigm sought to follow. As society began to push back in response to many of the negative aspects of the industry, these new ventures adapted (Lopez et al., 2001). Many of the smaller illicit ventures today now seek this same acceptance from their community and society by assimilating into society and taking with them lessons learned from their predecessors (Lopez et al., 2001; Vellinga, 2004). Because these ventures require the acceptance of their community to operate and legitimize their activity, the smaller structure aids their business in becoming a more accepted feature in the community. Their size reduces their network strength so the community provides the resources these ventures need to continue to operate. With the community's acceptance of their business, the ventures can effectively utilize the networks in society (Vellinga, 2004).

The social effects of illicit ventures

In addition to the lack of trust in the government, the drug trade left many Colombians fearing those around them, which resulted in a complete lack of solidarity and trust, and a weakened sense of a national identity (Hartlyn, 1993; Thoumi & Windybank, 2007). Everyday exchanges between citizens were approached with caution and a certain level of distrust. Media feared for their lives if they were reporting on drug activities (Hartlyn, 1993). Listed as the fourth most deadly country for reporters, Mexican media has experienced a similar gripping effect. One newspaper even devoted an entire front page as a plea for peace with the drug cartels (Khan, 2013). With so many violent deaths and crimes taking place in communities, Colombians are never certain who was carrying out the crimes so they suspect everyone (McLean, 2002). There has been an increased level of pessimism that has greatly impacted the values of the Colombian people and changed the nature of their society (Hartlyn, 1993). Colombians once believed the industry would positively change their lives and bring about financial success. However, this view quickly changed to a more pessimistic view of the industry that actually increased inequality, human rights violations, and unemployment within their society.

The short-term benefits of the drug trade were quickly replaced with the long-term negative effects. Certain groups experienced a much higher degree of success than others, establishing deeper class systems than before. The huge profits from the industry accumulated at the top, creating an emerging 'narcobourgeoisie' (Hartlyn, 1993; Salazar & Fierro, 1993). An International Monetary Fund report examining 1995 statistics stated that the upper 20 percent of households in Colombia earned 60 percent of the income while the lowest 20 percent earned 2 percent of the income in Colombia (Holmes et al., 2006, p. 10). While many initially believed that the drug trade would bring financial prosperity, it merely drove the inequality farther apart. Certain growing regions saw success, but the entire region did not experience the same economic benefits. Only a few already involved and employed within the sector saw increased income (Angrist & Kugler, 2008). The short-term relief that some regions saw was quickly replaced with further inequality and joblessness (Holmes et al., 2006).

The increase in unemployment was seen in many areas throughout Colombia, with an increase to 20 percent in 2000 compared to a 7.5 percent unemployment rate in 1994 (Holmes et al., 2006, p. 3). Research by Holmes et al. (2006) found that an increase in coca cultivation has negative effects on long run employment. Trafficked items that require a significant amount of human capital, such as drugs, displace products that are labor intensive. As a result, Colombian employment in legal, labor-intensive industries are undermined. The coffee industry employs 12 percent, while the drug trade employs close to 7 percent of workers within Colombia (Holmes et al., 2006, p. 7). Even those that were employed, mainly in coca growing regions, experienced a lower standard of living than other Colombians. In 1995, there was a steep increase in the number of violent deaths as well as a large increase in violence in coca cultivating regions (Angrist & Kugler, 2008).

As discussed earlier, the violence that this industry unleashed on Colombia led to extreme displacement and human rights violations. The lack of social infrastructure in Colombia provided enough room for violent and predatory-like behavior to take place (Cardenas, 2007). With Colombia's lack of social capital, there has been opportunity for violence and crime to take hold of their society. In 2001 alone, there was a rate of 73.3 per 1,000 people that experienced a violent death in Colombia, compared to the 8.2 per 1,000 in the United States. In addition, more than 3,250 people per year have been kidnapped in Colombia since 1998 (McLean, 2002, p. 129). The human rights violations along with the individualistic nature of Colombians make it extremely difficult for society to establish a "collective identity around human rights" (Brysk, 2009, p. 41). The violations are sporadically discussed and have quickly become a constructed norm within society. There lacks a common narrative, collective cause, and legitimate leaders that can lead and engage the Colombian people toward a solution for the extreme abuses the drug industry has inflicted on society (Brysk, 2009).

The role of the economy in shaping illicit ventures

Colombia's drug trade is worth around \$10 billion, which represents 25 percent as much as the legal exports for the country (Badkar, 2011, slide 2). In addition, the drug trade directly employs 300,000 people, or 3 percent of the Colombian workforce (Podur, 2003, para. 5), while in Latin America 2.5 to 2.7 million people are employed in the production and sales of drugs (Salazar & Fierro, 1993). For Colombia, drug cultivation represents 6.7 percent of agricultural production, whereas coffee is 12 percent (Podur, 2003, para. 5). Drug traffickers know that the state and its people heavily rely on this industry for economic purposes. Any change in the way that the industry is treated could have a devastating effect on their profits and thus Colombia's economy (Podur, 2003). The number of years the drug trade has flourished in Colombia has caused it to become immensely integrated within the Colombian state and economy. This has centralized the drug trade in the state, which has directed a large portion of drug money into the economy (Meehan, 2011). The little progress the state has made in diversifying the economy or creating opportunities for rural citizens to find new employment has made some parts of society much more willing to take part in the drug trade. This provides these new ventures with an ample supply of employees and sub-contractors that they can easily access within their community (Salazar & Fierro, 1993).

In the effort to remove all barriers for free trade through agreements like NAFTA, international governments inadvertently removed barriers for illicit trade as well. With free trade

between Mexico and the United States, many of the new small illicit ventures looked to transport their goods through the Mexican border rather than the Caribbean. As previously discussed, many of the trade routes to the United States from Colombia became more heavily guarded, but with NAFTA there was a much easier route to access the United States (Rodas, 2013; Singer, 2008). The agreement increased the amount of trade between the two countries, providing more of an opportunity for illicit ventures to conceal illicit products among legal products being traded. Border patrol is searching for a needle in continuously new haystacks. In response to this increased economic globalization, these new illicit ventures were willing to export much smaller amounts to get past the detection of border officials, often using a small shipment to distract from a much larger one (Dermota, 1999; Williams, 1998). They wanted to remain undetected by law enforcement, which shaped their shipment sizes, transportation methods, partnerships with Mexican cartels, and routes.

The economic effects of illicit ventures

The more profit these illicit ventures make, the more integrated and influential they became in the state's economy. Many states with an active illicit economy has seen its GDP, productivity, and legal businesses become dependent on the illicit ventures' investment in the state's economy. The growth and composition of the GDP are greatly impacted by the economy's integration with the drug trade. In Colombia, the GDP fell significantly in the 1980s, down to 3.4 percent from 5.8 percent in the 1970s (Cardenas, 2007, p.4). Unlike other countries in the region, Colombia saw an even larger GDP growth rate decline to 0.9 percent per year in the 1990s (Cardenas, 2007, p. 4). In 1982, the drug trade made up 6.07 percent of the Colombia's GDP (Hartlyn, 1993, p. 9). For countries like Guinea Bissau, a single drug transaction can account for a large portion of the state's GDP (Rodas, 2013). The drug trade represents a huge segment of the GDP that goes unrecorded in most national income statistics, making it difficult for countries to accurately represent the true state of their economy. However, in 2000, Colombia began to include the production of illegal drug crops in their GDP calculations, as it is such a large economic activity (Fleming et al., 2000).

The impact of drug ventures' money in the economy can be illustrated through the presidential campaign of Ernesto Zedillo in 1994 in Mexico. Zedillo openly supported reforms in the country that would completely disrupt drug trafficking operations. The heads of illicit drug enterprises became worried he would follow through on his reforms and opted to withdraw their money out the Mexican economy. This destabilized the entire Mexican economic structure, affecting Mexico's international fiscal position and its ability to pay its foreign debt. In response, political candidates backed off, allowing the kingpins to reinvest their money in the Mexican economy and stabilizing the economy (Eskridge, 2001). Colombia greatly relies on this industry and these ventures for state revenue, which causes the perpetuation of the industry and draws on concerns about economic stability (Andreas, 1998).

Legal businesses within Colombia have historically been enveloped and integrated with the drug industry, increasing the dependence the country's economy has on the trade. Many business fronts act as legal businesses, while others are formed and run with the profits earned in the drug trade. As mentioned previously, the Cali trade built and operated a chain of 432 drugstores, owned hotels, supermarkets, airlines, bank institutions, radio stations, and soccer clubs (Vellinga, 2004). These ventures use the profits they make through illicit ventures to start and invest in licit ventures

that society and the economy depends on for growth (Carter, 1994). The economy benefits from huge investment in legitimate enterprises from the profits earned in the illicit drug trade and the ventures that invest their money into the economy.

Conversely, many Colombians see drug production as a sound investment with significant gains, causing a lack of investment by Colombians in licit business (Holmes et al., 2006). Foreign investors are also hesitant in investing in Colombian business, reducing possible foreign direct investment that Colombia could be receiving without the drug trade presence. The United States' war on drugs prompted a new foreign policy that provided "certification" for countries that the U.S. considered allies in the war on drugs. A certification meant that the country would continue receiving nonmilitary aid, U.S. representatives of multi-lateral banks would continue to vote for proposals from that country, and the Overseas Private Investment Corporation would insure new investments in that country. In 1998, Colombia was decertified for the second year in a row by the United States. Because of this, there was a significant stagnation in foreign investment in Colombia, hurting the legitimate part of the economy. Colombian industries such as shrimp and flowers, the very industries that the United States tried to encourage through trade, were greatly impacted by the restrictions this decision implemented. (Dermota, 1999).

In addition, the drug trade diverts capital and labor from these legitimate industries that could add strength and stability to the state's economy. As the industry expanded through the 1980s and 1990s, the need for labor greatly increased. The huge profits earned in this industry attracted huge numbers of people to work for these illicit ventures, causing a diversion of labor from legitimate industries and a productivity implosion within Colombia (Cardenas, 2007; LeoGrande & Sharpe, 2000).

The interconnectedness of the dimensions and its impact on developing a solution

The way in which these dimensions interact with one another provides further explanation as to the how illicit business paradigms greatly resemble those of legal businesses. Colombia and its illicit ventures are characterized by these particular external and internal factors, so it is beneficial to explore how these dimensions are shaped by one another and how this impacts the business paradigms.

For many rural societies in Colombia, there was an extreme lack of legal economic opportunities provided both before and during the drug trade. Their view of the drug trade initially was that it brought forth economic opportunity and livelihood for their family. The drug ventures were able to take advantage of this lack of economic freedom and provide many of these communities with not only money for their families but also public goods such as housing and soccer fields. The lack of opportunity in the legal economic sector caused many to accept jobs in the illicit drug ventures. Industries within the legal economy were harmed by this diversion of labor and capital, which ultimately stunted the growth of Colombia's economy.

The little growth seen in the legal economy ultimately continued the dependence that society had on the illicit economy. This made it difficult for the government to gain public support for eradicating the drug trade. As the government struggled to find ways in which to impact the influence of the drug trade, many officials began to accept bribes out of fear and greed. Bribery and corruption began to overtake many of the decisions made by the government, causing a

decrease in state legitimacy among Colombians. This loss of legitimacy made it difficult for many governmental figures to distinguish themselves from the drug trade, making it even more difficult to gain public support.

It is this interconnectedness among the social, political, and economic dimensions that has made it difficult to clearly identify a solution to ending the drug trade in Colombia. Each dimension shapes the other, making it complex to find a solution that does not cause unneeded harm to the country. However, if people began to look at these traffickers as businesses rather than simple, violent organizations, it would be a much more useful approach to finding a solution. These ventures operate within countries as any large, multinational corporation would and adapt to the same shifts that legal businesses do. A much more useful solution could be developed if the narrative surrounding these cartels changed and became one that accepted the idea that cartels are businesses. The chart below compares the new illicit venture paradigms to that of a legal venture:

Paradigm	New Illicit Venture	Legal Venture
Brand Reputation	Yes	Yes
International channels	Yes	Yes
Efficient distribution channels	Yes	Yes
Supplier relations	Yes	Yes
Political lobbying/participation	No	Yes
Human resources	Yes	Yes
Quality control	Yes	Yes
Research and Development	Yes	Yes
Corporate Social Responsibility	Yes	Yes
Centralized Structure	No	Varies
Partnerships	Yes	Yes
Customer relationship management	Yes	Yes
Bribery	Yes, less visible though than old	No

These ventures are not perfectly compared to a legal business, as their illicit product determines which paradigms they can effectively implement. However, there is still a striking similarity between illicit ventures and legal businesses. Whether the venture is a small, decentralized venture like those recently established in Colombia or a large cartel like the old cartels in Colombia or the Sinaloa Cartel in Mexico, the illicit ventures model much of their strategy and organization off of legal business practices. The internal and external environment that characterizes both of these countries varies in comparison to one another. However, this variance in the social, political, and economic dimensions is what shapes the paradigms of the drug trafficking ventures. These illicit ventures have become increasingly similar to legal businesses, which, through a change in narrative, could establish a much more useful and appropriate solution to eradicating the drug trade.

Conclusion

Depicted as simple minded, gun bearing goons that spread violence and corruption in the countries they operate in, drug trafficking organizations have been surrounded by a narrative that obviously lacks a full understanding of these ventures. Many neglect to understand the very basic aim of these ventures: to fulfill the demand of over 230 million drug users worldwide. To fulfill this demand, these ventures utilize many of the same paradigms are used by legal businesses. Many make revenues that are comparable to legal multinational companies, which are often the same companies that these illicit ventures model their organizational structure and leadership paradigms after. These paradigms shift according to the external and internal environment of the countries that these illicit ventures operate in. I explored the social, economic, and political factors that shaped the shift to the new business paradigms seen in these new illicit ventures.

Through my analysis, I found that there are several internal and external factors that have shaped the paradigms. Internally, the dependence of the Colombian government on the drug trade, the nature of the Colombian culture, the social acceptance of the industry, and the lack of ample opportunities in the legal economy form the paradigms of illicit drug ventures. External forces of economic globalization and increased foreign political pressure also play a part in shaping illicit business paradigms. As the illicit ventures continue to grow and develop in Colombia, they become increasingly more integrated in society, the political landscape, and the economy. As these changes take place internally and externally, the illicit business paradigms are shaped accordingly.

Through the examination of both the Colombian and Mexican experiences, I conclude that these internal and external factors have shaped a new illicit business paradigm that greatly shares many similarities of legal business paradigms. In countries that are characterized by these particular external and internal factors, illicit ventures are in fact very similar to legal businesses. By altering the narrative that currently surrounds these ventures, it would be much more effective in determining the best approach to slow the growth of the drug trade. These ventures are complex and integrated businesses that must be treated as such.

It could be beneficial to further research the effect that drug legalization laws have on the drug industry. Legalization would effectively place these once illicit businesses into the legal economy, providing these businesses with formal institutions and boundaries. They would be treated just as any other large multinational business would be treated. Additionally, taking the illicit nature out of their product may make it less of a desirable and profitable trade. Another area of further research could be determining the effectiveness that the expansion of drug treatment facilities and options within the United States would have on slowing the growth of the drug trade. By stemming the demand for drugs, there would be much less opportunity for the expansion of these illicit ventures. Many legal businesses fail due to a lack of demand for their product, which could thus be the same for the illicit drug industry. As Pablo Escobar simply stated, "If there are no consumers, there are no traffickers" (Dermota, 1999, p. 23).

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