

1 Introduction

In March 2022, Paraguayan law enforcement agents carried out the most significant drug operation in the country's history, dismantling a vast criminal ring linked to former President Horacio Cartes who ruled Paraguay between 2013 and 2018 (Rainsford and Saffon 2022). The efficacy of operation A Ultranza PY, as it came to be known, puzzled most observers because, in the notoriously opaque Paraguayan context, such raids were unprecedented. This operation was only made possible because of a dispute between two factions of the country's perennial ruling party, the Colorado Party. The dispute pitted Cartes against current President Mario Abdó; the two became embroiled in a major power struggle in which Abdó temporarily prevailed.

Beyond revealing how drug trafficking permeates the highest political echelons of the Paraguayan political system, the operation unearthed a vast transnational web of corruption with ramifications across the region. This became apparent following the tragic assassination of Marcelo Pecci, a Paraguayan prosecutor in charge of operation A Ultranza PY who was killed while on his honeymoon in Colombia. The murder, carried out by local hitmen, was allegedly ordered by the Uruguayan drug trafficker Sebastián Marset. Marset had previously been prosecuted in Uruguay for his association with a criminal network linked to the Cartes family and Fahd Jamil, a Brazilian drug trafficker who is one of the most influential figures in the Paraguayan criminal underworld. Jamil and Cartes operated several profitable macro-trafficking routes to export drugs from Paraguay to neighboring countries, Europe, and Asia (Dalby 2022).¹ Their business flourished during the administration of Andrés Rodríguez, the son-in-law of General Alfredo Strössner who, in 1989, became Paraguay's first democratically elected president (1989–93).

Marset was briefly detained in Dubai for entering the country with a fake passport after he fled Paraguay, but he used contacts in the Uruguayan government to procure a legitimate Uruguayan passport and evade justice. Cartes' operation also included important links with legitimate businesses, including one of the top Chilean corporations with whom he developed a partnership to distribute gasoline and produce beer and soft drinks (Sepúveda and ABC Color 2022). Notwithstanding his legal problems, Cartes was elected leader of Paraguay's Colorado Party in December 2022, and his political protégée, Santiago Peña, won the country's presidential election by a wide margin on April 30, 2023.

¹ Within trafficking, we distinguish *macro-trafficking*, which refers to a large transnational operation involving powerful drug-trafficking organizations (DTOs), and *micro-trafficking*, which involves smaller operations and less sophisticated groups.

This vignette, resembling something from a Hollywood movie, describes the intricate connections between different forms of organized crime linked to drug trafficking, the business sector, and high-ranking politicians in contemporary Latin America.² As the story highlights, the lurking power of the drug trade is deeply impacting societies and has entered the bloodstream of many political systems, reaching the highest echelons of power (Bergman 2018a). Notwithstanding differences among countries, drug trafficking has become pervasive, fueling problems ranging from institutional corruption and social upheaval to violence and democratic erosion (Arias and Goldstein 2010; Davis 2006). Indeed, Latin America displays disconcerting levels of equifinality (Feldmann and Luna 2022) in countries that vary in institutional capacity and economic development, the illicit drug industry has led to challenges in several dimensions, including the rule of law (Méndez, O'Donnell, and Pinheiro 1996), security and governance (Albarracín and Barnes 2020), and democracy (Trejo and Ley 2017).

This Element investigates the relationship between the narcotics industry and politics, and assesses how this relationship influences existing political dynamics at the national level in Latin America.³ We argue that this connection is engendering what we conceptualize as *criminal politics*, by which we mean the interrelated activity of politicians, organized crime actors, and state agents in pursuing their respective agendas and goals (economic, political, personal). Criminal politics is upending traditional dynamics, changing how countries function politically and, consequently, impacting the prospects and nature of their social and economic development. We also claim that diverse

² Organized crime is a contested term and definitions of it abound. Reuter (2009) defines it in terms of private firms operating illicit markets, whereas Albanese (2000) describes it as “continuing criminal enterprise that rationally works to profit from illicit activities; its continuing existence is maintained through the use of force, threats, monopoly control, and/or the corruption of public officials” (p. 411). Lupsha (1983), for his part, indicates that

organized crime is an activity, by a group of individuals, who consciously develop task roles and specializations, patterns of interaction, statuses, and relationships, spheres of accountability and responsibilities; and who with continuity over time engage in acts legal and illegal usually involving (a) large amounts of capital, (b) buffers (nonmember associates), (c) the use of violence or the threat of violence (actual or perceived), (d) the corruption of public officials, their agents, or those in positions of responsibility and trust. This activity is goal oriented and develops sequentially over time. Its purpose is the accumulation of large sums of capital and influence, along with minimization of risk. Capital acquired (black untaxed monies) are in part processed (laundered) into legitimate sectors of the economy through the use of multiple fronts and buffers to the end of increased influence, power, capital and enhanced potential for criminal gain with increasingly minimized risk. (pp. 60–61)

For further definitions, see Varese (2017).

³ While our discussion centers on the role of narcotics, its theoretical underpinnings apply to other illicit activities. Hereafter, when we use the term “criminal organization,” we refer to diverse forms of organized crime linked to drug trafficking.

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manifestations of criminal politics arise, depending on how different phases of drug-trafficking activity (production, trafficking, and money laundering) interact with countries' distinct politico-institutional endowments. Criminal politics, we posit, surfaces in territorial arenas, where most of the literature has concentrated. However, criminal politics also characterizes functional arenas (transportation sites, customs, real estate, finance), where the relevance of criminal influence in politics is less visible and harder to track, but also highly consequential. By simultaneously focusing on territorial and functional arenas, we can scale up the analysis from local, often marginal communities to national and international levels.⁴

We probe our argument by examining four countries: Paraguay, Peru, Chile, and Uruguay. The former two host drug production sites that have long been involved in the industry, but have, surprisingly, received scant attention. Chile and Uruguay have traditionally been seen as sites with more resilient democratic politics and higher levels of social development where drug trafficking plays only a limited role. As we shall see, however, the narco-trafficking industry has permeated and reshaped both countries' politics, economies, and state–society relations. Our examination thus seeks to complement existing work, which has focused mostly on Brazil, Mexico, Colombia (and, to a lesser extent, Central America), by concentrating on cases where criminal politics arises against the backdrop of (comparatively) lower criminal violence and (presumed) higher institutional capacity and democratic stability.

In developing this thesis, our work enters into dialogue with the flourishing literature on criminal governance. This line of study, with some exceptions (Lessing 2017; Albarracín 2018; Albarracín and Barnes 2020; Trejo and Ley 2020), has overlooked the impact criminal activities have on national politics and mainly concentrated on local politics (i.e., marginalized communities with low state presence). Going beyond existing analysis, we hypothesize that, because narco-trafficking is such a profitable industry, its weight in the overall economy is considerable (see Thoumi 2016, chapter 4) and therefore its impact on politics is significant. As some studies show, after reaching a tipping point (in terms of the illegal/legal ratio of GDP), narco-trafficking can consolidate a high-crime scenario in which associated illegal businesses expand (Bergman 2018a). Not only is the industry huge, but it seems to be growing. This seems apparent by the incidence of rising drug consumption and increased frequency of drug seizures, the multiplication and strengthening of criminal syndicates (United Nations Office on Drugs and Crime 2022, booklet 1), and by the more

⁴ We thank Juan Albarracín for pushing us to stress this distinction and its implications for scaling up this type of research.

intangible yet critical influence that this activity is having in popular culture and in society at large (Campbell 2010; Sibila and Weiss 2014).⁵

In short, narco-trafficking has become a critical force in most Latin American countries, negatively influencing a host of politically salient issues, from security and the economy to public health and democracy. At the heart of these changes lies the incapacity of these countries' states to control, let alone eradicate, narco-trafficking, which is having several problematic effects. Recent studies have emphasized the importance of conceptualizing state capacity in relational terms, that is, measuring a state's capacity to fulfill its main functions and provide public goods (i.e., infrastructural capacity) vis-à-vis the growth and resilience of groups competing against or defying it, including organized crime (Eaton 2012; Dargent, Feldmann, and Luna 2017). According to this view, state challengers (drug traffickers in our case) accrue material and symbolic resources and easily outpace struggling states. The latter face a whole host of economic difficulties (e.g., budgetary deficits, inflationary pressures, unemployment, and growing informality), growing social demands, and acute legitimacy crises. The ramifications of the growth of state challengers are critically important because, as we will show, these challengers have altered traditional political and development dynamics.

We organize the rest of the Element as follows. Section 2 presents a brief overview of the political economy of the narcotics industry, highlighting the importance of transnational dynamics in the development of this illicit business. Subsequently, we explain how these dynamics contribute to the emergence of criminal politics and proceed to define the concept by sketching the role of criminal politics in the political economy of development. Drawing on this conceptualization, we discuss how the main protagonists of criminal politics (politicians, state agents, and criminals) interact, their incentive structure, and the outcomes of such exchanges. In Section 3 we apply our conceptual framework to our four case studies (Chile, Paraguay, Peru, and Uruguay), identifying a set of causal factors related to the most prominent manifestations of criminal politics observed in these countries. Our approach is exploratory since we do not engage in precise causal attribution at this point in the analysis. Section 4 concludes by discussing some of the relevant interactions between criminal politics and critical variables in mainstream analyses of the political economy of development. We also outline ways to better integrate the analysis of the political economy of organized crime into current accounts of development

⁵ A chilling indicator is the growing number of citizens living in communities under the control of criminal organizations, which are often involved in this business. A recent study argues that 13 percent of the total population in Latin America – eighty million people – live under this type of arrangement (Uribe et al. 2022).

and democracy in contemporary societies. In this regard, we underscore how conventional political economy views of development are tacitly blind to how criminal politics reshapes states, politics, societal structures, and legal economic activities.

2 Conceptualizing Criminal Politics

This section describes the conditions that account for the expansion of narco-trafficking and elaborates on how the dynamics linked to this activity contribute to the emergence of our dependent variable: criminal politics. In preparing the ground for our analysis, we open the section by describing the global context driving criminal politics and then proceed to explain its main attributes.

2.1 The Context: The Political Economy of Transnational Criminal Activities

Scholars, law enforcement officials, and intelligence services have all underscored how the latest phase of globalization has had a sharp impact on contemporary criminal dynamics. The argument is straightforward: technological advances in communication, transport, and travel, coupled with the liberalization of markets, have multiplied and deepened linkages between organized crime and other actors, creating new business opportunities, a phenomenon some authors have described as deviant globalization (Gilman, Goldhammer, and Weber 2011). And although countries have reaped many benefits from globalization,⁶ they have also grappled with many negative externalities,⁷ including more robust and more sophisticated forms of transnational crime (Albanese 2011; Varese 2017).

The growth of sophisticated drug-trafficking organizations (DTOs) seems to be a salient feature of our globalized world (Shelley 2005; Natarajan 2019).⁸ In a recent report, the UN Office on Drugs and Crime (UNODC) attributes the influence of the narcotics industry to a combination of population growth, urbanization, and a rise in general income, which has increased drug consumption worldwide (United Nations Office on Drugs and Crime 2022). Huge dividends have been derived by DTOs from a more open and interconnected world characterized by rising standards of living and the spread of consumerist

⁶ For an overview of the development of organized crime and its links with the global economy, see Castells (2000, 169–211).

⁷ Recent work has underscored the deacceleration (even reversal) of this trend in what some authors call reverse globalization; see (Crouch 2018). Even if this were the case, manifold, negative externalities of the drug industry keep emerging.

⁸ These organizations have high levels of complexity characterized by a clearly defined command-and-control structure dedicated to producing, smuggling, and distributing significant quantities of illegal drugs (see Natarajan, Zanella, and Yu 2015).

patterns (Albanese 2011). This process has accelerated due to DTOs' constant experimentation and development of new products that combine controlled (pharmaceutical) and noncontrolled substances to meet rising demand (United Nations Office on Drugs and Crime 2020). A new generation of more flexible, adroit organized criminal groups has developed more up-to-date networks and taken over from older, more nationally oriented criminal mafias (Bright and Delaney 2013).

The growing power and influence of DTOs results from the unique nature of the narcotics industry, in particular its spectacular margins and the ease with which its products can be commercialized due to low obstructability (i.e., there are very few limits to the methods that can be used to traffic drugs, as criminals' limitless ingenuity attests). For their part, states have confronted significant challenges while trying to regulate and monitor growing trade volumes and human movement (Williams 2001; Andreas 1998). This has enabled DTOs to take advantage of a more porous, interconnected world and breach national boundaries by exploiting loopholes stemming from diverse administrative, political, and legal systems.⁹

While the origins and development of the international illicit narcotics industry go back several centuries (Andreas 2019; Gootenberg 2003), it has reached unprecedented proportions over the last twenty years (United Nations Office on Drugs and Crime 2020). Although the clandestine nature of the business makes it difficult to accurately determine its scale, existing studies reveal the drug-trafficking industry's staggering size. The annual retail value of the global illicit market in drugs was estimated to be US\$322 billion worldwide in 2003 (United Nations Office on Drugs and Crime 2011, 31). A more recent report indicates that it is in the range of US\$426 billion–US\$652 billion per year and the second most profitable illicit industry behind counterfeiting and piracy (May 2017, 3). In 2018, an estimated 269 million people had consumed drugs in the previous year (5.4 percent of the world population) (United Nations Office on Drugs and Crime 2021, booklet 2, 10).¹⁰

⁹ For a critical view, which argues that the role of transnational crime has been overblown, see Reuter and Tonry (2020).

¹⁰ While displaying significant fluctuation, global drug production has shown a steady upward trend in accordance with growing demand. Opium cultivation grew from approximately 4,000 tons in 1998 to 10,270 tons in 2017; in 2018 and 2019, production dropped to 7,600 tons (United Nations Office on Drugs and Crime 2021, booklet 3, 10). Coca-bush cultivation and cocaine production show a similar trend: the former rose from 184,000 hectares in 1998 to 241,000 in 2018, while production of cocaine hydrochloride (100 percent purity) increased from 1,381 hectares in 2005 to 1,723 in 2018 (United Nations Office on Drugs and Crime 2021, booklet 3, 23). Authorities' seizure of illegal substances, generally seen as a reasonable indicator for measuring drug production, shows a marked upward trajectory. Cocaine seizures at different purity levels (e.g., cocaine hydrochloride, coca paste, and base and "crack" cocaine) reached

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As we will argue, the growth of the business and the concomitant advance of DTOs has prompted a host of effects across societies, including rising violence, weakening institutions due to corruption, and erosion of state legitimacy. No country seems immune, as even the most prosperous and powerful societies, such as the Netherlands and Sweden, grapple with the challenges of drug trafficking (Holligan 2019). However, its harmful impacts have been particularly formidable in developing countries characterized by weak institutions, poor governance, and struggling economies, and where states struggle to meet the population's basic needs. In these contexts, illicit activities are often the only means of surviving or attaining social mobility (Inkster and Comolli 2012). Moreover, the scale and influence of the drug industry tend to be greater in less-developed nations, where it accounts for a sizable – if unknown – percentage of national GDP (more on this in Section 2.3) (Thoumi 2003; United Nations Office on Drugs and Crime 2011). Societies experiencing conflict and war seem especially vulnerable as the business flourishes in contexts of the breakdown of the rule of law (Mantilla and Feldmann 2021) and the rise of alternative political orders (Arjona, Kasfir, and Mampilly 2015), which often end up creating major security challenges (Kan 2016).

Latin America, in particular, has had to cope with a remarkably vigorous drug industry (Clawson and Lee 1996; Gootenberg 2008). Here, the industry has prospered against the backdrop of struggling economies characterized by structural weaknesses, including an overreliance on commodities, macroeconomic imbalances, and a large informal sector. Notwithstanding significant variation, illicit narcotics have brought criminal activities, violence, and corruption to every country in the region, irrespective of preexisting levels of state capacity and innovative frameworks for coping with emerging criminal dynamics like marijuana legalization and ambitious police and judicial reforms (Bergman 2018b, 60–68).

Two other economic trends have reinforced the transformational influence of drug trafficking in Latin America: the commodity boom (2005–15) prompted by rising demand for raw materials produced in the region and the gig economy. Together, these forces have critically reshaped the political economy of development, transforming the scope and nature of the region's extensive informal economies. For instance, the drug industry has expanded by exploiting synergies with the gig economy by developing new app-mediated micro-trafficking and money-laundering practices (Davis and Hilgers 2022).¹¹ The expansion of

1,311 tons in 2018, and 55 percent of seizures occurred in Latin America. With respect to opium-derived products, authorities seized 704 tons of opium, 97 tons of heroin, and 42 tons of morphine in 2018 (United Nations Office on Drugs and Crime 2021, booklet 3, 12.21–23).

¹¹ Our sources have stressed the significance of this emerging trend.

mining and intensive agriculture also provided opportunities for narco-trafficking, especially by expanding countries' import and export activities. While imports bring in chemicals used in drug manufacturing, export activities widen options for smuggling drugs to different international destinations. As with other commodities (agricultural and mining products), the drug economy has produced significant (and politically consequential) externalities for countries' institutions and societies. The drug economy also creates regulatory challenges for relatively weak state bureaucracies which struggle to police highly disruptive and rapidly changing market innovations. An expanding economy also provides further opportunities for money laundering. More worrisome still, at a time when the formal economy's growth has slowed, and the catastrophic socioeconomic effects of the COVID-19 pandemic and the impact of the Russian military invasion of Ukraine are starting to become more apparent, the drug economy is providing (countercyclical) opportunities for economic growth and consumption.

Against the backdrop of struggling states seemingly unable to address massive social problems, criminal syndicates, often perceived as more effective and responsive than authorities, augment their strength and legitimacy in underserved communities (Muggah and Dudley 2021; Davis and Hilgers 2022). Drug-trafficking influence goes far beyond marginal communities, however. It is also embedded in vertically and horizontally integrated activities and commodity chains, with various linkages across other industries, some legal and some not. These pervasive dynamics remain obscured in the literature.

The International Drug Control Regime (IDCR) constitutes another essential contextual factor influencing drug-trafficking dynamics. Enshrined in a series of international treaties and conventions,¹² the IDCR consists of norms and regulations seeking to curb the production, commercialization, and consumption of psychoactive substances (Nadelmann 1990; Andreas and Nadelmann 2008; Idler 2021). The IDCR, whose normative rejection of drug consumption is informed by religious (puritan) views (Courtwright 2019), has had a profound impact on the general understanding and perception of this problem and has pushed the industry into illegality (Gootenberg 2021). Concomitantly, it has constrained countries' range of drug control policies. As a result, most efforts have been directed at stemming the supply side and thus have disproportionately targeted drug-producing and drug-transit countries (Inkster and Comolli 2012). This regime is reinforced by a powerful intergovernmental bureaucracy (comprising Interpol and UN machinery, including agencies and treaty oversight

¹² The IDCR's three most important treaties include: the Single Convention of Narcotic Drugs (1961), amended by the 1972 Protocol; the Convention on Psychotropic Substances (1971); and the Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988).

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mechanisms) charged with combating different facets of the drug business, which often opposes reforms to legalize the industry (McAllister 2012). Despite its fragmented nature and problematic approach,¹³ the regime plays a large role in shaping the nature and logic of the illicit drug industry (Hallam and Bewley-Taylor 2021).

Since World War II, the United States has become the most consequential – and fervent – supporter of the IDCR (Nadelmann 1990; Gootenberg 2008). While Washington has pursued its war on drugs on a global scale, its efforts have concentrated on Latin America, in particular cocaine production (Benítez 2014; Andreas 2019). Since the Reagan administration, drug policy has been at the top of the bilateral agenda between the United States and Latin America (Schultz 1999; Chabat 2012; Rosen 2014). The United States has imposed its particular view of the drugs trade by combining a law enforcement, zero-tolerance approach that criminalizes commercialization and consumption domestically (Nadelmann 1990; Levine 2003; Andreas and Nadelmann 2008) with aggressive international measures to curb the production and transshipment of drugs into its territory by distributing military aid (training, assistance, equipment) and counter-narcotics assistance to major producer countries (Loweman 2006). Several agencies, most prominently the Department of Defense, the State Department and law enforcement agencies such as the Drug Enforcement Agency (DEA), have been at the forefront of international efforts to combat the illicit narcotics industry in source countries (Bewley-Taylor 2012; Andreas 2019).

In sum, there seems to be a widespread consensus that narco-trafficking represents a significant challenge and that it has not been met with effective policies, either at domestic or international arenas in Latin America and beyond (Durán-Martínez 2021). That societies are grappling with this issue is reflected in a recent open manifesto by a group of former Latin American presidents, who unequivocally state: “Violence and the organized crime associated with the narcotics trade are critical problems in Latin America today. Confronted with a situation that is growing worse by the day, it is imperative to rectify the ‘war on drugs’ strategy pursued in the region over the past 30 years” (Latin American Commission on Drugs and Democracy 2020, 7).

2.2 Conceptualizing Criminal Politics

I am alone and must operate alone. If I pick up the phone and talk to the police, I also speak to the narcos, the senators, and the justice system. They are all the same, and they work together.¹⁴

¹³ For a critical view of the regime, see Idler (2021).

¹⁴ Personal conversation with an antidrug attorney, funded by the DEA, in Asunción, 2013.