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Introduction

The essay you are about to read, tries to explain the rising development and growth of the organized crime in Mexico, how it came to be, grow, collision and mutate. Being as is a criminal phenomenon, wherein different players reap benefits, an economic perspective is necessary, pinpointing the estimated profits and revenues of organized crime.

Likewise, we refer to the evolution of one of the countries that amazingly enough is one of tradition when it comes to production and consumption of narcotics: Bolivia, which had an apparently successful eradication experience for some years, by implementing public policies that managed to change coca leaf producer activities, though today a former coca leaf producer union leader rules the country.

On the last chapter of this essay, a reflection is made in order to reinforce, redirect the anti drug trafficking policy implemented by the federal government, pondering on a new economic approach that might be given to criminal law, analyzing the drivers that lie behind organized crime. Not obviating the hot topic of "drug legalization" from an economic point of view, mainly assessing a way to constrain organized crime revenues and the collateral effects such a course of action would imply.

Conclusions for this analysis lead us, at the end of the day, to the effective implementation of several national public policies, for there are no isolated solutions for this criminal phenomenon. Public policies and legal reforms necessarily complemented to a reality some people would rather give a blind eye, and the fact of the matter is that we are facing a hemispheric issue, that requires a joint international effort of gargantuan proportion. The organized crime phenomenon will mutate into something else as it always does. Isolated solutions imply partial solutions.

To wrap up, I would like to quote President Felipe Calderon at the closing of the International Narcotics Control Conference, "either we seriously fight the production, distribution chain as well as drug consumption via restrictive actions or we assume seriously a global responsibility and world leadership towards drug control via the market¹".

¹ As a result representatives for over a hundred countries committed to support the so-called "Mexico Declaration" as a new strategy to face drug cartels and organized crime globally, requiring a transnational drug combat.

As a first issue of "Mexico Declaration", the design and implementation of global and regional strategies against organized crime was pinpointed. A commitment was reached so that the sharing of standardized systems, methodologies and procedures for the exchange and use of security information in real time. Support for coordinated operations against organized crime, beyond national boundaries, designing for such a task a set of mechanisms for the exchange of information.

Money laundering linked to drug trafficking and related felonies will be strengthened and at the same time the sharing of best practices for the training of police agencies and courthouses.

1. Drug Trafficking Organizations and their historical context.

1.1 Pioneering DTOs and their operational standards.

The drug trafficking phenomenon has significantly increased curiosity for knowing its origin, therein it has been said that such criminal phenomenon was born in Sinaloa towards the end of the XIX Century and the first decades of the XX Century.

Several factors such as ignorance, poverty, the mining crisis in the north states of the country, and the early Chinese settlements at the municipality of Badiraguato, brought about the planting of poppy seed and marihuana, turning this place into a safe haven for toxic plant croppers or sellers, if ever, marihuana was used for municipal or recreational purposes.

By and by mountain peasants settled down around cities sharing either urban or rural facilities in order to make their stay more comfortable or transition smoother.

Since violence was not considerable, owing to the fact that communities were relatively small and that each and every one (siblings, cousins, and others) had a place or position within the drug business, there was no need for conflict in order to achieve market domination.

Once illegal growth of business soared, violence escalated as well; however it was limited to narcs and the police forces, in other words population was not in the loop.

Public places that drug dealers so often visited offered for a dangerous combination (alcohol, music and guns) it is said that gunfights would break out for reasons foreign to drug dealing matters, although some dealers head quartered at halls and the streets they lived in thusly becoming battle fields. For that reason in the 50's Culiacan press dubbed the city as new Chicago, where gangsters in sandals lived.²

The ever growing demand for drugs provoked the extension of plantations bringing about the well known golden triangle integrated by the states of Chihuahua, Durango and Sinaloa.

The last two points refer to the implementation of actions towards facing the violence generated by gangs and criminal units that deal with production, trafficking and drug consumption.

² Astorga, Luis "Drug Trafficking in México: A first General Assessment", Management of Social Transformation.

Making their mark as the first notable drug dealers, Pedro Avilés “the mountain lion”, Ernesto Fonseca Carrillo “Don Neto”, Eduardo Fernández “Don Lalo” and Jorge Favela who would transport raw materials from the mountains, concealed in trucks amongst wax cans all the way to Tierra Blanca, a rural neighborhood in the outskirts of Culiacan.

Along with these organization a second generation of young drug dealers emerged, some worth mentioning are: Rafael Caro Quintero, Juan José Esparragoza Moreno, A.K.A. “el azul”, Ruben Cabada and Miguel Angel Felix Gallardo.

This new generation became impenetrable, holding greater resources, being more powerful and younger than their fore fathers, they were evidently more confident and consequently moved into medium class neighborhoods, their cars held american car plates and at the time they had magnificent parties where local music (tambora) and gambling were always present, a way to show their pride in being drug dealers. Society itself would simply behold in fear, awe, amazement and respect.

In the early 80's the most prominent men of drug dealing fled the state of Sinaloa, for the federal government had kick started a full-fledged operation in order to capture and eradicate drug dealing operations, said operation aptly named ‘Condor’ had ten thousand soldiers commanded by General Jose Hernandez Toledo, whom reached Sinaloa mountain range to burn down every marihuana crop. Government erroneously estimated that engaging and terminating drug trafficking would take as long as six months time, to no avail. The outcome brought about the busting of a few hundreds of people who were then incarcerated and tortured whereas the great capo men moved into the neighboring state of Guadalajara.

Guadalajara became their own little empire and stronghold, marking the beginning of an era of a booming drug trafficking enterprise, back then Rafael Caro Quintero, Miguel Angel Felix Gallardo, and the latter's foe –Hector “el Güero” Palma reigned supreme.

All of them one way or another had been disciples of the old master of drug trafficking, Ernesto Fonseca.

Following the well-known Camarena case, in which DEA agent Enrique Camarena and mexican pilot Alfredo Zavala Avelar had been kidnapped in Guadalajara, Operation interception was set off, aiming to exert pressure on the mexican government in order to solve the Camarena affair, several accusations were made at the time by the United States government against mexican government officials allegedly involved in protecting the capos as well as being accessories and accomplices. Pressure finally paid off and about a month later a

family, whom was said to be responsible for the kidnapping, was massacred and the bodies of both the agent and the pilot were later found. The Camarena affair provided a mere glimpse of the cartels power to infiltrate government institutions.

It has been said that Camarena was working on a special assignment dubbed "Operation Godfather" which aimed at investigating the criminal activities of Sinaloa's main man Miguel Angel Felix Gallardo, the alleged drug trafficking Godfather, the capo of all capi³.

1.2 Transitional period and the advent of a brand new generation of DTOs.

Caro Quintero was captured on April 4 1985 in Costa Rica, sentenced to serve 92 years in prison on December 12 1989. Fonseca didn't get away either.

Felix Gallardo was captured in Guadalajara on April 8 1989, sentenced to serve a 40-year term in May 1994.

The apparent fall of the former heads brought about the rise of a third generation willing to take over, on the one hand Güero Palma kept a low profile while "el Chapo" Guzman who was practically unknown in the city but had made a name for himself in the mountains for his generous and lavish give aways in the most unreachable areas, together they forged an alliance upon the death of Manuel Salcido a.k.a "el cochiloco" and the incarceration of Felix Gallardo, whom were humble country folk as opposed to the "heirs" the Arellano Felix brothers who were deemed medium class city folk, highly educated, good looking and ruthless.

At the same time Amado Carrillo Fuentes a.k.a "El señor de los cielos" (the lord of heavens) heir to Rafael Aguilar Guajardo at The Juarez Cartel, being Ernesto Fonseca's nephew and after the capture and eventual deportation of former Gulf cartel head, Juan Garcia Abrego, Carrillo became the number one mob boss. It's also pointed out that this man not only was versed in drug trafficking but protection and extortion as well as keeping an eye on small time crooks and gangs who operated under his wing.

Then fighting broke out, vying for control of the stretch leading to the United States of America led to a more visible and unrestrained violence, shoot outs at broad daylight, vendettas amid other showdowns were chalked up to both groups.

After this moment all the old school rules and codes were obviated, prior to this time the main instruction was, "capture and turn them in, do not kill them.." so was commanded by Amado Carrillo when he sensed a

³ Ibid.

threat of violence amid his domain. Miguel Angel Felix Gallardo, who was Carrillo's master, would rather negotiate than engage war. Needless to say the capos of old didn't do drugs.

During this period Ensenada becomes a strategic commercial hub, the Arellano Felix build a stronger relationship with their Asian counterparts and the Japanese criminal organizations in Honk Kong, together they dealt on stolen car traffic, Chinese illegal immigrants and the exchange of cocaine and heroine, at the same time they established strong liasons with the Colombian FARC.

The Arellano Felix brothers forged an alliance with the Amezcua, developing a broad market, trafficking several substances especially ephedrine which they brought in from Thailand or the Czech republic.

It is worth mentioning that other states were in the loop where Juan Garcia Abrego was sitting at the top of several family companies since the early 80's, eventually replacing his uncle and former patriarch Juan N. Guerra at the helm, in the early 90's. At the time Guillermo Garcia Calderoni, a government official during Carlos Salinas de Gortari term, broaden criminal organizations reach reengineering power for the new presidential term, appointing Abrego to the Gulf cartel head office. Abrego's mandate was short lived since it was only six years before he was captured at a farm outside Monterrey city limits.

Garcia Abrego was replaced by Oscar Malherbe who was capture in May 1997, Salvador Garza Herrera took over for a few months. Osiel Cardenas Guillen former Attorney General office employee, who was an associate of Gilberto Garcia Mena, head of the Guardados de Abajo municipality, eventually assumed command at the end of 1998 only after assassinating Garza Herrera.

Cardenas Guillen, at the helm of the cartel, created a personal bodyguard group made of former elite army soldiers whom he controlled even after being detained in 2004 and until being extradited to the U.S in 2007. That year the former gun for hire military group know as Los Zetas, is constituted as an independent Gulf cartel criminal organization.

These gangs had a time of splendor in the 80's and 90's, a time marked by violence and market bonanza, a fight for positions is inevitable and said violence was ever present.

1.1.3 The narco juniors.

While the drug dealing business developed, a fourth generation is born, the so called narco juniors who are sent abroad to prestigious private

institutions for schooling, are seen driving luxury cars, clad in designer clothes travel around squandering money without restraint.

Despite their young age, some of them already have a long criminal record although being family children their last names do not match high society circles but drug cartel elite; the Carrillo's, the Guzman's, and the Esparragoza's. New generations of capi, to whom drug trafficking means one thing: family⁴.

In this generation some stand out: Nadia Patricia and Brenda Esparragoza Gastelum, daughters to Juan Jose Esparragoza "el azul" Mexico's drug trafficking deacon.

Ivan Archivaldo Guzman Salazar, son of Joaquin 'el chapo' Guzman, Vicente Zambada Niebla, son of Ismael "el mayo Zambada", Vicente Carrillo Leyva, Amado Carrillo Fuentes offspring, and Osiel Cardenas Guillen's nephew a.k.a "el Junior".

Caught up in the ambiance of their parents' criminal enterprises, most of these young men are involved one way or another in tasks pertaining to the organization, such as controlling and leading hustle operations, marketing, money laundering and above all cover-up. These generation is hot headed, violent, reckless and addicted to drugs.

Entrepreneurial dynamic and spirit is amazingly enough, short lived. Alliances do not last long but a few days or as long as it takes to receive or ship a drug shipment from or to the U.S, afterwards they assume their fighting stances and the war for new territories ensues.⁵

Drug dealers become organized crime tapping into several criminal activities such as kidnapping, human trafficking, prostitution, piracy, extortion and the like. Having to expand their market opportunities; thuly enhancing competition and eventually prompting violence in order to gain market share.

1.4 Nowadays

In time many an organization has consolidated, emerged or disappeared, leaving nine outstanding organizations operating in our country. Even though some offices may differ on how many organizations currently operate, nine organizations make the cut.

3.<http://revistaespejo.iglesiatriunfante.com/modules.php?name=News&file=article&sid=834>

⁵ Rodríguez, Rafael " El México Narco, la geografía del narco", Planeta Mexicana, 2009, pag. 14

- 1 The Gulf Cartel led by Osiel Cardenas.
- 2 Los Zetas led by Sergio Antonio Mora Cortes a.k.a 'El Toto' recently captured.
- 3 Tijuana Cartel led by the Arellano Felix brothers.
- 4 Juarez Cartel led by Carrillo Fuente.
- 5 Sinaloa Cartel led by Palma-Guzman Loera
- 6 Colima Cartel led by Amezcua Contreras.
- 7 Milenio Cartel led by Valencia.
- 8 Oaxaca Cartel led by Diaz Parada.
- 9 The Michoacana Family led by Nazario Moreno. Gonzalez a.k.a 'el Chayo' or 'el Doctor' recently deceased.

1. The Gulf Cartel.

Gulf Cartel has influence in 13 states of Mexico, operating premises include Nuevo Laredo, Miguel Aleman, Reynosa, Matamoros and Morelia, the Gulf of Mexico region with presence in the center and south regions of the country.

Founded in the 1940's by Juan Nepomuceno Guerra, it has sustained great growth through the years. Led by Garcia Abrego until 1996, thereafter a battle for power ensued, landing Osiel Cardenas Guillen atop the organization, who was detained and imprisoned in a maximum security prison at Almoloya in March 2003; nonetheless he continued to be in charge of the cartel until January 2007 when he was extradited to the U.S.

Supported by Los Zetas, a military group made of deserting elite soldiers recruited to operate as Osiel Cardenas' private army. The Los Zetas moniker comes from the code given to high ranking officials within the federal preventive police corps. At the beginning, they served the cartel in protecting drug transportation routes or capturing rival cartel members. It is believed that after Cardenas' arrest they started their own drug dealing network based at Nuevo Laredo, Tamaulipas.

2. Los Zetas.

The first known member was initiated by Arturo Guzman Decena, a lieutenant of the special forces airborne group who had been appointed to command the Regional PGR Office at Matamoros. He resigned his post in October 1997 after being contacted by Osiel Cardenas to be a member of his armed forces.

According to Garzon Vergara, upon retirement he convinced five military officials to join him in the new enterprise, two months later they

had 14 members and according to PGR debriefs 24 more joined, most of them former Special Forces members including members of the 15th and 70th battalions of the 15th regiment of motorized cavalry⁶.

In order to learn the origin of their moniker, we must look back in time at the end of 1996 during the term of president Ernesto Zedillo, PGR and the Ministry of Defense signed an agreement of cooperation wherein the military members commissioned to such task ranked as colonels working under high ranking officials such as Generals whom were Zone commanders, the former were dubbed as Yankees (Y) the latter X thusly the military commissioned there were given the derisive moniker "zetas". Guzman was known as Z-17.

Once established, the group initially intimidated and occasionally murdered debtors as well as minimizing desertion amongst the organization ranks and repelling military attacks and other attempts to enter their territory.

Due to their capacity to repeal any kind of attack adding up to corruption levels in some State entities, Osiel cardenas' confidence grew, for his safety was guaranteed.

As mentioned before, the fallout from the Gulf Cartel brought about the Zetas organization according to Samuel Logan⁸.

These men innovated paramilitary tactics in use by organized crime today. Many agree that these men raised the bar in the Mexican criminal underworld, forcing Cardenas' rivals to find former military soldiers of their own, just so they could compete.

But the dominance of Los Zetas couldn't last. Over time, many of the original 31 have been killed, and a number of younger, ambitious men have filled the vacuum, forming something that resembles what Los Zetas used to be, but still very far from the professionalism and efficient style of the original Zetas.

The term Los Zetas, some argue, has been turned into a brand name - a calling card used to control businessmen and politicians deemed useful to further the advances of either the Gulf Cartel, the new Zetas Organization, or even smaller groups who have capitalized on the name brand but have very little connection to the Gulf Cartel or the Zetas Organization.⁹

⁶ Garzón Juan Carlos, *The Criminal Networks in México, Brazil, and Colombia*, pag. 83

⁷ Ibid. pag. 84

⁸ Samuel Logan, "Los Zetas: Evolution of a Criminal Organization", ISN Security Watch, Zurich. Disponible en <http://www.isn.ethz.ch/isn/Current-Affairs/Security-Watch/Detail/?id=97554>

⁹ Ibid.

Now the members of the Zetas are young and mean, and they don't take orders from anyone.

Currently this Cartel has presence in Coahuila, Nuevo León, Zacatecas, San Luis Potosí, Nayarit, Colima, Guanajuato, Hidalgo, Puebla, Tlaxcala, Veracruz, Oaxaca, Tabasco, Campeche, Yucatán, Estado de México, Chihuahua, Chiapas, Quintana Roo, Distrito Federal, Tamaulipas and Guerrero.

The people who form part of this network operate a range of illicit businesses from the regular extortion of street vendors to charging other groups for passage through their territory, to gun and drug smuggling, human smuggling, kidnapping for ransom, money laundering and the operation of a vast network of illegal businesses.

Surrounding this organization is a larger than life myth, a sort of Zeta brand name that some criminals use just to scare their targets, explains Howard Campbell, professor of anthropology at the University of Texas at El Paso.

3. The Arellano Felix Brothers.

Their operatin center based in the northwestern borderline of Mexico, mainly the municipalities of Tijuana, Mexicali, Tecate, Ensenada, Culiacan and Mazatlan, expanding to the south and southeastern parts of the country.

This cartel was born upon the capture of the Guadalajara cartel leader, Miguel Angel Felix Gallardo on charges of DEA agent Camarena's murder in 1989. Felix Gallardo used to run cartel since the 1980's based in Culiacan, Sinaloa.

Gallardo had built his empire on smuggling across the border of marihuana grown locally and heroin. The Arellano Felix brothers took business farther when they forged an alliance with colombian drug dealers in order to smuggle cocaine into the U.S.

The capture of Felix Gallardo broke the organization into two separate entities, The sinaloa cartel run by Joaquin Guzman Loera a.k.a "El Chapo" and the Tijuana Cartel led by Ramon Arellano Felix.

Ramon Arellano was murdered in a shoot out with the Mazatlan ministerial police in February 2002. In August 2006, Francisco Javier Arellano Felix was captured by the U.S. coast guard.

Pursuing a boost in their producing and distributing capacity, the Tijuana Cartel established a cooperation and colaboration relationship with the

Gulf Cartel, though both organizations continue to operate independently.

4. Juarez Cartel

This Cartel's main antecedent is Ernesto Fonseca Carrillo in the early 80's; however Amado Fuentes Carrillo is the franchise player for his ill gained fame and reputation as the "lord of heavens".

Carrillo Fuentes earned his nickname for his innovative cocaine transportation system by using a fleet of 727 boeing aircrafts.

He died in 1997 at the operating table while having plastic surgery in order to avoid being identified by the authorities.

During the 90's Amado Carrillo was the kingpin of drugs, the number one. Reportedly Carrillo Fuentes smuggled four times as much cocaine into the U.S, no other achieved such goal in history including Colombian cartels of Cali and Medellin.

Upon his demise Juarez' Mafia was run by a council, formed by Amado's brothers Vicente and Rodolfo, Ismael el "Mayo" Zambada and Sinaloa's leading man Joaquin Guzman.

For years on end business went on smoothly, not too much bloodshed nor political scandals, but a few years ago war ensued. According to journalist sources this cartel was detected in 21 states¹⁰.

5. Sinaloa Cartel

The Guzman Loera or the Pacific Cartel is involved in the traffic and distribution of colombian cocaine, mexican marihuana and asian heroin.

This organization started operating in the 1990's covering the north pacific region, since the daring escape of "El Chapo" from the maximum security penitentiary in Puente Grande in 2001,they have expanded their reach into the south and central zones of the country, vying for domination with the groups which ruled the area in the past.

Their bloody confrontations with the heads of the Arellano Felix cartel and the Carrillo Fuentes family have left an indeleble blood track all over the country, linked to judicial events of great transcendence in Mexico, for instance the homicide of Cardinal Juan Jose Posadas, the execution of Rodolfo Carrillo Fuentes and the murder of the Federal Police regional security coordinator, Edgar Eusebio Millan Gomez who led attacks against said criminal organizations, was executed in May 2008 after

¹⁰ <http://arturoalfarogalan.wordpress.com/2011/02/28/el-narcotrafico-en-mexico/>

having seized drug shipments and detained 13 gun slingers of the group. On May 27 2008 the Sinaloa cartel murdered 7 federal police agents during a confrontation while agents served a warrant at a cartel safe house.

The Public Security Ministry responded by assigning 200 more agents to the area, providing agents with high caliber weaponry and full bullet proof vehicle armoring.

6. Colima Cartel

Colima cartel led by the Amezcua Contreras brothers known as the "methamphetamine Kings" was created in 1988, originally operating in traffic duties for colombian cartels, though sooner than later became an important criminal organization dealing and processing amphetamines internationally.

The two main capo of the Family, Jose de Jesus and Adan Amezcua Contreras known as the methamphetamine kings, remain incarcerated serving long sentences in prison accused of importing ephedrine from Europe, India and Pakistan which they introduced illegally into Mexico and the U.S.

The illegal substance was shipped to the ports of Veracruz and Manzanillo where it was then transported to labs in Colima and Jalisco, once the drug was processed, it was then taken to Tijuana, Baja California in order to smuggle it into U.S territory.

The Amezcua Contreras "ecstasy" continues, since traffic and consumption of this drug has increased, which clearly indicates the Amezcua's are still on top of their illegal trade.

7. Milenio Cartel

This cartel also known as "Los Valencia" led by Luis Valencia Valencia who replaces Armando Valencia Cornelio, detained by authorities in August 2003.

It is a group that split from the Juarez Cartel in 1999. It is said that they used to supply and distribute drugs to both the Arellano Felix and Cardenas Guillen.

Based in Aguililla Michoacan where marihuana and poppy seed are grown.

Without any structural modification the Milenio Cartel has survived attacks from other cartels, had a previous rapport with the Tijuana cartel owing to the fact that their shipments went through South Baja

California thereafter they linked to the Sinaloa cartel which pretty much allowed for mere survival but not expanding onto other states.

8. Oaxaca Cartel

This organization is head quartered in San Pedro Toloapan and has reached territories like Veracruz, Tabasco and Chiapas.

Its founder Pedro Diaz Parada "Oaxaca chieftain" had his starts in drug dealing planting marihuana in San Pedro Toloapan, Oaxaca in the 70's. He then extended activities towards cocaine trafficking by using fast motor boats and small planes. Captured and sentenced to a 33 year term in 1985, reportedly upon hearing his sentence from Judge Villafuerte Gallegos, Diaz Parada said, "I will leave and you will die".

Diaz Parada has been to jail in two different occasions; however he managed to escape twice and he is allegedly responsible for the execution of Judge Villafuerte Gallegos who sentenced him to a 33 year term.

According to mexican media, the Diaz Parada organization has not been greatly beat up by authorities so far, due to the fact that they have been operating non stop for decades now and none of their high ranking members has been apprehended.

9. The Michoacan Family.

The proceeding organism to this organization is the criminal group know as "La Empresa" (the Company) founded by Nazario Moreno Gonzalez, recently deceased and Jose de Jesus Mendez in 2000.

Right after its birth "La Empresa" joined forces with Los Zetas the former armed forces of the Gulf Cartel, aiming to put out of business a rivaling organization led by the Beltran Leyva brothers whom at the time had liaisons with the Sinaloa cartel which was run by Joaquin "El Chapo" Guzman who has been at large since January 2001.

Some media outlets point out that said organization has created a civil support structure in charge of informing about authorities' moves.

It has monopolized drug market and collects fees from those who intent to stay in the game. It is said that La Familia rules in towns, correcting drunkards and censoring those who speed.

They also send people home late at night, the heads of this organization have reportedly announced they act under God's guide and their narco messages evidence a certain religious tone¹¹.

A criminal organization which deals with drug trafficking, kidnapping, extortion, smuggling and murdering its enemies, in but a few years they have turned into a regional criminal organization. Currently they operate in the states of Michoacán, Guerrero, Guanajuato and the state of Mexico¹².

The weakening of criminal organizations through federal government action and the existence of less permissive local government has brought about a struggle for leading positions along with illegal market share. It is plain to see the cruelty when exerting vendettas, especially between rivaling families.

These vacancy chains aptly denominated by Richard Friman¹³ provoked by the successful beheading of criminal organizations creates uncertainty about succession and at the same time it brings rival efforts toward extermination of the weekend organization.

Likewise our country is no longer a passing route for drug shipments and has become a consumer's country which has provoked a bigger fight for internal market control.

Yet another determining factor is the organized crime's capacity to acquire sophisticated arms and weapons as those for the use of the armed forces and the army. We can also consider the challenge it presents to the government since the number of public officers ,who are involved in the capturing of major felons and high ranking criminal leaders murders, has increased.

We have to consider other social factors as well, a population growth which definitely mean greater economical needs, the scarce education and labor opportunities, family violence, the contempt for the powers that be, the leniency of authorities which have been corrupted or threatened for years allowing for these criminal organizations to grow stronger.

¹¹ <http://www.nexos.com.mx/?P=leerarticulo&Article=44>

¹² <http://noticierotelevisa.esmas.com/especiales/248081/la-historia-la-familia-michoacana>

¹³ Richar Friman, "Forging the vacancy chain: Law enforcement efforts and mobility in criminal economies", Crime Law and Social Change, vol.41 No. Febrero 2004.

2. Drug Trafficking Organizations revenues in black and white.

2.1 The underlying economy of the DTOs

Crime has become a cog in the domestic and international economic system engine, bringing about transcendental social, economic and geopolitical consequences. The illegal drug business is most likely the number one revenue maker within the criminal economy.

Corruption, stimulated by financial de-regulation, is mining national economies. Organized crime has infiltrated the finance world and international banking institutions, both in industrialized countries as well as those developing nations, which when confronted with economic crises, allow for the mafia to become important players in the economic and social politics of the aforementioned governments¹⁴.

The illegal drug market as pointed out by Juan Carlos Garzon, has developed a complex structure ranging from local to global operation which has been set up in different ways.

In order to start up every business phase, an adequate infrastructure, according to its levels of presence and control within a given territory, must be pursued. Illegal drug market has three basic dimensions: local, international and global¹⁵.

Local market (domestic) in Mexico is called *Narcomenudeo*, or *retail* and its focused on drug distribution amid urban centers. Drugs are sold at specific places that work out as sales points or hot spots for all kind of illegal substances. In Mexico this places are known as *tienditas* or *little stores*.

International market refers to exporting and delivery of drugs into the United States or a European nation. Most of the drugs are taken to these places for one simple reason: there is a higher concentration of consumers with high purchasing power, consequently drugs are sold at a higher price mark.

Global market refers to an international network where middlemen make it possible for drug dealers to send and distribute drugs in developed nations. Global market might be considered to be the pinnacle of the illegal economy pyramid, since consumers and clients have a greater purchasing power thusly bringing in higher earnings and revenues for drug dealers.

¹⁴ InterAmerican Community Affaires, Crimen Organizado y Globalización Financiera, available <http://www.interamericanusa.com/articulos/Crim-org-terr/Crim-org-Glob-fin.htm>

¹⁵ Garzón Juan Carlos, The Criminal Networks in México, Brazil, and Colombia, pag. 117

a) A series of estimates.

To truly assess and provide a veritable, accurate estimate of organized crime drug dealing earnings is such a tall order, therefore a few estimations from different sources are quoted.

International crime is a \$650 billion dollar industry, according to a report by Global Financial Integrity, a program of the Washington-based think tank, the Center for International Policy. The analysis "evaluates the overall size of criminal markets in twelve categories: drugs, humans, wildlife, counterfeit goods and currencies; human organs, small arms, diamonds and other gems; oil, timber, fish, art and cultural property; and gold." The drug trafficking market makes up for almost half of the figure or around \$320 billion dollars; and some \$250 billion dollars are a contribution of the counterfeiting business, which includes goods and currencies¹⁶.

On the other hand news shows have recently stated that according to the annual statement by the International Narcotic Control Board (INCB) delivered in March 2011, production and traffic of marijuana is the main revenue and income source for Mexican cartels, accounting for 8 and a half billion dollars, equivalent to 61 per cent of their annual earnings¹⁷.

It is also specified that 90m per cent of the South American produced cocaine introduced into the U.S. goes through Mexico, while the planting of poppy seed used to produce heroin, has increased sustainably in that country since year 2000.

The ONU say: As Mexican traffickers wrested control of the most valuable portions of the trafficking chain from the Colombians, Mexico itself has become by far the most important conduit for cocaine entering the United States. Today, some 200 mt of cocaine transits Central America and Mexico annually, bringing some US\$6 billion to the regional 'cartels'. As a result, those who control the portions of the Mexican border through which the bulk of the drug passes have gained wealth and power comparable to that commanded by the Colombian cartels in their heyday.¹⁸

¹⁶ Ortiz Andrés, NewsBriefs 2011, The Organized Crime in the Americas, se puede consultar en <http://www.insightcrime.com/insight-latest-news/item/541-news-briefs-8-feb-2011>

¹⁷ <http://noticierotelevisa.esmas.com/nacional/265072/onu-alerta- trafico-drogas-mexico-y-centroamerica>.

¹⁸ United Nations Office on Drugs and Crime, World Drug Report 2010, pag. 241

A investigation done by Stratfor¹⁹ a enterprise of global intelligence señala que the amount of money pouring into Mexico annually is stunning. It is estimated to be about \$35 billion to \$40 billion each year. The massive profit margins involved make these sums even more significant. Assume that the manufacturing sector produces revenues of \$40 billion a year through exports. Assuming a generous 10 percent profit margin, actual profits would be \$4 billion a year. In the case of narcotics, however, profit margins are conservatively estimated to stand at around 80 percent. The net from \$40 billion would be \$32 billion; to produce equivalent income in manufacturing, exports would have to total \$320 billion.

In estimating the impact of drug money on Mexico, it must therefore be borne in mind that drugs cannot be compared to any conventional export. The drug trade's tremendously high profit margins mean its total impact on Mexico vastly outstrips even the estimated total sales, even if the margins shifted substantially.

On the whole, Mexico is a tremendous beneficiary of the drug trade. Even if some of the profits are invested overseas, the pool of remaining money flowing into México creates tremendous liquidity in the Mexican economy at a time of global recession.

Calculating the size and reach of the illegal drug business is a complex task. Many an exercise and estimation has been drawn. In the case of Mexico, calculations range from 10-15 billion dollars to those broader calculations such as the Stratfor agency among others which have drawn figures that go from 40 to 50 billion dollars.

In order to find a comparison standard, Mexico's income through money remittances in 2010 was 21 billion 271 million dollars, oil revenue was over 50 billion dollars in 2008, and over 30 billion in 2009, foreign investment was over 23 billion dollars in 2008 and over 11 billion in 2009.

b) Drug Trafficking as a family enterprise, and regional span.

The drug business means death, poisoning, and utter destruction of a society, ironically and perversely enough the other side of the coin shows a different picture, it also means income, sales, and jobs. It means freshly made money circulating and activating the economic cycle. Illegal moneys that after being laundered, is injected directly into the economy and therefore becomes investment money.

¹⁹ Friedman George, Mexico and the Failed State Revisited, puede ser consultado en http://www.stratfor.com/weekly/20100405_mexico_and_failed_state_revisited

These criminal organizations offer young people otherwise stagnated in dead end jobs, a better choice to make money, way more money they could earn at a legitimate job. In order to illustrate the aforementioned, about 726 youngsters ages 15 to 17 were murdered for they were either gunmen or women hired by cartels²⁰.

Specialists insist in pointing out that the greatest profit and earnings lie in what they call “the last mile” namely those who control the home stretch of the production and commercialization chain. A top earner is that who commercializes product at large consumption points rather than the one who delivers to the end consumer. This criterion helps moderate the great figures attributed to the Mexican economy; however no matter what scenario we look at, an important percentage of this business profit stays in Mexico, which undoubtedly alters national figures²¹.

George Friedman, head of Stratfor and author of the book *The next 100 years*, assures that there is no doubt the drug business “will eventually contribute to Mexico's growth” for money out of the pocket of drug consumers in New York becomes circulating currency in the economy of cities like Ciudad Juarez, Morelia or Mexico City.

c) Money Laundering

It has been estimated that no more than half the earnings of organized crime reach financial entities through criminal organizations.

A study to be presented by John T. Morton as adjoining secretary for the Migration and Customs Investigation shows that between 75 and 90 per cent of the earnings driven in by retail drug sale in the United States is introduced to Mexico, generally in cash and through different methods, such as the small scale smuggling, that is a person carrying small amounts (5 to 10 thousand dollars) and sometimes in containers.

Since a good part of the money spent by drug dealers is cash, authorities in both countries focus their strategies now on how to improve and set mechanisms that will impede said profit from joining the formal economy.

Morton stated that they are currently working with the IRS equivalent in Mexico in order to align inspection systems along both sides of the border.

²⁰ “Recent Arrest of Minors in Tabasco Crimes Worry Authorities” México: Minors Arrested in Tabasco Linked with Organize Crime, Open Source Center, FE A20100415003897-OSC Feature-El Liberal del Sur abril 12 de 2010.

²¹ Bastidas Colinas Sabino, Qué sería sin México sin Drogas.

Mexico's government recently issued new guidelines in order to limit great cash dollar deposits at the country's banking institutions in an attempt to strengthen the combat against money laundering.

President Felipe Calderon himself presented to initiatives on August 31 2010, the former aims to reform the existing legal framework in order to strengthen its position in facing organized crime and its financial structure, and at the same time avoiding the occurrence of monetary transactions with illegal monetary resources, the latter will issue a federal bill of law in order to prevent and identify illegally funded monetary transactions and terrorism financing, purpose of said initiative is twofold: firstly provide sufficient instruments to fight crime through mechanisms that will give authorities a fighting chance in preventing and detecting said transactions and secondly placing Mexico among those jurisdictions that have advanced prevention systems, meeting our country's international commitments.

Morton ratified that both nations share a joint responsibility when it comes to matters like narco traffic financing. That's why it's important to attack these earnings which are essential for these organizations to sustain their operations, buy drugs and supplies and facilitate their operations in Mexico in other ways.

"Arresting people will not be a solution (in order to bring down the narco traffic phenomenon afflicting both countries) we have to undermine said organizations and we will only attain it by identifying and seizing their earnings", he stated.

Senator Carlos Navarrete, at an International money laundering and corruption seminar in Mexico city declared that nearly 10 billion dollars had been laundered in Mexico in 2010, however only 50 million dollars had been seized.

A media outlet called *la Cronica de Hoy* points out that in an interview with Jesus Alberto Fernandez Wilburn, a director of illegally funded operations area at the general attorney office, it was said that only 20 and 40 out of 52,000 outstanding cases on money laundering are effectively prosecuted.

Before such circumstances some pundits have affirmed that Mexico is at some point forced to wonder ,what would happen to its economy if that kind of money stopped flowing? What would happen to its macro economy? What would happen to the economies of small towns, families, and business outlets which survive on these income? What is the strategy to fight money laundering? What i the strategy to replace the narco traffic economy?

At the time when there must be reflection over the validity of possible doctrines of economic development that would lead to recommend developing countries ban the importation of goods such as cigarettes or cell phones so that prices will rise and the earnings of smuggling organizations would then increase national income.

3. Comparative analysis.

3.3 Bolivia

Bolivia, a country where from its very origin *coca leaf* is conceived as being part of their cultural heritage, it represents a thousand-year old life tradition within the Andean region, spreading through the ritual, hierarchic and productive aspects, for its daily consumption *coca leaf* has come to be life and identity.

A country where economic activity revolves around coca leaf, it is said that not only over 40,000 peasant families depend on its growing, cropping and harvesting but also thousands of people who are detained for their involvement within the processing and transporting chain of the several illegal derivate stemming from coca leaf²².

Such a thing is chalked up to the increasingly high unemployment and underemployment rates, and a minimum wage that does not suffice to cover barely necessities, nor family shopping basket. A country in which the GDP per capita (PPP) does not exceed the one thousand USD mark and state institution structural weakness abounds.

Furthermore said weakness allowed for the illegal industry to consolidate a symbiotic relationship with the people in the municipalities where they operate while state presence is scarce. This is clearly illustrated at Santa Ana, a town north of the Beni where locals supported drug dealers who had provided them with educational services such as elementary schools, medical assistance and security. Funding resources basically come from the marketing and commercialization of cocaine. It all made it easy for drug dealers to attain social legitimation through their economic relevance at the municipality they set up at, as well as their relationship with the State, it being peaceful, for in the absence of the latter, they enabled themselves to adapt paternalistic attitudes towards local population, bringing relief to some of their demands²³.

That is why the Bolivian authorities along with the international community has sought to stop this phenomenon through repressive policies and by trying to forcefully eradicate crops while opposing illegal traffic of coca leaf and its derivatives.

In 1961 the UN's Single Convention on Narcotic Drugs constituted the starting point for overseeing activities related to cultivation of certain plants, a fact that in practice, brought about the proscription of

²² Giacomani Aramayo, Diego, *Política de las drogas y situación Carcelaria en Bolivia*, Sistemas Sobrecargados, Transnational Institute, Washington Office on Latin America.

²³ Navarrete-Frías, Carolina y Thoumi, Francisco, *Drogas Ilegales y Derechos Humanos de Campesinos y Comunidades Indígenas, el caso de Bolivia*, pag. 16

cropping and commerce of coca leaf. In order to achieve said goal the Bolivian government embarked on a fighting plan against drugs.

Later in 1973, the first cultivating, cropping and harvesting coca leaf control mechanisms were developed, starting by plucking plants right off and penalizing coca leaf producers.

It has been said that U.S pressure led to the militarizing of the fight against drug growing and dealing.

During the administration of General Hugo Banzer Suarez, both illegal crops and business expanded. At the time The U.S primordial interest was to prevent communism from expanding and since Banzer applied the National Security Doctrine in order to eliminate any leftist threat, his administration received huge amounts of assistance money, so it went unnoticed that important government members were involved in the cocaine industry²⁴.

When General Luis Garcia Meza rose to power after a coup d'etat in July 1980, the first "Narco-State" in Latin America was established.

This government generated a strong reaction both inside and out and it ended up in a coup d'etat in November 1981, setting the grounds for a popular election the year after. Upon the fall of Garcia Meza's government, The United States resumed its affairs with the Bolivian government, appointing a new ambassador in La Paz, Edwin Corr, whose administration was notable for its attempts at keeping a watchful eye on every aspect of internal politics.

In 1983, the signing of eight agreements linked all U.S financial assistance to achieving the goals that were set forth in terms of illegal drug fighting. Once President Ronald Reagan decided to wage war against drugs in 1981, Washington's top drug fight priority was proved Garcia Meza's legacy and the fact that no member of the military junta was indicted on corruption, or human right violations.

Between July and November 1986 the Blast Furnace Operation was carried out, aided by American troops aiming to find and destroy labs as well as seizing drugs, to no avail. Coca processing and cultivation continued to grow in spite of the Operation implementation; spurring at the end of 1989 the increase in the role of American military advisors and Bolivian armed forces in order to carry out interdiction operations.

²⁴ Giacoman Aramayo, Diego, Política de las drogas y situación Carcelaria en Bolivia, Sistemas Sobrecargados, Transnational Institute, Washington Office on Latin America

In 1989 during the term of president Paz Zamora, *de-narcotizing* affairs with the U.S was one of his promises; however a plan was proposed to strengthen the coca leaf cultivation substitution programs through military support. In Bolivia, military relationship in the fight against drugs had started in 1986 by launching an operation dubbed Blast Furnace wherein the U.S. sent down six black hawk helicopters and 160 high ranking U.S army officials to direct both interdiction and every other effort to eradicate coca leaf cultivation. It was under this political framework that the first national legislation was born on July 19 1988, and the enactment of the Law of regulations for coca leaf and controlled substances, which was designed informally by American officials.

This law was the corner stone for the design of strategies to fight drug trafficking and it was four fold: eradication, alternative development, interdiction and marginally speaking, consumption prevention²⁵.

In 1994 Gonzalo Sanchez was elected president and came up with Opcion Zero or Zero Option which aimed to eliminate illegal cultivation and provide farmers with alternative development programs that would allow them to make a decent living. Such policy was greatly opposed by farmers and peasants, eventually failing for illegal cultivation prevailed.

In 1997 General Banzer elected president launched the Dignity plan which emphasized the eradication, interdiction, lab destruction, fight against money and asset laundering, prevention and treatment of consumption. It did not prioritize attacking drug dealing organizations though.

The implementation of the Dignity Plan brought about conclusive eradication backed up by the government of the United States. The fall of the illegal cultivation in Bolivia was accompanied by a substantial increase in pricing for the coca leaf in Peru, such a thing suggests that Bolivian dealers replaced Bolivian coca by getting the Peruvian one.

Dignity Plan was a success in terms of the number of eradicated hectares and crop fields, which in 1997 were about 45,800 and dropped to 14,600 in 2000. Nonetheless; in 2001 cropped hectares started to rise again and some journalist reports estimated that coca leaf crop fields expanded into areas different from those traditional cultivation centers.

²⁵ Giacoman Aramayo, Diego, Política de las drogas y situación Carcelaria en Bolivia, Sistemas Sobrecargados, Transnational Institute, Washington Office on Latin America

Eradication seriously deteriorated Chapare peasant life style and created social conflict, massive protesting which escalated into violent demonstrations where peasants, police officers and military men were injured or killed. Farmer/ peasant income also dropped due to external factors such as the Argentine and Brazilian crises and the fall of coffee's international prices which contributed to weaken Alternative Development programs²⁶.

In 2000 eradication provoked strong mobilization from Chapare coca leaf producer federations who confronted government demanding the elimination of the eradication policy and other measures intended to be against drugs.

Coca leaf congress men toughened their positions and Evo Morales, the main coca leaf leader was expelled from congress in 2002. Evo Morales became presidential candidate and finished first runner up in the 2002 election. Gonzalo Sanchez Lozada was elected president with barely the 22 percent of popular vote. Indigenous candidates surprised everyone with their vote tally, notably Evo Morales, Felipe Quispe, and Felipe Florez, surpassing voting for traditional parties.

The alliance between Florez and Morales controls almost 40 percent of congress seats. This is yet again another interesting contrasting point that Bolivia shows before Colombia, where indigenous and peasant groups are highly active politically wise and are not as marginalized.

In 2003, the Carlos de Meza administration signed an agreement with the coca leaf producers of the Cochabamba tropic region in order to implement a series of reforms, which included the authorized sowing of a *cato* (1600 square meters) worth of coca per unionized family within the territories of the six peasant federations of this region. Ever since, conflicts involving these organizations diminished. This has been the most important achievement claim wise, by a social sector in terms of drug policy revision.²⁷

Regarding the so often criticized Law 1008 for being unconstitutional, far from being an effective legal tool, it represented a penal over regulation and criminalized severely the same demeanor provided for by Bolivian

²⁶ Navarrete-Frías, Carolina y Thoumi, Francisco, *Drogas Ilegales y Derechos Humanos de Campesinos y Comunidades Indígenas, el caso de Bolivia*, pag. 22

²⁷ Giacoman Aramayo, Diego, *Política de las drogas y situación Carcelaria en Bolivia*, Sistemas Sobrecargados, Transnational Institute, Washington Office on Latin America

penal law. It has been said that it is highly politicized, corrupt and slow, with abuse, coercion and prisoner extortion.²⁸

Despite the innumerable inconsistency and abuse endured by this sector dedicated to cocaine, the indigenous organization structure outstands for being definite in avoiding proliferation and flaring of human right violations. The communities and the sense of belonging in itself has exerted great social control²⁹.

In 2004 the statement in the annual report by the International Narcotics Control Board (INCB) 2003 read that the belief that voluntary eradication of coca crop fields constituted a success, was untrue, on the contrary it spelled failure. Many a zone of production and eradication permanently lived in tension and violence, eradication acts occurred amid troop deployment and war materials forcing everyone to abide.

On February 16 2004 the State declared the need for a commitment to a new drug strategy 2004-2008 and issue an emergency declaration for the coca leaf producers of Chapare. At the same time it vowed commitment to revise the Law 1008, implement a legal market research, alternative development within eradication and an international legalization proposal as well as meeting service demands at Chapare.³⁰

During the 2004-2006 period, a national anti drug strategy dubbed "Integral Bolivian Illegal Drug Trafficking Combat Strategy 2004-2008" was implemented, it included actions in several areas, for instance alternative development, prevention, treatment, social re-integration eradication and interdiction.

Between March and December 2006 a new policy elaboration process was carried out in Bolivia, the so called "Coca leaf revaluation and drug trafficking combat strategy 2007-2010". The aforementioned contemplates actions in the areas of demand reduction (holistic prevention) supply reduction, integral and sustainable crop field development as well as rationalization of coca leaf crops, production and trafficking of drugs (social control), control measures and asset laundering.

²⁸ Farthing, Linda Social Impacts Associated with Antidrug Law 1008" en M. B. Léons y H. Sanabria (Eds.), *Coca, Cocaine and the Bolivian Reality*, State University of New York Press. Pag. 255

²⁹ Navarrete-Frias, Carolina y Thoumi, Francisco, *Drogas Ilegales y Derechos Humanos de Campesinos y Comunidades Indígenas, el caso de Bolivia*, pag. 38

³⁰ Spedding Pallet, Allison y Cabieses Cubas, Hugo, *Movimientos Cocaleros en el Perú y Bolivia, ¿Coca o muerte?* Transnational Institute, pag 19

The pundits declare that the situation in Bolivia for the last 22 years has been one of anti drug policies based on three lines: interdiction, eradication of coca leaf and some efforts towards alternative development, though at times not as intense, the eradication of coca crop fields has been the top priority of previous administrations, every other government plan was addressed to meeting that aim, the Triennial Plan, Plan Zero, Plan Dignity, which to some extent are applied in Colombia and Peru in the war against the coca leaf plant.

It is worth mentioning that to present day, there haven't been any significant changes implemented by this repressive and prohibitive policy regarding supply and let alone demand.

However repressive actions and human rights violation dropped with the appearance of the Penal Procedure Code enabling for relief of the consequences of applying the law 1008, substituting harsh measures for cautionary and replacement measures.

In context with its national leader, as forecast years ago by experts in democratic changes, it is reaffirmed the idea that coca leaf possesses enormous virtues that in the thousand year old Bolivian indigenous people tradition and its strongly linked with its culture, food habits and medicinal practices.

Drug fighting has only provoked the loss of beneficial uses and purposes. Rejecting traditional uses which the "western civilization" pointed out to as signs of backwardness, constitutes a real aggression to the culture of the Bolivian peoples.

Currently they intend to implement a diverse strategy in order to fight drug trafficking. In April 2010 at the city of La Paz, a new strategy to confront drug related issues was presented, its objectives are:

To strengthen Bolivia's capacity to respond to drug, organized crime, terrorism, corruption threats as well as economic felonies; supported by the European Union. Talking to government officials about the elaboration of a National Prevention Plan.

A new political vision in drug trafficking combat, based on social participation, "social control" respect for human rights and sustainability

in time. National drug trafficking combat efforts which translates into resource allocation by the National Treasury Office.

At the same time it pursues regional crime fighting by establishing bilateral agreements and the execution of coordinate simultaneous interdiction operations including all related felonies.

This context regards among other aspects:

Social control and rationalization of the coca leaf, implying reduction of coca crop fields in a consensual, voluntary way, definition of no expansion areas for the growing of coca crop fields and the eradication of crops in prohibited areas, within the a framework of respect for human rights.

1. Progressive reduction of cocaine production potential by strengthening interdiction and control measures.
2. Strengthening public policy for the implementation of actions towards preventing drug consumption and treatment for drug addicts.
3. Shared international responsibility in order to reduce drug consumption and support productive development in order to generate jobs and income at the coca leaf production zones.

Finally they are seeking to develop a capacity for community action and participative institutions, including supportive private investment to eliminate poverty causing factors, social exclusion and environmental deterioration, generating integral sustainable growth.

4. Organized Crime and its economic cycle.

a) An analysis from an economic perspective

The numbers yielded by crime fighting arguably reflect greater achievements in recent years. Whereas critics have said that this fight has come to such great a cost, and some argue it is a lost cause, it is necessary to step back for a moment and see Mexico in a different light, not as a country with a high criminal index but as a country that is part of a regional insecurity issue, for short term strategies and decisions may bear fruit, while long term ones shall be doomed.

Mexico is currently undergoing a process of democratic transition, its institutions have undergone multiple changes, I myself definitely refuse to think that in the clear aim of satisfying limited visions or light hearted opinions, the upcoming President decide to come to an agreement with organized crime in the hopes of curbing all senseless violence and at the same time become legit so that it may prove his or her governing capabilities.

We cannot allow for the media censoring practices of old that kept information under wraps so that society would not realize the number of incidents, casualties or detainees. The freedom of information, the transparency in all government procedures and actions has strengthen the Mexican society, that's why we must be responsible for all the information we gather, not only believing the information we get through media, let's take advantage of our rights to free speech and information and exert them responsibly.

At the same time we must recognize the great effort currently taking place, a labor that is performed with responsibility and commitment to the mexican society; nevertheless analyzing the results it yields, turns out to be a quite enriching experience thusly helping out in changing or endorsing decisions.

Then again taking into account a diverse number of data which reflects the ill gained profits of organized crime, I deem necessary to ponder the deterrence of these criminal behaviors from a legal-economic perspective.

An economic analysis of law will allow for the utilization of an economic rationality in order to try and explain said behaviors the way they are in

today's world while attempting to propose solutions through an organization of norms and institutions based on economic reasoning³¹.

It is also necessary to analyze the economy of crime, which will help shed light on the following, What are people's incentives? looking for a deeper understanding of the problem. **When it comes to drugs it becomes a matter of prohibition, which generates organized crime activity, that's why economic analysts say that if a certain amount of drug consumption were to be legalized, crime would turn to kidnapping, prostitution or any other illegal conduct**³².

Even though we could evaluate the fact that not only is it a matter of prohibition but also an economic one, for organized crime will not settle for a profit loss and will focus on any other illegal market.

Understanding what drives people will enable us to carry out effective analysis since every law would be referred to as price units.

The union of criminal law and economics has a very special meaning when it comes to establish Law as a study subject from the economics point of view.

It has been deemed that one individual's issue is:

Maximizing $(1-p) U(w+g(e))+pU(w-f(e))$

Take e for example, it reflects the significance or seriousness of the offence. (e) is the fine the individual would have to pay if it is *detected*, and it might depend on the seriousness of felony and p is the likelihood of being detected.

The optimum choice of e will be characterized by the following condition

$$(1-p) U'(w+g(e^*)) g'(e^*) = p U'(w-f(e^*)) f'(e^*)$$

e Expected marginal cost, Measured in wellness units
 e Expected marginal cost measured in wellness units.

$$F'(e) = 0 \Rightarrow (1-p)U'(w+g(e^*)) g'(e^*) = 0$$

³¹ Montalvo Romero María Teresa, El nuevo derecho económico en el contexto de la globalización, Arana Xalapa Veracruz, México 2005.

³² Roemer Andrés, ¿Por qué un análisis económico del derecho penal?, Derecho Penal y Economía, Memoria del Congreso Internacional, Instituto Nacional de Ciencias Penales, 2009

In other words subject will augment e or the size of the “theft” until the marginal monetary benefit $g(e)$ equals 0 or the marginal profit for consumption be 0.

A simple case would be $g(e) = e$ and $f(e) = f e$. in such case, optimal condition is $(1-p)U'(w+e^*) = p U'(w-f e^*) f$

Economic analysis of criminal law will lead us to a *microconduct*: How does a human being react? In a city where patrol cars circulate, wherein certain quarters there is lots of crime and in others not that much, will patrol cars dissuade the criminal to be? Incentive is only the elimination of fear³³.

In this order of ideas Roemer suggests that only when there is an understanding of the game theory and each and every factor involved, the organized crime issue will then be easily quenched for it is a game of incentives.

However when it comes to drugs, realizing a an analysis of incentives is not easy, since we are in the presence of a victimless crime, where on the one hand there is no damage to third parties and on the other there is an agreement and willingness in the sale and consumption of narcotics.

b) Is legalization an option?

In this matter there are two contentions, pro and contra, we will look at both highlighting the basis of the two arguments.

Historically speaking consumers of alcohol, tobacco and other drugs (legal or illegal) have been seen from a moral and medical perspective. Said ways of perceiving reality has generated legislation according to beliefs and stereotypes, most of the times far from social reality.

Drugs, according to historical and cultural moments, have been seen as health auxiliaries –time of permission or harmful to it-prohibition time^{34,4}

³³ Ibid.

³⁴ There was a time when both alcohol and opium where seen as a panacea , able to cure such diseases as the case of *Electuarium Theracale Magnum* invented by Galenus. Alcohol was considered in the XII century as a vital water type, with many a healing quality.

On the contrary, tobacco was forbidden sanctioning use with death penalty. It all depended on the divine fundament and if such plants or substances pertained to other cultures.

He who consumes illegal drugs is then branded and dubbed as an “addict”, “diseased”, “criminal”, “pusher”, “abnormal” given the simplicity of the circumstance of being an illegal drug user. Furthermore it is said that illegal drug users favor an increase in delinquency, thusly insecurity.

They are seen as a threat to legitimate values or as being subject to sympathy, worthy of being submitted to programs aiming to help them correct their abnormal practices (see what has been said about the interventionist or social State)

At the same time, a whole bunch of myths and stereotypes have been developed,

Most drug users are ill; b) most people initiated in the consumption of drugs will become addicted; c) drug users are doomed to be dependent, become ill and in the verge of death.

The matter is that if within a democratic State ruled by Law³⁵, the basic rights and freedoms of all citizens are to be above certain beliefs, values, attitudes and behaviors, albeit from a moral reproach perspective are to be imposed on all members of society. In that regard, the fundamental rights and basic public liberties, including those of drug users , prevail over any sanctioning aspects.

In that sense, it must be assessed whether the prohibitionist policy violates the principle of democratic legitimacy.

The use and consumption of drugs implies an awfully complex multi-dimension: cultural, anthropological, moral, medical, pharmacological, juridical, economic, political amongst other.

Drug consumption, a right?

The use and consumption of drugs is a reality, some uses and consumption are protected by legislation.

If consumption of alcohol and tobacco is limited and banned for minors, it is implied that the freedom of adults to carry on such practice is acknowledged. In that measure, it is guaranteed by corresponding legislation.

Specialists in the matter argue that drug users are incapable of controlling the use of said substances, the way those who consume tobacco and alcohol do.

Moreover, people who do drugs not only do it for some concealed difference but also because they rationally choose to do so. Most consumers are as normal as the next guy, including those who consume

³⁵ Articles 3,39,40,41 and 133 of the United States of Mexico Political Constitution state that at least in a formal manner we are a Constitutional Democracy.

both alcohol and tobacco. They consume illegal substances exercising their own free will.

In post modern or post industrial society, there is a great demand for prohibited substances, not necessarily owing to the fact that we are living under a process of degeneration but simply because it brings about an increase or stabilization of self-esteem and vindication³⁶ of minority rights, at the same time it helps make up for the lack of identity and the meaning of materialistic ethics.

It is not about the needs of pathological and dysfunctional minds after all, (from a social standpoint) but in most of the cases, rational beings³⁷.

It obviously seems naïve and unlikely that currently and in the future, a decrease in demand for forbidden substances may be produced or that tensions between the traditional and the new points of view may be reduced.

The question now is whether a grown up has the power to consume the substance he may so choose.

To answer the aforementioned question is necessary to make clear that, a fundamental pillar of a constitutional democracy, lies in the respect for the free development of one's personality, on said premise a person who freely chooses to consume substances should not have a problem doing so.

From the point of view of a principle of equality, there is an analogical argument between the permission of consumption and the authorization for consumption of forbidden substances. A responsible usage may be exerted for both legal and illegal substances.

In a democratic society there is such a thing as the right to opt for a life style that may imply the capacity to assume responsibilities related to, amongst other, health. An adult person must be able to decide on the risks he or she wants to assume in his or her lifestyle. Drug consumption is a faculty that must be respected. People must bear the right of deciding

³⁶ Some products produce pleasure and allow people to face new experiences.

³⁷ While presenting a possibility for free personality development, the State will face an unbreakable barrier to legitimate its intervention in the sphere of a private citizen organization.

on their own bodies for we are considered to possess freedom autonomy.

Health is a fundamental right (social) that nonetheless may be waved. It is in a way like education or labor, one may have a right to them but will not be forced to work, study or in this instance to look for rehabilitation.

Everyone is entitled to build freely his own external world, that is, building his own story as long as it brings no harm to others.

Another point that we may not obviate is the experience of western European nations that in a clear manner differentiate, not uniformly though, the acts of trafficking aimed to promote, foster, favor and facilitate third party consumption as well as their own, resulting in a notably privileged treatment.

The Netherlands, a paradigm.

In the Netherlands there is a de facto legalization for both consumption and small time trafficking of cannabis and its derivatives, namely at coffee shops and home delivery.

More often than not, presented as a paradigm by those who push for anti-prohibition policies. Their apparent permissiveness and leniency on the matter of hallucinogenic substances is pinpointed by those who support an end to prosecution for possession of narcotics.

Nonetheless, this is not entirely true, for there is a certain consideration for the access of marijuana at the so called coffee shops, a place reserved for the purchase and consumption of less than 5 grams of marijuana a day. In addition, the purchase of marijuana constitutes a felony, even though it may be bought at authorized locations. (81 out of 443 Dutch municipalities) **however; there is a judicial agreement to not prosecute personal consumption at said outlets.**

This type of restricted permission is an attempt to divide drug market into hard drugs (cocaine, heroine and meth) and soft ones (marijuana), at the same time aiming to facilitate access to cannabis sativa and avoiding drug user to get in touch with drug dealers. This policy is harshly questioned by the INCB.

Possession of marijuana other than that at a coffee shop would deserve a fine of 3350 euros and a sentence of up to a month in prison.

Cocaine trafficking would deserve a judicial sanction of 12 years tops, while marihuana trafficking would deserve a 4 -year maximum sentence.

The Netherlands does have a style of its own regarding drug consumption control, on that seems to stir controversy but at the same time discards the myth of drug consumption tolerance.

In the early seventies the possession of soft drugs was decriminalized in the Netherlands. Hard drug consumption on the other hand remains illegal though assistance is generalized and it easy to get.

Decriminalization of consumption in the seventies did not increase consumption amongst young people.

Dutch policy aims to protect young adults that, at a certain time in their life want to try soft drugs out, of the dangers posed by hard drugs, needless to say it relies on a realistic approach. Only a small number of young adults switch from soft drugs t hard ones.

The idea that consumption of cannabis derivates would create a physiological or psychic need for the ingestion of hard drugs, the so cold stepping stone theory has been proved wrong in the Netherlands.

Dutch policy is based on three basic principles: prevention, directed to young people, when it falls short, treatment is preferred whether voluntary or enforced.

There are detox programs as well as substitute medication distribution programs in order to prevent re-incidence. Program acknowledges that treatment is both sensitive and useful, though for those addicts who may not be totally detoxified, the third principle applies; damage relief.

Consumption in the Netherlands is within the average of other European nations, and it sits behind the UK for example, however; legalization may not be mistaken for total freedom. It means drug usage under a strict set of controls, a greater control that the one there is over alcohol.

Adult consumption is limited to bars and must not exceed five grams of cannabis, cafes are not allowed to have more than 500 grams in stock.

For medical treatment purposes (damage relief) the use of codeine and morphine but not heroine is allowed.

The Portuguese experience, an epic success?

In 2001, precisely in July, the government of Portugal implemented a revisionist change to its policy to combat drugs.

As of that moment, illegal drug users detained by police were taken not to Court but special commissions formed by health, law and social labor professionals (Comissoes para a Dissuasao da Toxicodependencia-CDTs)³⁸. The goal of such procedure was to give drug users opportunities to access treatments for addiction and other drug use related issues.

Once analysis has been carried out, a decision is made. Sanctions may include but are not limited to, community service, fines, professional license revoking or suspension, and other reprimands. CDT would recommend adequate treatment.

This new look at drug fighting from a public health point of view had as a primary objective to supply immediate treatment for troublesome users, intending to minimize social cost of the aforementioned. Treatment is considered an alternative to imprisonment.

Reform shed a new light on the issue, taking drug users for victims, not criminals.

Strategy centered on decriminalization along with treatment and rehabilitation, as a healing measure and education campaigns, as a preventive measure.

Before implementing reform, sentencing for use, possession, and purchase of small quantities of drugs did not exceed three-month imprisonment or a fine.

³⁸ CDTs are formed by three persons: a social worker, a legal counselor, and a medical professional. A team of technical experts who receive the detainee and provide consulting depending on the case backs them up. Criteria is a follows:

Type of drug:

-Drug use level (whether offender is an addict, a habitual or occasional user)

-Public or private use.

-Users economical status.

It is plain to see that a prohibitionist model as deemed by the Portuguese pundits was ineffective.

Instead, reform decriminalized *use, possession, and purchase of drugs*, as much for casual and addicted users. No distinction was made between hard or soft drugs (including cocaine and heroine).

Police no longer has legal authority to detain users, but may seize of any amount of drug seized, take offender's name and address and send this information over to CDTs.

Considered at the time of discussion and passing as a law of apocalyptic proportions, for conservative sectors argued that plane loads of students would fly in just to be able to smoke marihuana, knowing they could not be detained. However; *drug consumption decreased, more importantly among young people.*

Nine years after legislation was passed, data is convincing. According to a report put together by the CATO institute, a US institution devoted to public policy investigation, entitled "Drug Decriminalization in Portugal: Lessons for creating Fair and Successful drug policies", the strategy adopted in 2001 as a resort to combat high drug consumption, may be undoubtedly deemed a success, moreover if compared to the meager results achieved by other nations adopting different strategies.

First five years after decriminalization was set forth, consumption of these substances among school age youngsters was notably reduced, among others cocaine , LSD, and ecstasy which dropped under 50 percent while considerably reducing consumption of marihuana and heroin.

It seems as though at least in Portugal education (prevention) overdoes constraint.

No to 'legalization'

A series of studies hold that legalization is not the solution to this problem, it is believed that the greater the availability and legitimacy of drugs, the greater the consumption. Were drugs to be legalized the underlying cost for people and society would be shot up in astronomical proportions. To remove the felony tag on the sale and consumption of drugs would not make said activities less of a crime while drug abuse ends up in ruining lives, especially those of children and young people.

Drugs are illegal since they are proved to be harmful for users. Most people think they are harmful because they are illegal, not knowing the kind of harm they bring.

Representatives for different countries concurred that the fight against drugs must go on for they bring irreparable harm to users. They compared giving up drug trafficking fighting to giving up cancer research and just let people die away.

This sector also recognized that legalization of drugs might diminish violent mob actions and destroy significantly drug trafficking, attaining that State imposed by its very sale. On the other hand legalization tends to increase consumption and acute decay of those who consume them, bringing about health issues that eventually aggravate addicts' physical and emotional stability thusly aggravating the nation's social reality for drugs effect would generate a problem of violence and death different from the one generated by cartels, increasing family violence, suicide and death by overdose. We all know that drug addict triangle is one of imprisonment, death or the mental institution; legalization would obviate the risk of going to jail, though not the one of death or being committed.

We are all aware that in the western world there are many kinds of legal drugs, such as medicines, alcohol and tobacco. Statistics show that the consumption of legal drugs has been boosted and that alcoholism is increasing bringing about tragic consequences as work related issues and traffic accidents, adding up to liver and heart disease.

Legalizing drugs would help to diminish cartel criminal activity but not the escalating growth of addictions nor death. Opening a door to easier access to drugs would definitely create a mental and physical health problem socially speaking. Regarding the use of marijuana and its key component THC for municipal purposes, it is not necessary to sell it in the leaf or as a cigarette but it might be processed to make pills prescribed to the ailing person not proliferating the use in its natural state.

Doctor Rafael Velasco, former president of the National Board against Addictions, categorizes those who propose legalizing drugs as follows, those who think it would put an end to drug trafficking, those who believe drugs are not that bad, those who have used them without any serious consequences, those who rely on simple solutions for complex issues and those who support the unrestricted individual "freedom". I would add those who rashly believe in all of the above and those who will benefit from legalization.

Legalization produces an illusion, that of eradicating crime, and it actually does, but only in nomenclature. Drug dealing would no longer exist, simply because drug dealing would be done legally, but the addiction remains. If homicide were legalized, homicide rate would drop to zero, but the dead would remain.

Experiments in legalizing or decriminalizing have ended up returning to prohibition, in 1975 a court in Alaska augmented permissiveness for marijuana possession, by 1988 consumption in young people ages 12 to 17 increased twice as much as the national average in the US, eventually in 1990 prohibition was set back and consumption slowly decreased.

In England between 1960 and 1970 the number of addicts to heroin increased three fold, and in the 80's the number reached a 40% annual rate, now full of regret it faces the enormous cost of treating thousands of addicts. In comparison the number of heroin addicts in America was kept in six digit figures, about 500 thousand users.

In Switzerland a park called Platzpitz was defined as a tolerance location for drug use. In 1987 it had 300 permanent visitors, by 1992 there were 20 thousand. In 1992 park was shut down, as the only way to end the pitiful spectacle of people shooting drugs around the clock.

Once we have looked at both stances, I deem important to insist on the analysis of organized crime from an economic point of view, if legalization was passed and it might constrain organized crime resources, crime would look for alternate criminal activities to gather resources whether in Mexico or abroad.

I do not think the issue of organized crime is exclusive of Mexico, we must look at it as a global problem, decisions that would yield results in the long term must be made. Pundits foretell that legislation in Mexico would not be effective as long as the United States does not adopt the same policies.

I do not believe that "legalization" is the panacea, for the problem must be accompanied by diverse public policies.

5. Conclusions

Organized crime in its drug-dealing aspect, has become an activity that shows three distinct economic streamlines, highlighting the multi million revenues and profits that organized crime gets from said activity, as well as the monetary investment that several countries have to deal with in the fight against drug trafficking, and the impact or economic apportionment in countries which suffer this criminal phenomenon.

Quantitative effects of which we have not an accurate figure but simple ballpark numbers however; we might assert that it is arguably a fairly profitable illegal enterprise, which has been able to infiltrate all society and government levels.

Though it has been declared that drug trafficking has turned over a new leaf, a new dimension so to speak, given the fact that it remains a prohibited activity, legalization would constrain profit thusly vanishing it, nonetheless it is fair to say that said legalization would increase consumption, as pointed out by Milton Friedman under market economic logic³⁹.

All the same, it is fair to estimate that criminal groups once main source of profit is constrained, they would seek other sources of illegal income, be it prostitution, kidnapping or any other activity.

The answer to this issue is a complex one, while consumption regulation along with health related policies might be a viable option, it remains true that there is no single front line fight, nor unique solution.

However we may be able to better understand issue if we are to carry out an analysis from the economic point of view, cost versus benefit⁴⁰. Today benefits outweigh costs for those who are lured into drug trafficking.

³⁹ Interview excerpt: The main drawback brought upon by legalization would be that more people would be consuming drugs. Though it is not in any way certain. For legalizing would destroy black market and lower price drastically. And, as an economist, I know that lower prices tend to generate higher demand. Criminalization effect, that is making drugs illegal, turns people from soft drugs to hard ones.

⁴⁰ Regarding the so called "Dry Law" in the US in the 20's, American government aimed to eradicate the problem of alcoholism among its population, which brought about so many problems, by prohibiting the distillation and sale of alcoholic beverages. Prohibition made matters worse, remedy was way worse than disease. People after all kept on consuming alcohol giving way to a bootleg market, yielding great profits and consequently great violence. As long as there is demand for a product or service, there will always be someone willing to satisfy said demand at a given cost. Dry law was rescinded and organized crime linked to the illegal market of alcohol disappeared. Surely some problems caused by alcoholism still remain, but it is under control, taxes are paid and jobs are generated, and demand may be controlled by raising price via taxation, the way most countries do.

We must recognize that the issue at hand is not only a legal one many social factors converge, little access to education, poverty index, unemployment, a culture of admiration and respect, hunger for power and wealth, nevertheless economic circumstances outweigh others.

Likewise drug dealing costs are too low. Impunity in our country is way too high, Mexico needs to take great strides in building up efficient institutions, especially those acting locally, though there has been great advancement in public security and criminal justice systems through the 2008 constitutional reform, which has to be disseminated highlighting its multiple goodness, it is indeed a pity that people think that today a criminal's rights are greatly respected.

We need a well-informed society. We need true data. We need a society that attests to the fact that intervening institutions are respectable. And that itself constitutes the backbone of a working system, institution credibility.

The double standard wherein we demand authorities, government, and politicians to be honest though we become corrupt in the first instance trying to bribe authorities so that we get out of paying a ticket, leads us to facing social and cultural factors that make eradication indispensable.

This is yet again a fundamental point when we focus on organized crime, this type of crime has historically been favored by several authorities enabling them to expand and grow, operating freely for decades, we must too put an end to this practices.

Not taking into account the economic effects corruption brings about, a world economic forum estimates that corruption accounts for 7 or 9 percent of the country's GDP. Arguably he who makes a deal with organized crime must be brought to justice, we must destroy these corruption networks. This for one is an evil that must be kept out of the institutions created to serve society.

Both the strategy and the aid the United States has offered to different countries in order to fight organized crime have not yielded results as expected, it suffices to look at the report issued by the INCB on March 2 2011, where they stated that organized crime has modified the manufacture of synthetic drugs, urging governments to adopt measures to prevent, manufacturing, trafficking, and use of said drugs. Crime evolution along with irregular events recently known as the fast and the furious operation, urges us to think of a hemispheric solution.

The severity of the problem lies on the complexity of criminal organizations and their activities, their rapid global penetration, has

posed a fundamental cause for the hasty development of organized crime. Technological advances, increase in means of transportation, and telecommunications, the fact that national economies are now more open to commerce and investment, as well as the existence of a global control system that has helped expand money laundering and corruption two components organized crime cannot survive without.

Facing, as we are a criminal phenomenon that evolves by the day, strategies for afflicted countries must be updated consistently, although it is undeniable that a series of nation wide public politics must be implemented. Policies on education, employment, culture, institution efficiency, corruption, money laundering, etc. it is also essential to have a joint effort that will involve afflicted countries, for at the end of the day all countries are afflicted regardless of extent.

Cockroach effect must be avoided at all cost, since it will not work out for Mexico to win the fight against organized crime, the prohibitionist theory, the economic law model, initiatives regarding money laundering recently presented by President Calderon, or the passing of the kidnapping bill of law, if these actions are not echoed in other countries afflicted by the same problem, neighboring countries that is.

In other words, what hood does it do to regulate drug consumption if the United States will keep consuming drugs, if there is demand there will most likely be supply, what is the good in investing money in training and better weapons for the armed forces and police corps if another country will supply illegal arms for the organized crime? What good is there in constraining crime revenue if they will focus on other criminal activities?

Organized crime costs are not necessarily or exclusively monetary, these organizations attack political structures, a State based on the rule of law, world economy, human rights, and social order. Countries and international community should align and coordinate criminal policies and try and homogenize their legislation. We need to analyze objectively the harm drugs produce from a sociological and cultural standpoint, assessing every other implication and harm to society, we must focus on prevention of consumption and dependence, as well as decreasing supply and demand of illegal drugs, thusly limiting social and health damage.

In a nutshell, I conclude, organized crime does not pose a single fighting front, there is one single solution, it is necessary to continue eradication, though it must be collated like so:

- Strengthening of the justice and public security systems, which implies intelligence, training and eradication of corruption.
- Legal reform implementation, from a criminal economic analysis, incentives, supply, demand, and change the crime prevention paradigm as well as the criminal rights of the enemy.

- Better job and education opportunities for society, rescue of ghost towns, and eradicate the culture of awe towards criminal organizations.
- Analyzing objectively the harm drugs produce from a sociological and cultural standpoint, assessing every other implication and harm to society, we must focus on prevention of consumption and dependence, as well as decreasing supply and demand of illegal drugs, thusly limiting social and health damage.
- Attacking the economy of organized crime by exerting an effective money laundering combat strategy.
- Last but not least, all efforts must be global, that is, we need to coordinate criminal policies and homogenize legislation in order to jointly fight this criminal phenomenon.

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