



ISSN: 2617-6548

URL: [www.ijirss.com](http://www.ijirss.com)



## The impact of narco-capitalism on the formal economy and institutional development: A systematic literature review

 Pamela Falconí

*Universidad Estatal de Milagro, Ecuador.*

*(Email: [efalconil@unemi.edu.ec](mailto:efalconil@unemi.edu.ec))*

### Abstract

The impact of narco-capitalism on the formal economy and institutional development is the subject of a rigorous literature review in this study. A system in which illegal enterprises, such as drug trafficking, merge with established institutions and have a direct impact on social dynamics, institutions, and economic growth is known as narco-capitalism. The study examines how drug trafficking affects institutions through corruption and the co-optation of public officials, distorts markets, and creates parallel economies, all of which erode public confidence and state power. The methodology employs bibliometric analysis to identify and examine relevant documents using databases like Web of Science and Scopus. According to the research, narco-capitalism produces a shadow economy that skews competition and increases economic dependence in affected areas. At the institutional level, it creates a "parallel state" in which organized crime influences governance and public policy. Furthermore, the findings highlight the shortcomings of traditional punitive measures and militarization, underscoring the need for a more comprehensive and cooperative strategy that incorporates financial regulations and alternative avenues for economic development. The study concludes by emphasizing the importance of developing public policies and regulatory frameworks that support inclusive and sustainable growth in affected areas, strengthen institutions, and reduce dependency on illegal activities.

**Keywords:** Formal economy, Institutional corruption, Institutional development, Narco-capitalism, Shadow economy.

**DOI:** 10.53894/ijirss.v8i5.8853

**Funding:** This study received no specific financial support.

**History: Received:** 2 June 2025 / **Revised:** 4 July 2025 / **Accepted:** 8 July 2025 / **Published:** 25 July 2025

**Copyright:** © 2025 by the author. This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>).

**Competing Interests:** The author declares that there are no conflicts of interests regarding the publication of this paper.

**Transparency:** The author confirms that the manuscript is an honest, accurate, and transparent account of the study; that no vital features of the study have been omitted; and that any discrepancies from the study as planned have been explained. This study followed all ethical practices during writing.

**Publisher:** Innovative Research Publishing

### 1. Introduction

Drug trafficking and its derivatives have developed into multifaceted, intricate phenomena in recent decades that affect a large portion of the world's political and economic structures [1]. This phenomenon, commonly referred to as "narco-capitalism," has impacted the official economies and institutional development of impacted nations in a significant way, going beyond usual criminal operations. Narco-capitalism is characterized as a system in which illegal economies coexist

with established institutions, impacting social dynamics, governmental institutions, and economic growth both directly and indirectly in the areas in which it operates [2]. For governments, this system poses serious difficulties since they have to deal with illicit activity as well as its effects on the formal economy and institutional growth. This leads to an erosion of public trust, weakening of institutions, and fragmentation of the social fabric.

Since illegal operations linked to narco-capitalism generate significant income that are frequently laundered through legal channels, the effects of drug trafficking on the formal sector are varied and complex [3]. According to Vilks and Kipāne [4] this leads to the creation of a "shadow economy" that skews economic data, modifies market competitiveness, and permits the penetration of illegal capital into legitimate industries such as banking, real estate, and industry. These earnings are frequently spent on services and infrastructure, which distorts market dynamics and fosters economic dependency within particular localities [4]. This parallel economy, rather than contributing to genuine and sustainable economic growth, fosters significant volatility and often becomes an element of coercion for economic actors, who, either through coercion or convenience, end up collaborating with these activities. In fact, in some countries, narco-capitalism has proven to be one of the most stable and "secure" sources of income in terms of returns [5], making these economies victims of their own success, with illicit capital playing a fundamental role in economic functioning.

Narco-capitalism presents significant and enduring obstacles from an institutional standpoint. Corruption and institutional weakness hinder the State's ability to enforce laws and maintain order, making it difficult to combat drug trafficking successfully in many circumstances [6]. In addition to operating illegally, narco-capitalists actively work to influence institutions and politicians to further their own agendas. This is evidenced by drug cartels infiltrating the courts, armed forces, and local police, among other government levels [7]. Public officials are sometimes intimidated or coerced into acting in criminal organizations' best interests, which leads to either active or passive cooperation from the authorities. A "captured state" or "narco-state," as some scholars call it, is a phenomenon that illustrates how narco-capitalism erodes and corrupts formal structures, creating an institutional dualism that permits the coexistence of both formal and illicit economies.

According to Solís González [8] a "narco-state" is a situation where criminal organizations have enough influence over state institutions to affect public policy and maintain control over specific regions or economic sectors. Instead of promoting sustainable and law-based economic growth, this situation encourages reliance on illegal activities and hampers the developmental capacities of institutions, thereby undermining the legitimacy of the State. The resulting institutional weakness creates a vicious cycle of violence, corruption, and poverty, where the State is unable to implement effective policies for economic development and growth. Consequently, citizens' quality of life is affected as trust in institutions diminishes and insecurity increases [9].

## **2. Methodology**

The methodology of this study was structured in the following stages: (1) database selection, (2) definition of search terms and formulation of equations, (3) establishment of inclusion and exclusion criteria, (4) data collection and extraction, (5) bibliometric analysis, and (6) literature review.

### *2.1. Database Selection*

The databases Web of Science (WoS) and Scopus were selected due to their relevance in academic research and their capability for conducting bibliometric analyses. WoS and Scopus are widely used in impact studies and academic network analyses, allowing for exploration and quantification of impact in the literature. However, certain biases towards English-language [10, 11] e publications and predominantly Western topics are acknowledged, which may limit coverage of regional issues [12].

### *2.2. Definition of Terms and Search Equation*

Search equations were designed to capture key terms relevant to the impact of narco-capitalism on the formal economy and institutional development. The following equations were used in each database:

Scopus: ALL("narcocapitalism" OR "narco-economy" OR "drug trafficking" OR "narco-state" AND "economic impact" OR "formal economy" OR "institutional development" OR "institutional corruption" OR "institutional weakness")

Initial results: 333 documents (September 6, 2024).

Web of Science (WoS): TS=("narcocapitalism" OR "narco-economy" OR "drug trafficking" OR "narco-state" AND "economic impact" OR "formal economy" OR "institutional development" OR "institutional corruption" OR "institutional weakness")

Initial results: 3172 documents (September 6, 2024).

### *2.3. Inclusion and Exclusion Criteria*

The following inclusion and exclusion criteria were defined to refine the results for this study:

- Publication year: All years were included from the appearance of the first document.
- Language: Publications in English and Spanish were included.
- Document type: Only scientific journal articles were selected.

Refinement Process in Scopus:

- Application of the first criterion: 317 documents.
- Application of the second criterion: 309 documents.

- Application of the third criterion: 308 documents.
- Application of the fourth criterion: 151 final documents.

#### Refinement Process in WoS:

- Application of the first criterion: 3061 documents.
- Application of the second criterion: 1925 documents.
- Application of the third criterion: 1868 documents.
- Application of the fourth criterion: 1711 final documents.

#### 2.4. Data Extraction

The data were exported in .csv format from Scopus and .xls from WoS. These files were processed in R (version 4.3.3) to identify and categorize articles from each database, including exclusive articles and those indexed in both.

#### 2.5. Bibliometric Analysis

The bibliometric analysis included several key components. First, productivity and citation counts were analyzed, evaluating the annual distribution of publications and their impact in the field. Finally, keyword mapping was used to identify central themes in the literature on narco-capitalism.

### 3. Literature Review

The literature review was structured around three main areas: (1) the economic impact of narco-capitalism on the formal economy, (2) effects on institutional development, particularly in terms of corruption and institutional weakness, and (3) policy implications and the development of regulatory frameworks in affected contexts.

For processing and visualizing the results, RStudio (version 2023.12.0, Build 369) and R version 4.4.1 were used, along with VOSviewer 1.6.20 for intellectual structure analysis and keyword mapping.

### 4. Results

The initial search yielded 3,505 documents: 333 in Scopus and 3,172 in WoS. After applying the inclusion and exclusion criteria, 151 documents remained in Scopus and 711 in WoS. Subsequently, with the help of R software, 5 published documents were identified, leaving a total of 857 documents to be analyzed bibliometrically.

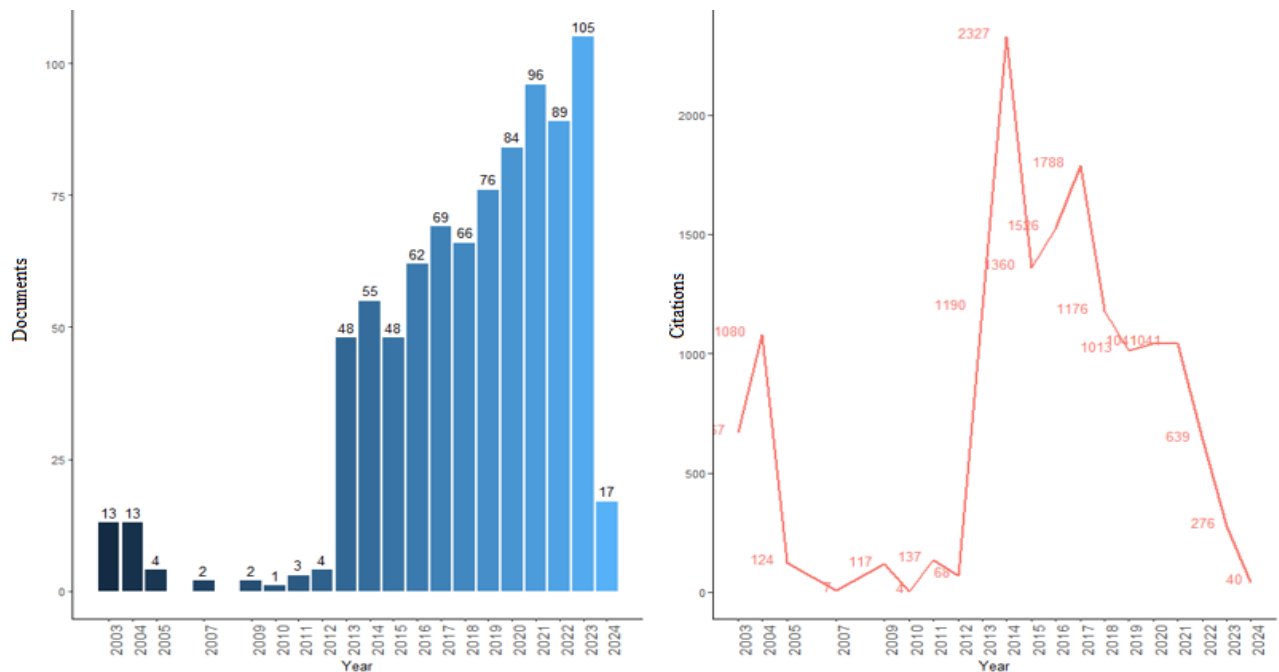
#### 4.1. Productivity and Citation Analysis

Figure 1 shows an analysis of productivity and citations. The data reflect the evolution of published documents and received citations over the years, allowing key trends to be identified in the development of this field.

In terms of productivity, a notable increase in the number of annually published documents is observed starting from 2013. Since that year, the number of publications ranges between 48 and 105 per year, peaking in 2023 with 105 documents. In contrast, during the early years of the period studied (2003–2010), the number of publications was significantly lower, with fewer than five documents per year. This suggests that the study topic began to gain greater attention in the last decade, likely due to the growing social and economic concern surrounding narco-capitalism and its effects on the formal economy and institutions.

On the other hand, the citation analysis shows a noticeable impact pattern during the early years of increased publications, especially in 2014, which peaked at 2,327 citations. This year stands out as the most impactful in the field, possibly indicating the publication of particularly influential studies. Subsequently, citations fluctuate and display a downward trend after 2015. This could imply that researchers' interest in these studies has decreased, or that other approaches have started gaining relevance in the field.

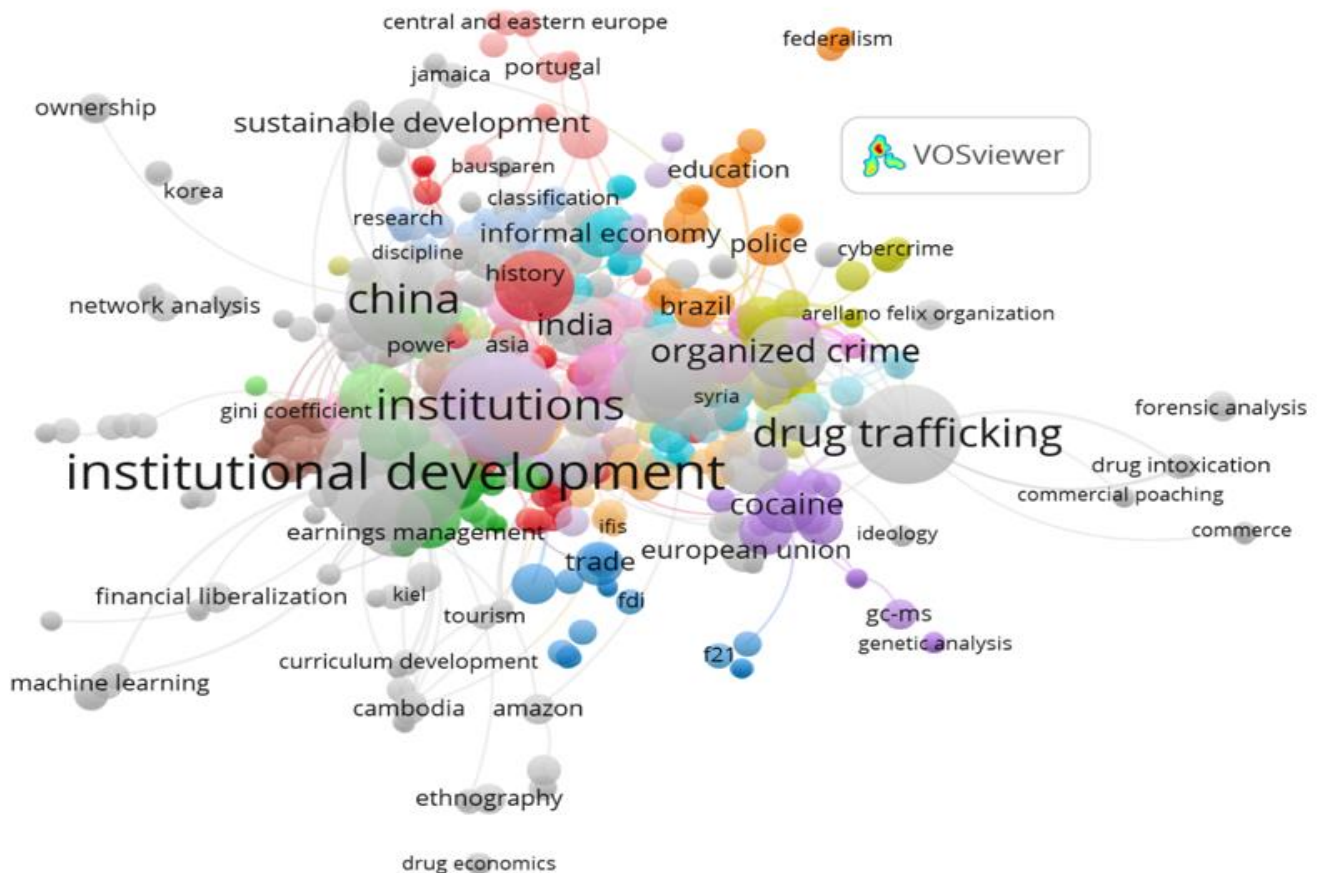
The data reflect how interest in studying narco-capitalism has grown significantly over the past decade, although its influence, as measured by citations, appears to have peaked in 2014 and declined in recent years. This emphasizes how crucial it is to investigate novel strategies or developing fields within the subject in order to rekindle the influence of this line of inquiry.



**Figure 1.**  
Annual Evolution of Documents Published and Citations Received.

#### 4.2. Intellectual Structure

A map of keyword visualization is shown in Figure 2. Each node in this map represents a term or theme, and the connections between them illustrate their frequency in scientific literature. The size of each node and the strength of the connections reflect the term's frequency and significance within the study topic.



**Figure 2.**  
Keyword Co-occurrence Map.

Terms like "institutional development," "institutions," "drug trafficking," and "organized crime" are prominent at the center of the figure, suggesting that they are important subjects in studies on narco-capitalism and how it affects institutional development. These ideas are encircled by a complex web of associated subjects, demonstrating the extensive connections between these fundamental ideas and other significant literary themes.

Words like "China," "India," "Brazil," and "European Union" also appear prominently, indicating a desire to investigate the effects of organized crime and narco-capitalism in various political and geographic contexts. This suggests that the phenomena are global in scope and that research on narco-capitalism considers global ramifications rather than focusing solely on a particular area.

Furthermore, terms like "sustainable development," "informal economy," and "cybercrime" draw attention to the phenomenon's complexity by demonstrating how narco-capitalism not only impacts formal institutions but also has connections to issues of cybercrime, the informal economy, and sustainable development. This calls for a multifaceted approach in the literature, with research attempting to comprehend not just how narco-capitalism directly affects the economy and institutions, but also how it indirectly affects social and economic advancement.

In conclusion, Figure 2 presents a thorough and intricate description of the field. The central topics and their connections reflect how current literature addresses narco-capitalism from various perspectives, including institutional development, regional and global impact, and its relationship with economic and security phenomena.

## **5. Literature Analysis**

### *5.1. Economic Impact of Narco-Capitalism on the Formal Economy*

The literature suggests that narco-capitalism, by facilitating the integration of illicit capital into the formal economy, generates a "shadow economy" that distorts markets and reduces competitiveness. In Colombia, this phenomenon has had a profound and measurable impact on the country's economy and social structure, particularly since the 1980s and 1990s. During that period, it is estimated that the repatriation of income from drug trafficking represented between 2% and 5% of GDP, although most of these funds were directed toward speculative investments in luxury construction and land purchases rather than contributing to overall economic development [13]. The acquisition of between 2.2 and 4.4 million hectares of rural land, equivalent to 5%-11% of the national total, led to a counter-land reform that displaced traditional landowners and fueled violence in rural areas. Furthermore, drug trafficking forced the Colombian state to allocate between 4% and 5% of its annual GDP to security and justice expenditures, diverting crucial resources from other priority sectors. Environmentally, more than 2.3 million hectares of tropical forest have been destroyed due to illicit crops and fumigation, causing irreversible harm to the biodiversity of the Andean and Amazon regions [13].

In Ecuador, the economy has also been permeated by drug trafficking, generating significant financial flows. Cocaine exports from Ecuador are estimated at 1,050 tons per year, valued at approximately USD 43.8 billion, surpassing the state budget of USD 33.9 billion. This reflects how narco-capitalism introduces vast sums of illicit income that destabilize the formal economy and displace economic resources [5].

Drug-related violence in Mexico has had a direct and quantifiable economic impact, estimated at 4.9 trillion pesos (USD 243 billion) in 2021, which is equivalent to 20.8% of Mexico's GDP. Moreover, the analysis shows that higher per capita GDP is associated with lower homicide rates, suggesting that drug-related violence limits economic development in affected regions [14].

Narco-capitalism also adopts complex organizational structures in illegal commercial activities, such as drug and human trafficking, employing dense and centralized networks that allow these operations to be efficiently coordinated. This reliance on local economies and the infiltration of illicit capital fosters unfair competition with legitimate businesses, affecting the regional economic structure [15].

The criminal economy in Latin America encompasses activities such as drug trafficking, fuel smuggling, and illegal gold mining. In Colombia, cocaine trafficking is one of the largest contributors to this illicit economy, impacting GDP and national economic stability. The high participation in these illicit activities promotes unemployment and poverty, establishing a parallel economy that distorts the formal economy [4].

Globally, the illicit drug market is estimated to be worth \$300 billion, comparable to the GDP of Sweden. In Europe, income derived from criminal activities infiltrating the formal economy poses a significant threat to economic development, as criminal organizations reinvest in sectors such as real estate and financial services, further distorting markets [16].

In specific regions, drug trafficking has become a key economic source. In Apatzingán, Mexico, cannabis and opium production, which is locally tolerated, has become a vital economic activity, particularly in low-income areas where it displaces formal economic activities and hinders sustainable development [17].

Additionally, in developing countries, the informal economy facilitates the movement of illicit capital and complicates the implementation of financial controls. In Bolivia, for example, this informal economy represents up to 66.1% of GDP, reducing the effectiveness of supervision policies and allowing drug trafficking to thrive in the unregulated economy [18].

This analysis shows that narco-capitalism, by promoting parallel and shadow economies, contributes to a structural dependency on illicit activities that not only distort formal markets but also profoundly affect sustainable economic development and institutional stability in impacted regions.

### *5.2. Effects on Institutional Development: Corruption and Institutional Weakness*

Narco-capitalism significantly impacts institutions by promoting high levels of corruption and weakening the State's ability to effectively implement laws and public policies. In Colombia, the influence of drug trafficking groups has

permeated the judicial and security systems, creating what some authors describe as a "parallel state," in which official institutions are compromised or even controlled by organized crime interests [13].

Institutional corruption is a direct consequence of drug trafficking, and the study documents specific cases of corruption at high levels of government and within the police.

Narco-capitalism weakens institutional integrity and facilitates the growth of illegal networks, as evidenced by claims that "narco-generals" in police departments have ties to drug trafficking organizations [5]. Violence and drug trafficking have both weakened state power in Mexico. Drug cartels undermine state legitimacy and impact governance by using their illegal revenues to gain territorial control through violence [14].

This phenomenon is also observed in governance-type groups, such as mafias, which aim to monopolize areas and defend their operations by using violence and intimidation, undermining the authority of the state. These groups establish decentralized networks that encourage illegal activities and create a parallel territorial control, making institutions more susceptible to drug trafficking by facilitating corruption and collaboration with local authorities [15].

Groups such as the National Liberation Army (ELN) exploit institutional weaknesses and corruption in the Colombia-Venezuela border regions. They benefit from illicit economies and further weaken governmental authority in Venezuela and Cuba. According to this study, the state may sometimes support these illicit economies directly or indirectly, which hampers its capacity to combat organized crime [4].

Violence and corruption have increased as a result of militarization and police involvement; the loss of effective authority is demonstrated by police abuses along the Mexico-U.S. border. Instead of reducing crime, these measures have made it easier for criminal networks to grow, which has further damaged regional state legitimacy [19]. A public health problem caused by heroin trafficking and the increase in injectable drug use in Kenya exposes institutional weaknesses in controlling its impacts.

The high incidence of hepatitis C and HIV among injectable drug users highlights the burden that drug trafficking places on the healthcare system and the inadequacy of institutional infrastructure to address this issue [20].

In some rural areas, up to 50% of the local economy depends on drug-related activities. In drug-cultivation areas, the income generated by the production and transportation of narcotics represents an essential economic source for many residents, highlighting how drug trafficking displaces the formal economy and creates economic dependence on illegal activities [21].

The study documents that in 30% of the localities analyzed, local institutions have been infiltrated by drug trafficking, with municipal officials regularly receiving bribes to facilitate criminal activities. In some areas, 40% of officials admit to receiving pressure or payments from drug traffickers, affecting the legitimacy and operability of institutions [21].

The presence of drug trafficking in Colombia has fostered corruption and promoted alliances with paramilitary or guerrilla groups. During the administration of Ernesto Samper, accusations of funding from the Cali cartel weakened his administration's legitimacy. Furthermore, the relationship between cartels and non-state armed groups, such as the FARC, demonstrates how drug trafficking fuels internal conflicts and undermines governance and justice [22].

Money laundering, which involves between 2% and 5% of the global GDP, strengthens criminal organizations by allowing them to gain respectability and making prosecution more difficult. In Europe, the legal assets of these organizations can grow at a 5.2% rate of return, challenging the institutions tasked with combating them [16].

In Apatzingán, the infiltration of drug trafficking into the police and local governments has led to public distrust, with over 40% of the population doubting local justice mechanisms. Corruption has reached such a level that the police are expected to protect drug trafficking operations rather than combat them [17].

This analysis highlights that narco-capitalism's penetration weakens the State's ability to effectively regulate and control illicit activities, thereby strengthening criminal organizations and eroding institutional authority and legitimacy at multiple levels.

### *5.3. Implications for Policies and Regulatory Framework Development*

The literature indicates that an effective political and regulatory response to narco-capitalism must be comprehensive, taking into account the strengthening of institutions, regulation of the financial system, and investment in social and economic development in affected areas. Initiatives like "Plan Colombia" have attempted to lessen the effects of drug trafficking in Colombia by combining institutional strengthening, alternative development, and security measures. However, because of local actors' opposition and criminal networks' tenacity, the outcomes have been inconsistent [13].

According to the report, present anti-drug policies are ineffective because they mainly concentrate on law enforcement strategies without taking into account regional cooperation or alternative strategies, such as the drug regulation suggested by Colombia. To address the socioeconomic effects of drug trafficking, the regulatory system must be reformed, as evidenced by this institutional limitation and the absence of a comprehensive response [5].

The study also highlights the significance of strong policies that improve justice systems and increase investment in social development in order to mitigate the effects of violence.

The results indicate that policies focused on lowering poverty and inequality could counterbalance the consequences of drug trafficking and improve security in Mexico, as there is a correlation between a decrease in violence and higher public investment in economic development [14].

The network structures of organized crime must also be addressed by security regulations, encouraging measures that restrict the networks' centralization and scope. To lessen the detrimental effects of drug trafficking on institutions and economic development, the study suggests implementing disruptive tactics and strengthening regulatory frameworks that prevent the infiltration of illegal capital into the formal economy [15].

A number of policy initiatives are being implemented, including eradicating Cuba's tolerance for unlawful activities and increasing Colombian and Venezuelan efforts to combat criminal organizations such as the ELN. Strong regulation and cross-border control are necessary to reduce the influence of these illegal economies, according to Vilks and Kipāne [4] who argue that regional collaboration is key in tackling the effects of narco-capitalism.

Additionally, the report points out that punitive measures and militarism against drug cartels frequently have the opposite impact of what is intended, aggravating drug-related harms and limiting access to harm reduction treatments. A binational, context-based strategy is advised instead, with the goal of enhancing the impacted communities' public health and resilience [19].

In Kenya, the lack of harm reduction programs has worsened HIV and hepatitis C rates among heroin users, emphasizing the need for effective regulations that include public health initiatives to mitigate social and health impacts in affected areas [20].

Alternative development policies must also offer income competitive with those of the drug economy to be effective. Current programs provide insufficient alternative income, and their effectiveness is reduced by a lack of institutional support and corruption, limiting the success of these programs in target communities [21].

Drug trafficking also negatively impacts democracy, particularly in contexts of conflict and state weakness. Economic growth associated with drug trafficking can undermine democratic systems, underscoring the importance of a regulatory framework that limits the power of illicit actors and reduces economic dependency on criminal activities [22].

Simulations suggest that strict regulations on money laundering can reduce the legal assets of criminal organizations. In regions with lax regulations, such as the Caribbean, capital derived from criminal activities could reach \$254.8 billion in five years, whereas in areas with greater controls, such as North America, these assets amount to only \$30.6 billion, demonstrating that strong regulation limits the influence of organized crime on the formal economy [16].

Instead of depending solely on militarization, the research recommends implementing organized policies that support democracy and local governance. A political reform is suggested to strengthen institutions and reduce the impact of drug trafficking on governmental structures, as the absence of local control has proven inadequate [17].

Additionally, this report suggests that international organizations such as the Financial Action Task Force (FATF) modify their regulatory strategies to better combat money laundering and manage the informal economy. To facilitate control over illicit capital flows, it recommends measures that strengthen local institutions and promote financial inclusion [18].

The study concludes that, in order to combat narco-capitalism and its effects on the institutional and economic growth of impacted regions, a change in strategy is necessary, combining transparency regulations, social control, and changes that promote democratic governance.

## **6. Discussion**

Beyond the obvious numbers and effects, the examination of narco-capitalism's economic impact on the formal economy and institutional evolution uncovers intricate and wide-ranging ramifications. In nations like Colombia, Mexico, and Ecuador, where drug trafficking has developed into a parallel economic engine, the findings point to a profound structural shift in economies that goes beyond market distortions and the strain on security and judicial systems.

A paradox arises from this phenomenon: although it produces a substantial amount of revenue, the majority of that money is spent on short-term, speculative endeavors that do not support long-term economic growth but rather feed cycles of institutional weakness, violence, and corruption [5, 13].

In terms of governance, narco-capitalism not only has an adverse economic effect on institutions but also undermines them internally through intimidation and bribery. This leads to what some authors refer to as a "parallel state," in which organized crime can exert its power at various levels, ranging from local to state, creating a structural reliance on the black market that jeopardizes the integrity of institutions and public confidence in the legal system. This effect is observed in Mexico and Colombia, where criminal networks that function with a level of organization and centralization similar to that of regular businesses consistently threaten governmental power [14, 15].

The findings highlight the necessity of reviewing and strengthening current policy approaches at the regional level to address this adaptive and globalized issue. Research indicates that militarized and repression-focused policies are not only inadequate but often ineffective, increasing violence and restricting access to essential services in affected areas [19]. A regional and comprehensive strategy is recommended instead of a unilateral approach, incorporating stricter financial regulations, incentives for alternative economic development, and public health policies focused on damage reduction [20].

In underdeveloped nations, narco-capitalism also blurs the lines between the formal and informal economies. Because drug trafficking uses informal structures to evade restrictions and maintain a steady flow of illicit capital, the coexistence and, in some cases, interconnectedness of these economies make it more difficult to apply supervisory rules [18].

In addition to limiting the efficacy of national regulations, this situation highlights how weak international regulatory frameworks, such as the Financial Action Task Force (FATF), are in combating money laundering in nations with high levels of informality.

The economics and government of impacted regions are significantly affected by narco-capitalism, which is a transformative influence. According to the findings, it is imperative that public policies be reexamined to reduce economic reliance on illegal activities and to improve institutions from within through social justice and sustainable economic alternatives.



According to Calderón [23] and Vilks and Kipāne [4], these findings imply that narco-capitalism can only be effectively and sustainably addressed through coordinated and diversified interventions, safeguarding formal economies and enhancing institutional resilience against these threats.

## 7. Conclusions

This examination of narco-capitalism demonstrates how profitable drug trafficking is, how easily it can penetrate institutions, and how it functions as a structural element that permanently alters social and economic contexts. Beyond being a phenomenon of violence or illegal capital, narco-capitalism poses a threat to the viability of Latin American economic and social models because it imposes a value system and parallel economy that are at odds with the ideas of social justice and equitable development.

According to the research, the traditional approaches of repression and militarization have not been able to lessen this situation; rather, they have strengthened its negative impacts.

Therefore, a change in public policy methods that incorporate alternative development and bolster local capacities to withstand the impact of the illicit economy is required. Fundamentally, narco-capitalism is a sign of the region's ongoing institutional flaws and systemic injustices. A dedication to promoting sustainable economic development and social inclusion in the most vulnerable areas, along with reforms in the justice and governance systems, would be necessary to overcome this phenomenon.

The analysis's main finding is that drug trafficking impacts institutions and the economy. It also highlights the urgency of creating social, economic, and regulatory frameworks that enable nations to reduce their reliance on illegal activities and promote inclusive, lawful growth.

## References

- [1] M. L. Galván, H. T. Luong, and E. Astolfi, "Drug trafficking as organized crime: Understanding the phenomenon from a transnational and multidimensional perspective," *Revista de Relaciones Internacionales, Estrategia y Seguridad*, vol. 16, no. 1, pp. 197–212, 2021.
- [2] I. E. Pérez, "Organized crime and institutional fragility as determinants of development: The Mexican State besieged by drug trafficking and its disruptive impact on the social fabric," *Revista Facultad de Ciencias Económicas: Investigación y Reflexión*, vol. 28, no. 1, pp. 145–181, 2020.
- [3] M. Ghiabi, "Critique of everyday narco-capitalism," *Third World Quarterly*, vol. 43, no. 11, pp. 2557–2576, 2022. <https://doi.org/10.1080/01436597.2022.2053776>
- [4] A. Vilks and A. Kipāne, "Criminal economy of Cuba, Venezuela, and Colombia: Structure, intersection points, profitability assessment," *Scientific Bulletin of Mukachevo State University. Series "Economics"*, vol. 10, no. 1, pp. 49–57, 2023. <https://doi.org/10.52566/msu-econ1.2023.049>
- [5] F. Sánchez, C. Granados, F. Sánchez, and C. Granados, "Institutionalization of contentious politics: Ecuador under Guillermo Lasso," *Revista de ciencia política (Santiago)*, vol. 43, no. 2, pp. 279–300, 2023.
- [6] J. Aguirre-Ochoa and M. Gómez, "Institutional weakness and anti-crime experience in Mexico," *URVIO, Revista Latinoamericana de Estudios de Seguridad*, vol. 29, pp. 45–57, 2021.
- [7] S. Wolf and G. C. Morayta, "Mexico's drug war and the Merida initiative: Cornerstones in the quest for legitimacy," *Foro Internacional*, vol. 51, no. 4 (206), pp. 669–714, 2011.
- [8] J. L. Solís González, "Neoliberalism and organized crime in Mexico: The rise of the Narco-State," *Frontera Norte*, vol. 25, no. 50, pp. 7–34, 2013.
- [9] T. S. Aidt, "Corruption, institutions, and economic development," *Oxford Review of Economic Policy*, vol. 25, no. 2, pp. 271–291, 2009. <https://doi.org/10.1093/oxrep/grp012>
- [10] Elsevier, "Quick reference guide," 2020. [https://www.periodicos.capes.gov.br/images/documents/Scopus\\_Guia%20de%20refer%C3%Aancia%20r%C3%A1pida\\_10.8.2016.pdf](https://www.periodicos.capes.gov.br/images/documents/Scopus_Guia%20de%20refer%C3%Aancia%20r%C3%A1pida_10.8.2016.pdf). [Accessed August 10, 2020]
- [11] F. Boyle and D. Sherman, "The product and its development," *The Serials Librarian*, vol. 49, no. 3, pp. 147–153, 2006.
- [12] J. A. Suño-Vega, V. H. Fernández-Bedoya, and M. E. Meneses-La-Riva, "Beyond traditional teaching: A systematic review of innovative pedagogical practices in higher education," *F1000Research*, vol. 13, p. 22, 2022.
- [13] G. R. Rocha, "Drug trafficking and its impact on Colombia: An economic overview," *Canadian Journal of Latin American and Caribbean Studies*, vol. 28, no. 55–56, pp. 277–304, 2003.
- [14] A. C. Poveda and C. I. P. Martínez, "Violence and economic development in Mexico: A panel data cointegration approach," *Development Studies Research*, vol. 10, no. 1, p. 2169733, 2023. <https://doi.org/10.1080/21665095.2023.2169733>
- [15] N. Breuer and F. Varese, "The structure of trade-type and governance-type organized crime groups: A network study," *The British Journal of Criminology*, vol. 63, no. 4, pp. 867–888, 2022. <https://doi.org/10.1093/bjc/azac065>
- [16] R. Barone and D. Masciandaro, "Organized crime, money laundering and legal economy: Theory and simulations," *European Journal of Law and Economics*, vol. 32, no. 1, pp. 115–142, 2011. <https://doi.org/10.1007/s10657-010-9203-x>
- [17] J. Aguirre Ochoa and H. A. errera Torres, "Local democracy, crime and violence in Mexico: The case of Apatzingán, Michoacán," *Política Criminal*, vol. 11, pp. 656–674, 2016. <http://dx.doi.org/10.4067/S0718-33992016000200009>
- [18] W. Vlcek, "Global financial governance and the informal: Limits to the regulation of money," *Crime, Law and Social Change*, vol. 69, no. 2, pp. 249–264, 2018. <https://doi.org/10.1007/s10611-017-9754-7>
- [19] J. Lechuga et al., "Institutional violence from police militarization and drug cartel wars as a 'Big Event' and its influence on drug use harms and HIV risk in people who inject drugs on the U.S.–Mexico border," *International Journal of Drug Policy*, vol. 119, p. 104125, 2023. <https://doi.org/10.1016/j.drugpo.2023.104125>
- [20] S. Beckerleg, M. Telfer, and G. L. Hundt, "The rise of injecting drug use in east Africa: A case study from Kenya," *Harm Reduction Journal*, vol. 2, no. 1, p. 12, 2005. <https://doi.org/10.1186/1477-7517-2-12>



- [21] J. H. McDonald, "The narcoeconomy and small-town, rural Mexico," *Human Organization*, vol. 64, no. 2, pp. 115-125, 2005.  
<https://doi.org/10.17730/humo.64.2.ln16fx6k6wahxluy>
- [22] Á. Álvarez-Díaz, M. Coppedge, and L. González, *Drugs, civil war, and the conditional impact of the economy on democracy. Working Papers Series (Kellogg Institute)*. Notre Dame, IN: Kellogg Institute for International Studies, University of Notre Dame, 2007.
- [23] D. Calderón, "Political corruption networks: A review of the Colombian case," *Análisis Político*, vol. 31, pp. 180-201, 2018.