A State Within a State: Organized Crime & Governance in Latin America

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Executive Summary

This paper provides a comprehensive overview of organized crime in Latin America and its direct implications for democratic governance in the region. The discussion is organized around five key themes: (1) the relationship between organized crime and corruption; (2) the rise of populism as a result of state weakness exacerbated by criminal organizations; (3) the implications of militarized "war on drugs" approaches; (4) the impact of organized crime on vulnerable communities; and (5) the broader economic costs associated with criminal activity. Drawing on these findings, the paper recommends that Latin America states adopt a set of policy initiatives aimed at med at shifting from reactive to prevention-focused strategies. These include the establishment of independent prosecutorial units, strengthened civil service vetting mechanisms, expanded youth employment opportunities, and the adoption of a public-health-oriented model of violence prevention.

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Thank you to speakers & participants!

I. Background

On November 8, 2023, Ecuadorian Presidential Candidate Fernando Villavicencio was murdered at the hands of Los Lobos, a criminal and terrorist organization whose ultimate goal is to control drug trafficking routes through Ecuador (Cooney, 2023). Once considered one of the safest countries in Latin America, Ecuador saw its homicide rate increase more than fivefold in 2023, placing it among the three most violent countries in the region (Ritchie et al., 2025).

Ecuador's case shows the extent to which violence driven by organized crime erodes democratic institutions—in this instance, through political violence. Moreover, it illustrates that organized crime has become pervasive across Latin America, reaching countries that were previously isolated from the established epicenters of transnational criminal activity.

Ultimately, organized crime in Latin America is a symptom of a deeper plague in the region: weak states (Dammert, 2025). State weakness allows transnational criminal organizations to capitalize and consolidate, mainly due to a rising global demand for illicit goods. The transformation of Brazil's First Capital Command epitomizes this: what originally began as a prison-based cocaine distribution facility evolved into a multinational criminal enterprise that now dominates major strategic Brazilian ports critical to the global distribution of the cocaine market (Phillips, 2023).

The expansion, economic sophistication, and political infiltration of these transnational criminal organizations pose not only a security threat but also a fundamental challenge to democracy. As criminal actors capture state functions, intimidate political leaders, and infiltrate institutions, they corrode public trust, distort representation, and hollow out the rule of law.

II. Issue Description

According to the Global Organized Crime Index, Latin America has one of the highest rates of criminality across the world ("The Organized Crime Index," 2019). This issue causes significant losses for the region in social, economic, and governmental spheres.

With organized crime posing a significant threat to governance in Latin America, impunity, political corruption, and violence have eroded state authority at the local, national, and regional levels. Locally, the absence of state responsiveness leaves behind a dangerous power vacuum (Dammert & Sampó, 2025). Gangs sometimes control the provision of food and labor within local communities and levy taxes on residents to finance their operations. (Uribe et al., 2025). Nationally, in many countries in Latin America, organized crime has infiltrated state authority across all branches of government. Horizontal modes of accountability, such as separation of powers and state attorneys, have been found to collaborate with organized criminal networks to selectively apply the rule of law (Corrales & Freeman, 2024; Mia, 2024). As organized criminal networks have grown in sophistication to operate internationally, they have eroded relations within Latin America. Major divisions have arisen over how policy around crime should operate (Ziemer, 2024). There has also been significant conflict with countries in the Global North, like the U.S. and Europe, as exemplified through the U.S. sinking of Venezuelan boats (Lucas, 2025). Furthermore, the rise of narcoterrorism has altered the structure of organized crime across Latin America, as domestic gangs increasingly collaborate with transnational drug cartels, intensifying violence and expanding the scope of illicit operations (Maria, 2023).

This paper employs the notion of a "state within a state" to illustrate how the vacuum of state authority has allowed for transnational criminal networks to expand their power within the hollow shell of the formal state. This has ultimately had detrimental effects on institutions, public safety, the rule of law, and economic security. If the issue of organized crime is not addressed, countries across Latin America are at a high risk of succumbing to the power of transnational criminal networks.

III. Analysis of Key Takeaways

Criminal Infiltration of Political Institutions

Organized crime causes corruption by infiltrating formal political systems. Local and national governments, as well as institutions, can be corrupted through campaign financing, political violence, bribery, and clientelism. Cartels in Mexico are able to infiltrate local governments to gain political protection and sway in directing law enforcement. According to a 2024 report from Integralia, there is widespread political violence aimed at preventing or promoting certain candidates over others ("Integralia", 2024).

Additionally, the 2014 Ayotzinapa case is a perfect example of the corrupt collaboration between local governments and criminal networks in Mexico: municipal officials in Iguala collaborated with the Guerreros Unidos cartel in the disappearance of 43 students who had unknowingly boarded buses carrying hidden heroin shipments linked to the cartel ("WOLA", 2017).

Another case study that exemplifies this phenomenon is the plight of the International Commission against Impunity in Guatemala (CICIG). After the end of the civil war in Guatemala, certain former military and intelligence networks turned into criminal syndicates and embedded themselves in the bureaucracy and judicial system (Panner et al., n.d.). In 2007, the United Nations and the Guatemalan government established CICIG, which subsequently prosecuted more than one hundred corruption cases and implicated thousands of individuals, including the president, vice president, and numerous members of Congress. However, despite these achievements, CICIG faced intense political backlash when its investigations reached sitting President Jimmy Morales. In response, his administration dismantled the commission in 2019. The closure symbolized both the reassertion of elite control and the fragility of anti-corruption gains in a state characterized by deeply entrenched criminal networks.

Rise in Anti-Establishment Populism

Widespread perceptions of political corruption and government ties with organized crime contribute to the rise of populist leaders, who successfully portray themselves as anti-establishment "defenders of the people." In practice, these leaders consolidate personal power, weaken checks and balances, and justify authoritarian measures as necessary to restore order and moral integrity.

Such a scenario is evidenced by Fujimori and the legacy of anti-establishment populism in Peru. In the early 1980s, Alberto Fujimori capitalized on Peru's crisis of governance, n, blaming the "old parties" as responsible and establishing his own legitimacy with anti-party rhetoric (Heuser, 2018). In 1992, Fujimori staged a "self-coup," dissolving Congress and suspending the Constitution. Power became concentrated in the presidency and the intelligence service, led by Vladimiro Montesinos (Heuser, 2018). During Fujimori's presidency, organized crime appeared to decrease, but evidence suggests that drug trafficking was in fact monopolized by the government under Montesinos' command. Yet by the 1990s, corruption scandals became too grand and authoritarian abuses eroded Fujimori's legitimacy. The Fujimori model established a populist template: invoke the language of moral renewal, dismantle institutions in the name of efficiency, and centralize authority under the guise of protecting the people (Heuser, 2018).

Today, 30 years after Fujimori's rise to power, Peru suffers a similar crisis of institutional decay as a result of the rise of organized crime in the country. As of 2024, more than half of Congress (67 of 130 members) was under criminal investigation ("Peruvians Long for a Bukele-like Strongman to Beat Crime," 2025). Meanwhile, a surging crime wave has deepened the sense of insecurity and government paralysis. As democratic trust plummets and fear of crime dominates public discourse, Peru risks repeating the cycle where populist leaders exploit citizens' legitimate frustrations to dismantle institutional checks in the name of restoring order.

Militarized Drug Policy and Insecurity

The state's militarized "war on drugs" approach often increases violence and human rights abuses, further perpetrating the insecurity that undermines democratic governance. Instead, prevention-oriented strategies, such as community policing and civic inclusion, strengthen democratic legitimacy. The comparative experiences of Mexico and Guatemala illustrate the tension between militarized and preventive models of security governance in the region.

In Mexico, following decades of escalating cartel violence, President Felie Calderon declared an all-out "war on drugs," making it the nation's top policy priority. This act was supported by the U.S.'s Merida initiative, and emphasized territorial control through massive military deployments (Kruijt, 2011). The outcomes, however, were very different. Instead of curbing violence, the militarization of law enforcement correlated with dramatic escalation in homicides, kidnappings, and disappearances. The city of Ciudad Juarez became emblematic of this failure: by 2009, its homicide rate reached 191 per 100,000 inhabitants. The federal deployment of 6000 soldiers failed to stabilize the city, leading to widespread reports of human rights violations (Krujit, 2011). On the other end, Guatemala offers a gradual but notable example of how institutional strengthening and preventative social policies can reduce violence and improve perceptions of security (Taraciuk Broner, 2024). After the implementation of institutional and social reforms, such as the "Open Schools Program" and the Strategic Criminal Prosecution, the homicide rate fell to 17.3 per 100,000 in 2022 and 16.7 per 100,000 in 2023—the lowest in decades (Taraciuk Broner, 2024).

Organized Crime Wins Over Vulnerable Communities

The erosion of weak institutions leaves a power vacuum amid vulnerable populations that are then controlled by transnational criminal networks. In the face of a state that is found lacking in its social institutions, such as education and employment prospects, communities look to organized criminal groups to grant them such social services. As a result, a lack of opportunity, adverse circumstances, and economic gain are driving forces in the involvement of youth in organized crime.

Across Latin America, youth have become a primary target of violence. In Mexico, the Network for the Defense of Children reported that four children and adolescents disappear every day, with an estimated 30,0000 enrolled by criminal groups (Giacomello, n.d). In Ecuador, the number of homicides of children from 2019 to 2023 has risen by 640% ("UNICEF," 2024). Additionally, in countries like Brazil, people aged 15 to 29 have a death rate of 69.9 per thousand inhabitants (Diniz & McBrien, 2022). These skyrocketing levels of violence against youth demonstrate the extent to which the state has failed to protect vulnerable populations.

Due to lesser charges against minors for higher degrees of crime, this demographic is remarkably appealing for gang recruitment. In remote areas of Mexico, so-called "Escuelas de la Muerte" ("Death Schools") have been discovered, where recruited youth undergo physical and psychological training to endure the operational tasks of the cartels (Diaz, 2025). These training sites exist in other Latin American countries to fulfill the same purpose. As a result, vulnerable youth taken under gangs' wings become key actors in committing crimes such as extortion, assassinations, the recruitment of peers, and drug trade.

Economic Cost of Organized Crime

The fight against transnational criminal organizations has a significant impact on the economy of Latin American countries. These countries spend millions of dollars in security policies that seek to alleviate crime and violence. These expenditures strain already limited budgets, reducing funding allocated to social and public goods.

Mexico spent approximately 250 billion dollars in addressing organized crime, a sum that amounts to approximately 20% of its GDP (Cota, 2023). Other countries like Ecuador and Brazil spend approximately 1-5% of their GDP in addressing crime and violence (Estagio, 2018; "Ecuador Military Expenditure Percent of GDP," 2023). Overall, Latin America has the largest percentage of its GDP attributed to crime expenditures, amounting to 3.4% of its GDP ("High Crime Costs Burden Latin America and the Caribbean," 2022). Still, such spending on law enforcement, prison-building, and the military have not produced meaningful results in countries where organized crime is deeply entrenched.

IV. Policy Solutions

Effective responses to organized crime in Latin America depend on a fundamental reimagining of state security objectives. Traditionally, "repressive policies" have failed because governments set unattainable goals, such as eliminating drug cartels entirely, creating "drug-free" societies, or defeating organized crime once and for all. When outlining such vague ambitions, states ignore the adaptive nature and capacity of criminal networks, which respond to government pressure by shifting routes, changing tactics, or adjusting violence levels. As regional experts emphasize, states must think normatively about realizable goals: reducing homicides to measurable targets, reestablishing territorial control in specific areas, or diminishing criminal governance over vulnerable populations. Setting clear, intermediate objectives allows governments to track progress, allocate resources strategically, and sustain public legitimacy.

Policy Solution I: Independent Prosecutorial Units with Financial Crime Specialization

To address political corruption, criminal infiltration, and illicit economies, governments could establish independent prosecutorial units with statutory autonomy from political pressure, staffed by specialized prosecutors trained in money laundering, asset tracing, and financial crimes. Brazil's Operation Lava Jato (Car Wash) demonstrates the potential of this approach. Between 2014 and 2021, the task force obtained 280 convictions and recovered approximately $800 million for the Brazilian state (Council on Foreign Relations, 2021). Guatemala's CICIG, operating from 2007 to 2019, achieved an 85% conviction rate across more than 400 cases, breaking up 60 criminal networks and implicating thousands of officials, including high-ranking government leaders (Open Society Justice Initiative, 2016; WOLA, 2019). The approach requires judicial independence reforms: tenure protections for judges, transparent case assignments, and performance metrics tied to conviction rates rather than political directives.

Policy Solution II: Civil Service Vetting

To further thwart political corruption and criminal infiltration, the state could implement comprehensive vetting procedures to remove corrupt and compromised officials from the police, judiciary, and intelligence services. Vetting focuses on integrity assessments examining financial disclosures, unexplained wealth, documented corruption, and criminal links. Honduras's police reform (2011-2017) screened over 5,000 officers, dismissing roughly 30% for corruption and criminal ties, while simultaneously raising salaries and improving working conditions to prevent future corruption (Dye, 2018, pp. 3–4). Vetting processes require due process protections, appeal mechanisms, and complementary institutional reform. Job security guarantees for honest officials and transparent career advancement are also imperative. Vetting combined with salary increases has the power to reduce corruption incidents and restore public confidence in institutions, essential to rebuilding democratic legitimacy undermined by criminal infiltration (de Arimatéia da Cruz, 2025).

Policy Solution III: Youth Employment and Vocational Training for Gang Prevention

Initiatives favoring youth employment through vocational training programs that target at-risk populations would help reduce the traction that criminal groups are currently finding in Latin America. These programs should offer job training, mentorship, and labor market placement for youth aged 14-29 in high-violence communities. Guatemala's Challenge 100 program rehabilitated gang members through vocational training and job placement; USAID-funded youth centers have served over tens of thousands of young people in Central America (Immigration and Refugee Board of Canada, 2018; U.S. Global Leadership Coalition, 2019). Programs should combine immediate income support (for example, in the form of conditional cash transfers during training), skills development aligned with labor market demands, and services addressing trauma and family instability. Implementation requires partnerships between vocational institutions, businesses, and civil society to ensure job placements are sustainable and that gang-affiliated youth have pathways to legitimate livelihoods rather than criminal recruitment.

Policy Solution IV: Public Health Model of Violence Prevention Through Community-Based Intervention

Governments should adopt a public health approach to violence prevention, treating violence as a contagious epidemic requiring systematic intervention. The Cure Violence model operationalizes this framework through five core components: (1) street outreach to at-risk youth; (2) public education campaigns changing norms about violence; (3) faith leader and community mobilization; (4) conflict mediation by trained violence interrupters; and (5) collaboration with law enforcement agencies (Cure Violence Global, 2025).

Evaluations in Cali, Colombia, documented a 47% reduction in homicides in the Charco Azul neighborhood and a 30% decline in Comuneros following program implementation (Cure Violence Global, 2025). In Trinidad and Tobago, the same approach generated a roughly 39% reduction in gunshot wounds requiring hospital admission (Maguire et al., 2018). These results, replicated across multiple Latin American cities, demonstrate that violence reduction does not necessarily require heavy-handed enforcement. Instead, interrupting cycles of retaliation, providing at-risk youth with alternatives, and mobilizing community stakeholders can achieve substantial reductions in violence.

V. Conclusion and Next Steps

Organized crime in Latin America has proven to be an insidious force undermining the stability of democratic states in the region. In this paper, we reviewed the different threats organized crime poses, summarized in 5 key takeaways: criminal infiltration of political institutions, rise of anti-establishment populism, militarized drug policy and insecurity, its impact on vulnerable communities, and its economic cost. At a time when democratic backsliding is on the rise, Latin American states must rethink the ways in which they combat organized crime in an effort to sustain peace and stability. Ultimately, this paper recommends that Latin American states shift from reactive militarized repression toward strategic, prevention-based governance that strengthens institutions, reduces violence, and restores public trust. The proposed policy solutions—independent prosecutorial units, civil service vetting, youth employment initiatives, and community-based prevention—illustrate how governments can pursue realistic, measurable goals that address both the structural and immediate drives of criminality. Collectively, these strategies represent a fundamental policy redirection from unrealistic repression to real security. By focusing efforts on harm reduction, institutional integrity, and community resilience, states will be able to sustain their legitimacy and protect their citizens as they build the capacity to respond to the greater threats that organized crime poses.

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