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Drugs Fade in Colombian Economy

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By [MATTHEW BRISTOW](#)

BOGOTÁ—Colombia's cocaine industry, which once accounted for 6.3% of the nation's economy, has fallen on hard times since the days of Pablo Escobar's Medellín cartel.

Cocaine's share of gross domestic product has dropped as Colombia's drug cartels have lost control of key smuggling routes to cartels in Mexico and elsewhere, and as legal industries such as oil and mining have taken off.

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A Colombian soldier inspects a cocaine lab in February, amid efforts to shut down the illicit industry.



Illegal drugs now account for less than 1% of GDP, after peaking in 1987, said Ricardo Rocha, an economist at Bogotá's Rosario University and expert on the nation's drugs trade. "Smuggling to the U.S. is now via Mexico," Mr. Rocha said. "We were left with the agricultural and agro-industrial parts of the business."

Over the past decade, Colombian authorities have broken up some of the country's most powerful cartels and extradited more than a thousand Colombians to the U.S. to face drug-trafficking charges.

Investment dollars poured into the country amid a decline in guerrilla attacks, high commodity prices and the pro-business policies of President Álvaro Uribe's government, which attracted oil and mining firms. Colombia's economy grew 0.4% in 2009 and has more than doubled in size over the past decade.

Despite last year's slower growth, the expansion of legitimate business activity in recent years means that cocaine exports are now dwarfed by those of oil and coal, and may be even less than coffee, Mr. Rocha said. In 2009, Colombia posted \$10.3 billion in exports of crude oil petroleum products, \$5.4 billion in coal and \$1.5 billion in coffee.

Cocaine production peaked at some 650 tons in 2000, according to the United Nations Office on Drugs and Crime, up from around 19 tons in 1985.

Since then, output has slipped, with Colombia producing 430 tons of cocaine in 2008—around 51% of the world's total—from 81,000 hectares planted with coca, the raw material used to make cocaine.

However, the money made from growing coca bushes and processing the leaves into cocaine is paltry compared with the vast profits made from smuggling. The wholesale price of a kilogram of cocaine in Colombia was around \$2,200 in 2007, a fraction of the average \$31,000 a wholesale buyer would pay in the U.S., or the \$59,000 it would fetch in Europe. When adjusted for the fall in purity, the price difference is even greater.

Moreover, with big Colombian cartels broken up and many kingpins in U.S. jails, local participation in the trade has somewhat "atomized," said Salomon Kalmanovitz, an economist and former member of the Colombian Central Bank's board of directors. "The Mexicans are [now] doing the intermediary wholesale business."

That marks a major change from the late 1980s, when Mr. Escobar, the Medellín cartel boss, appeared as the world's seventh-wealthiest man on Forbes Magazine's list. Today, the only drug trafficker on the list is Joaquín "El Chapo" Guzmán, head of Mexico's Sinaloa cartel.

The rise of the Mexican cartels began when U.S. and Colombian authorities stepped up naval and aerial interdictions of drug shipments in the Caribbean, said Alex Posey, an analyst for global intelligence company Stratfor.

"It's largely due to the shift in the smuggling routes," Mr. Posey said. "In the late 1980s and into the 1990s, the primary cocaine trafficking routes were from Colombia through the Caribbean into south Florida and the east coast of the United States."

When U.S. and Colombian authorities began to shut down that corridor, more cocaine began to enter the U.S. via land from Mexico, Mr. Posey added.

Mexican cartels are estimated to generate anywhere between \$10 billion and \$25 billion from drug trafficking, or as much as 2.5% of Mexico's GDP.

—Inti Landauro and Charles Roth contributed to this article.

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