# A Blessing or a Curse?

## The Influence of FDI on the Colombian Cannabis Sector

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2022

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# Abbreviations

CSR – Corporate Social Responsibility

FDI – foreign direct investment

GAP – Good Agricultural Practices

GCC – Global Commodity Chains

GMP – Good Manufacturing Practices

GVC – Global Value Chains

IJV – international joint venture

MNC – multinational corporation

MSI – multistakeholder initiative

SD – Sustainable Development

SME – small and medium enterprise

SRN – Social Responsibility Networks

TBL – Triple Bottom Line

# Introduction

As more and more countries legalize cannabis, either for medicinal purposes only or for adult use as well, the global cannabis industry is still ever-growing. With its medical branch expecting to reach 55.8 billion USD by 2025 (Asocolcanna 2020, 5), many countries are eager to reap its benefits. In order to do so, a country must stay ahead of its competition in terms of legislative work and economic climate if it wants to stay attractive to domestic and foreign investors. The years 2013-2018 can be seen as a rebirth of the cannabis industry in Latin America as several nations, led by Uruguay and Colombia, altered their legislation so that their cannabis industries could legalize and solidify themselves on the world stage. The new market that was created, attracted (mainly Canadian) licensed producers from the Global North that looked for emerging market opportunities. From the moment Law 1787 of 2016 was enacted – and foreign multinational corporations (MNCs) could enter the Colombian cannabis industry – until Decree 2106 of 2019 was issued (see appendix 1), Colombia has been, and still is, an excellent place for investors due to its rigid legislative framework. Due to Colombian history with cannabis and cocaine and its aggressive combatting against this, the fact that Colombia is legalizing cannabis means a massive shift in mentality. Because of this shift that is taking place in Colombia, I was interested in what would happen with the small farmers that have been cultivating cannabis in Colombia for decades, albeit illegally. Therefore, last year I wrote a thesis on the influence of the regulation of medicinal cannabis on the small farmers in Colombia. This research sparked my interest further because I noticed that not much positive change had come to those who needed it. Intrigued by this change I started thinking about possible reasons for this. One possible factor that came up in my previous thesis was the arrival of the MNCs making it harder for those small farmers to enter the market. So, I decided to write this thesis specifically on the impact those MNCs have on the Colombian cannabis market.

Thus, what happens when large cannabis agribusinesses from the Global North descend upon the Colombian market in the hope to ride this new Latin American green wave? Classic neoliberal thought will argue that every step toward integrating further into the global market is beneficial for its subjects. However, studies show that this is not always the case. Somewhere along the road, neoliberalism has run out of sync with global advances (Levi 2021) due to unfair development in all layers of the economy (Hellwig 2021) and greater devolution of local decision-taking (Collier et al. 2021). This thesis looks at how foreign direct investment influences the local Colombian cannabis market. The presence of large agribusiness that brings a lot of capital with them can have both good and bad consequences for the small, local, producers. Is this influx of large investments therefore beneficial for the Colombian market in the sense that it helps mature the local market and its producers, or do those large agribusinesses effectively take over the market and aggressively push out local businesses?

By using theoretical concepts such as global value chains and agrarian political economy that look at international trade and national policies and implementing them into the national context of the Colombian cannabis sector, this thesis will create a concise overview of the current situation in Colombia. Furthermore, this work will also bring the complications forward that arise when multinational companies enter a local market. Because of the scope of this thesis, the focus will be on a handful of large cannabis companies that dominate the cannabis market in Colombia (Sturkenboom 2021, 6). All but one is North American-owned, which already establishes a dominance of North American companies' market share in Colombia.

Due to the nature of this thesis, a qualitative approach has been used, in which mainly secondary sources have been used. When looking for sources, both for the theoretical as well as the empirical chapters, attention has been given to the time of writing – especially the empirical sources needed mostly to be from after 2016 – and the validity of the source. Whether it was a journal article, book chapter, data set, or newspaper article, all sources were engaged in an equally critical manner. By a triangulation of those different sources, I aimed at answering the main research question "in what ways did FDI influence the Colombian cannabis sector?". Since FDI has positive and negative impacts, I found it important to showcase both, instead of focusing on only the good or the bad. Therefore, the empirical research has been split up between the third and fourth chapters with the former focusing on the good impacts and the latter on the bad. In doing so, a neutral thesis has been formed aimed at demonstrating that there are always two sides to a coin. It is expected that the good impacts outweigh the bad ones, at least on a national market level. When looking at the impacts on the small farmers, however, things might not look as bright. As my previous research has shown, not enough effort has been put in by the Colombian government to fully incorporate the small farmers into the legal cannabis sector (Sturkenboom 2021, 62).

Unfortunately, due to both time and physical limitations, all of the research has been conducted in the Netherlands. Therefore, conclusions will have probably been more profound when field research in Colombia could have been conducted. It is advised that if this study were to be done again, research on the topic discussed would certainly benefit from field research in which interviews and/or questionnaires are held with those involved.

Like my previous thesis, the research and outcomes of this one are of importance because the Colombian cannabis sector is one that, if formalized correctly, has the possibility to be a steppingstone for a large portion of the Colombian population that up until now has been marginalized. By giving them the possibility of moving out of the informal economy into the licit cannabis cultivation, they too may contribute to a better Colombia. In return, they should expect the Colombian government to better take care of them and their lands. Foreign investors have the possibility of aiding this process. However, it is imperative that they do not get blind-sighted by the possible riches that are to be made, which is very hard, and keep in mind that they can benefit even more from a society that is functioning correctly. Since this is by no means a work that demands the change of what is currently going on in Colombia, it should be read as a basis for new inspirations. I hope that this thesis will contribute to the large body of work that has already been written on this (and connected) subject(s), and that it will create incentives for other research that might influence the public policies that influence the cannabis markets, not only in Colombia but all over the world.

# Chapter 1: Bringing Agricultural Political Theory into the Global Sphere
## A Theoretical Focus on Agrarian Political Economy, FDI, CSR, and GVC

This theoretical chapter will provide a solid basis and the 'glasses' through with the rest of the work will be looked at. It will discuss the concepts of agrarian political economy, sustainable development and corporate social responsibility, and foreign direct investment. By using the notion of global value chains in the context of the abovementioned concepts, the theory will be taken into the international economic space. Altogether, those multiple theories, ideas, concepts, and the links between them will provide the theoretical framework on which this thesis is going to be built. I am certain that anyone traversing this topic will find out that the connection between larger topics such as foreign direct investment, the agrarian political economy, and sustainable development can explain the maturation of the legal cannabis sector in Colombia without it becoming incoherent and disordered.

### 1.1 Agrarian Political Economy

When discussing a commodity like cannabis, it is imperative to look at the theory discussing agricultural processes. One of the theories that effectively does this while also taking societal impact into account is the agrarian political economy. While this might sound like a large umbrella term for all economic and/or political actions that have to do with agriculture, the Journal of Agrarian Change defines it as an investigation of "the social relations and dynamics of production and reproduction, property and power of agrarian formations and their processes of change, both historical and contemporary" (Bernstein 2010, 1). Despite it still being a very grand concept, it shows that the focus lies on the interplay of societal influence and mechanisms of agricultural change. One of the major changes that occurred in the last century, and especially the last forty to fifty years due to globalization and the ruling thought of neoliberalism, is the so-called 'commodification of subsistence'. Henry Bernstein describes this as the integration process of peasants and small farmers into the capitalistic system through commodity relations (Bernstein 2017, 14). They are forced to do so in order to reproduce themselves and stay competitive in the market. While many times used interchangeably, Bernstein stresses the fact that the words 'peasant', and 'small' or 'small-scale' farmer, have analytical differences that one must be aware of when researching. 'Peasant' signifies household farming especially organized for the supply of its food and is restricted to pre-capitalist societies or those transitioning to capitalism, according to Bernstein. 'Small-scale' farmers, on the other hand, can exist in the capitalist system, but usually have no more than two hectares of land (this has to be put into world perspective since Hazell et al. show that a 10-hectare farm in many Latin American countries is still below average (2007, 1)) and/or are reliant on low-level technology (Bernstein 2010, 3-4). There is thus a difference in criteria. Whereas peasants are confined to a historical or developmental period, farmers are subjected to spatial or sociological criteria. Since this thesis writes about people that are at least already partially incorporated into the capitalist system, either through formal or informal markets, we will refer to them as small-scale farmers. Another term that will be used is small and medium enterprise (SME). In 2004, Colombia codified this term with Law 905 of 2004 with the criteria that a "micro enterprise is one with 10 or fewer employees or with total assets (excluding housing) valued at or below 500 legal minimum monthly salaries. A small enterprise is one with between 11 and 50 employees or total assets valued at between 501 and 5.000 legal minimum monthly salaries." (Aya Pastrana and Sriramesh 2014, 15). Those are the categories that the majority of the Colombian small-scale cannabis producers fall into since they are primarily family-owned businesses or relatively small cooperations (Sturkenboom 2021, 37).

This notion of the commodification of subsistence can also be found in the changing commodity and resource frontiers. Those frontiers can be both biophysical ones that change landscapes but also symbolic ones that impact communities. Although those two frontiers can overlap at times, there is a slight difference. Resource frontiers exist on the edge of 'free land' that can be occupied, commodity frontiers turn strategic resources into cheap ones to be sold with added value in the capitalist system. Those biophysical frontiers eat away at land that many times have been used by indigenous populations that carefully used it without disrupting the balance of nature, while the symbolic ones drive wedges between people on societal levels. This valuation through the capitalist system creates unequal power relations between producing small-scale farmers and agribusinesses that appropriate the cheap resources and can easily take over the majority of production (Kröger and Nygren 2020, 367; Writght 2005, 14), besides the "audacious fetishization of nature" (Moore 2018, 244) turning nature itself into a longed-for commodity. Furthermore, the commodification of subsistence does also mean the commodification of oneself. If, for example, a small-scale farmer is not able to compete with larger companies, one might sell his labor instead. This commodifies the human body and can render a person a mere tool of labor. While governments are still the key players in agrarian political economy policies that can halter such practices, they remain hesitant since it is a lucrative business from which they profit as well via taxation. Another way the state makes money from this process is from land sales. As resource frontiers raise land value based on their agricultural potential, the demand for the land becomes increasingly higher. When it is then sold to the highest bidder, the price "typically exceeds the capitalized value of farm profits" (Richani 2012, 52). This speculative process of land appropriation typically goes hand in hand with illegal land grabbing and deforestation (Kröger and Nygren 2020, 383) with are both anything but Sustainable Development (SD) conform.

### 1.2 Sustainable Development and Corporate Social Responsibility

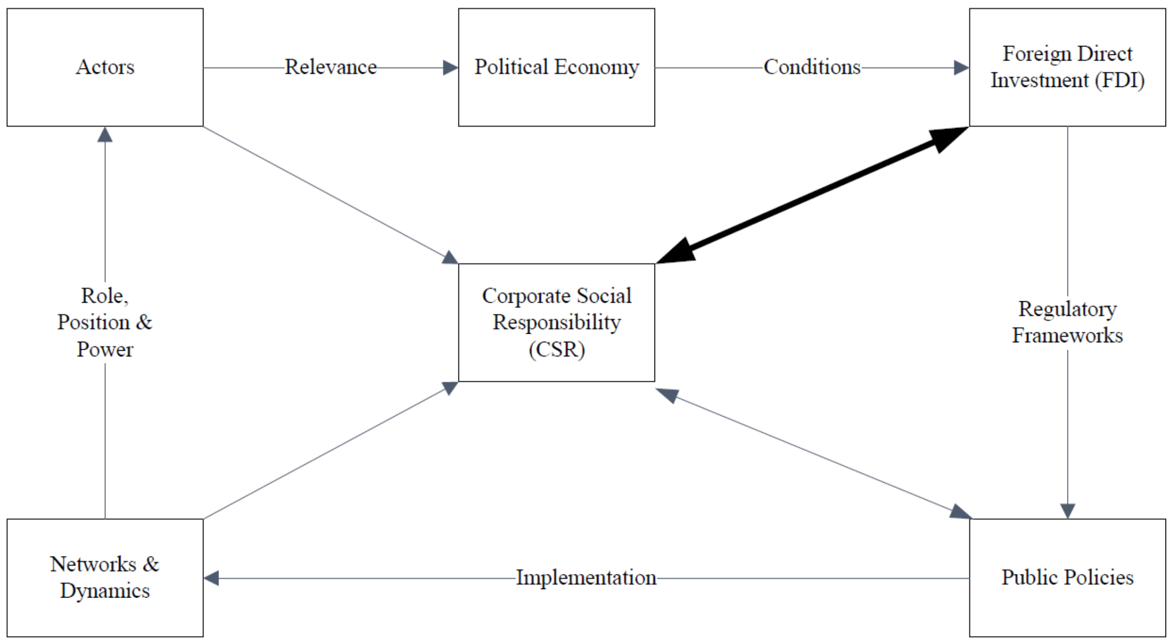
As the United Nations has just finished the 26th Climate Change Conference of the Parties (COP26) in Glasgow. It has once again been made sure that SD is high up the agendas of many companies as well as countries, at least for a short period. While climate change is becoming a more and more pressing issue on the world stage, many think tanks such as the Intergovernmental Panel on Climate Change (IPCC) are still skeptical about what is actively being done in order to combat climate change. Nevertheless, SD is said to increasingly be adopted across all levels of society, as well as in the corporate world.

Günter Vornholz argues that the idea for SD dates back to the 18th century when the German forestry industry was looking at ways to respond to the effects of over-exploitation of the forests (1994, 194). Over the course of two centuries, the concept expanded to include a multitude of problems that could be helped through a sustainable approach. Vornholz notes the four main aspects of SD to be development, intra-temporal justice, utilization of natural resources, and inter-temporal justice (1994,195). Despite seeing those aspects as the four main pillars, they do differ in importance according to him, depending on the situation. The broad applicability of SD can be seen as both a weakness and a strength. Since it is concerned with many-faceted developmental issues, it is very hard to analytically pin down the essence of SD. On the other hand, because it is so wide in definition, it is very applicable in an interdisciplinary approach and enables it to use ideas from all sorts of academic fields. (Vornholz 1994, 194). One way SD is implemented is through the use of the Triple Bottom Line (TBL). The TBL was proposed by Elkington in 1997 and focuses on the 3P's: People, Planet, and Profit. With those 3P's, SD gets implemented on the economic, societal, and environmental dimensions (Adeola, Eigbe, and Muritala 2019, 87). Through the use of this TBL, SD has become one of the main pillars of corporate social responsibility (CSR). By implementing the TBL, an organization may state that it actively puts effort into sustainability.

While there is still debate on the actual definition of CSR, it can be seen as a reaction from the multinational realm to the issue of sustainability. This ambiguity is because CSR is still an evolving concept. Definitions range from "the ethical behavior of a company towards society. In particular, this means management acting responsibly in its relationships with other stakeholders who have a legitimate interest in the business – not just the shareholders." (Watts et al. 1998, 3) to "the duty of firms to take responsibility for their impacts on society (EU commission 2011, 3).

A recent development in the realm of CSR is the implementation of the multistakeholder initiative (MSI). Those MSIs institutionalize to some degree the involvement of civil society and other stakeholders in the process of creating codes of conduct and other procedures that should help companies comply with CSR. Two large organizations, the Business Social Compliance Initiative and the Global Social Compliance Program both recognize the importance of MSIs for a healthy functioning CSR, especially in the supply chain of corporate life (Bair and Palpacuer 2015, 196). Figure 1 shows a concrete overview of how various actors and conditions are connected in the CSR Analysis Framework.

Figure 1: CSR Analysis Framework




Source: (Gonzalez-Perez, Riegler, and Riegler 2011, 46)

This framework shows the direct link between CSR and FDI, and between CSR and public policies (in this case agrarian political economy policies). Since the relational influence goes both ways, they influence each other. Therefore, good CSR can lead to more FDI and higher levels of FDI can lead to improved CSR. Because this can also work negatively, MNCs must be wary to not underestimate the importance of good CSR and sufficient FDI flows. The link between CSR and the agrarian political economy shows that when certain policies are implemented this can either have a positive or negative effect on the way CSR is practiced. However, when CSR is practiced in a certain way or to a certain degree, it also has its influence on agrarian political economy policies.

Contrary to MNCs, SMEs usually do not have the resources to devote to a large CSR section within their organization. Therefore, a 2014 study by Nathaly Aya Pastrana and Krishnamurthy Sriramesh about CSR perceptions among Colombian SMEs showed an overwhelming need for obligatory government guidelines regarding CSR practices (Aya Pastrana and Sriramesh 2014, 18) because if there is no legislative framework to build from, there will be no incentive to change. Their study points to the government, international organizations, business associations, and SMEs themselves as the key stakeholders in adopting more sustainable practices (Aya Pastrana and Sriramesh 2014, 20).

The concepts of Good Agricultural Practices (GAP) and Good Manufacturing Practices (GMP) are used to measure SD in agribusinesses. Where GAP focuses on the handling of produce, GMP looks at the processing cycle (Shukla 2017, 2; Simons and Epstein 2012, 3). While those concepts are meant to improve the quality of products, they can also work as a tool for the exclusion of producers from the market. To get the GAP or GMP approval, businesses must adhere to specific expectations and their product must have a certain standard before it gets a GAP/GMP stamp of approval. Highly industrialized companies usually have no problems with those standards because of the standardization of production and the abundance of capital. Smaller producers, on the other hand, usually do not have the assets to invest in the machinery needed for this standardization. Their reliance on manual labor makes it harder to get to the levels demanded by GAP/GMP, especially regarding sanitation, equipment verification, and cleanliness like GMP regulations, for example, address (Shukla 2017).

Just as GAP/GMP can be used as a tool for exclusion, the implementation of CSR for SD can be used to mislead customers. When companies pretend to be "greener" in their ways of production and/or sourcing of raw materials, they can be accused of greenwashing. This is a process of actively misleading the consumers about the performances of a company concerning sustainability and the environment. It is also often done by combining positive SD communications about a product or part of the production cycle to the outside, with negative SD implications in real life (Bowen 2014, 2)

## 1.3 Foreign Direct Investment

When looking at new ways of penetrating a foreign market, companies have various ways of effectively doing this. Two of the ways that are seen as very successful are either through foreign direct investment (FDI) or international joint ventures (IJVs), especially FDI has recently been one of the fastest-growing economic activities in the world, with developing economies being the main beneficiaries of this increase (Helpman 2006, 589; Amendolagine et al. 2017, 3). Those two concepts are closely related. They share a common basis of using money generated in a different country than where it is used. However, where FDI only invests in an already existing company, IJVs effectively create new ones.

IJVs have been an effective way for companies to penetrate foreign markets due to the fact that they create a partnership with another company that already has a lot of experience in that market. This makes it cost-effective. On the other hand, it is regarded as a dangerous investment as about 50% of the IJVs fail, mostly because of inadequate planning and bad division of power between the involved parties (Stewart and Maughn 2011). This is especially prevalent when foreign parties do not fully understand the market and the underlying unwritten codes of conduct, they are trying to get into. When dividing roles within the IJV, the foreign party must thus acknowledge the importance of the know-how the local party brings to the table.

According to a study done by Taglioni and Winkler, FDI was identified as the most common way to link developing countries to the Global Value Chains GVCs (2016). Like IJVs, FDI also comes with its own set of pitfalls. The uncertainty of being able to get your investment back is one of those. Fortunately, FDI often has a spillover effect. Those spillovers unintendedly create opportunities for other sectors that are related to the one that receives the FDI. Especially in developing countries, spillovers can have a large, positive, impact on the local economic development (Amendolagine et al. 2017, 3).

The influence of FDI and IJVs on the sector they are operating in can be observed through the intensity of a sector's connection to the Global Commodity Chains (GCC) and more specifically through GVC. The idea of GCC has already been introduced back in 1977, as part of the world-systems approach, by Terence K. Hopkins and Immanuel Wallerstein. Almost two decades later, Gary Gereffi and Miguel Korzeniewicz used this idea to elevate it into GVC (1994). The main difference is that where GCC is described as "a network of labor and production processes whose end result is a finished commodity" (Hopkins and Wallerstein 1977), the GVC approach inserted this idea with the linking of "macro-level issues related to the structure of the world economy, meso-level characteristics of national development strategies, and micro-level emphasis of inter-firm networks, together with related political and social consequences of local embeddedness." (Gereffi and Korenziewicz 1994). This not only brings the notion of GCC up into an international sphere but also injects it with a multiplicity of linkages to the political and societal. Ponte and Strugeon also argue that GVC can provide an understanding of how and why inclusion and exclusion take place at the industry level. This can be done by examining the practices, power dynamics, and organizational forms since they are those aspects that are the main structural backbones of GVC networks (Ponte and Sturgeon 2014, 196, 200). A GVC analysis looks at the global economy from six dimensions, which are shown in Figure 2.

Figure 2: Six dimensions of GVC analysis

1. Input–Output Structure of a GVC
2. Geographic Scope
3. Governance Structure: Lead Firms & Industry Organization

**GLOBAL**

4. Upgrading
5. Local Institutional Context
6. Industry Stakeholders

**LOCAL**

Source: (Fernandez-Stark and Gereffi 2019, 307)

The first three dimensions show the top-down elements from the global sphere, whereas the last three are local bottom-up elements. This way, a GVC analysis provides a holistic overview of a global industry such as cannabis. Dimension 1 looks at the international transformation of turning raw materials into final products; dimension 2 is defining the global dispersion of the industry; dimension 3 explains the structure of how the GVC is controlled; dimension 4 demonstrates the dynamic process of producers shifting between stages in the GVC; dimension 5 contextualizes the way the GVC is embedded into the local and social elements; and dimension 6 describes the interaction between local actors and their achievement of industry upgrading (Fernandez-Stark and Gereffi 2019, 306-307).

## Conclusion

This chapter has looked at a variety of theories that span several fields of study. Nevertheless, those theories could work together in order to create a holistic approach to tackling problems that go beyond the capabilities of a single field of study to examine. By creating a framework that is able to do this, the opportunity has opened up to look at large issues that had to be cut up into smaller pieces before. Allowing for a completer picture of the actual core and the possible outcomes. While at first glance, the abovementioned theories appear to be miles apart from each other, they may support one another surprisingly well. When we take the agrarian political economy as our basis and see that with the resource and commodity frontiers we are dealing with unfair distribution of land and destruction of nature, the question arises of how this can be dealt with. To see if actors are at least trying to rectify this unequal use of the land, we will turn to CSR, with which the levels of SD implementation can be seen. When implemented correctly, CSR policies will help the companies become better versions of themselves by improving the livelihoods that depend upon them directly or indirectly. Furthermore, since we will be focusing on foreign agribusinesses coming into the Colombian cannabis market, FDI will help navigate the way those companies can connect the cannabis market to the GVC. Since it is expected that GVC-connected markets provide more attention to SD than those that are not connected, a possible outcome can be that governments will impose new agrarian policies to improve the market environment. Since governments are still the key players in agrarian political economy policies, they should take a leading role in this process. While it is understandable that they might remain hesitant at first in fear of losing foreign investors, they should see that a better working environment, in the long run, attracts better, high-quality, investments that stimulate the national economy even more.

# Chapter 2: Attracting FDI into the Colombian Cannabis Sector (1985-2022)

## A Historiographic Overview of Colombia's Relation with FDI

Long before cannabis even became a relevant possibility for legal cultivation in Colombia, and thus for cannabis investors, the country was already able to present itself as an interesting place for foreign capital because of its diverse array of commodities. This chapter will therefore look at the history of FDI in Colombia. How was it possible that despite an ongoing civil war, many companies still took the risk of investing in a country with the possibility of losing much of what they had built up. One reason could be that Colombia belongs to the Latin American Five (LA5), together with Brazil, Chile, Mexico, and Peru, which are the five countries that account for about 80% of the Latin American gross domestic product (GDP) (Canales-Kriljenki et al. 2001,). This makes it a safer bet for foreign investment than smaller economies.

### 2.1 Colombia's Relation with FDI

For decades, Colombia has been an attractive place for foreign investors. Being a commodity-rich country, Colombia has drawn in large MNCs towards them that want a piece of the pie. Therefore, the country has an extensive history with foreign investors. Back in 1985, riding the neoliberal wave, Colombia began progressive trade liberalization and at the beginning of the 90s, it implemented radical tariff and non-tariff reduction-based trade reforms (Attanasio et al. 2004). Its geographical location and perfect climate make it the right place for the cultivation of a large variety of produce. As a result of this geographical gift, Colombia now has a thriving coffee industry, being only behind Brazil in the absolute number of export, and places 7th worldwide with regards to sugar cane production. Less proudly, it has the highest number of coca cultivation hectares in the region (Statista n.d.; White House Office of National Drug Control Policy 2021; NationMaster n.d.). With their 2016 legislation, legalizing the grow, process, import, and export of cannabis for medicinal and scientific uses (Wildsmith 2018) they now want to add regulated cannabis cultivation to this list. In doing so, Colombia has potentially positioned itself as a leading figure in cannabis production and its derivatives in Latin America and perhaps the world shortly. The extensive legislation, being one of the most robust in the world, makes for a good environment in which foreign companies feel safe to invest. Aiding in boosting the industry into a potential multi-million-dollar market (Cubillos Sánchez 2020, 6; FTI Consulting 2020, 2).

Before the regulation of the Colombian cannabis market, in 2009, only 0,9% of the FDI flows towards Colombia were directed to agriculture, fishing, hunting, and forestry industry. (Posada Betancourt 2010, 2). In 2021, this number went up to 2,66%. At the same time, inward FDI to Colombia increased from 6430 million USD to 9402 million USD, a 46,22% increase ("Inversión directa" 2019). Despite agricultural FDI almost tripling in those thirteen years, a 1.5 percent point increase does not show the same trend as the national average. Nevertheless, it is important to keep in mind that especially the cannabis industry is fairly new and still rapidly expanding. Therefore, its inward FDI flows are still expected to increase.

In the last decade, Colombia has various steps to attract more FDI. An example of this is the Colombia Investment Summit. For the last eight years, the Colombia Investment Summit, hosted by the Colombian government, has been the most important event for attracting FDI into the country. During the summit, interested parties get supported by ProColombia officials. ("Colombia Investment Summit 2021: The Most Important Event for Attracting Foreign Direct Investment in Colombia" 2021). ProColombia is the country's promotion entity. Set up in 1992 as a way of exporting Colombian culture and its image, increasing incoming tourism flows, it also aimed at attracting FDI. Nowadays, it helps with the internationalization of companies, designs strategies for penetrating foreign markets, and identifies market opportunities, among many other things (ProColombia 2017). Their dedication to drawing in foreign investors gets emphasized by the vice-president of ProColombia, who stated that "The Colombian Government is committed to protect and promote foreign investment and ensure that your projects in Colombia become prosperous and profitable businesses. We are ready to continue joining efforts with companies interested or already established in Colombia" ("COLOMBIA INSIDE OUT: Building Alliances for Foreign Direct Investment" n.d.). Currently, Colombia is on the right track to getting a substantial slice of the global medical cannabis market within its territory. But it should be wary of the regulatory and licensing bottleneck it is currently experiencing so it does not lose its position on the international market as new markets, such as Mexico and Brazil emerge (Asocolcanna 2020, 1, 5). Fedesarollo, a Colombian non-governmental organization (NGO) focused on economic and social development, estimates that in 2030, Colombia could earn 2.7 billion USD from cannabis products, creating around 41,000 jobs while using up 1,550ha of land (Asocolcanna 2020, 37). According to the World Bank, in 2018, Colombia has 49,492,000ha of agricultural land (The World Bank n.d.) which means that cannabis cultivation will only take up a slither of the total amount of agricultural land available. Nevertheless, this small section of Colombia's total agricultural sector is expected to become a billion-dollar industry.

### 2.2 Former FDI Backlashes

When looking at all the benefits FDI brings to any given country, it is easy to get stuck on the upsides. However, MNCs, and the FDI they bring with them, can have some devastating effects on a country. We must not forget that MNCs are powerful economic actors that can assert a lot of pressure on a state, especially if its economy is still developing. In Colombia, the most powerful MNCs have essentially 'captured' the government in the past (Beatriz Sánchez Mojica, Rene Urueña, and Yadira Castillo in Paytne and Ravecca 2011, 21). Jairo Estrada argues that this had to do with the 'primarization' of the Colombian economy. It started focusing on natural resources as a key actor in economic development as a response to the high demand for commodities on the world market, especially from Asia (Jairo Estrada in Paytne and Ravecca 2011, 25). This caused the Colombian government to focus on producing commodities instead of developing its industries that would help it could climb up the GVC ladder.

In packing their objectives in a 'developmental' skin, the MNCs convince the government to grant them large swaths of land that were never theirs to grant in the first place, displacing mainly indigenous populations. This is a prime example of expanding resource frontiers. While packed in the illusion of SD, large MNCs appropriate indigenous lands for their profit without giving back to the communities they have ripped apart and displaced. Especially commodity-based MNCs need to acquire a lot of lands to grow their produce, many times in specific geographic locations, in order to maximize their profit. Because of this reason, many Global North cannabis agribusinesses have gone south and found a perfect fit in Colombia.

### 2.3 A More Positive Outlook

Luckily, in more recent years, many MNCs have promised to take CSR higher up their agendas. They are no longer solely focused on profit, but also state to be committed to the development of the region they operate in (Asocolcanna 2020, 20, 23, 54). While the words do not always live up to their promise, they can be seen as a positive start. María Alejandra Gonzalez-Perez, Stephanie Riegler, and Franz Xaver Riegler demonstrated this very clearly in their article "*Foreign Direct Investment (FDI) and Social Responsibility Networks (SRN) in Colombia the relationship between FDI and CSR in Colombia*". They found that:

> "Globalisation, new concerns on environmental sustainability, and interests for the improvement of social structures had made MNEs, International Organisations, and Governments move towards CSR, as an alternative to Stated-driven growth. Social Responsibility Networks (SRNs) emerged in the region stronger under these contexts, where the companies, the government, and the societies are evidently interconnected." (Gonzalez-Perez, Riegler, and Riegler 2011, 44)

While their research looked at FDI and SRNs in Colombia as a whole, this trend is also seen in the cannabis sector in specific. It thus not only demonstrates the power and importance MNCs execute in the region but also the effectiveness of good cooperation between the multiple stakeholders. Nowadays, however, this power also brings on a greater amount of responsibility the MNCs have to carry. No longer can MNCs get away with simply giving hush money to displaced people. The current international arena created a stage where MNCs can be held accountable for the people they affect as much as the governments can. In this way, SRNs can be used both ways. They may help an MNC in improving its public image and reputation, while also gently forcing MNCs into creating better economic, ecological, and managerial frameworks that improve their CSR. Even though there is a strong empirical correlation between CSR and economic performance (Ahmad, 2003; Carter, 2005; Gray and Smeltzer 1989; Griffin and Mahon 1997; McWilliams & Siegel 2000, 2001), a hard line of causation is still unclear. It can either be that MNCs operate socially responsible because of their success or the other way around that they became successful because of their high level of CSR, according to Bredgaard (2004). Because of this uncertainty, it is important to stay critical when it comes to looking at developmental processes. Do the MNCs really improve the community they work with and in, or is it just a façade that helps them achieve even greater profits that may even impact the surrounding community even worse.

## Conclusion

Thus, when analyzing FDI flows in a country such as Colombia, one has to be careful not to take everything for granted. Even while FDI may have improved the economic landscape of Colombia at first sight, there will always be less preferable outcomes put away in nooks and crannies that the MNCs or the government do not want you to see. MNCs might state in their annual reports that they have addressed the question of CSR even more seriously than the year before, but if it does not state clear outcomes, good or bad, it is something to be suspicious about. When an MNC is not only focusing on primary gains but also on secondary gains that ought to improve the community they are operating in, they mostly are still the ones gaining from this. While the community might reap some benefits, the real leap forward will always be for the MNC. Furthermore, it must not be forgotten that the frameworks that have been set up decades ago and the damages that have been done by previous policies by both the Colombian government, as well as the MNCs might still impact populations in an (in)direct manner. This should also be given attention to by those actors if they want to claim they take CSR really seriously and do aim for improving the livelihoods of the affected communities. History has shown us that FDI has the potential to improve a country such as Colombia, but only if it is used for the improvement of the communities and not just for the improvement of income for the foreign stakeholders.

# Chapter 3: Cannabis as a Possible Motor of Colombian Development
## The Positive Impacts of FDI on the Colombian Local Cannabis Market

When looking at the FDI flows into the Colombian cannabis sector, it is first important to identify the main actors. Six large players currently dominate the cannabis market. These are Pharmacielo Ltd., Clever Leaves, Khiron Life Sciences Corp., Avicanna Inc., Medcann Pharma Inc., and Kure medical solutions. All those, except for Kure, are North American-owned (the majority being Canadian). While there are other large cannabis companies in Colombia, those six have reasonable open access to their documents regarding governance and their corporate workings. For this reason, as well as the fact that they are very influential, those six companies have been chosen to be used in this research. Those companies have made a large impact on the Colombian cannabis sector and the local producers in several ways. This chapter will therefore look into the way those companies present and situate themselves in the Colombian cannabis market, how this has affected the local farmers, and how their presence might drive the development of the sector.

### 3.1 The Main Players and Their Promises

All companies state on their websites that they put at least some effort into creating a more sustainable Colombia and that they aim to improve the community around them. Many have open access documents or web pages dedicated to where they state their visions on topics such as sustainability and the improvement of the community in which their companies are located. However, at the time of writing, only Pharmacielo has been recognized by the Colombian government as a company that has the ability to make significant contributions to the nation and has declared it a Project of National Strategic Interest (PINE) in 2020 (Pharmacielo 2020). This means that they receive direct support from the Colombian government in the form of policy-making that positively impacts the sector. This means that it not only benefits Pharmacielo but the cannabis sector as a whole. The policies are aimed at resolving bottlenecks that are currently in place and the designation of Pharmacielo as PINE puts the industry on a "similar footing with the mining, coffee, and avocado industries, which have become global export leaders, which significant benefit to the domestic economy and the people of Colombia" according to David Attard, CEO of Pharmacielo. The removal of those bottlenecks will also benefit other players in the Colombian cannabis market, which presumably increases the competition between them.

Clever Leaves has put a diversity policy into their quarterly earnings report of 2022 in which they state that about two-thirds of their Colombian workforce are women, mostly single mothers. They also actively promote formal employment of rural women, especially heads of households (Clever Leaves 2022, 18). This is a moderate step in the right direction since on the one hand, it shows that they do not only import workers from their own country but actively engage with the community by recruiting them for job opportunities. However, it does not state if the women earn equally to men in the same position. Because the pay gap is a persistent problem, not just in Colombia but worldwide, this is a criterium that should explicitly be mentioned if this policy wants to carry any significant meaning other than taking women out of their households with the promise to contribute to the economy while they also need to take care of their families, effectively putting even more pressure on them.

Something more promising is the fact that Clever Leaves participates in strategic alliances with state entities such as the Rural Women Program of the Vice Presidency of the Republic, the National Learning Service, The Colombian Institute of Family Welfare, and the Colombian Agricultural Society. Through those partnerships, they provide English classes for Colombian employees and on-site catered lunch (Clever Leaves 2022, 18). This demonstrates a dedication to CSR that goes beyond the standard GAP and GMP, as well as decent implementation of the MSI.

Khiron has shown similar initiatives such as commissioning the construction of a solar park in order to reduce the energy CO2 footprint at production facilities by up to 40% and providing Covid-19 PCR testing equipment to the local community (Moss 2021). While switching to cleaner sources of energy is a positive development, the construction of a solar parc still demands the removal of vegetation in the area so it still (although presumably less) negatively impacts the area. Just like Clever Leaves, Khiron also works with a diversity disclosure stating that "annually, the Company will include diversity disclosure information in its information circular, including the representation of, at minimum, the following four groups: 1. Women; 2. Indigenous peoples (First Nations, Inuit, and Métis); 3. Persons with disabilities; and 4. Members of visible minorities" (Khiron 2021). The reason those companies have explicitly put diversity policies into their codes of conduct can partly be attributed to Law 581 of the "Quota Law" which was adopted in 2000. This law stipulates that at least 30% of the appointed positions in the three branches of public power must be occupied by women (United Nations Development Programme 2012, 2). This, of course, is only implemented by law for the public administration of Colombia, however, it is a good sign to see that private companies follow suit and include more than just women in their diversity policy. Especially people from the local indigenous communities can be of particular value when it comes to making policies regarding sustainable development and making sure the local communities are integrated as much as possible, creating a synergy between the company and the surrounding area.

Avicanna has recently acquired Santa Marta Golden Hemp (SMGH) in an IJV agreement with Daabon, a large agricultural company. SMGH aims to cultivate 100% sun-grown organic cannabis, preserve the environment, and do this all according to GMP and GAP. This will be doable by making use of the expertise of Avicanna's scientific know-how and intellectual property together with Daabon's expertise in organic cultivation (Avicanna 2018). SMGH is thus a good example of an MNC taking over a local company. Despite the promise to focus on SD, GMP, and GAP, it still meant the loss of a local company and the expansion of MNC influence in the country.

On their main website, Avicanna states that they were ranked highest amongst other global cannabis companies in the corporate sustainability assessment (CSA) which was issued by S&P Global in 2020 (Avicanna n.d.). While the exact list could unfortunately not be found on the S&P website, many news sites confirmed Avicanna's place on the list (Market Insider 2020). Since the S&P CSA is considered one of the most prestigious benchmarks for investors who have sustainability high up their agendas for deciding what to invest in, this ranking acknowledges the effort Avicanna puts into being as sustainable as they argue to be. It can be questioned whether Avicanna does not also belong in the PINE denomination, just as Pharmacielo. If this is already put into the process could unfortunately not be found.

Medcann Pharma is the only company that has no explicit explanation of the ways that they aim to address local socio-economic imbalances other than briefly stating on one of their pages that they operate under the principles of social and environmental responsibility, diversion and inclusion, sustainable development, and ethics (Medcann Pharma n.d.). It can thus only be guessed in which ways they try to live up to those promises. Its website gives the impression that the company's focus is on helping the medical cannabis industry evolve worldwide so that it can help as many people as possible. This, however, says nothing about their vision on how to support the local communities and their workers. One thing that is promising is the fact that they have Research&Development plants in Colombia instead of outsourcing that to their Canadian or Spanish facilities, showing that they trust the expertise of the Colombian growers, as well as a devotion to investing in Colombian human capital.

## 3.2 Positive Change for the Local Communities

According to the Colombian Cannabis Association (Asocolcanna), the Colombian cannabis sector provided 1,214 people with a job in 2020, and it is expected to grow to 41,748 jobs in 2030 (Ruiz and Pimentel Daza 2020). This steep rise in job opportunities creates the precedent of the Colombian cannabis sector becoming a motor behind Colombian socio-economic development, especially after the Covid-19 crisis heavily impacted the country on a multitude of levels. While the economy of the whole country suffered, less restricted sectors, such as agriculture, did not decline as much (CEPAL 2020,1). Still, as the global economic activity declined, the Colombian cannabis sector also dealt with a loss of income. Fortunately, a ProColombia study showed that in 2021, FDI worth 288 million USD has been put into the cannabis sector creating over 2000 jobs in the cannabis sector and its adjacent fields in the GVC, such as pharmaceuticals, transport, logistics, and packaging (ProColombia 2021; CannabCo Colombia 2022). This process demonstrates the formalizing effect of the sector (Walker et al. 2021, 12) since they bring people from the informal sector into the formal one, together with creating stronger links within the GVC. An example of this is a facility built by Kure Medical Solutions near Cartago, Valle del Cauca. Kure states that the facility will be based around the aforementioned ideological basis of GMP and GAP. Interestingly, the facility has been built with 100% Colombian capital, but they also explicitly mention that they aim on attracting FDI (Kure 2020), presumably to pay back the Colombian investors (and hopefully with interest). This focus on attracting FDI shows that despite Kure being a Colombian cannabis company, they still need foreign capital in order to grow, possibly faster than it could with just domestic investments. Another positive factor is that the cannabis sector deals with a relatively high-value commodity (CannabCo Colombia 2022). Therefore, relatively small amounts of cannabis bring in more money than other agricultural products for the same volume. Because of this, less land is needed for the accumulation of capital. Nevertheless, since cannabis is still just as labor-intensive as cut flowers (Echeverry, María, and González 2019, 20), it can provide a stable income for many people.

The arrival of new cannabis companies or the expansion of existing ones does not only demand more jobs but also better infrastructure. In order to process cannabis effectively, the greenhouses and processing facilities have to be well connected. While the cannabis flower is dried, the product still has to be dealt with adequately, so it does not get wet again and perhaps rot. Ineffective infrastructure also drives up the cost of cannabis and its derivatives. With the formalization of both the cannabis market and other GVC links connected to it, the whole chain benefits. This process connects to the sixth dimension of the GVC analysis (see Figure 2), in which the link between local actors and their achievements in industry upgrading is described.

### 3.3 Driving Development

So how does the expanding cannabis market drive development in Colombian society? There are several ways the cannabis industry in Colombia can be seen as a driver for development. Firstly, as Walker et al. has shown in their study "*El Cannabis Medicinal como Motor del Desarrollo Económico en Colombia*", and what has been anticipated by several other articles mentioned before, FDI has at least caused an increase in the creation of jobs (Walker et al. 2021). The formalization of the cannabis market opens up a completely new sector in which jobs can be created, both directly and indirectly, many argue around 41,000 jobs in 2030, while other estimates range up to 101,964 jobs (Asocolcanna 2020, 37; Echeverry, María, and González 2019, 18). While it does not state how many of those jobs are being held by Colombians, it can be safe to assume that the majority of workers are Colombian. This enlarged labor market, together with the creation of new cannabis cultivation and process sites has in turn caused higher exports, mainly back to the country of origin of the mother companies. Nevertheless, higher exports mean higher national income which can be used to improve the country and preferably the sector itself first.

According to Echeverry, María, and González, the Colombian cannabis market can become larger than the country's cut flower industry, which was good for 16% of the world market in 2017 (2019, 8). Due to the higher price of cannabis compared to cut flowers, it will then thus also become one of the main export products of Colombia considering that Colombia was the 2nd largest exporter of cut flowers in the world in 2021 with it being Colombia's 6th most exported product ("Cut Flowers in Colombia | OEC" n.d.). But, in order to optimally benefit from this possible boom, Echeverry et al. argue that the Colombian government must invest in innovation and development of the sector, international contacts – like is being done through the Colombia Investment Summit – and integration in the international market, and in good coordination between different government agencies that are linked to the sector (Echeverry, María, and González 2019, 25). In doing so, the Colombian government enforces its foothold in the global cannabis market.

The formalization of the cannabis market, furthermore, drives development in the political arena. When looking at the CSR analysis framework (see Figure 1), the connection between CSR, FDI, and public policies is shown. This means that there is an interconnectedness between those three. As previously mentioned, CSR and public policies influence one another in the way that they can coerce each other for its improvement. FDI, in turn, also acts as an influencer of public policies. However, this is mostly done through lobbying. It is no secret that MNCs have the assets to urge a country into creating or altering public policies in a way that benefits them best. At the beginning of the cannabis regulation process in Colombia, Canadian MNCs started to lobby Colombian partners. Colombian cut flower producers, in turn, started to forge alliances with foreign companies that already had experience with cannabis cultivation and by-products (Rivera 2019, 12) so that they could combine their knowledge of the Colombian agricultural market with foreign cannabis expertise.

## Conclusion

When looking at what the six main players bring to the table, it shows that there is good reason to believe they are aiming at improving the Colombian cannabis market. In doing so, they also have the ability to improve the lives of their workers and their families. This will positively impact the community since better living standards for the people of the community translate into a better functioning one. As shown above, the majority of the MNCs have concise plans on how to better implement their CSR. The solar park planned to be built by Kiron is a prime example of this, just as the diversity policies of Khiron and Clever Leaves. The arrival of the MNCs is expected to create many new jobs in the cannabis sector, which can help Colombia climb out of the economic setback post-Covid-19. Sectors spanning the whole cannabis GVC will benefit from this due to the formalization of cannabis cultivation. This process of formalization will also improve the public policies concerning cannabis cultivation. CSR and FDI are able to exert their influence on those policies due to their economic and lobbying power.

# Chapter 4: FDI as Hindrance of Local Development
## The Negative Effects FDI May Have on the Colombian Cannabis Industry

Despite the various positives FDI brings to a host country, it also has negative effects. Especially when Global North countries invest in Global South ones, like the case of FDI in the Colombian cannabis sector, one must be wary to not stare oneself blind at the up-front positive sides of FDI. When addressing this issue, the downside to the GVC, problematic SD and CSR policies, and unfair competition quickly come forward. Therefore, this chapter will provide a view from the other side of the coin. While there are many more direct and indirect effects from FDI that might be negative or hoover within a gray zone between positive and negative, the three above-mentioned topics are the most salient.

### 4.1 The Downside of the GVC

During the rise of FDI in Colombia, as discussed in the second chapter, the Colombian government also granted more rights to its minority populations such as Afro-Colombians and Indigenous groups, together with land-title rights to their ancestral territories (Dyer 2019). Unfortunately, those lands were frequently located in the same places as resource-rich land which many MNCs wanted. Since MNCs bring much more to the table than minority communities are able to, the Colombian government gave in to the MNCs' wishes, meaning the resource frontier keeps expanding into indigenous lands, forcing them to flee their homes. This can be attributed to the place on the GVC that Colombia inhabits. Commodity-based economies usually reside in the lower echelons of the GVC, as other economies that are specialized in refining the commodities, high-tech industry, or innovation are higher up the chain. As long as a player is stuck on the bottom or lower links of the chain, they have to settle for the preferences of those higher up on the chain. If not, they fear the possibility that those higher up move out, taking their business with them, and find a place to set up shop somewhere else. Therefore, lower-link countries must try to satisfy higher chain investors to keep attracting them. This can be done in several ways. From keeping wages low to the creation of free-trade zones, to implementing favorable public policies that are FDI friendly.

When the peace accords were signed between the Colombian government and the Fuerzas Armadas Revolucionarias de Colombia (FARC), MNCs had to fear less about their workers being kidnapped or having their operations being obstructed by the guerilla groups (demo 2012). While break-away groups of the FARC still have control over various parts of the Colombian hinterland, in general, MNCs can now easier extract resources and obtain lands for their ventures due to the variety of laws and resolutions (See Appendix 1) that have been made by the Colombian government for the regulation of medicinal cannabis. Killing two birds with one stone, Colombia had not only brokered a peace deal and theoretically ended their civil war, but it also pleased foreign investors with a safer work environment.

Another questionable development is the expansion of those large MNCs in the Colombian cannabis market. When large foreign companies take over national ones, like the example of Avicanna acquiring SMGH, they might still keep the workers, but the profit is leaving Colombia and goes to the pockets of either the shareholders or the now foreign board of directors. This is not just damaging to the Colombian economy, but also prohibits upward mobility on the GVC as Colombian cannabis companies do not get the possibility of upgrading their processes because they stay dependent on FDI and have lost sovereignty over the decision-making. Furthermore, as the CSR framework shows, FDI influences public policies through regulatory frameworks. Since MNCs can exert much more influence on the Colombian government than SMEs can, over time, they can lobby for new regulations that favor MNCs even more. This creates an even larger gap between the foreign MNCs and the local SMEs. This is a reoccurring problem that relates to the FDI backlashes Colombia has dealt with in the past. As has been demonstrated in the second chapter, when the most powerful MNCs can capture the government and its decision-making process, Colombia can revert to former frameworks where they lose sovereignty over policymaking.

Because MNCs take over the local economy, domestic parties lose the incentive to invest in their markets since they see that larger foreign players easily outweigh them in terms of investment possibilities (ResearchFDI 2021). Pharmacielo aims at operating a farm 1,000 hectares wide. Allowing it to produce two million kilograms of dried marihuana flowers yearly (Hutchinson 2017). When comparing this to the 2-to-10-hectare farms SMEs operate on, it is clear that they are competing in a different league. Pharmacielo might be one of the largest players in the Colombian cannabis market, but the other five that dominate the market together with Pharmacielo are not any less ambitious about expanding their current businesses. This, again, is a sign that those MNCs are not aiming to cooperate with the SMEs but rather aim at being the biggest and most influential players in the market.

Furthermore, research done by the Transnational Institute found that current punitive policies that are still in place regarding cannabis are not taken into the regulatory framework regarding cannabis cultivation for medicinal and scientific purposes. Rural communities are still unequally affected by this. Despite Law 1787 of 2016 aimed to include those marginalized groups by setting up production quotas – at least 10% of raw materials for manufacturers must be sourced from small or medium-sized farmers – many of the large MNCs divert this by hiring local farmers to work for them instead of buying the product from those farmers (Jelsma et al. 2021, 35).

While it could be argued that the arrival of the large MNCs is damaging for the local businesses, Tomohara and Takii argue that the international companies pay higher wages than the local ones (2011, 512). This creates an incentive for people to work for the MNCs since it provides them with a better standard of living. While the legalization of cultivating medicinal cannabis in Colombia has positively affected the Colombian economy, not just by creating more formal jobs, but also through the rise in GDP (Walker et al. 2021, 31), it has also created a system where the local population has become more dependent on the large MNCs because those are becoming the main employers.

## 4.2 Problematic Use of SD and CSR Policies

While many companies take SD seriously and try to improve their surroundings through a variety of CSR policies, some use it as a smokescreen that deflects from their actual practices. This is no different in the cannabis sector. When Global North companies move down south in order to capitalize on the beneficial climate for growing their cannabis (Tijerina 2018), which they mostly ship back to their countries halfway around the world (Polson 2019, 244), how sustainable can this then still be called? The fact that cannabis can be grown out in the open without the use of greenhouses does also not automatically mean it is done this way. All of the large companies looked at in the previous chapter use greenhouses. While those differ from the ones used in the Global North, they do still need electricity and running water to cultivate cannabis. This means that there is still an increase in energy consumption, the only thing is that it is not in the Global North country, but in the host country in the Global South. While some companies, like Khiron, explicitly state that they plan on building solar parks for renewable energy, the rest is still based on grey energy sources and are thus damaging to the environment. Pharmacielo does state that it has a Social Responsibility Program, which could be an example of the SRN explained by Gonzales-Perez et al., but Pharmacielo does not mention it once in its press release, quarterly financials, or management's discussion and analysis papers that can be found on its website.

Furthermore, all of the researched companies promote on their websites the importance of sustainability and sustainable agriculture. However, it is not clearly shown how this is achieved. Simply saying that their greenhouses are less harmful to the environment due to high-level technology will surely be partly true. But their claims will be much more substantial if they give data on how much more efficient they are. Moreover, consumers have to be aware that everything that is produced comes at a price. This goes for cannabis as well. By growing this specific plant, space is taken up for other produce, and/or indigenous lands might be taken. Effectively de-diversifying market, society, and ecosystem, and creating a larger dependency on a certain commodity.

While at first the statements analyzed in the previous chapters by the six large MNCs give the impression that every company only wants the best for their workers and the community their facilities are situated in, it is important to keep in mind that they are still private companies that aim at generating profit. This means that however progressive their ideas surrounding CSR might be if certain policies might jeopardize the profit that can be made, those policies will almost certainly be reversed or reduced so that the company will stay on the right track financially. This does not mean that their CSR policies are hollow and that they never genuinely care about their workers or the community, but, especially in the neoliberal world we still find ourselves in, money is the prime motivator. So the TBL that should be the basis of SD is unfortunately not always in balance. Moreover, the MNCs might lack sufficient knowledge of the Colombian culture which has a strong focus on interpersonal relationships. This key aspect of working with one another is also reflected in the way SMEs implement their CSR practices. Their preference for improving organizational culture, finding the best employees for the job, improving the organization's image, and customer loyalty (Aya Pastrana and Sriramesh 2014, 23) instead of sustainable development or GAP/GMP shows the preference of Colombian SMEs. When comparing this to the general CSR of MNCs, which is more aimed at the environment, equality in the workplace, and integration with the surrounding community, it is easy to see a discrepancy between the two.

## 4.3 David VS. Goliath

When looking at the interaction between the MNCs and SMEs, it sometimes feels like it is David vs. Goliath. However, in the Biblical story, David eventually won. In this setting, it is more likely that Goliath will be triumphant. This is because the MNCs do not only bring better and newer technology to Colombia, which in itself is a good thing, but because of this better technology and the promise of higher wages, they steal away the talent the SMEs have since they have the possibility to climb faster up on the socioeconomic ladder with the prospects the MNCs can offer them. When moving from a local business to an international player, employees suddenly get the opportunity to move beyond their local and perhaps national constraints and can look forward to a possible international career, if they aspire to that and get the chance of climbing in the ranks of the MNC.

This semi brain-drain perpetuates the hindrance of the upward mobility of SMEs on the GVC since they miss the intellect and funds to upgrade their enterprises. This can be linked to the sixth dimension of the GVC analysis since the local and social elements of how the GVC is embedded into the social fabric shows the blockage of upgrading their enterprises within the industry. This does in turn not only keep the SMEs at the bottom of the value chain but also trickles down to the Colombian economy as a whole. When they are unable to fully move beyond the industrial part of producing cannabis derivatives into the service industry surrounding medicinal cannabis, the Colombian economy will not benefit as much from the production and manufacturing of medicinal cannabis as the MNCs that exploit the Colombian cannabis market and its commodities. Despite the expected 4 million potential patients in the Latin American region that by 2025 could buy into their respective market, the expected annual expenditure will only be 450 USD per patient. In comparison, the European market is expected to reach 2.6 million patients by 2025 with an annual expenditure of 1,800 USD per patient (Khiron 2022). Which shows the amount of money that can possibly be made from the Latin American cannabis market. More patients, lower costs, and with Colombia being the first country to offer insurance coverage for all medicinal cannabis patients in 2021, it can be expected that a lot of patients will take medicinal cannabis prescriptions. However, as long as the companies providing this cannabis are in hands of foreign entities, it will not be the Colombians benefiting from this expanding market.

Unfortunately, the rise of the MNCs in the sector perpetuates a global phenomenon of pushing out local, smaller producers. This is held in place by the legislative framework set up by the government. The good intention of requesting certain levels of product quality, acquiring licenses in order to produce legally, and the need for minimum security of the farming fields has led to exclusion of the SMEs from the Colombian cannabis market (Sturkenboom 2021, 62). It can be argued that if the MNCs would buy their cannabis from the local producers, those producers could stay independent and perhaps receive a higher price for their product than they would receive in wages. Furthermore, it keeps the industry diversified instead of creating an oligarchy in which a couple of big players dominate the market. Moreover, where large cannabis MNCs focus on developing new technologies regarding cultivation, fertilization, processing, and manufacturing, smaller, local companies have a higher focus on regenerative agricultural policies that aid sustainable development and put less strain on the environment (Riboulet-Zemouli et al. 2019, 51). So while the large MNCs can bring in the technological advances, they should not push out the smaller, local producers since that would entail the loss of sustainable approaches and result in more degradation of the land. The removal of bottlenecks, a positive point mentioned in the previous chapter, can in this context also prove to have negative results. When those bottlenecks are eliminated, access to the Colombian cannabis market will become even easier, and even more attractive for MNCs. This speeds up the process of competition between the MNCs to become Colombia's largest player, which also speeds up the process of taking up more land, making it harder for SMEs to get off the ground.

## Conclusion

Sadly, FDI does not only bring progress. As demonstrated in this chapter, there are some serious downsides to FDI which have to be taken into consideration. First of all, the primarization of the economy makes it very hard for Colombia to climb the GVC ladder, because of its dependency on Global North countries and their FDI. As long as this cycle is not broken, Colombia will struggle to compete with countries higher up the GVC ladder. Furthermore, while many of the MCNs claim to be ecologically friendly and devoted to improving their surrounding communities, the fact that almost none of them present factual evidence of this assumes that some of the promises are used to greenwash their operations. Lastly, MNCs must not forget that when they are entering a foreign market, they are likely to push many of the local businesses that are simply unable to compete with the low production prices and higher wages. When local producers are forced to shut down and start working for the MNCs, this damages the diversity of the market but also disincentivizes domestic investors to help local start-ups. Thus, one must always stay critical when assessing the actual positive impact that is being done by an MNC, or any other company for that sake. Many times, what appears to be beneficial in the first place, might have unwanted effects as well.

# Conclusion

Let it be clear that there is a precarious balancing game going on between the need for FDI that can mature the local cannabis market with better technology and the danger of pushing off the local producers from the Colombian cannabis market. This thesis was aimed at showing the ways FDI influenced the Colombian cannabis market. By doing so, this thesis has demonstrated that both positive and negative FDI influences can be found when discussing the Colombian cannabis market case. Because of the neutral nature of this thesis, I do not wish to give a value judgment to either side. Rather, I hope that by discussing the impacts of when FDI enters a market such as the Colombian cannabis one, future researchers or policy-makers will be aware of the possible pitfalls they have to take into consideration when drawing up new policies that affect the cannabis market. Therefore, this thesis hopefully provides a basis on which other scholars may build. This requires a concise formulation of all that has been said. By using the framework set up in the theoretical chapter, the third and fourth chapters can be put into perspective, with the use of the historical background shown in the second chapter.

First of all, contrary to what initially had been assumed, MNCs did not predominantly penetrate the Colombian cannabis market by using IJVs. Probably, this is because the Colombian government created a regulatory and legislative framework that was good enough so that MNCs did not need local partners to help them understand the market. Only in the case of Avicanna and its acquisition of SMGH the IJV construction has been used. However, it has to be mentioned that the other five companies have several locations in multiple companies, which shows that they have sufficient experience in penetrating foreign markets. The mentioned regulatory and legislative framework can be seen as a good example of how the idea of the agrarian political economy is used for the attraction of FDI. When the Colombian government was aware of the possible goldmine they possessed, they diverted from their previously prohibitionist course so that Global North MNCs, looking for cheap lands to expand, could rush toward Colombia and bring a much-needed financial injection into the economy.

This financial injection appears to be the most important upside of FDI. Whether it is through the creation of many new jobs or the formalization of the sector and its adjacent GVC fields, the increase of foreign funds mostly meant better living conditions for directly affected Colombians. The third chapter also shows the secondary positive effects the MNCs brought with them. The example of Clever Leaves and their promise to educate their workforce beyond the skills they need to possess for their work is a marker for actual implemented CSR. The same can be said of the dedication of several MNCs to implement a diversity quota. By diversifying their workforce, they not only pay attention to the TBL but also actively engage with the local community which can improve the MNCs' relationship between them and the community. This financial injection also caused the improvement of the needed infrastructure for the sector. In turn, this improved infrastructure, together with an increased output of cannabis, caused higher exports that returned in the form of taxes and tariffs, strengthening the Colombian treasury and increasing its GDP. Hopefully, this money will at least partially benefit the cannabis sector and those working in it. All in all, the formalization of the Colombian cannabis sector has the opportunity to benefit not only the Colombian government but also the communities in which it operates.

Unfortunately, the downsides to FDI were also prevalent. For example, the quota that at least 10% of produced cannabis must come from SMEs. While the intentions were good, in practice, this is easy to circumvent as the MNCs just take over the SMEs or employ their workers. So despite the MNCs all stating their good intentions for improving the Colombian cannabis market, it can be questioned if it is not better to let the market mature on its own, without too much involvement from Northern companies that might bring the know-how and finance. While it is undeniable that MNCs can provide better working conditions (mostly in the form of higher wages) in general, this can result in a brain drain where skilled workers move from SMEs to MNCs. By the commodification of oneself, the SME workers that move to MNCs are perpetuating the cycle of SMEs lagging behind in technological know-how and knowledge. Moreover, MNCs are also more damaging to the environment than SMEs. The continuous expansion drift that the majority of the MNCs have and need to have to stay competitive on the world market, results in more and more loss of land, further degradation of the environment on a local ánd global scale, and a less diverse player field which could lead to unfair pricing. Also, many indigenous peoples are in danger of being displaced from their ancestral lands when MNCs are allowed to buy them from the Colombian government to still their expansion drift. Furthermore, because cannabis is still a commodity, Colombia stays at the bottom of the GVC. The new technologies that the MNCs bring with them might improve Colombia's position slightly, but the ongoing primarization of the economy prohibits it from making significant strides upward. Increased FDI flows can also result in a loss of domestic investment incentive when they notice that foreign capital is much more abundant.

Besides, MNCs need to be critically engaged regarding their SD and CSR policies. Greenwashing is a reoccurring problem across all sectors that claim to be focusing on improving the environment. Especially a sector such as the cannabis one is prone to this. While researching the six MNCs, no clear sign of the impact their claimed SD policies have had could be found. This can be a sign of greenwashing. Therefore, consumers have to do profound research when deciding where to buy their sustainably grown cannabis from, if that is something they take into consideration when making their decision.

There are thus pros and cons when looking at the influence FDI has on the Colombian cannabis market. While it is undeniable that the Colombian economy benefits from increased FDI flows, this is mostly the economy in general. Like in many other cases, SMEs tend to be forgotten in this process. Public policies that initially were aimed at improving their position on the market sometimes backfired, and the legislative framework excluded them from successfully entering the GVC. The lesson that needs to be drawn from this is that in the future, policy-makers must find a way that does not exclude the SMEs, but rather helps them strengthen the Colombian market from within than through FDI. When this is achieved, Colombia will not only be a frontrunner on the global cannabis market in regard to their preferable geography, but also for their inclusiveness concerning their SMEs. They then have the opportunity to set an example for the world, which could improve the position of SMEs worldwide.

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# Appendix

Appendix 1 – Timeline of Colombian Laws, Decrees, and Regulations concerning cannabis cultivation

| Regulation | Comment |
|---|---|
| Legislative Act 02 of 2009 | Legalises the use and consumption of cannabis with a doctor's prescription. |
| Law 1787 of 2016 | Creates a regulatory framework that permits safe and informed access to cannabis and its derivatives |
| Decree 613 of 2017 | Regulates Law 1787 of 2016, introduces definitions and conditions for obtaining the various types of licences. |
| Decree 631 of 2018 | Introduces modifications and instructions concerning the source of seeds (fuente semillera) |
| Resolution 577 of 2017 | Establishes technical regulations governing the assessment and monitoring of licences for the use of seeds for planting/sowing and licences for the cultivation of psychoactive and non-psychoactive cannabis plants. |
| Resolution 578 of 2017 | Establishes the tariff schedule for the assessment and monitoring services that must be paid for by individuals and companies applying for licences. |
| Resolution 579 of 2017 | Establishes criteria for defining small and medium-scale growers, producers and traders of medicinal cannabis in Colombia. |
| Resolution 2891 of 2017 | Establishes the tariff schedule for assessment, monitoring and control services applicable to licences to manufacture cannabis derivatives for medicinal and scientific purposes. |
| Resolution 2892 of 2017 | Establishes technical regulations governing the award of licences for the production and manufacture of cannabis derivatives. |
| Decree 2106 of 2019 | Amends Law 1787 and aims to simplify applications and proceedings. |

Source: (Legalink n.d.)