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The Interface Between Domestic and
International Factors in Colombia's War System

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Foreword

This paper is part of a larger research project, ‘Coping with Internal Conflict’ (CICP), which was executed by the Conflict Research Unit of the Netherlands Institute of International Relations ‘Clingendael’ for the Netherlands Ministry of Foreign Affairs. The CICP, which was finalized at the end of 2002, consisted of three components: ‘The Political Economy of Internal Conflict’; ‘Managing Group Grievances and Internal Conflict’; and ‘Security Sector Reform’. This paper was written in the framework of the research component ‘The Political Economy of Internal Conflict’.

Addressing the political economy of internal conflict calls for policies based on good analysis, and this component’s purpose was to make such analyses. Studies on Angola, Colombia, Sierra Leone and Sri Lanka were carried out, and the studies particularly examined the local dimension of political economies of conflict, the interface between the national and the international dimensions, and the role of outside actors.

Abbreviations

AUC	<i>Autodefensas Unidas de Colombia</i> (United Self-Defence Forces of Colombia)
BP	British Petroleum
CPI	Brazilian Parliamentary Investigative Commission
ELN	<i>Ejercito de Liberación Nacional de Colombia</i> (National Liberation Army)
FARC	<i>Fuerzas Armadas Revolucionarios de Colombia</i> (Revolutionary Armed Forces of Colombia)
IANSA	International Action Network on Small Arms
Oxy	Occidental oil Company
UNDCP	United Nations Drug Control Programme

I. Introduction

This paper discusses the intersection of international and local factors and its impact on the Colombian conflict and its dynamics. It is divided into three main sections designed to address the issues with regard to main research questions on the interface relationship between domestic and international dimensions. The first section discusses the role of international actors such as multinational corporations in Colombia's war economy. The second section explores the commodities and regional-international networks that link the Colombian war system with the international system. This section focuses on the main commodities and activities that comprise the resource bases of the war system, namely: ransom/kidnapping of multinational corporations' personnel, narcotrafficking, trade of small arms, and gold and emerald smuggling.¹ This section also sheds light on regional international networks that are perpetuating the war system. Finally, the third section addresses the weaknesses in national and international regimes that facilitate the development of these identified networks.

¹ A war system is defined as a pattern of interaction that endures over time because of the conjunction of three main factors: 1) the perpetual failure of the state and its opponents to establish institutions to channel and negotiate their conflicts by peaceful means; 2) a balance of forces that does not allow any of the contending forces to win a conflict decisively once hostilities are initiated; and 3) a political economy under which the warring actors feel that they are better off than prior to the initiation of hostilities, as is the case for the rebels. On their part, the state and dominant classes feel that war is less expensive than a peace that requires political and economic sacrifices such as a more democratic inclusive political system and a more equitable distribution of resources (land and capital).

II. Multinational Corporations and the War System's Economy

The role of multinational corporations in the Colombian conflict can be summed up in two main areas: one is their impact on land conflict in their areas of operations; the other is that they stimulate the predatory behaviour of the warring actors - the state, guerrillas and paramilitaries.

Conflict over land is not new in Colombia and has been one of its most enduring legacies since colonial times. Land conflicts have passed through different phases and witnessed significant changes in terms of classes involved, the political articulations of these conflicts, and the regional and international contexts of these conflicts. This paper will examine the role that oil multinational corporations have played in exacerbating conflict over land, particularly in areas of their operations, and their relationship with the warring actors and the war economy.

Since the advent of oil and the beginning of its commercial extraction in the 1920s, the peasant economy started witnessing the pressures of a changing political economy. Wages in the then rising oil industry were many times more than the earnings of a subsistence peasant. The peasant economy was already suffering from decreasing world market demands for traditional cash crops such as potato, cotton and sugar cane, and increasing imports of cheaper and better quality.

The encroachments on the peasant economy was not limited to the market pressures inherent to the 'enclave *rentier* economies' but also included uprooting peasants from their land in areas of exploration and areas conceded by the state to the oil companies.² The total area under exploration and production is estimated at 200,000 square kilometres. This constitutes only 9 per cent of the total sedimentary area that is still open for contracting, which is estimated at 1,036,400 square kilometres.³ Such explorations and concessions created an important source of conflict between these companies and the peasants, which is likely to increase with the growth in contracting and exploration. Thousands of families have lost their lands and their sources of livelihood to these companies during the last five decades and many more will likely lose theirs in the near and long term unless this trend is adjusted to the needs of the local communities and their subsistence economy.

The insurgency that has been active since the 1960s capitalized on such grievances in different regions, particularly in the Middle Magdalena. Oil companies, in their turn, in an attempt to consolidate their presence and to protect their long-term investment, followed a two-pronged strategy that contributed to the civil war dynamics. On the one hand, the oil companies were instrumental in the formation of right-wing paramilitary groups in the 1980s, such as the one in Puerto Boyaca in the Middle Magdalena. This paramilitary group ushered in the beginning of a new phase in the now 38-year-old civil war by introducing a new actor that is financed and supported by forces that include the Texas Petroleum Company, narcotraffickers, conservative political forces, large landowners and cattle

² An enclave *rentier*-based economy is one that relies on the extraction of raw materials and speculations.

³ United States Department of Commerce, *Colombia's Best Prospects*, 2002.

ranchers.⁴ It is noteworthy that Puerto Boyaca, which is a strategic town on the Magdalena River, was considered a stronghold for the Communist Party and its then military arm, *Fuerzas Armadas Revolucionarias de Colombia* (FARC) until the late 1970s.⁵ On the other hand, the oil companies' strategy was one of accommodation and coexistence with the guerrillas by satisfying their demands for social investment in the areas where these companies operated. The guerrillas' demands included building vocational schools, paving roads, supporting clinics and subcontracting projects to the guerrillas' own enterprises or taxing 5 per cent of a subcontract's value offered to other enterprises.⁶ These seemingly contradictory strategies employed by foreign companies were obviously motivated by economic interests and appeared to have worked, since their investments not only continued but increased over the last two decades: in 1990 foreign direct investments were only US\$ 500 million; by 1998 they amounted to US\$ 3,038 million.⁷ Most of these investments were in the oil and coal sectors.

Multinational corporations have capitalized on the risks involved in investing by extracting better contracts from the government and reducing the royalties that they pay. In 2002, for example, these companies' royalties were reduced from the 20 per cent flat rate to a flexible one that depends on the volume of production and international prices for oil/gas. The government's 50 per cent profit share after deducting royalties and costs was also reduced.⁸

The oil business's expansion process became increasingly entangled with the dynamics of land conflicts, particularly where the companies were based.⁹ With the emergence of the guerrillas, the multinational corporations' involvement became more instrumental in the civil war and its political economy. The development of a *rentier*-based economy dependent on raw-material extraction in regions such as Arauca, Casanare, Putumayo, North Santander, Santander, Bolivar and Guajira disrupted the subsistence peasant economy and exacerbated conflicts over the control of strategic land. Land became an increasingly valuable commodity and its use increasingly shifted from agricultural use to speculation, with the advent alongside of multinational corporations, macro projects such as regional highways and the dry canal with Panama, and the narcobourgeoisie in the 1980s and 1990s.¹⁰ Combined, these social forces (multinational corporations and narcobourgeoisie investments) raised land speculation, thus contributing to the expansion of violent conflicts in the above-mentioned regions. Consequently, during the 1990s these led to increased involvement by foreign actors in the conflict, most particularly an increase in foreign mercenaries, multinational security companies and US military personnel and assistance.

⁴ Carlos Medina Gallego, *Autodefensas, Paramilitares y Narcotrafico en Colombia: Origen, Desarrollo y Consolidacion: El Caso Puerto Boyaca* (Bogota: Documentos Periodisticos, 1990), p. 173.

⁵ Carlos Medina Gallego, *Autodefensas, Paramilitares y Narcotrafico en Colombia*, p. 173.

⁶ See Nazih Richani, *Systems of Violence: The Political Economy of War and Peace in Colombia*, (Albany NY: State University of New York Press, 2002), chapter 5. See also Martin Hodgson 'Oil Inflames Colombia's War', *The Christian Science Monitor*, 5 March 2002.

⁷ *World Development Report 2000/2001* (New York: Oxford University Press, 2001), p. 314.

⁸ Multinational corporations, particularly those in mineral extraction, are most likely to retain or increase their investments in conflict states according to a recent study on multinational corporations. See David Carment, *The Private Sector and Conflict Prevention Mainstreaming: Risk Analysis and Impact Assessment Tools for Multinational Corporations*, CIPF, Carlton University, May 2002.

⁹ Richani, *Systems of Violence*, pp. 102-124.

¹⁰ The term narcobourgeoisie is employed in this paper to denote the emergence of a new social faction within the dominant classes in Colombia with its own characteristics of humble class origins, its economic position in the illicit production process, and political objectives. In its political objectives, for example, the narcobourgeoisie stands against extradition of its members to the US, land reforms where they possess land, and views the guerrillas as their prime enemy.

Multinational corporations not only helped to integrate Colombia into global capitalism and to shape a *rentier* economy, but have also stimulated the state's, guerrillas', paramilitaries' and security companies' predatory behaviour. Local and international actors (such as multinational security corporations) incrementally viewed these companies as an important source of income that is crucial to enhance their war capabilities or profits in the case of multinational security companies. This section discusses the modalities of contribution to the war economy and the relationship between the warring actors and the multinational corporations. I will start with the guerrillas.

2.1. Multinationals and the Guerrillas

Notwithstanding the anti-foreign capital stance of FARC and *Ejercito de Liberación Nacional de Colombia* (ELN) and their call to renegotiate contracts and concessions granted by the Colombian state to multinationals over the years, both guerrilla groups have managed to extract significant protection rents from these companies.

There are four main modalities of rent extraction. One is the 'direct tax' that multinationals pay the guerrillas as a price for not harming their installations and personnel. The second form is the 'community tax', which forces these companies to invest in community projects such as vocational schools, scholarly equipment such computers, recreational grounds for children and paving of roads. The 'community tax' is usually negotiated between the targeted community representatives (some of whom may be associated with the guerrillas) and the multinational company. The third modality of rent extraction is subcontracts to 'front companies' owned by the guerrillas to carry out certain projects. These companies provide employment to people in guerrilla areas. Finally, the fourth and most lucrative form of rent extraction is the 'Retention Tax': kidnapping for ransom these companies' high-ranking employees. For example, it is estimated that this contributes about 40 per cent of FARC's annual income.¹¹ According to a study by the Hiscox Group, a subsidiary of Lloyds, between 1995 and 2000, Colombian guerrillas received about US\$ 632 million as ransom for the liberation of kidnapped foreigners.¹² Most of those kidnapped were employees of multinational corporations.

Ironically, the multinational 'contributions' helped in the resurrection of the ELN, the second most important insurgent group in Colombia, after its debilitating 1973 defeat in Anorí (Antioquia). This resurrection was mainly thanks to the ransom paid to the ELN for the release of three kidnapped employees by a German Engineering firm, Mannesman Anlagenbau A.G., which had been subcontracted by Occidental Petroleum to build the Caño Limón (Arauca) to Caribbean coast pipeline. The estimated amount paid by this company to the ELN was US\$ 2 million for its hostages and another US\$ 18 million to allow it to execute the US\$ 169 million project.¹³ These funds helped the ELN to rebuild its fighting capability and increase its fronts from three in 1983 to eleven in 1986; that is, it almost quadrupled in only three years. Multinational oil and security companies may have provided between 40 per cent and 60 per cent of the guerrillas' income over the last two decades.¹⁴ This income is significantly higher than FARC's levy from taxing the narcotics trafficking industry,

¹¹ As quoted in *Semana*, 21 November 2001.

¹² *Semana*, 21 November 2001.

¹³ This account is based on Pax Christi, *The Kidnap Industry in Colombia: Our Business?*, Utrecht, November 2001, p. 23; and also my own research in Colombia.

¹⁴ Pax Christi, *The Kidnap Industry in Colombia: Our Business?*, pp. 15-17 and 22-23.

keeping in mind that portions of what narcotraffickers and coca merchants pay in taxes come in the form of weapons. It is a kind of barter system.

The multinational security companies are other important players in the war system and its political economy, since they are the ones that negotiate ransom payments and are capitalizing on higher insurance premiums. Multinational personnel or Colombian businessmen who are insured become primary targets of kidnapping, which in turn raises the premiums and increase the incentives for kidnapping. It is a mutually reinforcing process where the kidnappers and the insurers are optimizing their benefits. Among the largest multinational security and insurance companies operating in Colombia are Kroll Inc. (US) and Control Risks Group (Britain), the Hiscox Group of Lloyds (Britain), and IAG (US).

2.2. Multinational Corporations and the State

The Colombian government's predatory behaviour is no less than its opponents. It has sought to extract money from multinational corporations, particularly its military, which has established direct channels with multinational oil corporations with little if any scrutiny or oversight from civilian authorities. A case in point, Occidental oil company (Oxy), pays more than US\$ 20 million per year on security, which is paid to the Colombian state and its armed forces.¹⁵ Oxy covers the 'non-lethal' costs of the military personnel that are protecting its installations. The relationship that Oxy has formed with the military includes information gathering, intelligence and developing counter-insurgency strategies.

The methods of direct payment from the companies to the Colombian army have been controversial. Oil companies such as British Petroleum, Total, Occidental, and Triton have favoured this method to avoid overhead expenses, bureaucratic red tape and scrutiny. These companies share 'intelligence gathering and sharing' with the military, which is mostly counter-insurgency in nature.

At least one brigade (about 2,000 soldiers) and two battalions are currently receiving direct or indirect payments from multinational oil corporations. And the Bush administration is planning by 2003 to finance (\$US 98 million) the creation of an additional brigade of 2,000 soldiers designed to protect Occidental oil pipelines against the guerrillas' attacks. It is not unusual for the US government to commit resources to defend the interests of one of its main companies, but in the Colombian context this involvement affects the dynamics of the civil war and, as discussed later in this paper, has contributed to the derailment of the peace process.

2.3. Multinationals and the Paramilitaries: Autodefensas Unidas de Colombia (AUC, the United Self-Defences of Colombia)

Other cases of involvement by multinational corporations in the war system are British Petroleum (BP) and a host of other companies such as the French company, Total, and the American company, Triton, which are associated with the building and maintenance of the oil pipelines that run from the oil fields of Cusiana and Cupiaqua in the region of Casanare to Covenas on the Atlantic Coast. BP is one of the main multinational corporations operating in Colombia. Its main installations, oil fields and pipelines are in areas of conflict extending from Casanare passing by the Middle Magdalena until it

¹⁵ This is according to the President of Occidental, Stephen Newton, as quoted in *El Tiempo*, 21 April 1997, p. 8B.

reaches Covenas on the Caribbean coast. The paramilitaries of Victor Carranza and Carlos Castaño (AUC) control an important sector through which the pipelines pass. For the last few years, the prime objective of both Carranza's and Castaño's forces has been establishing and consolidating a buffer zone that could diminish the guerrillas' influence in the surroundings of the pipelines. The most obvious goal of this strategy is to push the guerrillas from villages located along the pipeline areas and to deny the guerrillas the possibility for extraction of protection rent that they obtained from oil companies.

This paramilitary strategy coincided with the arrival of two new actors on the scene: BP's security contractors, Defence Systems Limited, a British-based security company; and Silver Shadow, an Israeli company.¹⁶ Defence Systems Limited and Silver Shadow (owned by Asaf Nadel, Israel's ex-military attaché to Colombia) devised a security strategy in order to protect a stretch of 115 kilometres between Segovia and Remedio in Antioquia.¹⁷ Their plan included military and 'psychological and intelligence operations' in the villages of Segovia and Remedios against the social base of the guerrillas, this at a time when massacres were committed by paramilitaries in both places, which raised important questions about the nature of the relationship among BP, its security companies, the army, and the AUC. The army has a brigade and two battalions in the area, and a number of its officers were implicated in massacres perpetrated against 'guerrilla sympathizers' in collaboration with paramilitaries.¹⁸

The above represents a case of how the concerns of multinational corporations intersect with the local actors of the war system and in their areas of operation. Multinational corporations provide an opportunity for the extraction of protection rent, exacerbating competition between multinational security companies and the local actors of the war system. Such a condition consolidates the war system as a modality for the distribution of protection rent among the contending forces. The relationship between BP and the army is governed by agreements under which BP is committed to pick up the bill for maintaining the forces that are protecting its installations.

Multinational coal corporations have also had an impact on local communities and on the increased levels of violence in their area of operations. This is noted, for example, in the coalmines controlled by US-based Exxon and a consortium consisting of three multinationals: Swiss-based Glencore; London-based Billiton; and Anglo-American. Over the history of the mining concessions, local communities have been forcibly relocated, with inadequate or non-existent compensation. The latest episode is in the village of Tabaco in the Guajira, where peasants are being pressured to relocate without adequate compensation that could allow them to continue their subsistence agriculture. Security guards of these companies and their subsidiaries have been accused of intimidating the 1,000 miners. In these same areas, the paramilitaries succeeded in establishing some control, which in turn allowed these companies to employ aggressive tactics to intimidate miners and their union. There is no information about the protection rent that these companies pay (if any) to paramilitaries. Nonetheless, three union members that work at the US-based Drummond coal company were murdered by AUC paramilitary in 2001.

At the political level, the AUC - in sharp contrast with the guerrillas - does support the foreign capital investments and has no ideological or political position against the multinationals' practices in Colombia. This has allowed for an affinity between the AUC and foreign companies, particularly

¹⁶ Richani, *Systems of Violence*, chapter 5.

¹⁷ Richani, *Systems of Violence*, chapter 5.

¹⁸ Richani, *Systems of Violence*, chapter 5.

those investing in areas of conflict. This affinity triggered pragmatism on the part of the multinationals and opened avenues for wheeling and dealing, one of which brought allegations in 2001 against Coca-Cola, accusing it of links with paramilitaries that led to the killing of some union members.¹⁹ This brings the number of multinational corporations with alleged links to the paramilitaries to at least six (Drummond, BP, Oxy, Coca-Cola, Silver Shadow, and Defence Systems Inc.).²⁰

Finally, the US-based multinational corporations have been instrumental in propelling 'Plan Colombia' and in shaping American foreign policy towards Colombia. This was manifested in their heavy lobbying of the US Congress when the US\$ 1.3 billion bill - of mostly military aid - was debated. Finally the bill was signed into law, inaugurating a watershed in the level of US military involvement in the conflict, which is unprecedented in the 38-year-old war. In this manner, the role and impact of multinational corporations on the ongoing conflict and its political economy could neither be ignored nor underestimated (see section on 'Plan Colombia').

¹⁹ In 2001 Colombian labour unions filed a lawsuit in the US against Coca-Cola for the alleged hiring of paramilitaries to assassinate union members.

²⁰ There is also an accusation of paramilitary links against Goldfield Inc., but it proved difficult for the author to establish its base. According to the miners in south Bolivar, this company is US-based.

III. International-Regional Networks and Commodities Fuelling the Internal Conflict

3.1. Narcotrafficking

Colombia's geographic position at the gate of South America has been more of a curse than a blessing as the country's most recent history attests. Since the Spanish conquest, the Colombian Caribbean coasts have served as a corridor for contraband and the transit of slaves, gold and merchandise. After the 1903 independence of Panama from Colombia, these routes were largely maintained by new generations of contrabandists and subsequently by narcotraffickers. Ample evidence indicates that between 1968 and 1970 the first contacts for US traffickers to transport marijuana from the Sierra Nevada of Santa Marta on the Atlantic coast were Colombian contrabandists who knew the traditional routes from the free market in Colon (Panama) and the Antilles.²¹

Contrabanding activity was largely a function of the tariffs that the respective governments had on imported goods. When these tariffs were high, then contraband increased accordingly, for example during the government of Carlos Lleras Restrepo (Colombian President from 1967-1971) and then under Ayala Turbay (President from 1978-82). Both governments raised tariffs on imported goods, leading to a significant increase in contrabanding. The so-called 'San Andresitos' markets where contraband products were sold flourished in the country's main cities. The merchandise ranged from electronics, whisky, cosmetics and cigarettes to weapons. Contrabandists with long experience and well-established networks with international markets provided a logistical infrastructure for the export of marijuana in the 1970s, and coca and opium in the 1980s and 1990s.²² This is an important factor that helped Colombia to become a major exporter of illicit drugs.

Since the 1960s, contrabanding and illicit crops have also been a function of the steep and almost uninterrupted decline of the agricultural economy. Both illicit activities corresponded to the different impulses and contradictions generated by the crisis of Colombia's economic model of development, which left its rural economy unprotected against competition from foreign products. Consequently, unfavourable competition in its national market created socio-economic dislocations in a country that in 1960 had about 60 per cent of its population still living in rural areas (it was not until the 1970s when 57 per cent of Colombia's population became urban).

Cotton, which was largely cultivated on the Atlantic coast (La Guajira, Cesar, and Magdalena), was in decline because of cheaper synthetic imported products. This in turn affected the main textile production centre in Antioquia. These areas later became centres for narcotrafficking organizations. Similarly, sugar exports were also facing the international quotas set by the United States, and this affected the sugar industry, which was concentrated in the Valle del Cauca. The export of emeralds also witnessed decreasing productivity due to the needs of more sophisticated extraction equipment, decreasing international prices, and violence between competing Mafia groups for the control of

²¹ Richani, *Systems of Violence*, pp. 93-94.

²² Richani, *Systems of Violence*, pp. 93-94.

emerald mines in Boyaca. The regions bordering Venezuela that depended on trade with it were affected by the devaluation of Venezuela's currency. This contributed to an increase in contrabanding and a decrease in commercial exchange between Colombia and Venezuela. These regions all became areas for marijuana.

During the 1970s, marijuana became one of the main cash crops in what is referred to as the golden era *marimbera*, which came in the wake of a crisis that hit cotton plantations and production due to cheaper synthetic imports, mostly contraband merchandise. Marijuana plantations were encouraged and supported by traffickers from the United States, who appreciated the high value of the tropical marijuana. These plantations received technical support from US agronomists and experts.²³ As a result of the rural economic crisis, some large farmers and cattle ranchers shifted to marijuana production in the Sierra Nevada De Santa Marta, Guajira, Cesar, and Middle Magdalena. By 1974, about 80 per cent of the farmers in the Guajira had planted marijuana. This economic boom was soon followed by a bust in the early 1980s when the prices of Colombia's marijuana started declining with the emergence of a more potent and cheaper marijuana variant in the United States and with the emergence of other competitors in global markets. This decline in the demand for Colombia's marijuana led to a shift to coca plantations in various areas suitable for its cultivation.

During the marijuana boom there was no evidence that the guerrillas extracted any protection rent from growers or traffickers. This taxation strategy was not introduced until the 1980s when coca became the main cash crop replacing marijuana. The marijuana boom and bust and the emergence of coca in the 1980s and poppy seeds in the 1990s changed the political economy of the Colombian conflict in two fundamental ways. One was the consolidation of narcotrafficking and narcotraffickers, with far-reaching ramifications on the conflict: a new social group (narcobourgeoisie) with enormous fortunes was created, which began to assert its political agenda by creating its own militias such as the ones that are today affiliated with the AUC.²⁴ And the second interrelated consequence of the advent of coca was the creation of predatory opportunities for rent extraction for the guerrillas and paramilitaries, as well as for state agents.

My claim that narcotraffickers in Colombia constitute a segment of the national bourgeoisie is based on a number of indicators, chiefly that their extensive fortunes are concentrated in a few hundred hands. This group has accumulated more than 10 per cent of the most fertile lands in the country and has also acquired land properties in economically strategic areas of Uraba, Antioquia, Cordoba, Middle Magdalena, Oriental Plains, Cesar, and on the Caribbean coast. According to a recent study, the United Nations Drug Control Programme (UNDCP) put the figure of land owned by the narcobourgeoisie at 4.4 million hectares with an estimated value of US\$ 2.4 billion.²⁵ Their illicit economic activity has facilitated them to articulate a common political agenda regarding issues such as extradition and land reforms that does not necessarily coincide with that of the other segments of the dominant classes. Consequently, the narcobourgeoisie has been instrumental in building its own private armies, which today form part of the AUC. In doing so they have contributed to the

²³ Richani, *Systems of Violence*, p. 94.

²⁴ The AUC is an umbrella organization for paramilitary bosses with chiefly three main groups: those led by Ramon Isaza (Central Bloc, which operates in the Middle Magdalena, Santander, and North Santander); Julian Bolivar (which operates in Bolivar); and the *Autodefensas Campesinas de Cordoba y Uraba*, led by Carlos Castaño.

²⁵ As quoted in *El Tiempo*, 28 April 2000.

reconfiguration of war system actors (from state-guerrillas to state-guerrillas-paramilitaries) and have changed its dynamics.

On the guerrillas' side, narcotrafficking provided an opportunity for rent extraction and predation by taxing coca merchants, commercial coca growers, and the narcobourgeoisie. These predations and the rents obtained appeared evident by the late 1980s, when guerrilla forces started acquiring more weapons, expanding their radius of operations, and growing in number. In 1990, FARC had 5,600 fighters; by 1996 it had 7,500; and by the end of the 1990s it had doubled that force to 15,000.²⁶

FARC benefited the most from this process of predation, because most of the coca plantations were in areas in which it has historically operated, such as Putumayo, Caqueta, Meta, and Guaviare. The ELN did not capitalize as much, because it did not really have any military presence in these areas. However, in the early 1990s, coca plantations started in south Bolivar, Catatumbo (north Santander), which were ELN strongholds until 1997-1998 when AUC took control. Thus the ELN did not have much of an opportunity to extract protection rent from the coca production process, and if it did it was short-lived. The ELN relied more on ransom kidnapping and on taxing landowners.

A key question to consider is whether this change in the resource base of the guerrillas (FARC and ELN) had an effect on their political identity and political objectives. Certainly FARC emerged stronger and more confident that it could change the correlation of forces to its advantage and achieve its objectives to introduce meaningful reforms in five key areas: land reforms; crop substitution; reforming the military institutions; political reforms; and redefining Colombia's model of economic development. FARC's political agenda, as summed up above, was introduced in 1993 in its eighth conference at a time when the organization was bearing the fruits of its aggressive rent extractions from narcotraffickers, large landowners, as well as from kidnap ransoms. Consequently, FARC's political identity as a rebel group and its political objectives were reinforced by its ability to extract more resources.

The ELN on its part was not as successful, despite its initial growth in the second part of the 1980s and early 1990s. In 1990, the ELN had 1,800 fighters; by 1996 it had increased its fighting force to 3,000.²⁷ However, since then its military force has suffered important defeats, delivered by a concerted effort of the AUC and the army in south Bolivar, North Santander and Magalena Medio, all of which were its traditional strongholds in addition to Antioquia. The ELN is currently in a very critical condition and some of its forces are joining FARC, particularly in Antioquia. While extracting resources from narcotraffickers has worked well for FARC, for the ELN it has presented mixed results.

The consolidation of the narcobourgeoisie in the 1980s and 1990s also affected state agents. Here discussion will be limited to the members of the political establishment. It is important to keep in mind that the narcobourgeoisie's political penetration of state institutions is yet to be fully assessed and evaluated, but preliminary research in this area demonstrates the chronological progression of this process. For example, in 1978 about 10 per cent of senators and 10 per cent of lower house members received financial support from the narcobourgeoisie. In 1994, the magnitude and percentages increased dramatically: even the then elected President Ernesto Samper (1994-1998) received about US\$ 6.1 million as campaign contributions from the narcobourgeoisie and between 60 per cent to 65

²⁶ Nazih Richani, 'The Political Economy of Violence: The War System in Colombia', *Journal of Inter-American Studies and World Affairs*, vol.39, no 2, summer 1997, p. 42.

²⁷ Richani, 'The Political Economy of Violence', p. 42.

per cent of Congress members received financial support from this same group.²⁸ These figures reveal the gravity of the situation and the complexity that it assumes with the protraction of the war. It is also alleged that even the current President-elect Alvaro Uribe has had some bonds with the narco-traffickers of Medellin, particularly the Ochoa family.

3.2. The State Hegemonic Crisis and Narcotrafficking

In light of the above, a central question begs for an answer: why did Colombia provide fertile grounds for contrabanding and narcotrafficking? One can argue that many other countries in the world were subject to similar declines in their rural economies and became neither producers of illicit cash crops nor had their markets invaded by illegal economic activity. The obvious answer to why Colombia became one of the main theatres for contraband and narcotrafficking is the inability of the Colombian state to extend its authority over the national territory. Hence my thesis is that the increase of illegal economic activity is a function not only of dire economic conditions, but also as a result of the state's hegemonic crisis, exacerbated by an armed insurgency that has been trimming the state's authority since the 1960s.

A preliminary look at where coca plantations are concentrated in Colombia supports this argument. The five regions listed in Table 1 with the highest coca production concentration have a very weak state presence, if any, beyond a small police force (sometimes less than fifteen officers) stationed in the region's main urban centres. In most of the cases the police officers do not even dare to step outside these centres. Control outside the municipal urban centres (*cabezeras*) of the regions listed in Table 1 oscillated between guerrillas and narcotraffickers from the 1980s until 2001. The only constant, however, was weak state presence. Coca producers from these regions emphasized that the only authority (prior to the introduction of the coca) that they ever knew was that of the guerrillas.²⁹ The advent of coca increased the need for an authority to control the many problems generated by the coca boom, such as conflicts between growers and buyers, violations of contracts, prostitution, crime, alcoholism, and uncontrolled encroachments on the environment. FARC filled this vacuum and these areas became the guerrillas' strongholds in the early 1970s.

²⁸ The 1978 figure is according to the US Drug Enforcement Administration (DEA) and the US State Department data, as cited by Juan Gabriel Tokaltian, *Disertación presentada en el marco del Seminario 'Colombia: Estado, Insurgencia, y Crimen Organizado'*, ISCO, 9 June 1999.

²⁹ Richani, *Systems of Violence*, p. 95.

Table 1. Coca Plantations in 1999 by Region (hectares)

Region	Size of Coca Plantations
Putumayo	37,000
Caqueta	30,000
Guaviare	28,000
North Santander (Gabarra)	2,800
Bolivar (Serranias de San Lucas)	2,800
Total	100,600

Source: United States Department of State, 1999 Report. In 2000, the estimates were put at about 110,000 hectares. The estimates increased to 169,000 hectares according to the US government's 2001 figures. See Drug Control: International Policy and Options, March 2002, CRS Issue Brief for Congress (see Appendix, Figure 1).

But the most revealing and relevant aspect is the increasing trend in illicit plantations since the 1980s. Illicit plantations increased by 400 per cent between 1978 and 1998 to cover an estimated area of 100,600 hectares (see Table 1).³⁰ This dramatic increase in illicit plantations coincided with the changing military balance between the guerrillas and the state, as evidenced in the decreasing fatality ratio rates favouring the guerrillas (from a ratio of 1:1.52 in 1988 to 1:1.35 in 1999). Moreover, if we consider the increasing number of municipalities under the guerrillas' control, then a better picture emerges that supports the argument. In 1983, the guerrillas controlled only 173 municipalities, which constituted 13 per cent of the country's total; by 1998 the guerrillas had expanded their control to 622 municipalities, 61 per cent of the total. In most of the municipalities with illicit drug plantations, the guerrillas have military presence or control. For example, the opium poppy seed plantations are noted in 174 municipalities, and in 123 of them (that is 70 per cent) the guerrillas have a military presence. The right-wing paramilitaries that are allied with narcotraffickers control 46 municipalities or about 26 per cent.³¹ All of these municipalities are practically off-limits to the state. This observation supports my central thesis that the emergence of narcotrafficking and its consolidation was facilitated by the inability of the state to sustain its hegemony in vast areas of the countryside beyond occasional military incursions or expeditions.

The comfortable impasse between the guerrillas and the state provided a window of opportunity for peasants (particularly squatters or *colonos*) and even some commercial farms to shift to illicit plantations without fearing the state's punitive actions. The guerrillas did not prohibit illicit plantations in areas under their control, but they also encouraged peasants to plant other crops to support their subsistence economy. The guerrillas' policy provided an institutional setting - given the unstable nature of illegal cash-crop markets operating within the context of a civil war - stable enough to encourage peasants to assume the risks of planting illicit crops.

Despite fluctuating world prices, because illicit cash crops remain more profitable than traditional crops, approximately 400,000 to 500,000 peasants plant them and assume the risks that this economic decision entails.³² The fluctuation in coca leaf prices from 1978 to 2001 did not significantly affect the

³⁰ Richani, *Systems of Violence*, p. 95.

³¹ Richani, *Systems of Violence*, pp. 118-119.

³² Richani, *Systems of Violence*, pp. 97-98; according to Edgar Sanchez, a representative of the Cultivators of Coca and Amapola (poppy seeds) in Colombia (COCCA) claim that this organization represents 2 million cultivators, then the figures I used above are way below. See Anncol, November 4, 2000.

increase in illicit drugs, since illicit cash crops remained more profitable than traditional crops. The economic cycles of illicit crop production by themselves do not affect the decision of poor peasants to shift to alternative crops, because very few cash crops can yield as many as three crops per year, as coca does, which increases the probability of off-setting previous losses. Peasants are probably able to recuperate their investment costs in a year or two,³³ and very few cash crops offer such economic advantages to poor peasants. Explanation of the changes in coca production and illicit crop production in general lies in the political coercive side of the equation. This explains why the United States, and some other countries, relied on a strategy of increasing production costs by increasing the risks - fumigation, eradication, persecution, and interdiction of transport routes - and alternative crops. This strategy relies mainly on policing and denying peasants the leverage to renegotiate the terms of their reincorporation into the legal world economy.³⁴ In this sense, the military balance between the state and guerrillas in Colombia carries more weight in explaining the exponential increase in drug production than purely economic explanations, since the state and its international backers have not been successful in increasing the peasants' production costs and making their businesses unprofitable. So far, the balance of power between the guerrillas and the state has prevented the curtailment of illicit drug production and has consequently opened prospects for the illicit crop growers to negotiate a settlement that takes into account their interests, particularly if we consider that the peasants of Bolivia and Peru, where both states were able to project their hegemonies undeterred by insurgencies, were unable to extract enough concessions from their respective states and international actors (such as the United States and the United Nations) to assure the survival of their subsistence economy.

In Peru after 1995, in the wake of the capture of its leader Abimael Guzman with his main cadres, a debilitated *Sendero Luminoso* (Shining Path) was incapable of checking the state's policy in its traditional areas of control in Ayacucho, which in turn facilitated the state's eradication efforts parallel with an air interdiction policy. These factors led to a decline of 60 per cent in coca leaf prices in Peru's market between April 1995 and August 1995, after the demand plummeted due to the difficulty of transporting coca paste to Colombia for processing into cocaine.³⁵ However, coca leaf prices have increased to about two-thirds of their 1995 highs, and some farmers are now shifting back to coca. But this shift has not been substantial enough, as we have seen in the size of areas planted with coca. The ability of narcotraffickers to reinvent new routes and methods of trafficking affected coca demand and coca's local price, but the supply was checked by the state's policy and its ability to enforce. In this sense, Peru's government has been able to reduce coca plantations, at least for the moment.

3.3. Ransom/Kidnapping, Gold, Emeralds and the Arms' Trade

Conventional wisdom has been that it is drug money that keeps the Colombian conflict going, hence stopping the cash inflow from drugs will stop the war. Such a view does more harm than good when policies are devised on such an assumption, because drug money constitutes only part of a myriad of

³³ Richani, *Systems of Violence*, p. 98.

³⁴ Richani, *Systems of Violence*, pp. 146-150. FARC's crop substitution plan calls first to negotiate the eradication process with the peasants and second to provide the peasants with viable economic alternatives that must be tested. In this regard there is a pilot project in Cartagena del Chaira of manual crop substitution where peasants, FARC, and international groups participate. By testing the viability of this experiment, which has not been accepted by the government, FARC's objective is to reopen possibilities for a subsistence peasant economy within current global markets.

³⁵ Richani, *Systems of Violence*, pp. 98-99.

other sources of income. Indeed, US policy, which is mainly motivated by its internal prohibitionist political imperatives, is using the convenience of this conventional wisdom to package its foreign policy towards Colombia and the Andean region. In this context it is crucial to keep in mind that kidnapping and ransom provide FARC with about 40 per cent of its income, which is about the same income as FARC obtains from taxing narcotraffickers. The ELN's income from ransom and kidnapping could reach an even higher percentage of its total (see Table 2).

Notwithstanding the importance of ransom, kidnapping and narcotrafficking, this section discusses three other important commodities that are important in perpetuating the war system in Colombia. These are gold, emerald, and weapons. It has mainly been the insurgency and paramilitary groups that have tapped upon these resources; the state on its part has relied on its revenues from oil (US\$ 2.8 billion), coffee (US\$ 2.3 billion), coal (US\$ 0.9 billion), gold (US\$ 0.3 billion) and US military assistance (US\$ 400 million) to finance its war machine.

Table 2. Guerrillas' Rent Extraction (1998-1999) (US\$ million)

<i>Source</i>	<i>FARC</i>	<i>ELN</i>
Tax on narcotraffickers	180	30
Ransom/kidnapping and extortion	198	40
Diversion of government resources, plus gold and coal extractions and investments	40	60
Assaults on financial institutions and banks	30	20
Total	448	150

Source: Consejería de Seguridad de la Presidencia, estimates of the National Police and the Military. See Camilo Granada and Leonardo Rojas, 'Los Costos del Conflicto Armado', Planeación & Desarrollo. vol. 26 (4), October-December 1995, pp. 119-151; see also Richani, 'The Political Economy of Violence: The War System in Colombia', Journal of Inter-American Studies and World Affairs, vol. 39, no. 2, summer 1997, p. 46.

Colombia has one of the largest gold reserves in Latin America. Tapping on this resource has increasingly become an important source of income for the state, AUC and the guerrillas. What the ELN obtained from gold miners and extraction in south Bolivar were secondary in importance after what it gained from oil companies. The ELN obtained about US\$ 4 million from the gold business until 1997 when the region became under AUC control.

Gold is also used by narcotraffickers for money laundering, which is chiefly carried out in Panama. The proceeds from gold to the AUC paramilitary, which currently controls one of the major production centres in south Bolivar, is in the range of US\$ 9 million per year. The extracted gold is smuggled to Colon, Panama, is sold there, and the money is then deposited in Panamanian banks or filtered into international banks. What is interesting about the use of gold for money laundering is the government's policy, which was introduced in 1985 to boost its gold reserve and which offered a 30 per cent increase of the international market price. This policy encouraged narcotraffickers to buy Swiss gold in Panama, smuggle it into Colombia and sell it to the government at a higher price. In Medellin, for example, narcotraffickers sold their smuggled gold to the company of Alvaro Gutierrez and Escobar, which was designated by the central bank. In 1994, this policy was changed and the trade of gold was totally liberalized. The trade liberalization of gold created new market conditions that encouraged a reverse in the process of smuggling gold to international markets, because of the

limitations of the national market and because this offered narcotraffickers and the AUC a chance to invest in international markets and to legalize their drug money.

FARC also draws on the gold economy, but the extent of its involvement is rather sketchy. The little data available suggest that FARC extracts about 100 to 400 grams per day from the Amazon region at an estimated value of US\$ 7.5 per gram, which is about US\$ 293,000 per year.³⁶ The gold is then smuggled by river corridors into Brazil and sold there. It is plausible that the proceeds are deposited in Brazilian banks to be used for the purchase of weapons from Brazilian markets. There are no data regarding Choco, where gold is extracted and FARC also operates.

Emeralds constitute another important source of income to the mafioso Victor Carranza, who has important bonds with paramilitary groups. Carranza has run a legal economic operation since he managed to become the czar of emeralds by sheer force and illegal manoeuvrings. Emeralds are exported to international markets, and portions of the returns of the emerald trade are recycled into the war economy by financing paramilitaries that are fighting the insurgency in mining areas such as in Boyaca and where the emerald barons have acquired extensive farms, most located in the contested areas. We can hence talk about 'conflict emerald' and 'conflict gold' in addition to 'conflict illicit crops' and ransom/kidnapping. These four are the main pillars of the war economy and its dynamics.

The arms' trade is another commodity that is exacerbating the war, generating significant profits for local and international entrepreneurs, inducing corruption, and reinforcing the hegemonic crisis of the state. It has recently been revealed that in 1999 as many as 7,640 Bulgarian made AK-47s that were destined for the AUC legally entered into Colombia using official army documentation.³⁷

In another incident two shipments of 3,000 AK-47s each and 5 million rounds of ammunition came through the Panamanian border and were received by the AUC at the port of Turbo in Colombia.³⁸ Three main regional actors were involved: the Nicaraguan police, who sold these machine guns to a Guatemalan company called GIRSA (owned by Israelis), that claims that these weapons were destined for the Panamanian Police. This case gives an example of the kind of regional networks that are involved in the arms' trade. There are many others shipments of arms that come through Peru, Ecuador, Brazil and Venezuela. But the Panamanian connection is the most active in the arms' trade, narcotrafficking, contraband, and money laundering.

Colombia is becoming one of the main markets for the legal and illegal arms' trade. The global trade of small arms is estimated to be worth US\$ 3-6 billion per year with the illegal small arms' trade worth an additional US\$ 2-10 billion. In this vein, then, the Colombian market could constitute between 10 per cent and 50 per cent of the global market share of the illegal small arms' trade.³⁹ In terms of the origins of weapons entering Colombia, the largest suppliers include the US, Bulgaria, Russia and Israel. In terms of recycled weapons, the main sources are Nicaragua, Guatemala, Brazil, El Salvador, Venezuela, Peru and Ecuador. The arms' trade cannot be considered as income for the

³⁶ 'Das Tras connexion FARC-Brazil', *El Tiempo*, 23 July 2001.

³⁷ *El Tiempo*, 13 June 2002.

³⁸ *El Tiempo*, 8 May 2002. Castaño revealed in an interview that the AUC has received five shipments of arms from Central America of a total of 13,000 assault rifles; Carlos Castaño, interview, *El Tiempo*, 30 June 2002. The two shipments discussed above represent only the tip of the iceberg of this lucrative arms' business.

³⁹ For the global size of the small arms' trade, see <http://www.ippnw.org/smallarmsfacts.pdf>.

warring actors, because they are only consumers; the economic returns of this trade go largely to local arms' runners, international traders, banks and manufacturers.⁴⁰

3.4. Colombia's Conflict and the Regional Nexus

Finally, following the discussion of the role of multinational corporations and the commodities that influence the dynamics of the war system, this section further explores the regional networks impacting upon the civil war.

During 2002, an investigation by the Brazilian Parliamentary Investigative Commission (CPI) in Brazil revealed that large Brazilian narcotrafficking groups are selling weapons to FARC via the Brazilian-Colombian border, using river corridors. The Colombian national police have reported intercepting weapons such as AK-47s, HK.91s (G3s), A-3s, ArmaLite-15s, Dragunov sniper rifles, Galil rifles, .50-calibre machine guns, 40mm grenade launchers and C-90 grenades, although not necessarily all from Brazil. The CPI also detailed the involvement of 827 Brazilian officials, such as legislators, magistrates, ministers, bank presidents and policemen, involved in Brazil's drug and arms' trades. The number of Brazilian officials involved is just the tip of the iceberg, but nonetheless illustrates the expanding regional networks involved in the political economy of Colombia's civil war.⁴¹

Venezuela, on its part, has also been another main source of contraband of arms and other commodities to the guerrillas through its porous borders and through its Orinoco River, North Santander, Cesar and Guajira. Colombian officials estimate that about 50 per cent of the weapons seized in the north have Venezuelan army markings. It is also reported that some coca plantations, producing about 100 tonnes of cocaine per year,⁴² are in Venezuelan territory. Given the current escalating dynamics of the civil war, the Venezuelan borders are increasingly becoming a theatre of military operations and are drawing more actors into the Colombian war. Military units, guerrillas and the AUC are all criss-crossing the border, along with smugglers and gun-runners, and narcotraffickers. There are also increasing numbers of Venezuelan cattle ranchers that are organizing their own paramilitary groups, ostensibly with the support of the AUC. These cattle ranchers are subject to the ELN's and FARC's taxation. At another level, the Colombian conflict is also exacerbating internal schisms within the Venezuelan military establishment and between it and Chavez's leftist government. The right-wing factions within the military opposed the rapprochement that Chavez has sponsored with the Colombian guerrillas.

The Ecuador border region is another very active front where over the years FARC has established a sanctuary and a strong support base among the population of the border regions. The Ecuadorian army estimates that about 60 per cent of the population of the border region sympathizes with FARC.⁴³ In the cities of Nueva Loja in Sucumbios and Lago Agrio the guerrillas find refuge and supplies, as well as weapons. Since the introduction of 'Plan Colombia', which focuses on the region of Putumayo, bordering Ecuador, the border region has assumed additional importance for the

⁴⁰ For an elaborate discussion on the impact of weapons' smuggling on Colombia's conflict, see Juan Gabriel Tokaltian and Jose Luis Ramirez (eds), *La Violencia de Las Armas* (Bogota: Fundacion Alejandro Escobar, 1995).

⁴¹ William Mendel, 'Colombia's Threat to Regional Security', *Military Review*, May-June 2001.

⁴² William Mendel, 'Colombia's Threat to Regional Security'.

⁴³ William Mendel, 'Colombia's Threat to Regional Security'.

guerrillas, the Colombian and Ecuadorian armies, and the US forces involved in the conflict. A new conflict dynamic has been created that is increasingly incorporating the problem of Colombia's war with the internal politics in Ecuador, similar to the Venezuelan case.

In terms of the importance of Ecuador as a supply route, increasing evidence suggests that Ecuador is of prime importance for the guerrillas and less so for the AUC, which depends more on its Panamanian network. In the last two years, there has been a notable nuance in Ecuadorian-Colombian border regions in the regions of Putumayo and Narino: the political expansion of FARC and the ELN in organizing Ecuadorians and supporting the radical left. Moreover, FARC has also carried out kidnapping/ransom operations deep into Ecuador, including the latest kidnapping of the son of the ex-mayor of Quito, who was only released after a ransom was paid. In the last ten months about four ransoms/kidnapping have been carried out by the Colombian guerrillas in the province of Carchi in Ecuador. Carchi shares 176 kilometres of border with the Narino region in Colombia. In at least one of these four cases, a US\$ 350,000 ransom was paid for the release of the hostage.⁴⁴

Panama is the most traditional route for contraband activity, narcotrafficking, arms' smuggling and money laundering, as discussed above. Its offshore banking facilities and economic free trade zones and common border with Colombia have placed it centre stage in the international crime network. The different violent groups in Colombia have competed to control the border region with Panama, since whoever controls it gains a strategic advantage over the adversary.

After it established its dominion in Uraba, the AUC attempted to exercise hegemony on this strategic route by uprooting FARC in the early 1990s, and it has largely succeeded in achieving that aim. The Colombia-Panama border area has become another major theatre of military confrontation between FARC and the AUC, along with the Ecuadorian border. The AUC's strategy of cutting FARC's main supply routes coincides with that of the Colombian state and the US. While the AUC focuses on Panama, the Colombian army and US forces in Colombia are trying to cut the supply routes from Ecuador.

The Peruvian border is mostly used by narcotraffickers who use air as well as ground routes for transshipments that most likely are either smuggled through Panama or Venezuela. The most important incident of arms' smuggling to FARC was sponsored by Vlademiro Montesinos, the ex-head of security, in which about 10,000 AK-47s were air dropped in 1999. The origin of the rifles was Jordan (manufactured in former East Germany), presumably as part of 60,000 rifles bought by the Peruvian government. The Peruvian government provided the appropriate end-user certificates. A Ukrainian registered cargo plane with a Russian-Ukrainian crew flew the arms via the Canary Islands, Mauritania, and Grenada, air dropping them into Colombia and landing in Iquitos, Peru. Some claimed that 40,000 kilos of cocaine was then loaded on to the plane, which were then partly delivered to Jordanian middlemen and partly taken to Russia. An arms' dealer called Sarkis Soghanian brokered the deal.⁴⁵

This deal illustrates one of the complexities of the arms' trade with the involvement of two governments (Jordan and Peru), proper licensing, intelligence services (Peru), foreign nationals (Russian and Ukrainian) and legal international brokers, offshore banking, all of which were seemingly legal except for the final destination.

⁴⁴ See *El Tiempo*, 11 June 2002.

⁴⁵ *Small Arms Survey 2001: Profiling the Problem* (Oxford: Oxford University Press, 2001), pp.129-130.

3.5. The United States' Policy: 'Plan Colombia' and the 'War on Terrorism'

Since the main purpose of this paper is to unpack the relationship between international and domestic factors affecting the dynamics of the conflict, it is imperative to discuss briefly the shifts in US policy towards Colombia and the great perturbation on the war system that this change has caused in the last three years. 'Plan Colombia' came at a time when actors were suffering from war fatigue, experiencing an impasse, a 'point of diminishing political returns of violence',⁴⁶ and the warring actors were exploring the possibility of a negotiated settlement.⁴⁷ The introduction of 'Plan Colombia' and the associated influx of US\$ 1.6 billion over the 1999-2002 period, mostly in military aid, affected the dynamics of the war system and its political economy, and diminished the incentives for peace.

The increasing military intervention of the US in the conflict created a new perception among the military and their conservative right-wing supporters among cattle ranchers, large landowners and agribusinesses that they can win the war against the insurgency. The Colombian military establishment felt emboldened by US military involvement and assistance and the new international mood created after the 11 September 2001 attacks against the World Trade Center and the Pentagon in the United States. General Fernando Tapias, commander of the Colombian armed forces, and Jorge Mora, commander of the Colombian army, departed from their old view that the civil war was not winnable and started expressing a view that they can win the war in a matter of a few years.⁴⁸

This change of perception of an important actor such as the military came in the midst of ongoing peace negotiations, contributing to their failure and changing the conditions that favour peace.⁴⁹ Prior to the introduction of 'Plan Colombia' in 1999, representatives of the dominant classes such as the Industrialist Group ANDI and Necanor Restrepo, from the powerful economic conglomerate in Antioquia (Sindicato Antioqueno), among others, were vocal supporters of a peaceful exit. The guerrillas on their part were not less committed to a peaceful exit provided that it was associated with the introduction of meaningful political and social reforms.

'Plan Colombia' and the subsequent 'war on terrorism' created a new international political economy that did not favour a peaceful negotiation in Colombia. Consequently, the Colombian civil war has become part and parcel of the 'war against terrorism' to the detriment of the peace process.⁵⁰ In this mode an understanding of the new political realignment between international and local forces (in Colombia) is needed in order to devise proper conflict-resolution strategies. Serious erosions are

⁴⁶ For an elaborate discussion of the costs of war and the perceptions of the key warring actors prior to 'Plan Colombia', see Richani, *Systems of Violence*, pp. 133-155.

⁴⁷ See Barbara Walter, *Committing to Peace: Successful Settlements of Civil Wars* (Princeton NJ: Princeton University Press, 2002). In this book Walter presents a number of cases where civil wars were successfully negotiated. She argues that three conditions are important: a) when the costs of war become high; b) regional-international pressures for a solution increase; and c) when a third party provides security guarantees to carry out the terms of the peace accord. In Colombia, all but the third conditions were present by 1998 (the third-party security guarantees). But even worse, instead of acting as an impartial broker or as a 'security guarantor', the US decided to become a party in the conflict, leading to the current situation.

⁴⁸ Interview with both generals, *Semana*, 21 August 2001. This interview was a few days before 11 September 2001 attack against the World Trade Center and the Pentagon. This view was reinforced after 11 September.

⁴⁹ See Richani, 'The Political Economy of Colombia's Protracted Civil War and the Crisis of the War System in Colombia', *The Journal of Conflict Studies*, vol. XXI, no. 2, winter 2001, pp.50-77.

⁵⁰ US foreign policy towards Colombia witnessed shifts after 11 September 2001, particularly in easing restrictions regarding the use of weapons and planes that the Colombian military had obtained through 'Plan Colombia' to carry out anti-narcotics operations to be employed also against the guerrillas. In practical terms the distinction between anti-narcotic and counter-insurgency operations was problematic, particularly in south Colombia where FARC operated even before considering easing the restrictions.

currently taking place in the 'critical mass' that initially supported a peaceful settlement at the international, regional and local levels.⁵¹ Rebuilding a new critical mass is perhaps the most daunting task given the 'war on terrorism' and the ill fated 'Plan Colombia'.

Against the backdrop of the 'war on terrorism' and 'Plan Colombia' came the recent election of an extreme right candidate, Alvaro Uribe Velez. Uribe's success also comes at a time when the AUC has dramatically increased its military power from a fighting force of 5,000 combatants in 1995 to, according to Carlos Castaño,⁵² 15,000 fighters in 2002 (see Appendix, Figure 2 for AUC expansion). The advents of 'Plan Colombia', 'war on terrorism' and the expansion of the AUC represent the bases of a new political economy that is diminishing the incentive for a negotiated compromise.

Moreover, 'Plan Colombia' not only contributed to the derailment of the peace process but also failed to fulfil its core promise: crop substitution. The pilot case of the 40,000 families in Putumayo that took part in a crop substitution programme has little if any results to show. Initially, Plante, the state organization in charge of the crop substitution, promised the substitution of 6,930 hectares of coca for legal crops, but has only succeeded in the voluntary substitution of 2,219 hectares. Peasants accused the government of not delivering on its promise to provide them with financial support to realize the crop substitution programme, reverting again to coca plantations as the only mean for economic subsistence given the dire economic conditions.⁵³ It is important in this respect to note that the US promised US\$ 52.6 million for alternative crop development of which US\$ 5.6 million had been spent by 30 September, the end of the fiscal year, which compounded the problem. Even if the money was spent, experts think that the short time-frame given to peasants to substitute their illegal crops, infrastructures, limited technical knowledge, and international markets constraints (such as farm subsidies in the US and EU) make the alternative crop development a mirage and unsustainable. In the meantime the civil war rages and the local actors seek to consolidate their positions.

⁵¹ For a detailed discussion of the 'critical mass' prior to 11 September, see Richani, *Systems of Violence*, chapter 6.

⁵² Carlos Castaño, interview, *El Tiempo*, 30 June 2002; the 1986 and 1995 figures are provided by Colombia's Ministry of Defence.

⁵³ See *El Tiempo*, 8 June 2002.

IV. International Trade Regimes and Colombia's War System

The interplay of the following international and national trade regimes are exacerbating the Colombian conflict. Changing or reconfiguring these regimes is hence essential to resolve this conflict and to build the bases of a sustainable peace based on social equity and democracy. Four trade regimes are noted to play a critical role in the political economy of Colombia's war system. The first is the drug prohibition regime and laxity in controlling money laundering that reveals the participation of international as well as local financial institutions; the second is the lack of multinational corporations' accountability in conflict states; thirdly, the international arms' trade regime; and finally the farm subsidies' regimes in the US and EU.

4.1. The Drug Prohibition Regime and Money Laundering

It is estimated that less than 10 per cent of the US\$ 77 billion estimated cocaine market in the US is repatriated and the remaining is recycled in the international finance system.⁵⁴ In this respect, it is imperative to note the role of international financial institutions, banks and multinational corporations whose products are used for money laundering and that were largely complacent about these practices. Companies such as Bell Helicopter Trexton Inc., Philip Morris International, Chase Manhattan Bank, Bank of America, Citibank and manufacturers of electrical appliances are either implicated or being investigated for money laundering operations.⁵⁵ According to a Senate subcommittee, the illicit funds circulating in the US economy range between US\$ 250 billion and US\$ 500 billion. In part, the strong dollar and laxity in regulatory mechanism in the US have encouraged such huge money laundering operations. And even worse, the Bush administration has so far resisted the introduction of an international regime that limits this money laundering.⁵⁶ War economies with active illicit products, in Colombia and elsewhere, are intricately linked with a larger global network of economic and political interests whose centres of gravity lie in the US, European, Russian and Japanese financial systems.

Nonetheless, the relatively small portion of money that is repatriated to Colombia is significant enough to create havoc in the socio-economic and political configuration. Part is used in buying land and real estate, increasing the inflationary pressures on the economy, raising prices, and accelerating the concentration of land ownership and consequently land conflict. The narco-dollars are also used to finance the AUC, and the guerrillas forcefully extract part of the proceeds. The estimated US\$ 2 to 6

⁵⁴ The US\$ 77 billion cocaine market figure is the official US government estimate as quoted in *Drug Control: International Policy and Options*, March 2002, CRS Issue Brief for Congress. This estimate is based on a US\$ 100 market value per gram of cocaine with a total South America coca leaf production in the year 2000 of 768 tonnes of cocaine.

⁵⁵ Karen De Young, 'US-Colombia to Confront Lucrative Peso Exchange', *Washington Post*, 29 August 2000, p. A1; see also <http://www.Levin.senate.gov/release/022601prl.htm>.

⁵⁶ Edward Alden and Michael Peel, 'US may ease Stance over Money Laundering', *Financial Times*, 1 June 2001.

billion Colombian drug economy constitutes part of Colombia's political economy and its war political economy, of which about US\$ 180 million ends in the hands of the guerrillas and US\$ 21 million in the hands of the AUC.⁵⁷

The prohibitionist drug regime must be drastically revised in the direction of the decriminalization and legalization of drug use, providing an opportunity for illicit plant growers in Colombia and elsewhere to escape war economies and their respective dynamics. As long as the prohibitionist regime is in place, economic incentives for illicit plantations will always be higher than legal crops. And as long as an illicit economy exists, violence becomes the only mechanism to organize the illicit market, and violence is what governs the illicit market's relationship with the prohibitionist international regime and its policing agencies.

4.2. Accountability of Multinational Corporations

As discussed above, multinational corporations have helped to shape a *rentier* mode of development in the rural areas with grave consequences for the subsistence peasant economy, and have also helped to promote the predatory behaviour of the warring groups (the state, guerrillas and the AUC). More rigorous international auditing regimes to monitor the human rights practices of multinational corporations in conflict-ridden countries are recommended, particularly to hold them accountable for the disruption of modes of production and economic dislocations generated by their economic operations. This auditing regime must also hold these multinationals accountable for the type of relationship that they uphold with combatants and the states, particularly those with a record of human rights' violations. In this vein the practice of ransom payments, which in Colombia provides as much income, if not more, than what FARC and the ELN for example generate from taxing narcotraffickers (about 40 per cent of their total annual income), should be reconsidered. These companies must also be held accountable for the human rights' violations committed by the state's armed forces and private companies that provide them with security services.

⁵⁷ Pax Christi, *The Kidnap Industry in Colombia*, p. 14. This figure is relatively low given the data provided by Carlos Castaño, leader of the AUC, on the hectares of coca plantations that his forces control, which is about 50,000 hectares. These 50,000 hectares could produce a minimum of 1.6 kg of coca paste per semester per hectare. Then if we factor the three potential seasons per year the total coca paste per year could reach a minimum of 240,000 kg. Then every 2.5 kg of paste generates 1 kg of cocaine, hence the 240,000 kg of pastes could generate about 96,000 kg of cocaine per year. The AUC then controls the production of about 96 tonnes of cocaine per year. These calculations of coca paste per hectare are based on the studies of Eduardo Sarmiento Palacios, 'Economía del Narcotráfico' in Carlos Arrieta, Luis Orjuela and Eduardo Sarmiento *et al.*, *Narcotráfico En Colombia* (Bogotá: Tercer Mundo, 1995), pp. 55-62; and Sergio Uribe, 'Los Cultivos Ilícitos en Colombia' in Francisco Thoumi, *Drogas Ilícitas en Colombia* (Bogotá: PNUD, 1997). The final results of these calculations are the author's. See also Mauricio Molina's interview with Carlos Castaño, *Mi Confesión* (Bogotá: Oveja Negra, 2001), pp. 208-209. The total potential market value of the 96 tonnes produced, based on the DEA 2001 price estimates, could range between US\$ 1,248,000,000 million and \$2,400,000,000 million. See http://www.usdoj.gov/dea/pubs/state/fact_sheets.html. Hence, the AUC's income from narcotrafficking may be much higher than the US\$ 21 million provided. It is also estimated that the AUC has between US\$ 200 million and US\$ 1 billion deposited in banks around the world, as quoted in Juan Forero, 'Ranchers in Colombia Bankroll their Own Militia', *New York Times*, 8 August 2001.

4.3. Arms' Trade Regimes

The current regime that governs the international arms' trade is another issue pertinent to the Colombian case knowing that a significant portion of the arms that are bought legally end up in the hands of 'illegal' actors. The lack of an international agreement among the suppliers and manufacturers of weapons on how to control the inflow of weapons to conflict areas is one of the main problems confronting the international community and has severe repercussions in Colombia and elsewhere. The easy access to weapons exacerbates wars and violent conflict. Moreover, the other side of the coin is the continuous supply of arms to states where rebel movements are disputing their legitimacy, as is the case in Colombia.

The international community and the surrounding countries must work for a total ban on the supply of weapons to all belligerent actors in Colombia (including the state) and forge agreements with the local contending forces for lowering the intensity of warfare as a step to facilitating a peaceful resolution to the war. Arms' transfers to conflict areas must be seen as human rights' issues as well as trade. The recently launched International Action Network on Small Arms (IANSA) is pertinent in this respect.

The Colombian case also reveals the role of a small number of international arms' brokers and transport agents. Research in this area reveals that the same names keep reappearing. Arms' transactions often start legally, as the Peru-FARC shipment illustrated, but for illegal ends. Often these brokers and agents cooperate with the larger illicit arms supply. 'They are also linked to government agencies (e.g., intelligence agency, as was the case of Vlademiro Montesinos, the previous head of security in Peru), private military organizations and/or larger multinationals (eg., diamond and oil companies)'.⁵⁸ Three specific areas need to be addressed in the Colombian regional and international contexts. One is the international brokers and agents operating in Latin America that exploit the lack of adequate laws on the manufacturers who export weapons. Few states address the intangible services of 'brokers and shippers' operating from their countries or from third countries. The second area is the tax havens, offshore banking, as well as transportations under flags of convenience, which provided the brokers and shippers with loopholes to exploit. Cases in point were the AUC shipments from Central America discussed in this paper. Moreover, at the international level, the cooperation between states on monitoring and regulating arms brokering, transnational financial transactions and transport is yet to develop and in the meantime the entrepreneurs of violence will exploit loopholes in the international arms' trade regimes.⁵⁹

4.4. Farms Subsidies in the US, Japan and the EU

Finally, the farm subsidies' regimes in the United States, Japan and the European Union are formidable enemies to the peasants' economy in Colombia. These countries combined spent US\$ 350 billion each year on agricultural subsidies (seven times as much as global aid to poor countries).⁶⁰ In the short term, these subsidies constitute an obstacle to any successful crop substitution programme and to resolving the severe crises of the rural economy, a root cause of the civil war. In the longer term, the subsidies' regimes in the US, Japan and Europe, coupled with the World Trade

⁵⁸ *Small Arms Survey 2001: Profiling the Problem* (Oxford: Oxford University Press, 2001), pp. 129-130.

⁵⁹ *Small Arms Survey 2001*, pp. 129-130.

⁶⁰ Nicholas Kristof, 'Farm Subsidies that Kill', *New York Times*, 5 July 2002, p. A19.

Organization's discriminatory practices against developing countries (such as anti-dumping, quotas, and product specifications), hinder the development of a sustainable agrarian economy that could provide a sound base for a more democratic and just system in Colombia. Certainly, the latest US\$ 180 billion farm subsidy passed by the US Congress and signed into law by President Bush received a negative reception from Colombian farmers, who saw in it another omen for the bleak future of their agrarian economy and promising more violence than peace.

V. Defining the Linkages connecting the State, Army and the *Autodefensas Unidas de Colombia* (AUC, the United Self-Defences of Colombia)

Private armies are nothing new, but have been part and parcel of state formation in Europe since ancient times. Increasingly large and centrally financed and supplied armies that were equipped with advanced weapons gradually replaced decentralized self-equipped feudal militias. This historical process was largely propelled by economic developments, the necessities of warfare, and the ability of the states to raise taxes and eliminate the resistance of fiefdoms' refusals to approve requisite taxes.⁶¹ In sharp contrast, however, since its independence in 1810 the Colombian state has faced the resistance of local bosses' efforts to centralize, pay taxes, and to strengthen its central army.⁶² And as late as 1876, Antioquia was able to put together an army of 14,000 fighters that was better equipped than the central army.⁶³ Even worse, the central army even today remains weak. This is a peculiarity of the process of state formation in Colombia.⁶⁴

5.1. AUC-State Linkages

In this mode, paramilitaries as forms of private armies are not a new phenomenon in Colombia. But they have taken on new levels of organization and assumed new functions over the last century. The state managed to coexist with these groups to appease local political bosses who were organically linked with sectors of regional elites. Since the 1940s, paramilitaries of some sort have existed in different regions, chiefly to protect the interests of the large landowners and cattle ranchers. However, in the 1960s the state granted legality to paramilitaries by allowing the formation of private armies, by issuing Decree 3398 in 1965 and Law 48 in 1968 respectively.

These measures ushered in a new era of linkages between the state and paramilitaries, and when the paramilitaries were again banned in the late 1980s they remained operational. The state did not bother to combat them because it had its priority set on fighting the insurgency. It is worth mentioning that during the 1980s new paramilitary groups were set up to serve the needs of drug traffickers and the then-emerging narcobourgeoisie. Nonetheless, in 1986 they had only a few hundred members and no national command structures. In fact, today's most prominent paramilitary group, the AUC, had only 93 men in 1986. Now it has some 8,000 combatants (Castaño claims that the AUC has 15,000

⁶¹ See Brian Downing, *The Military Revolution and Political Change* (Princeton: Princeton University Press, 1992).

⁶² See Fernando Lopez-Alves, *State Formation and Democracy in Latin America* (Durham: Duke University Press, 2000), pp. 96-139.

⁶³ Lopez-Alves, *State Formation and Democracy in Latin America*, p. 136.

⁶⁴ For an elaborate discussion see Lopez-Alves, *State Formation and Democracy in Latin America*.

fighters).⁶⁵ The group's rapid and dramatic growth started in the early 1990s and picked up momentum in the 1995-2002 period after the creation of a unified command structure under Carlos Castaño's leadership. The AUC represents the convergence of different paramilitaries: those that are organically linked with the narcobourgeoisie and those that protect the cattle ranchers, large landowners, agribusinesses, and conservative political sectors.

Today's AUC is different from the paramilitaries that existed in the nineteenth century and the paramilitaries of the 1940s and 1980s in four fundamental ways:

- The AUC has a more unified organizational structure operating at the national level.
- The AUC is an umbrella organization under which two main clusters of social forces converged: the narcobourgeoisie on one side; and the cattle ranchers, large landowners, agribusinesses and conservative politicians on the other.
- The AUC has a clear political agenda with a defined discourse that articulates the type of political system and economic order that the group seeks.
- The AUC relies on its own income-producing capabilities, which are independent of the state and other sources of financing. Its annual income is more than US\$ 80 million, much of which derives from the drug trade, gold business, taxing agribusiness and large landowners and money-laundering activities.⁶⁶ This means that although the AUC has close ties with the state and the military, it is not dependent on state resources or the military for its continued existence and, indeed, as documented in a recent Human Rights Watch report, the AUC often pays members of the military to do its bidding rather than vice versa.⁶⁷ The AUC is perhaps the first extreme-right organization in Latin America's history to succeed in building such an independent military-financial structure. All previous private armies in Latin America - such as the death squads, paramilitary groups and peasant patrols of El Salvador, Guatemala and Peru - were dependent on their respective states' resources.

5.2. AUC-Army Linkages

At least 1,000 of Castaño's force previously served in the Colombian military. More than 53 retired Colombian military officers, along with foreign mercenaries from Israel and the United States, have worked with the AUC as advisers and have participated in AUC actions. This has professionalized the AUC's mode of action. In terms of armaments, the AUC has fourteen state-of-the-art helicopters equipped for military operations, eleven small planes, and rapid boats with mounted machine guns. In other words, the organization has nearly become a classically defined army. The cost of maintaining such an army is estimated to be between US\$ 50 and 80 million per year.⁶⁸

⁶⁵ Carlos Castaño, interview, *El Tiempo*, 30 June 2002. In this interview he claims that the AUC increased its force to 15,000 fighters, although this may be an exaggeration.

⁶⁶ This is a very rough estimate extrapolated from my own calculations of the operational costs of a force of 8,000 men (see note 8). Moreover, it is estimated by the Colombian military that the AUC generates US\$ 21 million each year from narcotrafficking. See footnote 58 for calculations and references.

⁶⁷ Human Rights Watch, *The 'Sixth Division': Military-Paramilitary Ties and US Policy in Colombia* (New York: Human Rights Watch, 2001).

⁶⁸ Richani, *Systems of Violence*, p. 124.

Moreover, the AUC-army links continued unabated, as the *Human Rights Watch World Report 2002* indicated when it highlighted that ‘certain military units and police detachments continued to promote, work with, support, profit from, and tolerate paramilitary groups, treating them as a force allied to and compatible with their own. At their most brazen, these relationships involved active coordination during military operations between government and paramilitary units; communication via radios, cellular telephones, and beepers; the sharing of intelligence, including the names of suspected guerrilla collaborators; the sharing of fighters, including active-duty soldiers serving in paramilitary units and paramilitary commanders lodging on military bases; the sharing of vehicles, including army trucks used to transport paramilitary fighters; coordination of army roadblocks, which routinely let heavily-armed paramilitary fighters pass; and payments made from paramilitaries to military officers for their support’.⁶⁹

5.3. The AUC and its Support Base

The AUC also receives support from several important sectors of Colombian society that oppose a negotiated peace. They seek to change the dynamic of the conflict to the point that the guerrillas are forced to surrender or become considerably weakened, thus averting the possibility of any social, economic and political reform that would remove the privileges guaranteed by Colombia’s archaic institutions. These sectors include large landowners and key members of the agribusiness elite, including cattle ranchers and owners of banana and flower plantations and sugar and palm oil processing plants. This is particularly true in the regions of Bolivar, Cauca, Middle Magdalena, Uraba, Cesar, North Santander and the Oriental Plains, areas affected by the guerrillas’ policy of forced ‘taxations’. Other opponents of the negotiations include members of the Colombian narcobourgeoisie, who have bought approximately 4 million hectares of fertile land - more than 10 per cent of a total of 40 million hectares, with an estimated market value of US\$ 2.4 billion - and land speculators in areas that are undergoing economic development propelled by highway construction, industrialization or tourism, or that are rich with natural resources such as oil, gold, coal, nickel and emeralds.⁷⁰ Conservative political circles within the dominant elite, sectors of the military establishment that have had close links with the AUC, and some sectors of foreign capital, particularly oil and coal companies such as Occidental and British Petroleum, also oppose a negotiated settlement that could undermine their interests.

Finally, the election of the right-wing Alvaro Uribe Velez as President alongside a good number of Congress members that sympathize with the AUC make the AUC’s authoritarian political project more threatening than ever before to Colombia’s beleaguered and restricted democracy.⁷¹ The AUC also poses a serious threat to the shaky democracies in the Andean Region, particularly because of its aggression towards Venezuela and Ecuador.

⁶⁹ *Human Rights Watch World Report 2002* (New York: Human Rights Watch, 2003).

⁷⁰ The figures are as quoted in *El Tiempo*, 28 April 2000.

⁷¹ Salvatore Mancuso, the military commander of the AUC, claimed that 30 per cent of the newly elected Colombian Congress sympathizes with the AUC. Since June 2001, Salvatore Mancuso has formally been the military commander of the AUC and Carlos Castaño has been its political leader. In his latest interview, however, Castaño shied away from confirming that 30 per cent of the new Congress are sympathizers; see Carlos Castaño, interview, *El Tiempo*, 30 June 2002.

Annex II Main Areas of Paramilitary (AUC) Influence, 2002

