

Report Part Title: The Lure of Illicit Economies

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III. The Lure of Illicit Economies

The ability of Colombia's armed groups to profit from criminal businesses has helped them survive a long asymmetrical conflict with state forces. As the FARC withdraws from its revenue-generating activities, various armed groups are vying to take its place, competing for control of drug production, illegal mining, contraband and extortion both in the interior and along the country's weak borders, especially with Venezuela. In several areas, this competition has resulted in rising violence. Local communities that depend on illegal activities for their precarious livelihoods often see these armed groups as defending them from government forces. This relationship of exploitation and protection gives local armed actors considerable social support and political power.⁴⁸

A. Drugs

Colombian coca cultivation and cocaine production have grown sharply since 2013. The UN Office on Drugs and Crime (UNODC) detected 146,000 hectares of coca crops in 2016, up from 48,000 hectares in 2013 (see Appendix F); the U.S. reports that these crops reached 188,000 hectares, up from 80,500 hectares.⁴⁹ Much of this growth is explained by a reduction in eradication, perverse incentives created by the peace agreement, and increases in farm productivity. The government is now under intense domestic and international pressure to bring coca production down fast.⁵⁰

Under point four of the peace agreement, the FARC withdrew from illegal drug trafficking. The guerrilla group had been directly or indirectly involved in the coca paste trade since at least the 1980s, participating in its purchase and trafficking, and regulating or taxing third parties. In some parts of Colombia, the FARC also was involved in cocaine trafficking.⁵¹

⁴⁸ Protection, economic wellbeing and dispute resolution are three social demands that if satisfied create dependency relationships that can give any armed actor political power. Gustavo Duncan, *Más que plata o plomo* (Bogotá, 2014). Barrington Moore, *Injustice: The Social Bases of Obedience and Revolt* (New York, 1978). Richard M. Emerson, "Power-Dependence Relations", *American Sociological Review*, vol. 7, no. 1 (1962), pp. 31-41.

⁴⁹ Potential cocaine production reached 866 metric tons in 2016, according to the UNODC, or 710 metric tons, according to the U.S. "Colombia: Monitoreo de territorios afectados por cultivos ilícitos 2016", UNODC, July 2017, p. 11. "ONDCP Releases Data on Cocaine Cultivation and Production in Colombia", ONDCP, 14 March 2017. Adam Isacson, "Confronting Colombia's Coca Boom Requires Patience and a Commitment to the Peace Accords", Washington Office on Latin America, 13 March 2017.

⁵⁰ Crisis Group interview, drug trafficking expert, Bogotá, 17 August 2017.

⁵¹ Coca crops are transformed or sold in three ways. First, coca leaves are harvested and sold in "arrobos" of 25 pounds. Second, coca paste or base is produced from the leaves by chemical processes (maceration). The third and final product is cocaine hydrochloride, derived from coca paste through additional chemical processes. The FARC claim to have taxed only coca paste transactions. Crisis Group interviews, FARC commanders, San Vicente del Caguán and San José del Guaviare, 15 to 25 September 2016 and 31 August 2017. For a general overview of the FARC role in the drug trade, see John Otis, "The FARC and Colombia's Illegal Drug Trade", Wilson Center, November 2014; John de Boer, Juan Carlos Garzón and Louise Bosetti, "Criminal Agendas and Peace Negotiations: The Case of Colombia", UN University, April 2017.

The effects of this withdrawal vary across regions. In Putumayo, where according to UN estimates 25,000 hectares of the crop were grown in 2016, the illicit market has undergone drastic changes. The FARC purchased coca paste and leaves directly while also charging taxes on transactions by other buyers. It also trafficked in coca, working with a local crime outfit known as the Constru. Now the Constru and a newer group, Los Comuneros, have moved into rural areas to take over the trade, though with limited success so far. FARC militia members were still buying coca paste in some towns in early 2017, while new buyers from outside the region have been killed by unknown perpetrators, according to local sources.⁵² In Guaviare and Meta, dissidents have increased their involvement in and control over the drug trade, whereas in Cauca the ELN has taken over most of the trade.⁵³

Contrary to much public and political opinion in Colombia and elsewhere, there is no direct, linear relationship between the volume of coca crops and the levels of violence suffered in any region. Where only one armed group currently has hegemonic control, violence against civilians tends to be low: this is the case under the rule of FARC dissidents in Meta. At the other extreme, Chocó, perhaps Colombia's most violent region, is devoid of coca crops though it is home to numerous trafficking routes.

However, where there is competition among various armed groups for control of territory used by the drug trade, along with the formation of new alliances between traffickers and armed groups, there are spikes in violence. A major reconfiguration of power has been underway in the municipality of Tumaco, a Pacific coast port and narcotics trafficking hub. FARC structures formerly taxed the drug trade while working with large-scale traffickers to move the product to international markets. The FARC's old role is being filled by the GUP, enabling the drug trade to continue without major impediment. The Gaitanistas, through a local group led until recently by a figure called Cusumbo, have also expanded along the coast, leading to a three-way fight between the Gaitanistas, the GUP and ELN.⁵⁴

In Catatumbo, the threat of violence is latent as the EPL and ELN currently continue to cooperate in the drug trade, though the former remains largely in control of cocaine trafficking in alliance with armed groups on the other side of the Venezuelan border. Yet this cooperation is straining due to EPL expansion into ELN territories. In some areas where FARC guerrillas were strongest, their withdrawal caused a temporary hiatus in business and a drop in prices. In others, the EPL moved in quickly to buy coca paste, paying farmers immediately in cash.⁵⁵

⁵² Crisis Group interviews, community leaders, Puerto Asís, 27 February 2017; Valle del Guamuéz, 28 February 2017; Valle del Guamuéz, 3 March 2017; local government official, Valle del Guamuéz, 28 February 2017; international organisation representative, Valle del Guamuéz, 2 March 2017. Crisis Group telephone interview, government official, 20 June 2017.

⁵³ Crisis Group interviews, human rights defenders, San José del Guaviare and Bogotá, 3 April and 7 September; international organisation representative, Bogotá, 6 June 2017.

⁵⁴ All groups have announced their intentions of moving into Llorente, a key drug trafficking town in the region, for example. Crisis Group interviews, community leaders, international organisation representatives and church leaders, Tumaco, 10-19 May 2017; conflict analyst, Bogotá, 7 September 2017. Cusumbo was killed by security forces in early October. "Abatido alias Cusumbo, cabecilla de banda criminal del Pacífico", *El País de Cali*, 6 October 2017.

⁵⁵ Crisis Group interviews, international organisation representatives, Cúcuta, 14 and 16 August 2017; local authorities and church official, Tibú, 15 August 2017.

B. *Criminal Mining*

Illegal mining, mainly of gold, is another basic source of revenue for armed groups. Early evidence suggests homicides are higher in illegal gold mining areas, probably due to disputes among armed actors in regions once controlled by the FARC.⁵⁶ About 60 percent of the mines using heavy machinery to dredge river beds for gold had no license in 2014, according to the UNODC.⁵⁷

Armed groups profit from illegal mining in various ways. Perhaps the most common is by forcing mine operators and miners to pay for permission to pan for gold or dredge it up from the river bed using heavy machinery. They also take a percentage of the gold produced by large-scale miners. Some armed groups directly invest in mining operations, import gold or buy and sell it through third parties.⁵⁸ The territorial control exercised by illegal armed groups offers miners protection against government raids in return, although somewhat ineffectively since these operations have risen in number since 2014.⁵⁹ Furthermore, both armed groups and drug traffickers use illegally mined gold to launder money. Small-scale, artisanal miners can sell gold without proving it came from a licensed mine, making its real origins hard to detect. By producing or buying gold, an internationally traded commodity that is difficult to trace, drug traffickers and other criminals can turn illicit money into legal assets.⁶⁰

C. *Contraband*

The threadbare state presence on Colombia's borders has allowed contraband to flourish since at least the 1850s. Historic smuggling routes later would be used by marijuana and cocaine traffickers.⁶¹ The economic asymmetries between Colombia

⁵⁶ Nicolás Idrobo, Daniel Mejía, and Ana María Tribin, "Illegal Gold Mining and Violence in Colombia", *Peace Economics, Peace Science, and Public Policy*, vol. 20, no. 1 (2014), pp. 83-111.

⁵⁷ "Colombia: explotación de oro de aluvión", UNODC, June 2016, pp. 56-57. In Chocó, 61 per cent of the gold mining operations detected, covering 22,142 hectares, were illegal; in Antioquia, the figures were 59 per cent and 15,600 hectares. These figures include only mines using heavy machinery, not panning or other artisanal forms of mining. Other affected provinces include Córdoba, Bolívar, Cauca and Nariño.

⁵⁸ Angelika Rettberg and Juan Felipe Ortiz-Riomalo, "Conflicto dorado: Canales y mecanismos de la relación entre minería de oro, conflicto armado y criminalidad en Colombia", 1 April 2014.

⁵⁹ "Logros de la Política de Defensa y Seguridad Todos por un Nuevo País", Mindefensa, June 2017, p. 60.

⁶⁰ Frédéric Massé and Johanna Camargo, "Actores Armados Ilegales y Sector Extractivo en Colombia", CITPax, 2012. Angelika Rettberg and Juan Felipe Ortiz-Riomalo, "Conflicto dorado: Canales y mecanismos de la relación entre minería de oro, conflicto armado y criminalidad en Colombia", op. cit. "Sentencia T-622/16", Constitutional Court, 10 November 2016. Crisis Group interview, church official, Tibú, 15 August 2017.

⁶¹ While contraband existed in Colombia under the Spanish empire, it was mainly confined to port cities. The country's post-independence land borders have only existed since the 1830s. Muriel Laurent, *Contrabando en Colombia en el siglo XIX: Prácticas y discursos de resistencia y reproducción*, (Bogotá, 2008), pp. 349-387. Santiago González-Plazas, "Pasado y presente del contrabando en la Guajira aproximaciones al fenómeno de ilegalidad en la región", Universidad del Rosario, March 2008. Carlos Medina Gallego, "Mafia y narcotráfico en Colombia: elementos para un estudio comparado", in Alejo Vargas Velásquez (Coordinator), *El prisma de las seguridades en América Latina* (Buenos Aires, 2012), pp. 146-150.

and its neighbours, above all Venezuela, create incentives for illegal trafficking and contraband, making borders a magnet for expansionary armed groups.⁶²

The border with Venezuela is the most problematic. In August, Colombian authorities estimated that about 1,000 Venezuelans emigrated each day across the official border crossing near Cúcuta.⁶³ The porous 2,200km-long frontier, much of it over rugged terrain, also has some 200 informal crossing points, many located in territories controlled by illegal armed groups. Coca paste and cocaine flow easily across the border, reportedly aided by corrupt officials on both sides. Venezuela's expulsion of the U.S. Drug Enforcement Administration in 2005 (by the late President Hugo Chávez) and the government's indifference to armed actors along the Colombian border are said to make it especially attractive to traffickers seeking to send drugs abroad.⁶⁴

Gasoline costs pennies per gallon in Venezuela, but is worth USD\$2-\$3 per gallon in Colombia. Smuggled gasoline is sold in plain sight along the highway in border regions. Those participating range from individuals seeking to make a living to transnational criminal organisations.⁶⁵ In 2013, the Colombian government estimated that one million gallons of gasoline crossed the border every day. Corruption in both countries allows the trade to continue, though authorities are also reluctant to fight a business that has become so important to the population living along the border.⁶⁶

Arms trafficking is also big business along the border. The FARC, ELN, EPL and organised crime groups have obtained weapons from Venezuela for years. Demand for weapons remains high as the EPL expands in north-eastern Colombia the ELN fortifies its military might to strengthen its leverage in peace negotiations. Between August and November 2016, Colombian authorities seized almost 500 weapons along the border.⁶⁷

The border between Colombia and Ecuador is another hive of illicit activity. With hundreds of informal border crossings, movement from one side to the other is fluid. Illegal armed groups in the region, such as La Constru and Los Comuneros, cross the border along the San Miguel river with relative ease. Coca paste from the regions of Nariño and Putumayo, which together accounted for almost half of all Colombia's

⁶² Fernando Carrión M., "Introducción: De la frontera binacional al sistema fronterizo global", in Fernando Carrión M. (Ed.), *Asimetrías en la frontera Ecuador-Colombia: entre la complementariedad y el sistema*, pp. 9-12.

⁶³ Crisis Group interviews, Colombian migration officials, Cúcuta, 16 August 2017.

⁶⁴ Crisis Group interview, international organisation representative, Bogotá, 18 August 2017. "International Narcotics Control Strategy Report: Volume 1", U.S. Department of State, March 2017, pp. 286-290. It was reported that a Colombian businessman with connections to local authorities was arrested on the Colombian side of the border in August 2017 after a U.S. investigation into his alleged role in drug trafficking. "Narco capturado en Cúcuta tenía nexos con 'Megateo'", *La Opinión*, 16 August 2017.

⁶⁵ Santiago González-Plazas, "Pasado y presente del contrabando en la frontera colombo-venezolana", *Razón Pública*, 20 September 2015.

⁶⁶ Crisis Group interviews, international organisation representatives, Cúcuta, 14 August 2017; local officials, Tibú, 15 August 2017; NGO representatives, Cúcuta, 14 August 2017. "'Contrabando de gasolina por La Guajira es un cáncer': Dian", *El Heraldo*, 13 November 2013.

⁶⁷ Katherine Aguirre, "El tráfico de armas en Colombia: una revisión desde los orígenes a los destinos", *Urvio*, no. 10 (November 2011), pp. 36-59. Crisis Group interviews, local officials, Tibú, 15 August 2017. "Gestión del Gobierno colombiano en la frontera colombo-venezolana", Colombian government, 19 December 2016, p. 13.

coca crops in 2016, is often transformed into cocaine in Ecuador and then trafficked to Central America. Ecuador has long been an important drug transit country; Mexican cartels since 2012 have increased their participation, working both with Colombians and Ecuadorians to ship cocaine north.⁶⁸

⁶⁸ Crisis Group interview, international organisation representative, Valle del Guamuéz, 2 March 2017; conflict analyst, Bogotá, 6 June 2017. "Colombia: Monitoreo de territorios afectados por cultivos ilícitos 2016", op. cit., p. 24. "Huge ecuador cocaine seizures signal growing role in drug trade", Insight Crime, 10 May 2017. "International Narcotics Control Strategy Report: vol. 1", op. cit., p. 155.