

## **Political and Economic Dimensions of the Colombian Conflict<sup>1</sup>**

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Unlike many other conflicts that had their origin in the Cold War era and wound down with the end of superpower confrontation, the Colombian civil war experienced unprecedented intensification in the 1990s. Except for the rise of illegal right-wing paramilitary groups, the broad political dynamics of the conflict remain largely unchanged. Left-wing guerrillas, such as the Fuerzas Armadas Revolucionarias de Colombia (FARC) and the Ejército de Liberación Nacional (ELN), and the state continue to be locked in a violent contest focused on determining who exercises political power, redressing historically rooted socioeconomic grievances of marginalized classes, and competing ideas on the type of political and economic system Colombia should have.<sup>3</sup> Guerrillas want a socialist welfare system and the redistribution of wealth. Right-wing illegal paramilitary groups, which appeared in the early 1980s, want to eliminate the guerrilla threat and retain the political and economic status quo. Meanwhile, the weakened Colombian democratic state has sought to fend off both threats by steadily increasing military expenditure and courting increased U.S. military and counternarcotics assistance.

This said, certain dynamics of the forty-year conflict have changed perceptibly since 1996. Globalization, economic recession, and expanded access to international flows of funds and weapons have all fueled the escalation of the conflict, the growth in the number of armed combatants, and the spread of conflict to previously unaffected areas of the country. These events have also led to the unprecedented internationalization of the conflict, both in terms of spillover effects to neighboring countries and in terms of direct international involvement.

Since 1982, successive efforts to resolve the conflict through negotiations have foundered. The failure in February 2002 of the almost four-year-long peace initiative led by former president Andrés Pastrana was especially frustrating, since the political conditions seemed more favorable to a peaceful resolution to the conflict than in previous years. To induce the guerrillas to demobilize and enter peace talks, Pastrana conceded a 41,000-square-kilometer demilitarized zone and “safe haven” to the FARC. Dozens of U.S., European, and local nongovernmental organizations (NGOs) working to foster a culture of peace sprang up throughout the territory, while the UN and “Groups of Friends” offered their good offices in mediating the conflict. Yet the FARC and the ELN only continued to escalate their attacks.

The stubbornness of the conflict has prompted some policymakers and academics to reexamine the nature of the conflict and the factors that drive it. This has focused attention on crucial economic dimensions of the war that have been ignored or downplayed by traditional analyses. All three sides in the conflict have ample financial resources to continue fighting. The FARC and the ELN rely on revenues derived from the extortion and kidnapping of both local and foreign individuals and companies, and the FARC is notorious for its increasing involvement in the international narcotics trade. The

right-wing paramilitaries have been even more closely linked to the production and trafficking of narcotics, with drug revenues constituting the main source of financing for their campaign against the guerrillas. The Colombian state has received steadily increasing amounts of economic and military aid from the United States to fight drug trafficking and, more recently, to defend against guerrilla attacks on the Caño-Limón oil pipeline. Given these facts, it is not surprising that some policymakers and analysts have come to question whether the combatants have “lost their way,” transforming the conflict from a largely ideological and political dispute to an economically driven war in which opportunity for combatant self-enrichment has become paramount. Some emerging theories on the economic dimensions of civil war are inclined to support this position.

While conceding that these economic factors have altered and complicated the dynamics of the conflict, this analysis shows that, for the most part, the Colombian civil war continues to be politically and ideologically driven at its core. Examining the Colombian situation through the lens of the emerging economic theories of conflict, however, highlights the importance of economic factors to both the intensity and the duration of the civil war, while also drawing attention to the role of a range of economic actors—from companies involved in natural resource extraction, insurance, and private security, to global arms manufacturers and brokers, to local and international drug smugglers, to rural coca and poppy growers with few alternative livelihoods who derive benefit from the economy of war and whose behavior contributes to its continuation. In so doing, this analysis seeks to shed light not only on the contemporary predicament of Colombia, but also on key academic and policy debates on the nature of resources that fuel conflicts and on the interplay between the economic and political incentives that shape the behavior of the main actors involved. The chapter concludes with an assessment of possible policy responses to both the political and the economic dimensions of the conflict.

### **Background and Current Trends Within the Colombian Conflict**

The FARC emerged in 1964 as a remnant of *la violencia* (1948–1957)—the violent irregular confrontation, predominantly in small towns and rural areas, between civilian supporters of the Liberal and Conservative Parties. When party leaders in Bogotá signed a peace agreement, radical Liberals splintered off from the mainstream party, took refuge outside Bogotá, and joined members of the Communist Party to form a Marxist rebel group. Adapting Soviet Marxism and the Cold War struggle to the local political and social context of *la violencia* and inequitable land distribution, the FARC aimed to break the tight hierarchical socioeconomic structure of Colombian society and construct a socialist one in its place. The agreement between Liberals and Conservatives to alternate the presidency under four-year terms during 1958–1976, the Frente Nacional, further restricted the participation of advocates of socialist and communist political ideologies. The Colombian government and its security forces, seen as proxies of U.S. hegemony, became the FARC’s enemy.

The ELN emerged in 1962 with a core group of twenty members, mostly university students attracted by the Cuban Revolution model and influenced by liberation theology. Like the FARC, they based their struggle on political and social grievances and were rural-based. Neither group advocated separatism or had ethnic affiliations.

The civil war between the guerrillas and the state was in reality a rather contained

confrontation until 1992, and peace negotiations were the norm.<sup>4</sup> The guerrilla groups received little financial support from external actors, such as Cuba or the Soviet Union, but they looked to Fidel Castro and the Soviet regime for political and ideological endorsement. During their first years of existence, these groups were smaller in size than they are today and tended to recruit supporters in lowly populated areas that lacked state presence, far away from the urban centers where 60–75 percent of the population lived. Military battles were usually of a low intensity and frequency. Civilian policymakers in Bogotá, who ran a centralist administration, perceived the guerrillas as a distant and manageable threat to the country's continuous economic development and stable administrative and political institutions. The state was aware that guerrilla groups had gained tacit support among the urban middle class. Although they were not directly involved in or affected by the fighting, the urban poor sympathized with the basic ideas of redistributing economic and political power, but believed that differences could be resolved through negotiation.

A combination of political culture, pragmatism, and the general awareness in Colombia of the insufficiency of its political and economic institutions led the state to undertake peace negotiations with the insurgents. President Belisario Betancur (1982–1986) launched the first major initiative in 1982. By then, taxing coca production and extorting oil companies were emerging as promising means of guerrilla fundraising. FARC and ELN leaders believed they could expand their membership and thereby increase their demands in future negotiations. As a result of the relative strength of the guerrilla movement, Betancur obtained an imperfect cease-fire in which only 10 percent of FARC members demobilized. Both sides learned important lessons in the 1980s, which continue to influence their behavior. In particular the guerrillas learned that demobilizing was unsafe. The political arm of the FARC, the Unión Patriótica, which was formed by communists and demobilized members, was gradually exterminated through internal vendettas and selected assassinations by paramilitary and corrupt military officers. Security forces, in contrast, saw how the guerrillas exploited the cease-fire in order to arm and continue to recruit and train. Despite these misgivings, however, Betancur's successor, Virgilio Barco (1986–1990), renewed peace offers and prepared the ground for the demobilization of other Colombian rebel groups, including the Movimiento 19 de Abril (M-19), the Ejército Popular Revolucionario (EPR), Quintín Lame, and the Corriente de Renovación Socialista. The demobilization took place after President César Gaviria (1990–1994) was elected in 1990 and launched the watershed 1991 National Constituent Assembly, which introduced substantial reforms to accommodate the guerrillas' political demands and improve participatory and representative democracy at the local level. Yet neither the FARC nor the ELN gave up their struggle. Instead, both groups continued growing at a steady pace. Confrontations with the Colombian security forces and attacks against police garrisons increased.

Political violence increased with the spread of right-wing paramilitarism. Small groups of 50 to 100 men began mushrooming in the countryside to provide peasant self-protection or to defend farmers and landowners from guerrilla kidnapping and extortion. Some of these landowners had originally amassed their wealth through the drug trade.<sup>5</sup> Well-funded paramilitaries soon turned to offensive vigilantism.

The August 30, 1996 attack by the FARC against the Colombian Armed Forces base at Las Delicias in Putumayo, which led a wave of twenty-five assaults against

military bases and police stations all over Colombia on August 30–31, and the consolidation of the paramilitary under the aegis of the AUC in 1997 were unequivocal signs that Colombia's political violence had entered a new phase. Ideology, deep-rooted socioeconomic grievances, and motivations of political power had ignited the Colombian conflict, but the continuous stream of money and weapons helped to transform it into a full-scale war. The administration of Ernesto Samper was unable to counter the emboldened combatants or offer a new peace process because it lacked legitimacy and was overwhelmed by other mounting political and economic crises, which acted as catalysts for the escalation of the conflict since 1996. These crises included the long and damning political turmoil unleashed when it was revealed that the Cali cartel had paid U.S.\$6 million into Samper's presidential campaign in 1994; the resulting U.S. diplomatic war against Samper—which never achieved his ouster but weakened his government; and the rapid and unprecedented slowdown of the economy, including rising unemployment.

Since then, the war has experienced several trends. First, the number of combatants, illegal and legal, has increased. Over the past two decades the FARC progressively expanded its fronts from 27 in 1984, to 60 in 1992, to 80 in 2000,<sup>6</sup> involving approximately 15,000–18,000 members.<sup>7</sup> Since 1996, the FARC has also changed its structure, forming, in addition to the fronts, at least four mobile blocks totaling 800 members. The ELN grew from 70 members in the 1960s,<sup>8</sup> to 800 in the mid-1980s, to as many as 5,000 in 1996,<sup>9</sup> before suffering heavy losses against the Colombian Armed Forces and the paramilitaries since 2000. It is speculated that the weakened ELN now has 3,000 men. The Colombian Armed Forces began a recruiting and training campaign in 1998. Regular recruits increased from 57,041 to 83,068 in 2002, professional soldiers from 22,891 to 55,071, while high school graduate recruits decreased from 36,000 to 3,000.<sup>10</sup>

Second, combat has spread. Villages and cities that were formerly peaceful have suffered violent attacks. Paramilitaries, in particular, spread swiftly from their initial strongholds in Córdoba, Urabá, and César. They have entered municipalities in Antioquia, oil-rich Arauca, coca-rich Putumayo, and Valle. They have also encircled part of the FARC's former demilitarized zone in Meta. The FARC has increased its urban cells and since 2001 has launched a spate of bomb attacks to terrorize urban inhabitants, hoping to weaken state authority. It has also attacked vital infrastructure like water supply centers, electricity towers, and phone transmission towers.<sup>11</sup> The ELN, after peaking in terms of military strength and territorial domain in 1998, encountered severe attacks from the paramilitaries and is now more likely to demobilize or be absorbed by the FARC. The escalation of military and political competition among larger and better-equipped armed groups has increased war-related casualties, made the massacres more frequent and brutal, displaced larger numbers of innocent civilians, and increased kidnapping.<sup>12</sup>

Third, amid the human security crisis, the political space for neutrality has diminished. Both in the cities and in the countryside, Colombians have become increasingly polarized, siding out of fear, opportunism, or conviction with either the guerrillas, the paramilitaries, or the security forces. The AUC has developed a base of social and political influence. The urban middle class, targeted by guerrilla kidnappings, began sympathizing with the paramilitary cause. In smaller rural towns, inhabitants have turned to paramilitary leaders to resolve personal disputes related to property, debts, and

political rivalry, which de facto has turned them into a quasi-legitimate authority. In the past, left-wing guerrillas had occupied this role, but lost popular support due to their terrorist methods. Under the AUC, the paramilitaries that were once regarded as narco-funded criminals have become a politically recognized force, eligible for both participation in peace negotiations and amnesty.

Fourth, conflict-related crime has risen as combatants resort to participation in the drug trade, extortion, kidnapping, money laundering, the illegal exploitation of minerals, and common theft to buy weapons and train combatants. However, in contrast to many internal conflicts elsewhere in the developing world, systematic pillaging and plundering has not occurred.

Fifth, the Colombian conflict has become internationalized. Since 1999, war has spilled over into neighboring countries in several ways: through temporary refugees fleeing from cross-fire or selective killings by armed groups; through the permanent migration by those in danger of being kidnapped or seeking safer homes; through the short-term use of border zones by state security forces conducting operations against nonstate actors; through the establishment of guerrilla camps in border areas; through criminal fundraising by illegal combatants using extortion and kidnapping in neighboring countries; and through the greater integration of inhabitants from the border zones and of regional criminal networks into the war economy via contraband, arms trafficking, and drug trafficking. For some neighboring countries, these spillovers have posed urgent security threats.

Finally, departing from the historical pattern of prudent and limited engagement in Colombia, the United States has steadily become more involved in the conflict through technical and military assistance to the Colombian security forces, mainly to carry out counternarcotics operations, but also to mount selected counterinsurgency operations such as those undertaken to protect oil pipelines. Above all, the United States has become the major international influence shaping Colombia's conflict resolution strategies. Also unprecedented is the level of international media reporting, NGO activism, and international diplomatic involvement at high political levels. In 1998, Colombia and the United Nations agreed to appoint to Colombia a Special Adviser of the Secretary-General, Jan Egeland. In 1999, "Groups of Friends" joined the separate peace processes with the ELN and the FARC.<sup>13</sup>

### **The International Drug Market, Transnational Crime, and the Growth of Illegal Armed Groups**

Both the guerrillas and the paramilitaries benefited from the progressive growth of illegal drug production and smuggling in Colombia. Their participation in the highly profitable international illegal drug industry has strengthened their respective military capacities and determined their choices for territorial expansion. From 1970 to 2000, Colombia went from being a minor marijuana producer and exporter to the world's largest cocaine exporter since 1982, an important source of heroin since 1996, and the world's largest coca leaf producer since 1997. Drug cultivation grew apace with the escalation of conflict. Both accelerated in 1996, at which time Colombia had 67,200 harvestable hectares of coca leaf—nearly double what it had in 1990—and 32 percent of the total world cultivation. In 2000 the figure skyrocketed to 136,200 hectares, 74 percent of total world cultivation. This occurred despite the intensification of aerial and manual

eradication efforts by U.S.-funded Colombian antinarcotics police.

Several factors prompted this transformation in the illegal drug market. The success of antidrug policies in Bolivia and Peru in the mid-1990s resulted in a drop in the amount of coca base, essential for the production of cocaine, supplied to Colombia, and opened a new market opportunity for domestic producers. The air interdiction operations of 1995–1998 carried out to break the Peru-Colombia air bridge depressed the earnings from coca leaf cultivation in Peru, at least until 1999, and acted as a temporary disincentive for cultivation. In Bolivia the reduction of coca base resulted from forced manual eradication campaigns from 1992 to 1997. Given the constant high levels of global drug demand, cultivation needed to be relocated. New fields sprung up in Colombia, where conditions were favorable. Colombia had entrepreneurial drug traffickers with access to global markets, capital, and the experience to replace supply, diversify production, and maintain profits by initiating farmers into the cultivation of coca and poppy through distribution of seeds and credit. This was facilitated by a needy agrarian work force. The Colombian agricultural crisis that began in the early 1990s had left many peasants and rural workers destitute and therefore eager to turn to profitable coca leaf and poppy crops. The crisis was partly related to mistakes in the government's economic liberalization policies and exposure to competition by foreign-subsidized agricultural products. Rural violence had also affected legal agricultural development and work opportunities for peasants and squatters had become increasingly scarce.<sup>14</sup> Illegal armed groups controlled vast and isolated rural areas where coca leaf could be grown without much state interference. The guerrillas and the paramilitaries also had the capability and the incentive to facilitate the emergence of new fields and laboratories. In short, war facilitated the massive relocation of coca and poppy cultivation in Colombia.

### ***The FARC and the Illegal Drug Trade***

At its 1982 and 1984 conventions, the FARC made it policy to raise funds by taxing coca production. As the conflict escalated, however, its involvement in the illegal drug industry expanded, especially after 1996. In the 1980s the FARC taxed peasants who harvested coca leaf as well as middlemen who bought base and paste to be furthered processed. Occasionally the FARC provided surveillance for owners of laboratories and airstrips located in its areas of influence. With the escalation of conflict, the FARC expanded the radius within which it carried out these activities. It also began to acquire plots, process coca leaf into cocaine, and develop contacts of its own with regional mafia networks, such as the Mexican Tijuana cartel, which has access to global consumer markets. The April 2001 capture of the Brazilian drug baron Fernandinho while he was meeting with the FARC in Colombia was a key indication of this evolution. The FARC's refusal in 1998–2001 to admit international verification of the 41,000-square-kilometer demilitarized zone was instrumental to its ability to profit from the drug business and led Colombian authorities to further question the “true” aims and good faith of the group during the peace negotiations. It is estimated that the guerrillas' drug trade-related revenues were U.S.\$3.2 billion from 1991 to 1999, and that yields in the late 1990s averaged U.S.\$1.5 million a day—48 percent of their total income.<sup>15</sup>

To be sure, the level of participation by the guerrillas in the illegal drug trade is a controversial topic that has serious political repercussions for the prospects for a negotiated resolution to the conflict. Those in favor of a negotiated peace are inclined to

overlook the criminal behavior of the nonstate armed groups. In contrast, the guerrillas' drug-processing and drug-trafficking activities have made it easier for hard-line opponents to characterize them as mere criminal traffickers, thereby stiffening their unwillingness to accord any legitimacy to the guerrillas or to seek compromise with the FARC and the ELN on outstanding political and economic disputes. Likewise, peace efforts have been complicated by U.S. requests for extradition of guerrillas and paramilitaries on drug-trafficking charges. While extradition is based on 1997 Colombian antidrug legislation and related commitments to the United States, extradition requests were formulated only since the breakdown of peace talks in 2002 and the classification of the FARC, the ELN, and the AUC as international terrorist groups. Aside from the diplomatic problems this policy has posed for the Colombian authorities, U.S. extradition requests add to a growing tendency to treat insurgency as a criminal rather than a political phenomenon, to be resolved by criminal prosecution rather than peace talks.

### ***The Paramilitaries and the Illegal Drug Trade***

In March 2001, Carlos Castaño, the political leader of the Autodefensas de Córdoba y Urabá (ACU) and of the AUC publicly admitted the AUC's involvement in the drug trade to finance its operations.<sup>16</sup> Paramilitary connections to drug trafficking have a long history, however. Indeed, one of the first right-wing proactive antiguerrilla organizations, Muerte a Secuestradores (MAS), or "Death to Kidnappers," was established in 1982 by wealthy Medellín drug traffickers and landowners.<sup>17</sup>

The connection between paramilitarism and drug trafficking was consolidated when paramilitary forces filled the vacuum in domestic and international smuggling activities left by the successful dismantling of the Medellín cartel in 1993 and the Cali cartel in 1995.<sup>18</sup> Since then the paramilitaries' drug business has become vertically integrated throughout the chain of production, from control over crops to international distribution.

Since 1996 the paramilitaries have sought to disrupt and take over the guerrillas' economic base, half of which is tied to drugs. The AUC has extended beyond its traditional strongholds in the departments of Magdalena, Córdoba, and Sucre, reaching coca-rich areas such as Putumayo. It gains the support and sympathy of the local population by offering to charge lower taxes and pay better rates than the FARC. Once they penetrate an area, the paramilitaries start up their own crops and displace farmers and peasants. This process of "cleansing" territories from guerrilla influence and gaining control over the coca market is invariably violent. The level of violence, however, decreases once paramilitaries obtain full control of a zone. The drug business earns the paramilitaries approximately 70 percent of their income, though estimates vary on the net amount (between U.S.\$20 million to U.S.\$200 million per year).<sup>19</sup> Voluntary contributions are less significant in financial terms, though not in political terms. Landholders pay extremely low sums—the equivalent of U.S.\$5–\$10 per hectare according to the yield capacity of the land and the type of agricultural activity they engage in—but these payments are enough to bind them to the paramilitaries: by paying, landowners become both economic supporters and de facto political guarantors of the paramilitary cause.<sup>20</sup>

### ***Illegal Armed Groups and the Global Market***

Globalization has helped illegal armed groups on all sides to translate drug money into military strength. Both the FARC and the AUC manage their finances using modern investment strategies and financial institutions outside Colombia.<sup>21</sup> The FARC, for instance, has fixed-term deposit investments in Panamanian banks. Part of the money is deposited directly in Panama after being collected in the demilitarized zone and part is transferred electronically from bank accounts in Colombia.<sup>22</sup> In 2001 the AUC used the Barnett Bank of Miami to make transactions that were camouflaged by legal businesses in Colombia and the United States, most of the latter based in Miami.<sup>23</sup> To conduct these transactions, paramilitaries co-opted members of the Colombian diaspora in the United States, some of whom are a product of conflict itself.<sup>24</sup>

Both the guerrillas and the paramilitaries purchase weapons and training services through international criminal networks. They have taken advantage of the large numbers of weapons available from the Central American war of the 1980s,<sup>25</sup> as well as the arms markets outside Latin America. New and old weapons flow from places as diverse as Bulgaria, Russia, Ukraine, Jordan, China, Israel, and the United States. Very often transactions involve corrupt government officials who issue and approve export licenses and end-use certificates and arrange for safe transportation to Colombia, as well as unscrupulous arms brokers.<sup>26</sup> The FARC reportedly also contracted foreign technical training from the Irish Revolutionary Army (IRA) on the use of sophisticated explosives.<sup>27</sup>

### **Reassessing the Relation Between Oil and Conflict in Colombia**

Natural resource extraction, especially in the oil and mining sectors, has been frequently linked to human rights abuse and environmental despoliation by repressive and corrupt states. In Angola, Sudan, Burma, Indonesia, and to a lesser extent Nigeria, natural resource extraction has also been identified as a major if indirect contributor to armed conflict. In some cases, lucrative revenues from concessions to multinational oil companies are used to finance government campaigns against nonstate armed groups. In others, conflict is exacerbated by crude efforts to secure oil and mineral production, including the forcible displacement of civilian communities from areas of extraction and the contracting by oil companies of unscrupulous or corrupt security forces. Because oil and mineral extraction is a capital-intensive enterprise, requiring sovereign guarantees against financial risk, it accrues to the benefit of state combatants. Oil windfalls are rarely associated with rebel profiteering, which is why the connection between oil and conflict in Colombia is somewhat atypical.<sup>28</sup>

The ELN was militarily defeated in 1973, but reemerged in 1980s as it learned to exploit Colombia's oil boom.<sup>29</sup> In 1984, oil composed 20.46 percent of Colombia's exports. By 1990 this increased to 48.09 percent and by 1996 to 67.12 percent, or nearly 4 percent of Colombia's gross domestic product (GDP).<sup>30</sup> For the ELN, the oil boom offered new and lucrative opportunities for obstruction and extortion.<sup>31</sup> Bomb attacks on oil pipelines placed economic and security burdens on the state, while also generating jobs for ELN supporters, who would be hired to carry out reconstruction. These attacks also maintained the credibility of the ELN as anti-imperialist and anticapitalist, a political agenda that resonated with many Colombians who felt that multinational companies and the United States were exploiting Colombia's resources to their own advantage. The ELN also profited from oil extraction by extending its established practice of kidnapping for

ransom from wealthy farmers and cattle ranchers to foreign oil workers and executives. Here the returns on kidnapping were perversely encouraged by corporate practices of insuring employees against kidnapping, a cost that was largely borne by insurance companies. But efforts to avoid this trap proved to be highly problematic. In 1984 the ELN kidnapped several employees of Mannesmann Anlagenbau A.G, a German engineering firm subcontracted by Occidental Petroleum and the state-owned oil company Ecopetrol to build the Caño-Limón oil pipeline. To forestall further kidnappings, Mannesmann concluded a deal with the ELN that involved a onetime payment (reportedly U.S.\$2–\$10 million, but far less than the U.S. \$300 million penalty Mannesmann was contractually bound to pay Occidental in the event of delayed construction), as well as an agreement to hire ELN supporters for community works, all in exchange for uninterrupted operations.<sup>32</sup> This payment helped to finance the ELN for several years, permitting it to recruit men and purchase weapons. The ELN also gained popularity by influencing the content and level of private-sector-funded community projects.<sup>33</sup>

More pervasively, the ELN found other ways to use oil resources as a source of funding. When oil came on stream in 1986, Colombian policymakers and legislators introduced a series of measures to distribute oil rents according to regional economic development plans and to avoid common problems generated by oil windfalls, such as central government corruption and grievances caused by perceived inequities in revenue distribution. Originally the central government agreed to transfer 12 percent of its 20 percent share of royalty revenues to less developed departments, while Ecopetrol and Occidental kept 40 percent each. Both companies still had to pay taxes, which contributed to further transfers to the state and the oil-rich regions. The 1991 and 1994 reforms to oil legislation and the process of administrative decentralization were undertaken to create transparent, equitable, and efficient use of revenue. To avoid central government corruption and promote economic development outside the traditional urban centers, larger amounts of money were allocated to the oil-producing zones. To avoid local corruption, the 1991 constitution incorporated clauses with general guidelines on the allocation of oil and other mineral royalties. The 1994 National Law of Royalties contained detailed if confusing specifications for distributing oil revenues among health, education, and infrastructure. Additional provisions sought to avoid “Dutch disease” by applying lessons from Colombia’s successful management of coffee earnings in the past.<sup>34</sup> These arrangements began to enlarge local coffers. In Arauca, where the ELN operated, oil revenue made up approximately 70 percent of the budget and the sparsely populated municipalities became some of the richest per capita in Colombia. Backed by the use of force, the ELN exploited oil royalties once the money reached local public budgets. The ELN did so in part by backing its candidates in local elections to positions where they could directly influence decisions on the spending of oil money. The ELN also sought to influence civil society organizations active in local politics, such as the Juntas de Acción Comunal. Violence and intimidation were often employed to influence the outcomes of elections and policy decisions, and thus the ELN had an important advantage over traditional politicians. As the oil zones were far from the central government, they lacked efficient policing, military surveillance, and justice administration. Ironically, then, well-intentioned, decentralized revenue-management schemes and democratization, which introduced the local election of mayors and town

councils in 1986, unwittingly contributed to expose oil rents to guerrilla manipulation in the context of fragile and inexperienced local administrations.<sup>35</sup>

Following the ELN's successful model in Arauca, the FARC soon arrived in Casanare, a nearby oil-rich region, to reproduce the game of oil extortion and political influence. Over time the guerrillas became more adept at isolating traditional politicians through violence. Since 1988 the FARC and the ELN have been competing against each other for influence in the region,<sup>36</sup> yet the escalation of conflict in the 1990s has exacerbated competition over oil rents and over the support of labor unions and community groups in Arauca. In 2001 alone the FARC and the ELN staged 170 attacks against the Caño-Limón oil pipeline. The FARC's motivation was to effectively cut the flow of royalties to Arauca, which were benefiting the ELN. Kidnappings of employees of oil and engineering companies also increased. British Petroleum, one of the largest foreign investors in Colombia since 1987, stopped insuring its employees against kidnapping, not only because paying ransom became illegal under Colombian law, but also because it had proven self-defeating. Despite a warning by the Colombian government in 2001 to oil companies to desist providing kidnapping insurance, which is an illegal transfer of funds to insurgents, not all corporations have adopted the same policy.<sup>37</sup> In 2001, insurance companies were routinely paying up to U.S.\$1 million per victim, thereby continuing the incentive for further kidnappings and extortion.

As Colombian security forces have been unable to fend off attacks from rebels, the security risks facing companies are genuine. However, as companies try to manage these risks, they have also increased their indirect involvement in the conflict by hiring private security firms for their protection and making direct payment into national and local security budgets to have police or military troops guard their infrastructure.<sup>38</sup> Although there is no systematic participation of oil corporations in armed conflict, they often fail to monitor the behavior of private security forces in their employ or end up associated with army and police officers who violate human rights.<sup>39</sup> In the absence of adequate preventive measures by corporations seeking to ensure the security of their operations and personnel, there is a continuing danger of companies inadvertently contributing to the conflict through their reliance on unaccountable security services and perhaps becoming more directly complicit.

Several other developments may deepen the involvement of corporations in the conflict. Colombian policymakers are now seeking new ways to finance defense expenditure. In 2001 the Pastrana administration proposed a bill authorizing private donations specifically for defense purposes. More recently the newly elected Alvaro Uribe administration has proposed issuing compulsory security bonds to be bought by private corporations and high-income individuals, a measure that was used in 1997 and 1998.<sup>40</sup> Depending on the formula, raising funds in this manner may lead to the semiprivatization of state security. It may also generate conflicts of interests, since security forces would have an incentive to serve the largest donors. Another development is the request by the U.S. executive to Congress in 2002 for \$98 million in foreign military financing for counterinsurgency assistance to protect oil infrastructure in Colombia from rebel attacks. This request reflects the interconnection between corporate interests, U.S. domestic politics, and U.S. foreign policy objectives. U.S. oil companies have lobbied Congress and the president to increase military aid to Colombia, influencing not only the contours of U.S. policy in the Colombian conflict, but also Colombia's own

security policy. This adds to the complexity of incentives at play in the Colombian war and may complicate the peace process, since one of the aims of insurgency groups is the reform of Colombia's energy policy specifically as regards the terms of foreign exploration and extraction. Meanwhile the Pastrana administration improved the conditions for foreign oil and energy companies from a 50-50 to a 70-30 share in order to stem the decline in foreign direct investment.<sup>41</sup>

### **Other Resources, Other Actors: U.S. Aid and the Colombian Armed Forces**

Foreign aid and credit are two primary sources of financing for Colombia's security forces, the only legal combatants in the conflict. As the largest foreign donor of military aid and counternarcotics assistance, the United States is the most important external actor shaping the agenda and incentives of the Colombian government, the police, and the military. While U.S. involvement in Colombia is not new, the nature and scope have changed fundamentally since 1997. To help the Colombian government's counterinsurgency efforts, U.S. policymakers have designed a complex array of policies focused on strengthening Colombia's security forces and reducing the illegal armed groups' access to drug revenues through heavily militarized interdiction and crop eradication. Whether this strategy can help achieve peace—and at what human and economic cost—is a subject of intense debate. So far, the current range of policies have spurred improvements in the strategic planning and human rights record of the security forces; nevertheless, U.S. policy and increased military aid have neither reduced the drug trade nor driven the armed groups to demobilize, let alone resulted in the outright military defeat of the armed groups.

The United States began giving Colombia assistance to fight drug trafficking in 1971. After several years of testing antidrug strategies, U.S. and Colombian policymakers concluded that success in the war against drugs depended on more funds, greater logistical support from the militaries of Colombia and the United States, the inclusion of an economic development component, and the strengthening of Colombian law enforcement and the judiciary. Accordingly, U.S. projects in Colombia expanded with President George Bush's comprehensive 1989 Andean Strategy initiative, President Virgilio Barco's 1990 Special Cooperation Plan, and the February 1990 Cartagena Summit Agreements. This expansion did not create a full militarization of drug control nor did it result in the deployment of U.S. troops, as is often misportrayed in academic writing.<sup>42</sup>

Despite all the policy improvements, drug control cooperation ultimately failed to stop the expansion of drug cultivation and trafficking in Colombia, but it did set a precedent for further U.S. involvement in the Colombian conflict. The United States progressively increased its presence in Colombia through long-term antidrug law enforcement programs, while the annual decertification process increased U.S. involvement in Colombian domestic politics.<sup>43</sup> U.S. policy toward Colombia began to change in 1997, when Samper tried to deter U.S. decertification and political pressure by claiming that sanctions would only weaken the government's attempts to counteract the growing "narco-guerrilla" threat, thereby threatening both national *and* international security. Among U.S. policymakers, the idea that the design of drug policy toward Colombia had to take into account worsening security conditions was gaining acceptance. In fiscal year 1997, Congress approved \$66.6 million in military aid to Colombia—nearly

double that of each of the previous three years. In fiscal year 1998, counternarcotics and military aid increased to \$119.6 million and included the creation of the first of three U.S.-trained counternarcotics battalions equipped to fight drug traffickers as well as insurgency, provided there was “credible evidence” of guerrilla involvement in illegal drug-related activities. In this way, U.S. support for counterinsurgency was introduced through the “back door” of counternarcotics.<sup>44</sup> The United States also provided a \$500 million grant to the Colombian alternative development program PLANTE, aimed at luring peasants away from coca crops and winning their “hearts and minds.”

U.S. involvement in the Colombian conflict and the peace process was formally sealed in 1999 with Plan Colombia, a key turning point in the history of U.S.-Colombian relations. President Andrés Pastrana, elected in August 1998 with the mandate to reach peace and smooth relations with the United States, developed a \$7.5 billion peace plan based on \$4.5 billion in foreign aid.<sup>45</sup> After intense hearings and debates in Washington, Congress approved a \$1.3 billion two-year supplemental aid package for Plan Colombia, approximately 75 percent of which was allocated to the security forces, in addition to regular appropriations, and the remainder to governance and economic development.<sup>46</sup> In 2001 and 2002 the Bush administration, maintaining the U.S. commitment to Plan Colombia, formulated the Andean Regional Initiative (ARI), a \$882.29 million package of economic and counternarcotics assistance not only for Colombia, but also for Bolivia, Brazil, Ecuador, Peru, and Venezuela to maintain the region’s commitment to prohibition and guarantee the support of these countries for U.S. policies in Colombia.<sup>47</sup>

The emphasis of ARI on military aid directly affects the Colombian government’s own approach to the peace process. Those who believe that the guerrillas have, in essence, valid grievances, argue that the confrontational approach of ARI will intensify and lengthen the fighting, resulting in heavy civilian casualties and internal displacement, and prevent long-needed socioeconomic reforms in the country.<sup>48</sup> Those who view the armed groups as an exclusively military threat, unconnected to the socioeconomic system, would prefer that U.S. policy toward Colombia set counterinsurgency as its first priority.<sup>49</sup>

Inevitably, the examination of these issues raises questions about political and economic interests within the United States and Colombia that influence U.S. policy. The U.S. military industry, U.S. security consultants, and Colombian contractors, all of which make profits in the context of the Colombian conflict, represent significant interest groups.<sup>50</sup> To what extent these interests prevent the formulation of a different U.S. policy—one more responsive to Colombia’s economic recession, more effective at inducing a quicker demobilization of combatants, and less costly for rural inhabitants in Colombia—is a matter of continuing controversy.

In regional and historical comparative perspectives, U.S. political and economic involvement in Colombia contradicts what appeared to be a post-Cold War trend around the globe: the political and financial disengagement of the superpowers from civil wars and a corresponding increase in the involvement of combatants in alternate fundraising activities, frequently criminal. Rather, U.S. involvement in Colombia has increased at the same time that the guerrilla groups have increased the illegal self-financing activities in which they were already engaged. In Colombia the Marxist guerrillas never received significant funding from the Soviet Union or Cuba, which is why their search for local money began early on. Similarly, the Colombian Armed Forces—despite enjoying

historically special relations with their U.S. counterparts, received only modest backing to fight the guerrillas, while the paramilitaries never received the support accorded to groups like the “Contras” in the Central American wars of the 1980s. One possible conclusion is that limited U.S. presence in Colombia helped to contain the size of the conflict in the past, whereas now U.S. policy feeds its escalation by altering the incentives of legal and illegal combatants. Ironically, the U.S.-backed counternarcotics policy may have added economic and political value to the already profitable coca and poppy crops, consequently adding to the incentives of armed groups to keep up the production of drugs. Some members of the guerrilla and paramilitary groups calculate that they stand to increase their bargaining power in a potential peace negotiation by participating in drug production, since eliminating drugs is what they believe the United States really cares about. A different possible conclusion is that greater U.S. counternarcotics assistance can alter the military balance in favor of the Colombian government, since the more stringent that antidrug law enforcement measures are, the greater the chances that the costs of continued involvement in the drug business by illegal combatants will increase.<sup>51</sup>

### **Economic Dimensions of the Colombian Conflict: Analysis and Policy Implications** *Contemporary Debates over Natural Resources and the Colombian Conflict*

The emerging literature on war economies argues that natural resources play a pivotal role in many civil wars of the post–Cold War era. But how and why exactly is a matter of discussion.<sup>52</sup> Paul Collier and Anke Hoeffler argue that dependency on primary commodities exports increases the risk of conflict in a country, largely because natural resource revenue gives insurgents the opportunity to finance rebellion through looting.<sup>53</sup> At a first glance, this “economic viability” hypothesis fits the Colombian conflict well, since coca leaf and poppy, both primary commodities (albeit illegal), make up to 45 percent of the insurgents’ income and 70 percent of the AUC’s income. Although contests over coca and poppy were not at the heart of the onset of the Colombian conflict, they have undoubtedly lengthened and intensified the war. Collier and Hoeffler, however, arrived at their conclusion on natural resources and conflict without ever incorporating illegal commodities into their statistics, which leaves the reader to wonder what exactly is the connection between Colombia’s other natural resources and war versus that between drugs and war?

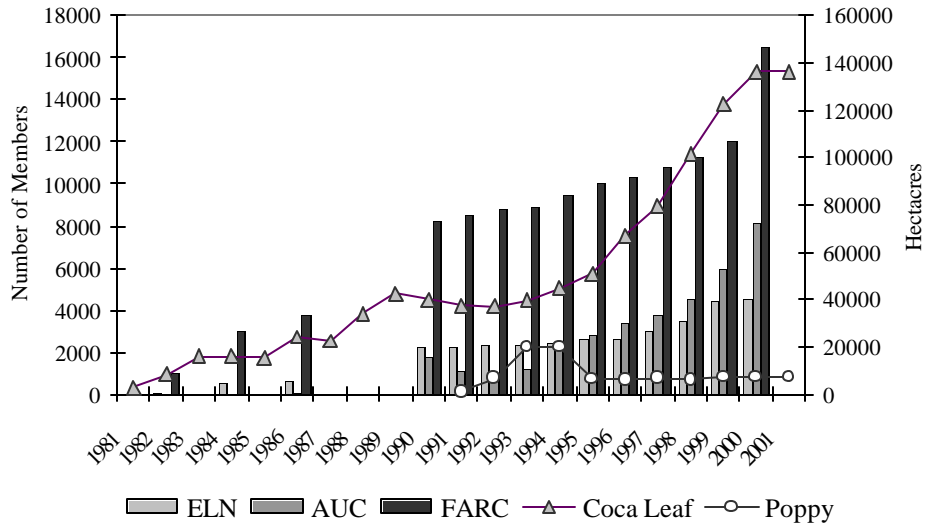
In Colombia there is a direct correlation between the progressive growth of the guerrillas, the emergence and growth of the paramilitaries, and the escalation of conflict on the one hand, and the increasing cultivation of illegal drug raw material on the other. As Figure 1 demonstrates, both drug cultivation and the number of combatants expanded slowly from 1982 to 1996, then faster since 1996. This strong association between the production of illegal drugs and war has been manifested elsewhere, including Afghanistan, Burma, Colombia, Lebanon, and Peru. Drugs have special features and connections to war. Like diamonds and timber, they are “lootable,” that is, easily “extracted and transported by individuals or small teams of unskilled workers.”<sup>54</sup> But drugs are also illegal and in high demand in a globally integrated market. Drug revenues are of foreign origin; ultimately, it is the drug addicts and recreational users mainly in the United States and Europe who finance guerrillas and paramilitaries. This makes coca and poppy cultivation atypically profitable and the market difficult to control. Illegality also

precludes states from taxing drugs, which would presumably see a reduction in their value if they were legal. A more complex relation to war is the negative effect of drug trafficking on the state and its governance capability. In Colombia, drug trafficking has eroded institutions in three ways: via corruption, via the diversion of resources that otherwise could have been used for counterinsurgency and economic development to counternarcotics operations and the dismantling of cartels, and via the direction of government human resources to the drug issue, to the neglect of other important policy areas.

**{Figure 1 here}**

Among legal natural resources, oil has been singled out in the literature on the political economy of civil wars for having a “distinct effect” on the risk of conflict.<sup>55</sup> Oil revenue usually accrues to the state, often providing an incentive for corruption, which distorts the allocation of revenue and feeds political and social grievances. Grievances caused by the production of oil are also related to the violation of human rights by state security forces protecting oil infrastructure, the displacement of local communities, and negative environmental effects. Oil, like natural gas and minerals, but unlike coca and poppy, is geographically bound, which is why disputes over oil rent may feed the cause of separatist movements.<sup>56</sup> As illustrated above, neither of these developments figure prominently in Colombia; it is not a large oil producer by international standards and the principal grievances of insurgents are not directly related to oil.<sup>57</sup> Rather, guerrillas’ quarrels with oil production have more to do with leftist ideology, that is, the belief that all foreign private-sector companies are agents of exploitative capitalism, that revenue sharing agreements with these companies are heavily skewed against Colombia, and that Colombia should nationalize the extraction of natural resources.<sup>58</sup> Ultimately, oil rent is related to the war in Colombia not only because it is “obstructable” by rebel groups, as Michael Ross argues in this volume, but also because rebels can capture oil royalties after

**Figure 1 Illegal Armed Group Membership vs. Illegal Drug Cultivation**



*Source:* Information on armed groups from the Dirección de Justicia y Seguridad, Departamento Nacional de Planeación, Bogotá, Colombia, July 2002; Information on illegal drug cultivation from U.S. State Department, *International Narcotics Control Strategy Report* (Washington D.C. U.S. Government Printing Office, various years).

they have entered local coffers by intimidating and bribing local authorities, as well as kidnapping oil company executives and employees. However, oil has also become increasingly important for the Colombian economy. It constitutes a growing percentage of Colombia's exports, and oil companies are its top foreign investors. This is due mostly to the shrinking of other economic sectors and the plummeting of foreign investments amid economic recession and war, which may lead the Colombian state to become more dependent on oil revenues and may lead oil production to become further politicized.

The connection between oil and conflict in Colombia brings to light one of the fundamental relationships between natural resources and war: their lootability.<sup>59</sup> In Colombia, all natural resources have become directly or indirectly lootable. Equally relevant to the economy of this war is the extortion of coal-mining operations, the illegal exploitation of emeralds and gold, the theft of cattle and extortion of cattle ranchers, and the extortion of farmers in general and of private-sector companies producing legal crops, such as bananas or oil palms. All economic activities undertaken in rural areas outside the reach of security authorities are at the mercy of extortion or theft. In fact, extreme levels of extortion in Colombia are only partially tied to natural resource extraction (see Figure 2). Manufactured goods have also become extortable or lootable, especially when they require transportation along roads with little surveillance.<sup>60</sup> Most striking, guerrillas have "systematized" kidnapping, targeting not just well-off entrepreneurs, but also the middle class in an indiscriminate way. Annual abductions in Colombia (by combatants and by common criminals combined) surpassed 1,000 in 1990, rose to more than 2,000 cases in 1998, and reached 3,706 in 2000—the highest rate in the world. Insurgents have developed the *pesca milagrosa* ("miracle fishing") modality of random massive kidnappings, with ransom fees ranging between U.S.\$50,000 and U.S.\$200,000. This underscores the urgency of formulating policies that strengthen, overall, the state's capacity to prevent crime as well as measures that focus on extortion and kidnapping, not just the control of natural resources.<sup>61</sup>

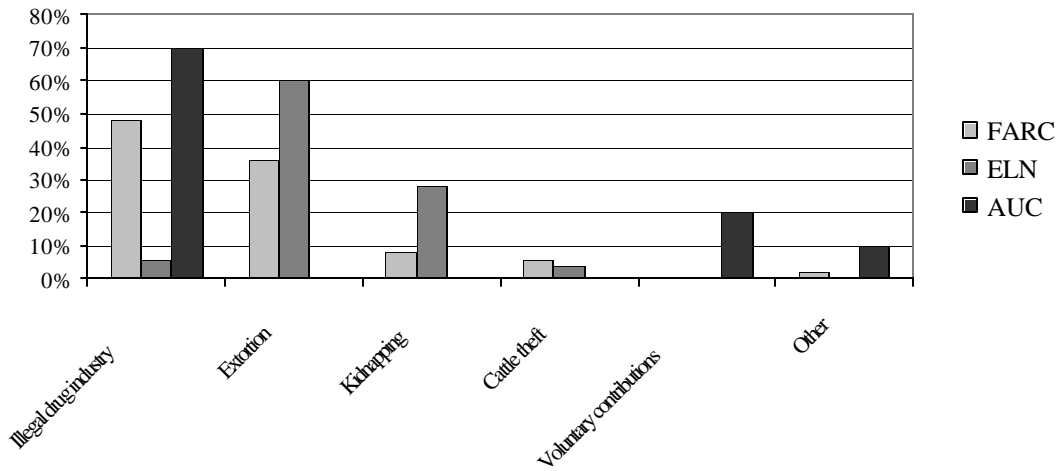
**{Figure 2 here}**

### ***Economic Opportunities for War and Their Influence on Combatants' Aims***

Favorable economic opportunities allow all combatants, whether motivated by profit or conviction, to continue fighting. Thus, depriving combatants of finances may be one way to stop violence. Nevertheless, conflict resolution, peace implementation, and reconstruction in any particular setting still must be formulated according to the character and motivation of the combatants involved in order to influence both their short- and long-term behavior.<sup>62</sup> Contemporary debate on the economic aspects of civil wars has focused on the types and functions of economic activities engaged in by combatants. There is a deep controversy over what are the "real" motivations and ultimate aims of combatants: Are they greedy profit-seekers or, specific to rebels, do they have legitimate grievances? The dispute is not just academic; it has profound policy implications. In the context of Colombia, it influences decisions on whether to launch a full military offensive against illegal armed groups or lure them into demobilization by addressing their grievances; on how much to concede and acknowledge in peace negotiations; on whether fundamental economic reforms (including redistribution of land and wealth) must take place; and finally on whether all combatants (paramilitaries and guerrillas) should receive

amnesty. Choosing a course of action depends upon the answers to several fundamental

**Figure 2 Income Distribution of Illegal Armed Groups**



*Source:* Estimates by Alfredo Rangel, “Parasites and Predators: Guerrillas and the Insurrection Economy of Colombia,” *Journal of International Affairs* 53, no. 2 (2000): 577–601, based on reports by the Comité Interinstitucional de la Lucha Contra las Finanzas de la Subversión, Bogotá.

questions: Has profit-making replaced ideology for Colombia's guerrillas? Are paramilitaries but drug traffickers in political disguise? Are Colombia's security forces accomplices of the paramilitaries or are they exploiting the war only to benefit from increases in defense expenditures?

Complicating such questions even further is the fact that combatants' preferences are not static. Originally, the guerrillas' aims were to redress political and socioeconomic exclusion and form a socialist state. However, it is possible that, with "institutionalization" of the guerrillas' criminal fundraising activities, rent-seeking may have become their *raison d'être*. It is also possible that the fast rate of recruitment since 1996 may have prevented the armed groups from fully socializing new recruits into their ideological cause, changing the identity of the groups from within and from the bottom up. Yet based on the lack of adequate empirical evidence about combatants' ultimate political and economic aims, it is not clear whether these changes in preference have taken place. Moreover, it is not clear whether the Colombian state and the United States would alter their counterinsurgency and counternarcotics policies if such information was available, since the guerrillas have been unwilling to demobilize, are building up their military capacity, and are stepping up violent attacks, hurting mostly the civilian population.

Systematic and extended involvement in criminal fundraising activities and disputes with paramilitary forces over resource-rich territory suggest that accruing wealth is a priority for Colombia's illegal armed groups. Although most of the guerrilla leadership continue to hold to their political visions and goals of fundamentally transforming Colombia's political and economic institutions, maintaining reliable sources of revenue has clearly influenced their military strategies and tactical decisions, including the timing of demobilization. For the guerrilla groups, economic strength determines military strength and therefore their expected gains at the negotiating table.

The fractioning of the AUC, which began in early 2002, more clearly demonstrates the possible contradiction between economic and political aims. The historical connections of the AUC to the drug trade and the rapid growth of its members have caused factions to break away from the AUC's control and instead use their networks and capabilities to pursue economic self-interest through drug trafficking, theft, kidnappings, extortions, and violent appropriations of land. This behavior runs counter to Castaño's attempts to gain political legitimacy for the paramilitaries, which would require that they clean up their image and disengage from criminal activities, in particular kidnapping and drug trafficking, which tend to be condemned by the Colombian public and the state.<sup>63</sup>

In general, noneconomic factors have been as important as economic factors in shaping the contours of the Colombian war. The perception by guerrilla groups of their economic strength vis-à-vis state combatants and of the willingness and ability of Colombian authorities to honor a potential amnesty have influenced their calculations on whether or not to demobilize. The guerrillas' skepticism about the ability of the central government to ensure protection if they were to demobilize are well grounded. As the killing of demobilized FARC members in 1984 demonstrated, Bogotá has often lacked sufficient control over police and military on the ground to prevent vendetta-related killing of former guerrillas. At the international level, transnational litigation and U.S. extradition requests may legally and politically challenge formal peace agreements.

Similar political calculations appear to be preoccupying those paramilitaries that have not made economic self-interest their main goal. Their demobilization depends on the international political context and whether or not the United States decides to ask for their extradition.

There are two final issues tied to the continuing policy and academic debates on the Colombian war: whether or not illegal combatants' grievances are legitimate, and if they are, when and how to address these grievances through a peace process. The guerrillas have historically claimed that they are fighting against the systematic political and socioeconomic exclusion of the majority of the population in Colombia by a small urban elite. As mentioned in the beginning of this chapter, civilian authorities largely acknowledged these claims and progressively introduced political reforms to increase participatory democracy and worked to improve Colombia's economic development. They also have been willing to reach important compromises at peace negotiations.<sup>64</sup> Today the Colombian political system is formally open to democratic contest. Claims of political discrimination, therefore, are viewed as largely invalid. Conversely, there has been no academic, policy, or societal consensus in Colombia on whether socioeconomic grievances, as invoked by illegal combatants, were ever legitimate. Socioeconomic indicators in Colombia have improved substantially, especially in the 1960s and 1970s, compared to the first half of the century. There was sustained economic growth even throughout the so-called Latin American lost decade of the 1980s, when recession and debt crises hit the major economies of the hemisphere. At this time, it was often argued that insurgents' claims were unsubstantiated, because Colombia was doing well compared to other countries in the region. Economic facts have changed, however, and there has been a stark deterioration over the past six years, as war and economic recession conflate. Inequality has worsened during the past decades, reversing the improvements of the 1960s and 1970s. In 1999 more than half of Colombians lived in poverty—a return to 1988 levels, in spite of the 20 percent decline in the number of people living in poverty between 1978 and 1995. Since 1996 there has been a decline in macroeconomic performance and a doubling in unemployment, reaching approximately 20 percent in 2001.<sup>65</sup> Colombia's income inequality is considered "extreme" when compared internationally (though not in comparison to other Latin American countries).<sup>66</sup> Recent massive forced displacement and drug traffickers' investments in land since the 1980s have had a negative impact on land distribution and former agrarian reform policies. Furthermore, war has generated a profound humanitarian crisis: Colombia has 1.5 to 2 million internally displaced persons, and conflict-related civilian casualties reach almost than 4,000 per year. Whether and when to address which grievances therefore remain critical political and tactical questions in the context of peacemaking. Short- and long-term policies aiming to reduce the combat capability of the illegal armed groups will have to be combined with emergency attention to civilians affected by war and with long-term economic development policies that meaningfully address pervasive inequalities in landholding and income.

## **Conclusion**

As this chapter demonstrates, the political economy of the Colombian conflict has undergone a significant transformation over the last fifteen years. During this time, the national economy has faltered, while access to local and global markets has provided

combatants with new economic opportunities and sources of revenue. The FARC and the ELN have become increasingly engaged in narcotics production and trafficking, extortion, and kidnapping. The paramilitaries have forayed vigorously into international drug trafficking, but also receive local voluntary contributions. Meanwhile, the state, largely dependent on tax revenues, has received increasing assistance from the U.S. military since 2000 to fight drug trafficking and, as of 2002, counterinsurgency and paramilitarism. With these changes, both the intensity of the conflict and the challenges for resolving it have increased.

From the perspective of Colombia's illegal armed groups, the expansion of economic activities has not only provided new sources of revenue; it has also enabled them to recruit new members and to expand the territory under their military and economic control. Consequently, illegal combatants' perceptions of their relative military strength is directly related to their economic power. Indeed, their pursuit of economic resources has influenced their strategic behavior and their respective dispositions toward continuing or resolving the conflict; as their economic power grew during the 1990s, the illegal armed groups have developed a powerful incentive to defect from peace talks. Economic strength appears to have bought them both time and confidence. The apparent logic of their current behavior is that the longer they wait, the stronger they will be militarily and the better will be their bargaining position and ability to secure concessions from the government in future negotiations.

The profitability of the economic activities in which Colombia's illegal armed groups have engaged has allowed a more rapid recruitment of new combatants. While this has strengthened respective armed groups as a whole, it has also increased the power and influence of certain units within the armed groups. In the long term, this combination of profit and power may be detrimental, as it risks undermining the coherence of these groups' command structures and their political agendas. In the case of the left-wing guerrilla groups, this political agenda has remained largely intact. It is possible, however, that a spoiler situation may arise in which the political leadership of a guerrilla group enters into negotiations with the Colombian government (and ideally the AUC) based on political objectives, but splinter factions within the group defect in order to continue their coercive economic activities.

As the profitability of economic enterprises undertaken by illegal armed groups continues, it likely will have an increasingly negative effect on the incentive structure of some elements within these groups. This not only complicates the prospects of these groups negotiating an end to the war by increasing the likelihood of spoilers, but also, as criminality increases, influences how policymakers view the legitimacy of the armed groups and therefore influences their preferred policy responses. Increased criminality by factions or units within left-wing guerrilla groups may undermine the legitimacy of the political grievances of the groups as a whole, may simultaneously strengthen the legitimacy of the paramilitaries, and may push policymakers in Bogotá to pursue more hard-line military solutions to the conflict rather than seek negotiated settlement. Within the AUC, historical connections to the drug trade and rapid growth in membership have already caused increased splintering, as factions use their networks and capabilities to pursue economic self-interest through criminal activities. This is undermining the legitimacy the paramilitaries have gained in response to the expanding threat of insurgency.

Increased criminality by certain factions within both the guerrilla and the paramilitary groups poses a dilemma for policymakers. Whether policymakers regard the grievances and political claims of the guerrillas and paramilitaries as legitimate influences their determination of whether the desired outcome is the military defeat of the illegal armed groups or the resolution of the conflict through peaceful negotiation. At present, the Uribe administration has chosen to undergo the costs of an all-out war, without discarding future negotiations with the guerrillas. Yet, to be successful, any package of policies aimed at reducing violence and ultimately stopping the conflict in Colombia must provide an incentive for demobilization. Even though the goal of most Colombian guerrillas is not self-enrichment, their economic strength has informed their decision not to demobilize. Amid the expectation of ongoing gains in resources, both the guerrillas and the paramilitaries have toughened their positions regarding the terms of potential peace talks. Yet the peace process to date has failed to address this economic dimension of the conflict. Weakening the economic base of the illegal armed groups by restricting their activities, increasing their transaction costs, and reducing their profitability is a possible means of inducing a reappraisal of their current cost-benefit analysis.

The ability of illegal armed groups to engage in illegal economic activities or to use legal operations to their advantage is in part a function of the opportunity structure that makes such activities feasible. State policies should therefore focus on undermining the three main economic activities engaged in by the illegal armed groups: drug trafficking, extortion, and kidnapping. At the national level, this entails three broad dimensions: first, identifying and criminalizing those economic transactions not already prohibited by national and international law; second, strengthening the law enforcement and judicial capabilities of Colombian authorities in order to improve policing as both a deterrent and a complement to military strategies; and third, improving military strategy through better coordination with alternative eradication programs, strict enforcement of the prohibition on military-paramilitary ties, and zero tolerance for human rights violations against civilians. At the international level, greater cooperation between states is needed to shut down the networks through which illicit financial transactions and conflict-related commodities flow.

Combating the illegal drug trade has been a core policy of the Colombian state since 1986. Colombia should draw from this experience to reframe drug control strategies in the context of overall military strategy and the goal of conflict resolution. Here, Colombian authorities, as well as international policymakers, face two challenges. First, drug control policies to date have failed to reduce the size of the global and local drug markets and the area of raw-material cultivation. Crop eradication efforts have only caused the relocation of coca-growing areas and their related “violence pockets.” Together with poorly implemented alternative development programs, eradication has exacerbated grievances in rural areas. Second, Colombian drug control policies, supported by the supply-side control orientation of the United States, have been designed to eradicate cultivation and interdict shipment, rather than as a means of reducing combatants’ economic and military power, as well as severing their ties to local population. Given the link between illegal drugs and conflict in Colombia, drug control policies must be adjusted to complement and reinforce the goals of conflict resolution. More careful consideration is needed by the Colombian authorities of the incentives for

involvement in narcotics production and trafficking. Narcotics are a principal source of funding for both insurgency *and* counterinsurgency—therefore, control strategies must also address underlying motivations for insurgency and counterinsurgency. This includes not only the political and security issues underpinning support for the guerrillas and paramilitaries, but also the short-term macroeconomic conditions and long-term economic marginalization driving peasants to cultivate coca as a source of livelihood.

Extortion and kidnapping, the predominant modes of financing for the FARC and the ELN, are a second area where the control agenda needs refinement. Domestic antikidnapping laws were passed in 1991 and 1993 to prohibit the payment of ransoms and the support of external negotiators. The laws were subsequently criticized for being overly severe, and several of their principal articles were challenged in court. Although the laws remain in effect, their enforcement has been problematic from inception, and the payment of ransoms is effectively tolerated. Although a lack of sufficient Colombian judicial authority is partly to blame, it is uncertain whether the enforcement of stricter laws would prevent ransom payments. The policing apparatus against kidnapping and extortion was improved in 1996 with the creation of enforcement units, such as the Unified Action Group for Personal Freedom and Anti-Extortion (GAULA), but has suffered a loss of autonomy since its inception.<sup>67</sup> Some policymakers believe that the best way to combat kidnapping is through national-level peace negotiations. Yet agreements between the government and the guerrillas, secured in the context of peace accords, over the application of international humanitarian law with regard to kidnapping have not only been broken by the guerrillas, but have also undermined the credibility of international humanitarian law, as the agreements imply that it can be waived by combatants when they deem necessary or expedient. Several attempts have been made to establish funds to provide secure income for the rebel groups during the negotiations in exchange for a cessation of kidnapping. However, as there has been no serious commitment by the FARC and the ELN to the peace process, this gesture has served to further fund the conflict, rather than provide an incentive for negotiation and demobilization. Since the mass abduction of 150 persons at La Maria church on May 30, 1999, there have been voluntary movements for a “no-payment” civilian resistance, but their transformation into a national-level measure—a necessary step if the rebel groups are to be denied revenue—is unlikely given the high costs borne at the individual level. As kidnapping is covered by international humanitarian law (specifically Article 3 common to the 1949 Geneva Conventions and the 1977 Protocol II), the International Criminal Court may provide a possible new avenue for the prosecution of members of rebel groups who engage in kidnapping, but given enforcement problems it remains to be seen whether this will prove an effective deterrent.<sup>68</sup>

Finally, the theft of gasoline and crude petroleum provides a lucrative source of revenue to the paramilitaries, while the guerrilla groups profit from extortion of oil companies and kidnapping of their personnel. Under the Uribe administration, new strategies are being advanced to reduce these links, including instructing the Colombian Armed Forces to focus specifically on key petroleum and energy infrastructure areas, tailoring of military operations to the specifics of the sites themselves, and initiating criminal proceedings against those responsible for pipeline bombings and corruption related to oil royalties. These efforts should be supported by requirements for greater transparency of revenue management by local government, public education campaigns

to instruct local communities on the responsible use of royalties for local development, and the promotion of “accountability pacts” between civil society and local authorities. Greater partnership between state institutions, NGOs, and state-owned and international oil companies would facilitate these remedial activities.

Prior to the development of strategies to reduce the flow of money and weapons to illegal armed groups, Colombian policymakers must determine whether the overall goal is military defeat or inclusion in a political process. At present, all nonstate combatant groups in Colombia are illegal. If the objective is inclusion, then legal provisions must be made to provide amnesty to members of armed groups and to redesignate the groups from outlawed terrorist organizations to legitimate participants in the political process. These considerations, however, must be reconciled with the need to hold accountable those responsible for violations of humanitarian law and human rights.

It is assumed by Colombian policymakers that the end of the war should result in the consolidation of state control over all national territory. Yet the legitimacy of the state is questioned not only by the guerrillas, but also by large sectors of the population—particularly in rural areas—who have been subject to forced displacement, human rights violations, and loss of property at the hands of state security forces. Some people are sympathetic to the view that the distribution of political and economic power in Colombia is highly inequitable. For these reasons, a military victory over Colombia’s illegal armed groups may remove the immediate threat posed to state sovereignty and national security, but alone is incapable of restoring state legitimacy, let alone addressing the underlying structural causes of conflict. Expanding political participation and economic opportunity to marginalized sectors of the population is a long-term goal and, given contradictory views on the legitimacy of combatants’ grievances, a politically difficult one. Yet without a concerted effort to examine the validity of these claims and to redress these grievances in the context of the ongoing armed conflict, sustained peace will remain elusive.

## Notes

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<sup>2</sup> D.Phil. in International Relations, University of Oxford. Adjunct Professor at the Pontificia Universidad Javeriana and the Universidad de los Andes in Bogotá. The contents of this paper are my own responsibility and do not reflect the views of the abovementioned universities or of Occidental Petroleum.

<sup>3</sup> This chapter focuses on the FARC and the ELN. Most other left-wing guerrilla groups, including the nationalist urban-based Movimiento 19 de Abril (M-19) and other minor groups demobilized in the peace processes of 1990–1991.

<sup>4</sup> During the 1980s, Colombian policymakers viewed common criminality and terrorism by drug

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traffickers (or “narco-violence”) as a more serious problem than the guerrilla insurgency.

<sup>5</sup> Alejandro Reyes, “La expansión territorial del narcotráfico,” in Bruce Bagley and Juan G. Tokatlian, comps., *Economía y política del narcotráfico* (Bogotá: Ediciones Uniandes CEI and CEREC, 1990), pp. 117–139.

<sup>6</sup> Data from Alfredo Rangel and the Colombian military as quoted by Nazih Richani, *Systems of Violence: The Political Economy of War and Peace in Colombia* (Albany: State University of New York Press, 2002), pp. 76, 87.

<sup>7</sup> Data obtained in July 2002 from the Dirección de Justicia y Seguridad, Departamento Nacional de Planeación.

<sup>8</sup> Data from Alfredo Rangel and the Colombian military as quoted by Richani, *Systems of Violence*, pp. 76, 87.

<sup>9</sup> Data obtained in July 2002 from the Dirección de Justicia y Seguridad, Departamento Nacional de Planeación.

<sup>10</sup> *Ibid.* The Uribe administration (2002–2006) in August 2002 added 15,000 peasant recruits to operate as part-time armed soldiers.

<sup>11</sup> See for example, Alfredo Rangel, “La toma de Neiva,” *El Tiempo*, August 3, 2001; “Cae red urbana de las FARC en Bucaramanga,” *El Tiempo*, November 8, 2001; and “El barazo urbano de Tirofijo,” *Cambio 16*, February 4–11, 2002.

<sup>12</sup> See “Indicadores sobre la situación de derechos humanos y el derecho internacional humanitario en Colombia: Resultados de la política de derechos humanos y DIH,” *Informe presentado a la CIDH* (Bogotá: Observatorio de los Derechos Humanos en Colombia, Vicepresidencia de la República, February 2002), [www.derechoshumanos.gov.co](http://www.derechoshumanos.gov.co) (accessed July 2002).

<sup>13</sup> The Comisión de Facilitación Internacional, which supported the peace process with the FARC in 2001, included Canada, Cuba, France, Italy, Mexico, Norway, Spain, Sweden, Switzerland, and Venezuela. It started out in 1999 with fewer members and was called the Grupo de Apoyo. The Comisión de Facilitación Civil, which engaged in the peace process with the ELN, included Canada, Cuba, France, Japan, Germany, Portugal, Norway, Spain, Sweden, and Switzerland.

<sup>14</sup> The recent plummeting of international coffee prices is driving Colombian coffee growers and seasonal pickers to cultivate poppy. There are differing views on whether the agricultural crisis, as distinct from the dynamics of the violence and war, can account for the expansion of illegal crops, especially in the coffee-growing regions. See Observatorio del Programa Presidencial de Derechos Humanos y Derecho Internacional Humanitario, Vicepresidencia de la República, *Panorama Actual del Viejo Caldas* (Bogotá: October 2001); and “Colombian Coffee Growers Start Growing Poppies,” *Financial Times*, October 25, 2001.

<sup>15</sup> The accumulated figure is cited in Pax Christi, *The Kidnap Industry in Colombia: Our Business* (December 2001), [www.paxchristi.nl/coloeng.html](http://www.paxchristi.nl/coloeng.html) (accessed February 2002), based on the statistics by the Departamento Nacional de Planeación. The recent daily average is cited in Alfredo Rangel, “Parasites and Predators: Guerrillas and the Insurrection Economy of Colombia,” *Journal of International Affairs* 53, no. 2 (2000): 577, based on the 1998 and 1999 reports by the Comité Interinstitucional de la Lucha Contra las Finanzas de la Guerrilla. For quantitative estimates of the drug economy in Colombia, see Ricardo Rocha, “La economía colombiana y la producción de drogas ilícitas: Tras 25 años de inserción,” United Nations Development Programme, 1999, mimeo.

<sup>16</sup> Urgenet Digital, interview with Carlos Castaño, March 16, 2001, via the AUC’s website, [www.colombialibre.org/reportajes/urgente\\_digital.htm](http://www.colombialibre.org/reportajes/urgente_digital.htm) (accessed November 2001).

<sup>17</sup> Anna Carrigan, “The Career of Carlos Castaño: A Marriage of Drugs and Politics,” *Crimes of War Magazine*, August 2001, [www.crimesofwar.org/colombia-mag/career.html](http://www.crimesofwar.org/colombia-mag/career.html) (accessed November 2001).

<sup>18</sup> See, for example, “El hombre de la Sierra,” *El Tiempo*, October 25, 2001.

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<sup>19</sup> Christi, *Kidnap Industry in Colombia*.

<sup>20</sup> Author interviews, Magdalena, Colombia, September 2000.

<sup>21</sup> Rangel speculates that more than 80 percent of guerrilla income is not spent immediately, but laundered and invested in the formal domestic and global economy. Rangel, "Parasites and Predators," p. 595.

<sup>22</sup> "Capturado cerebro financiero de las FARC," *El Tiempo*, November 4, 2001. International Monetary Fund director Michael Camdessus estimated in 1998 that international money laundering represented between 2 and 5 percent of global GDP (or U.S.\$800 billion to U.S.\$2 trillion per year). William Wechsler, "Follow the Money," *Foreign Affairs* 80, no. 4, (July–August 2001): 40–57.

<sup>23</sup> "El 8000 de los paras," *El Tiempo*, October 21, 2001.

<sup>24</sup> Approximately 1.1 million Colombians have left since 1996. Michael W. Collier and Eduardo Gamarra, "The Colombian Diaspora in South Florida," Latin American and Caribbean Center, Florida International University, May 2001; and "Prosperous Colombians Fleeing, Many to the U.S.," *Financial Times*, April 10, 2001.

<sup>25</sup> See Michael Klare and David Andersen, *A Scourge of Guns: The Diffusion of Small Arms and Light Weapons in Latin America* (Washington, D.C.: Federation of American Scientists, 1996), pp. 27–40.

<sup>26</sup> See, for example, "Arms Dealer Implicates Peru Spy Chief in Smuggling Ring," *Los Angeles Times*, November 1, 2000; "Panama culpa a policía nicaraguense de tráfico de armas a Colombia," *El Tiempo*, May 2, 2002; and Ana Carrigan, "The Career of Carlos Castaño: A Marriage of Drugs and Politics," *Crimes of War Magazine*, August 2001, [www.crimesofwar.org/colombia-mag/career.html](http://www.crimesofwar.org/colombia-mag/career.html) (accessed July 2002).

<sup>27</sup> "La oleada de violencia de las FARC lleva la firma de la guerrilla irlandesa," *El Nuevo Herald*, February 8, 2002. In this article, Gustavo Guillén attributes the FARC's wave of attacks against energy towers since January 2002 to the teachings of IRA experts apprehended in Colombia in August 2001.

<sup>28</sup> Helge Ole Bergesen, Torleif Haugland, and Leiv Lunde, "Petro-States: Predatory or Developmental?" *CEPLMP Internet Journal* no. 7/20a (August 2000), [www.dundee.ac.uk/cepmlp/journal/welcome.htm](http://www.dundee.ac.uk/cepmlp/journal/welcome.htm) (accessed February 2002); and Philip Swanson, *Fuelling Conflict: The Oil Industry and Armed Conflict*, Fafo Report no. 378 (The Economies of Conflict: Private Sector Activity in Armed Conflict project), March 2002.

<sup>29</sup> Since 1998, however, the ELN has lost hundreds of men and territorial influence in battles against the AUC and the state security forces.

<sup>30</sup> In the meantime, coffee went from being 84.08 percent of exports in the boom year 1974, to an average of 45 percent until 1986, and declined after the break of the coffee pact in 1986, reaching 21.38 percent of exports in 1999 and a historical low of 13.75 percent in 2001. Departamento Nacional de Planeación, [www.dnp.gov.co/archivosweb/direccion\\_desarrollo\\_empresarial/indicadores/comercio\\_externo/xtra.xls](http://www.dnp.gov.co/archivosweb/direccion_desarrollo_empresarial/indicadores/comercio_externo/xtra.xls) (accessed October 2002).

<sup>31</sup> In 1998 authorities estimated that extortions accounted for 60 percent of the ELN's income, kidnapping of nationals and foreigners 28 percent, drug-trade taxes 4 percent, and cattle theft the remainder. Rangel, "Parasites and Predators," based on the 1998 report by the Comité Interinstitucional de la Lucha Contra las Finanzas de la Guerrilla.

<sup>32</sup> *Platt's Oilgram News*, October 13, 1988, p. 3; and *Financial Times Information*, Latin American Energy Alert, August 5, 1999.

<sup>33</sup> Ignacio Gómez and Peter Schumacher, *La última misión de Werner Mauss* (Bogotá: Planeta, 1998).

<sup>34</sup> Dutch disease refers to the deindustrialization of a nation's economy that occurs when the discovery of a natural resource raises the value of that nation's currency, making manufactured

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goods less competitive with those of other nations and thus increasing imports and decreasing exports.

<sup>35</sup> Ironically, the policy of oil and engineering companies to forge closer relations with the local communities, as a mechanism to foster good relations with the local people and prevent social conflict, reinforces the companies' complex relation with the guerrillas.

<sup>36</sup> Andrés Peñate, "Arauca: Politics and Oil in a Colombian Province," M.Phil. thesis in Latin American Studies, University of Oxford, 1991.

<sup>37</sup> In the late 1990s, oil companies alone were paying approximately U.S.\$40 million per year in extortion, Comité Interinstitucional de la Lucha Contra las Finanzas de la Subversión, Informe 1997, cited in Rangel, "Parasites and Predators," p. 589, n. 20.

<sup>38</sup> Human Rights Watch, "Colombia: Human Rights Concerns Raised by the Security Arrangements of Transnational Oil Companies," April 1998, [www.hrw.org/advocacy/corporations/colombia/oilpat.htm](http://www.hrw.org/advocacy/corporations/colombia/oilpat.htm) (accessed June 2002).

<sup>39</sup> See, for example, "BP Denies Arms Dealings," *BBC News*, October 17, 1998; and "Occidental Petroleum's Cozy Relationship with Colombian Military Turns Fatal," *Drillbits and Tailings*, June 30, 2001.

<sup>40</sup> "Se abren paso bonos obligatorios para financiar funcionamiento de Fuerzas Armadas durante 2003," *El Tiempo*, July 21, 2002.

<sup>41</sup> In 2000 alone, Ecopetrol awarded thirteen new exploration and production contracts.

<sup>42</sup> See, for instance, Juan G. Tokatlian, *Drogas, dilemas y dogmas. Estados Unidos y la narcocriminalidad organizada en Colombia* (Bogotá: Tercer Mundo Editores and CEI, 1995) and Juan G. Tokatlian, "Seguridad y drogas: Una cruzada militar prohibicionista," in Francisco Leal and Juan G. Tokatlian, comps., *Orden mundial y seguridad: Nuevos desafíos para Colombia y América Latina* (Bogotá: TME, IEPRI, and SID, 1994), pp. 77–117.

<sup>43</sup> In 1986 the U.S. Congress introduced legislation requiring the executive branch to certify on a yearly basis the extent to which countries receiving drug control assistance had cooperated with the United States in the war against drugs. Expansion of the cooperation indicators beyond eradication of illegal crops has led to further U.S. involvement in foreign state institutions and political processes. With respect to the case of Colombia case, see Alexandra Guáqueta, *Change and Continuity in U.S.-Colombian Relations, 1970-1998*. D.Phil. thesis in International Relations, University of Oxford, 2002, chap. 4.

<sup>44</sup> Selective military participation for discrete missions had taken place in Colombia since it joined the war against drugs in 1970. The wave of narco-terrorism (terrorist attacks perpetrated by drug traffickers) from 1988 to 1992 led Colombians to involve military special forces in interdiction missions.

<sup>45</sup> For a discussion on the several versions of Plan Colombia, see Adam Isaacson, "Colombia's Human Security Crisis," Disarmament Forum, 2002.

<sup>46</sup> There are different sources on U.S. aid, which don't always coincide. I have used K. Larry Storrs and Nina Serafino, *Andean Regional Initiative [ARI]: FY2002 Assistance for Colombia and Neighbors, Congressional Research Service [CRS] Report for Congress* (Washington, D.C.: CRS, February 14, 2002), pp. 5–6, 12–17.

<sup>47</sup> *Ibid.*, pp. 32–33.

<sup>48</sup> See Human Rights Watch, *The "Sixth Division": Military-Paramilitary Ties and U.S. Policy in Colombia* (New York: Human Rights Watch, 2001). In 2002 the same Foreign Operations bill that authorized U.S. assistance to protect Colombia's oil infrastructure required that the Colombian Armed Forces combat paramilitary groups. See Bill H.R.5410 of the 107th Congress. Despite resentment by Colombian officials, some sectors of the U.S. government have developed legal mechanisms to avoid contributing to human rights violations in Colombia. The post-September 11, 2001, war on terrorism, however, has sent a mixed message: "accidental" human rights violations are permitted when combating terrorism.

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<sup>49</sup> The “Peruvian Fujimori model” has been often alluded to as the course to follow: concentrating intelligence and military assets to dismantle insurgent groups, as opposed to chasing peasant coca growers; stopping unpopular eradication efforts so as to prevent disgruntled peasants from swelling the ranks of guerrillas; and using armed legal paramilitary self-defense organizations to protect local communities.

<sup>50</sup> Libardo Sarmiento Anzola, *El Plan Colombia y la economía política de la guerra civil*; and “A Government by the People, for the Military-Industrial Complex,” *Los Angeles Times*, September 27, 2000.

<sup>51</sup> “Un nuevo rumbo,” press release by AUCC leader Carlos Castaño, July 14, 2002, <http://colombia-libre.org/colombialibre/comunicados.asp?id=275> (accessed July, 2002).

<sup>52</sup> Different arguments can be found in Paul Collier and Anke Hoeffler, “Greed and Grievance in Civil War,” World Bank Paper, October 21, 2001; James Fearon, “Why Do Some Civil Wars Last So Much Longer Than Others?” paper presented at the “Civil Wars and Post-Conflict Transitions Workshop” by the World Bank and the University of California, Irving, May 2001; David Keen, *The Economic Functions of Violence in Civil Wars*, Adelphi Paper no. 320 (London: International Institute for Strategic Studies, 1998); Michael Klare, “The New Geography of Conflict,” *Foreign Affairs* 80, no. 3 (May/June 2001): 49-61; and Chapter 3 by Michael Ross in this volume.

<sup>53</sup> Paul Collier and Anke Hoeffler, “Greed and Grievance in Civil War,” Policy Research Working Paper no. 2355 (Washington, D.C.: World Bank Development Research Group, 2001).

<sup>54</sup> See Chapter 3 by Michael Ross in this volume.

<sup>55</sup> Collier and Hoeffler, “Greed and Grievance,” p. 12.

<sup>56</sup> See Chapter 3 by Michael Ross in this volume.

<sup>57</sup> The dispute between the U’wa tribe and Occidental Petroleum over the Gibraltar exploration field is the only case in which an oil company operating in Colombia was involved with serious social grievances due to potential massive displacement. After the U’was threatened collective suicide because the field was located on their sacred land, and amid the prospects of low revenues from that field, Occidental decided to withdraw from the project in 2002.

<sup>58</sup> From 1970 to 1999, revenue-sharing agreements gave 50 percent to the investing company and 50 percent to Ecopetrol, Colombia’s state oil company; this distribution changed in 2000 to 70 percent and 30 percent, in favor of the investor.

<sup>59</sup> In contrast to Ross, who in this volume classifies oil as “unlootable” and “obstructable,” I argue that with excessive extortion, supported by the unpunished use of force, the meaning of lootability used by Ross loses strength or sense, since just about anything is lootable when faced with a gun to your head. Likewise, when something is highly obstructable it becomes lootable. Ross acknowledges this: “Obstructable resources are similar to lootable resources, since small bands of unskilled troops can use them to generate revenues.”

<sup>60</sup> Gasoline, for instance, has become a war commodity. The 1,170-kilometer gasoline pipeline has been repeatedly perforated by paramilitaries, who install valves for siphoning off gasoline. “El otro cartel,” *Semana*, no. 1049, June 6, 2002, <http://www.semana.com/archivo/articulosView.jsp?id=22052> (accessed November 19, 2002).

<sup>61</sup> Mark Taylor has developed concepts such as “militarized transactions,” “anarchic exploitation,” and “criminalized transactions,” which promise to be useful in synthesizing existing knowledge on economic activities and civil wars and pointing the direction for future policy development. See Mark Taylor, “Emerging Conclusions. Economies of Conflict: Private Sector Activity in Armed Conflict,” Fafo Institute, March 2002.

<sup>62</sup> See Jeremy Weinstein, “The Structure of Rebel Organizations: Implications for Post-Conflict Reconstruction,” *Dissemination Notes* no. 4 (June 2002): 4.

<sup>63</sup> “Se descarta la unificación de los paramilitares,” *El Tiempo*, July 28, 2002.

<sup>64</sup> The 1991 constitutional reform, an integral part of the peace negotiations with the M-19 and

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other minor groups, introduced key articles on the decentralization of political and economic decisionmaking as well as progressive overarching norms on human and socioeconomic rights.

<sup>65</sup> United Nations Development Programme (UNDP), *Human Development Report 2001*, (New York: Oxford University Press, 2001).

<sup>66</sup> *Ibid.* According to the Human Development Report, five out of seven inequality indicators show an acceleration in 1995–1999, which coincides with the economic slump and the escalation of war.

<sup>67</sup> Pax Christi, *Kidnap Industry in Colombia*.

<sup>68</sup> *Ibid.*