Perverse Effects of Andean Counternarcotics Policy

by Rensselaer W. Lee

United States international drug fighting strategy as it has evolved in recent years comprises two related but distinct imperatives. The primary imperative is simply to limit the availability of illicit drugs in U.S. markets. Latin America has been the venue for most source-control efforts—especially the Andean countries, which supply 100 percent of the cocaine and (now) as much as 60 percent of the heroin consumed in U.S. markets. Standard supply-reduction measures include eradicating coca and opium poppy fields (sometimes spraying these crops with chemical defoliants), destroying processing laboratories and seizing illegal drug shipments en route to the United States. For instance, much of the $1.3 billion U.S. package of assistance to Plan Colombia, authorized in 2000, was earmarked for supply-reduction purposes: mainly helicopters, planes, and training to support a massive coca-spraying effort in southern Colombia, as well as electronic surveillance technology to help detect the "northward flow" of drugs from coca-growing areas of that country.[1]

[1] Of the $1.3 billion, 67 percent went to support programs in Colombia and the rest to other Andean nations. The package, appropriated in July 2000 (P.L. 106–246), was heavily weighted toward military and counternarcotics activities. A new Andean Regional Initiative (ARI) unveiled by the Bush administration in 2001 as a successor to Plan Colombia requested $882 million, of which roughly half was to be dedicated to economic and social programs and half to counternarcotics funding; about 55 percent would go to other regional countries experiencing the spillover effects of Colombia's illicit drug and insurgency activities. In December 2001, Congress passed the Foreign Operations Appropriations bill for FY 2002 (P.L. 107–115), allocating $783 million to the ARI, 49 percent of which was provided to Colombia. Of the Colombia funds, 36 percent were earmarked for economic, social, and governance purposes and 64 percent for counternarcotics and security, a ratio reflecting the enforcement emphasis of Plan Colombia. In the case of Peru and Bolivia the economic and social portion was significantly higher–approximately 61 percent in both countries. The enacted bill (which included $660 million for the Andean Counternarcotics Initiative subprogram) included conditions on the use of funds for purchase of chemicals for the aerial spraying effort in Colombia. See K. Larry Storrs and Nina M. Serafino, "Andean Regional Initiatives (ARI) FY 2002 Assistance for Colombia and Neighbors," *CRS Report for Congress* (Washington, D.C.: Congressional Research Service, Feb. 14, 2002), p. CRS-32.

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A secondary imperative, but one that acquired increasing prominence in the 1990s, is to attack and disrupt large aggregations of criminal power. In practice, this has meant breaking up so-called cocaine cartels, immobilizing their top leaders and severing drug traffickers' links to the economy and the power structure. As initially conceived, counterorganization strategies were supposed to contribute to the goal of supply-reduction—for instance, by making it harder for traffickers to direct and coordinate major shipments. Nevertheless, the fundamental rationale for counterorganization has been political—to limit the power and reach of trafficking establishments. As a 1995 World Bank study noted, "Even if drug flows cannot be stopped completely, it may be better for the country to have [them] originate from a large number of small producers, each of whom has less power and influence, than from a small group of traffickers able and willing to use their economic power to intervene in the political/judicial process."[2]

The entire U.S. international drug control effort, including source-country programs and border interdiction, has consumed more than $30 billion since the early 1980s. Globally and regionally, the results have been unimpressive, at least in supply-reduction terms. South American production of coca leaf, for instance, reached an all-time high of 807,000 tons in 2001—a 62-percent increase from 1995—despite aggressive eradication programs in the Andean countries. The total amount of cocaine potentially available from Andean leaf could exceed 900 tons. At the U.S. end, cocaine, heroin and other dangerous substances are becoming more, not less, available to consumers. According to the U.S. Drug Czar's office, retail prices of cocaine and heroin declined more than 70 percent from the early 1980s to the late 1990s. (For the period 1991–98 the decrease was 35 percent and 63 percent, respectively, for the two drugs.) In 1999, a gram of cocaine could be bought for as little as $20 in Miami and $24 in New York City, according to DEA price statistics.[3]

While failing to stem the flow of drugs, U.S. drug policy has had major consequences for the organization of the cocaine trade in the hemisphere. Certain of these changes might be counted as success stories. In the early- and mid-1990s Colombia—with extensive logistical and intelligence support from the United States—effectively dismantled the Medellin and Cali cartels—among the most powerful criminal enterprises the world has ever known. The collapse of the cartel system resulted in the apparent fragmentation or "atomization" of the Colombian cocaine industry into as many as 80–300 (according to widely varying official estimates) distinct exporting organizations.[4] This structural transformation hardly affected cocaine exports at all,

[2] The World Bank, *Illegal Drugs in Latin America: Implications for Economic Development*, Report No. 15004, Oct. 3, 1995, p. 33.

[3] ONDCP, *National Drug Control Strategy, 1999* (Washington, D.C.: U.S. Government Printing Office, 1999), p. 131; *Annual Price Data for Cocaine and Heroin* (Washington, D.C.: DEA, Feb. 2001).

[4] Author interview, Alvaro Camacho, Bogota, Apr. 26, 2001; "Los Nuevos Narcos" (The New Narcos), *Semana*, May 8, 2000.

but the smaller and (presumably) weaker successor groups seemed to pose less of a threat to Colombian governing institutions than did the Medellin and Cali coalitions. Moreover, in the late 1990s a combination of intensified aerial interdiction, alternative development incentives, and some forcible eradication combined to reduce coca cultivation in Peru and Bolivia by more than two thirds from 1995 to 2001. According to the U.S. State Department, Bolivia is on its way to becoming a marginal producer of cocaine and—because chemicals essential in refining are in short supply—the purity of that country's product has been sharply reduced.

Unfortunately, the story does not end here. In international drug control, small enforcement successes often mask larger policy failures. The supposed achievements of the Andean drug war, in fact, have spawned an array of unanticipated problems for the United States, Colombia, and other countries in this hemisphere. Recent statistics show, for example, that cultivation of coca has ballooned in Colombia, largely negating the eradication achievements elsewhere in the Andes. Colombian syndicates have reportedly also succeeded in compensating for lost Peruvian and Bolivian supplies by improving leaf yields and alkaloid content. The consequences to Colombia's internal stability have been terrible: the increased concentration of upstream coca production has vastly increased the resources available to antistate groups, fueling the country's ongoing civil conflict. The disintegration of the cartel structure has had a similar result, if for different reasons. The cartels provided a degree of order and control in the industry, but their demise has emboldened Colombia's various guerrilla organizations to enter the business of refining, trading, and exporting drugs.[5] Since these groups seem to contemplate the violent overthrow of the government or (minimally) a permanent partition of the country, they may represent a greater threat to Colombia's survival than did the "classic" criminal coalitions of the 1980s and 1990s.

Nor are these the only unfavorable consequences from the counter-organization strategy pursued in Colombia. One has been an apparent shift of trafficking resources from cocaine to heroin, which has a much higher value-to-weight ratio (at least where the U.S. market is concerned) and thus is an ideal illicit product for "micro-enterprises" of limited reach and resources. Colombian heroin is capturing an increasing share of the U.S. market, although overall U.S. consumption of that drug has not increased significantly over the past decade.[6] Another consequence relates to overall drug trafficking patterns in the hemisphere. The bottom line here is that the demise of the cartels allowed

[5] There is a wealth of evidence that this is happening. See, e.g., "Golpe Maestro" (Master Stroke), *Semana*, March 12, 2001; "La prueba reina" (The Main Event), *Semana*, Apr. 2, 2001; "De su puño y letra" (From His Own Name), *Revista Cambio*, Apr. 23, 2001; and Steve Salisbury, "Raid Shows Colombian Rebels Are Also Drug Lords," *Washington Times*, Mar. 20, 2001.

[6] *Colombian Heroin: A Baseline Assessment* (Johnstown, Pa.: U.S. Department of Justice, National Drug Intelligence Center, Apr. 1994), pp. 1–18; "Los Nuevos Narcos," p. 72; *National Narcotics Intelligence Consumers' Committee (NNICC) Report, 1997* (Washington, D.C.: DEA, Nov. 1998), p. 40.

criminal formations in transit states (Mexico, Jamaica, and the Dominican Republic) to acquire an increasing share of the income stream from international drug sales. This development in turn vastly augmented drug criminals' economic and political clout in their respective societies.[7]

To ascribe these trends entirely to the pathologies of international drug policy would be unfair. The United States did not invent Colombia's modern-day guerrilla problem. Colombian diversification into heroin was partly a response to growing saturation of the U.S. cocaine market, a trend already apparent in the early 1990s. Criminals, rogues, and scoundrels in various guises have always flourished throughout the Caribbean basin. Nevertheless, the "drug war" has often solved nothing from a supply-reduction standpoint, and in some instances has exacerbated these problems. The deteriorating political–military situation in Colombia in particular poses a major threat to U.S. security interests. For these reasons, alternatives to the current failed supply-side approaches to fighting drugs must urgently be sought.

The Crop Reduction Debacle

U.S. cocaine control efforts in source countries in the 1990s effectively redrew the map of coca cultivation in the Andes. Bolivia and Peru accounted for more than three-quarters of the extensions of coca in the region in 1995 and Colombia for less than a fourth. By 2001 those proportions had been reversed and the total cultivated area devoted to coca had increased somewhat. Similarly, the U.S. government estimate of potential production of cocaine from Colombian leaf was only 10 percent of combined Andean production in 1995, but was more than 75 percent in 2001. Total potential Andean production of cocaine reached a record high of 930 tons in 2001.[8]

The shifting pattern of coca cultivation in the Andes turned out to be a windfall for Colombia's various outlaw groups, especially for the Revolutionary Armed Forces of Colombia (Fuerzas Armedas Revolutionarias de Colombia—FARC), the country's oldest and largest insurgent group. As a 2001 State Department report notes, "The Colombian syndicates, witnessing the vulnerability of Peruvian and Bolivian coca supply to joint interdiction operations in the late 1990s, decided to move most of the cultivation to Colombia's southwest corner, an area controlled by the FARC."[9] The resultant expansion of drug revenues benefited other outlaw organizations such as the

[7] For example, see *NNICC Report, 1997*, pp. 11–20; *The Dominican Threat: A Strategic Assessment of Dominican Drug Trafficking* (Johnstown, Pa.: National Drug Intelligence Center, June 1997), pp. 1–14; Alvaro Camacho Guizado, et al., *Las drogas: una guerra fallida* ("Drugs: A Failed War") (Bogota: Tercer Mundo, 1999), pp. 93–114.

[8] *International Narcotics Control Strategy Report (INCSR)* (Washington, D.C.: Department of State, Mar. 2002), pp. II-22, II-24; author telephone interview with State Department Bureau of International Narcotics and Law Enforcement Affairs, Mar. 16, 2002.

[9] *INCSR*, Mar. 2001, pp. II-3, II-4.

Army of National Liberation and the rightist United Self Defense Forces of Colombia; however, the FARC appeared to be the biggest winner. As former Colombian defense minister Rafael Pardo observed, "FARC is both a narcotrafficking operation and an insurgent group seeking political power. Its strongholds are the areas that grow 90 percent of the country's cocaine."[10]

These trends resulted in a huge expansion in the guerrillas' revenue base. Every large coca plantation, every kilo of base or cocaine HCL, every 55 gallons of processing chemicals (ether, acetone, sulfuric acid and the like), and every truck or aircraft operating in guerrilla-held zones is subject to a protection fee. The *quid pro quo* is that the guerrillas' presence deters intervention by the authorities in trafficking operations. The funds generated from such taxes are doubtless substantial; however, in recent years guerrillas have opportunistically gone deeper into the cocaine trade—expanding beyond taxation into refining, and even into trafficking and sales. For example, they apparently have cornered the market for cocaine base and possibly also for poppy latex in Colombia—buying these products from farmers and selling them to traffickers at a huge markup. According to a recent report from Colombia, the FARC's profit margin on each base transaction is approximately $200 per kilogram, and the total income from base turnovers could be as high as $140 million—representing a significant part of guerrillas' total earnings from criminal activities.[11]

Military-strategic considerations or perhaps purely mercenary ones have prompted the FARC to expand further downstream in the narcotics business. Certain fronts are said to operate "small" cocaine laboratories; alternatively, guerrillas pay independent refineries a per-kilo fee to convert base to cocaine hydrochloride (CHCl), subsequently marketing that product in Colombia or abroad. Evidence has surfaced linking the FARC to exports of Colombian cocaine to Brazil and Mexico.[12] Fairly sizeable shipments seem to be involved in these cases. Participation in the "classic" trafficking functions of refining and (especially) exporting obviously will increase the FARC's overall share of revenues from illicit drug sales. This new and ominous development is reciprocally related to the increased fragmentation of the cocaine business since the mid-1990s and to the loss of the integrated marketing structure for cocaine that the cartels had developed and perfected.

Cartels and Colombia's Civil Conflict

Colombia's cartels were essentially regionally-based groupings of different trafficking organizations that coalesced to rationalize the system of

[10] Rafael Pardo, "Colombia's Two-Front War," *Foreign Affairs*, July/Aug. 2000, p. 71.

[11] "Alerta Maxima (Maximum Alert)," *Revista Cambio*, Dec. 11, 2000; author telephone interview with Sergio Uribe in Bogota, May 10, 2001.

[12] "Alerta Maxima," "Golpe Maestro," and "La prueba reina," Ibid.

smuggling and marketing cocaine. The aim was to maximize export volumes and profits while reducing the risk to each participant. This included various co-financing and co-insurance schemes, as well as the pooling of certain business services—for instance, financial advisors, lawyers, counterintelligence and security operatives, and assassins. The larger participating organization either owned trafficking assets such as cocaine laboratories and shipping companies outright or enjoyed exclusive access to them.[13] Some fusion of administrative structures seems to have occurred to oversee certain functions—for instance, laboratory production, the handling of shipments in transit countries, distribution in major markets and the recycling of proceeds from drug sales—in order to ensure predictability in flows of product and money.[14] This fusion also protected the component organizations against their natural enemies, which included the Colombian (and U.S.) authorities, rival traffickers, and predatory guerrilla groups.

The principal coalitions centered in Medellin and Cali at one time controlled 80 percent or more of the cocaine exported from Colombia. (Other quasi-independent groupings centered in Bogota or the Atlantic coast maintained loose associations with Medellin and Cali and tended to follow their lead on policy issues.) At their zenith around the late 1980s, the cartels earned combined annual revenues of at least $6 billion, of which $3–4 billion was profit, and coordinated a trafficking infrastructure of 8,000–10,000 skilled workers and professionals.[15] By any standard this represented an enormous concentration of economic power in criminal hands. To some extent this was directed power; a leadership structure of sorts existed within Colombia's cocaine establishment, exercised by the heads of the dominant trafficking organizations in each coalition. This included the Rodriguez–Orejuela brothers (Gilberto and Miguel) in Cali and Pablo Escobar Gaviria in Medellin. Leaders played a vital role in setting overall strategy for the cartels, particularly perhaps in non-economic realms. For example, the leaders were able to channel resources from "member" organizations to joint industry purposes. These included influencing national election campaigns (the Cali cartel's $6 million donation to Ernesto Samper's 1994 presidential bid is a notorious case in point), delivering bribes to senior police officials and legislators, underwriting the activities of self-defense and paramilitary forces, and unleashing narco-terrorist violence against the state. Moreover, the corruptive influence of these criminal conglomerates extended well beyond Colombia. The cartels, in other words, were not amorphous patterns of

[13] See, e.g., Patrick Clawson and Rensselaer Lee, *The Andean Cocaine Industry* (New York: St. Martin's Press, 1998), pp. 37–69.

[14] Fabio Castillo, *Los Nuevos Jinetes de la Cocaina* (The New Knight of Cocaine) (Bogota: Editorial Oveja Negra, 1996), pp. 29–35.

[15] *The Andean Cocaine Industry*, Chap. 2; *Los Nuevos Jinetes*, p. 30; "Los Nuevos Narcos"; and Sidney J. Zabludoff, "Colombian Narcotics Organizations as Business Enterprises," *Transnational Organized Crime*, Summer 1997, p. 48.

collaboration among like-minded criminal entities—they possessed a malevolent purpose and direction.[16]

Transformation of the Industry

The cartel system implied considerable coordination and control of cocaine trafficking functions. Member organizations imported cocaine base from the southern Andes, processed it in dedicated laboratories, and exported the finished product along painstakingly developed routes to transit points and then to the country of destination. Control, in turn, signified the capacity to maintain functioning of vital supply lines and income of production. The cartels, or the larger member organizations, financed elaborate security systems to protect key facilities and to ensure an uninterrupted flow of product. Such networks comprised a combination of perimeter guards, surveillance teams, paramilitary-style forces, other organized thugs, and (in some cases) local military units willing to supply weaponry or intelligence information.

These arrangements were directed partly against rapacious guerrilla forces that roamed the Colombian country in search of taxable sources of wealth. As a whole, Colombia's trafficking establishment was strongly anticommunist. Although some drug war neophytes in the Reagan and elder Bush administrations spoke of a possible "narco-guerrilla alliance" between trafficking organizations and insurgents, this relationship in the cartel era was characterized more by conflict than by cooperation. From the traffickers' perspective, the guerrillas were at best an economic nuisance—a threat to the smooth functioning of the system—and at worst potential competitors in the cocaine business. The FARC and the ELN admittedly taxed a percentage of cocaine HCL and base production with the acquiescence of the cartels, but this was in the areas in which the insurgents exercised a preponderance of military and political control.[17]

The demise of the cartel system radically altered the cocaine trafficking landscape in Colombia. The industry fragmented, cocaine shipments became smaller, and a larger number of traffickers got involved. A power vacuum of sorts emerged in the industry; there was no clear leadership or articulated common strategy. Moreover, the successor organizations—individually smaller, weaker, and less wealthy—could not maintain the same degree of control over trafficking functions and assets. Pieces of the cartels' former empire were practically asking to be grabbed. One knowledgeable Colombian source relates that in 1996, Cali-based

[16] For cartel activities, see Roberto Escobar, *Mi Hermana Pablo* (Bogota: Quintero Editores, 2000), pp. 139–46; Peter Lupsha, "Transnational Narco-Corruption and Narco-Investment: A Focus on Mexico," *Transnational Organized Crime*, Spring 1995, p. 93; and "Did the Lester Bird Regime Get $1 Million from the Cali Cartel?" *The Outlet*, Aug. 26, 1997.

[17] *The Andean Cocaine Industry*, p. 191.

trafficking organizations, under pressure from the FARC, simply "abandoned" seven to ten cocaine laboratories located in the Caguan region of Caqueta department. The FARC also inherited a cache of five to six tons of cocaine that had been stored by the departing traffickers.[18]

In any event, the stage was set for the entry of new actors into the narcotics business. Significantly, the new entrants were criminalized political actors who competed for control over territory and wealth and (in the case of the armed leftist groups) directly challenged the authority of the Colombian state. As Colombian narcotics expert Sergio Uribe observed in a recent paper:

> As the large cartels fell to the pressures of the authorities, the paramilitary, the FARC and the ELN all began slowly to move into the market... Today they buy the cocaine base from the farmers and sell it to the traffickers. The level of their involvement in the business is increasing and there are credible accounts that the FARC are running their own HCL and heroin labs and are attempting to form a new cartel exchanging guns for drugs.[19]

The FARC, like classic trafficking organizations, appears to maintain a dedicated inventory of CHCL refineries. Guerrillas typically contract with the laboratory owner to process quantities of cocaine base, paying a fee for each kilogram of refined product.[20] However, the FARC by now has probably commandeered the skills to manage labs on their own; for years, according to a Colombian army colonel, the FARC "insisted that its members be allowed to work in laboratories" operating in areas under the organization's control, so the guerrillas are at least broadly familiar with the processing technology.[21]

Of special interest, perhaps, are the FARC's recent forays into exporting cocaine. Rafael Pardo called the FARC "a criminal organization which compares favorably with any of the international drug mafias." This is an exaggeration, but the organization's ability to move cocaine beyond the borders of Colombia in exchange for money or weapons is cause for concern. In one recent case involving the 16th FARC Front, which reputedly controlled a gigantic "cocaine complex" in Guainia and Vichada, the FARC evidently had arranged to sell much of the product to a Brazilian drug kingpin, Luis Fernando da Costa (known as "Fernandinho" and "Alvaro"). Da Costa, captured in April 2001 by the Colombian authorities, assumed responsibility for transporting the drugs from Colombia to Brazil. The police found documentary evidence that the guerrillas and the Brazilian had realized seven separate shipments totaling 1,900 kilos. Some other documents indicated that Fernandinho had bartered some 2,200 pistols and 500 assault rifles to the FARC for cocaine. Alarmingly, the trafficker, in separate statements to the minister of defense and to the commandant of the Armed Forces, claimed that

[18] Author interview, former official of the Colombian Department of Administrative Security (DAS), Bogota, May 8, 1998.

[19] Sergio Uribe, "Crime, Drugs and Justice in Colombia," unpublished manuscript, Feb. 2001, p. 15.

[20] "Raid Shows Colombian Rebels Are Also Drug Lords," *Washington Times*, Mar. 20, 2001.

[21] Luis Alberto Villamarin Pulido, *The FARC Cartel* (Bogota: Editiones the Pharaoh, 1996), p. 23.

he had paid the FARC an average of $10 million per month in connection with the drug trade and that he had taken 20–25 tons of cocaine out of the country monthly. This estimate seems inflated, but it suggests that the 16th Front and the Brazilian were doing a thriving business. The Colombian government issued an arrest warrant that month against the commander of the 16th Front, Tomas Molina Caracas (''El Negro Acacio''), on drug trafficking charges.[22]

Information also has surfaced that seems to tie the FARC to criminal organizations in Mexico. Last August, a Colombian doctor, Carlos Ariel Charry Guzman, was arrested by Mexican authorities, accused of acting as a middleman between the FARC and the Arellano Felix gang based in Tijuana. The idea was to exchange cocaine for cash and possibly arms. Charry's contacts with the gang reportedly resulted in at least one successful shipment of 800 kilograms of cocaine to Mexico. According to one account, Charry had even engaged a former money launderer for the Cali cartel to manage the proceeds of his deals with the Tijuana group. Other evidence suggested that the FARC had developed a maritime smuggling route to Mexico from Colombia's Pacific coast. For instance, in a November 2000 incident the U.S. Navy intercepted two cigarette boats carrying four tons of cocaine to Mexico from the Colombian port of Buenaventura; documents and insignia found aboard the craft and testimony of the crew indicated that the 30th FARC Front, based in southwestern Colombia, had organized the shipment.[23]

Such reports, of course, should be placed in perspective. So far, at least, the FARC has opted for a limited export strategy. FARC representatives are not dealing drugs in New York, Miami, or Los Angeles, nor has the organization been able to smuggle shipments directly from Colombia to the United States or Europe. Nevertheless, a capacity to move drugs into neighboring or transit countries implies a significantly larger revenue stream than do sales of cocaine products to Colombian middlemen and exporters. As the guerrillas' revenue base and war-fighting capacity expand, the chances for a successful settlement of Colombia's civil war become correspondingly more remote. Of course, narco-funded guerrillas are not the sole source of Colombia's current problems. As a U.S. ambassador to Colombia remarked, ''The FARC and the paramilitary groups are functioning in Colombia like the grand cartels that existed previously.''[24] But the paramilitary movement has always been interwoven with international drug trafficking; indeed, its leader, Carlos Castaño—himself identified by the DEA as a small-time narco-trafficker—once remarked that 70 percent of the movement's revenue

[22] ''La prueba reina''; Claudia Rocío Vásquez, ''Cada mes entregaba diez milliones de dollares a las FARC'' (Every month I gave $10 million to the FARC), *El Tiempo*, Apr. 23, 2001. In March 2002, Molina and two other alleged FARC members were indicted for drug trafficking by a grand jury in Washington, D.C.

[23] ''De su puño y letra''; ''EE UU Acusa'' (The U.S. accuses), *Revista Cambio*, Dec. 11, 2000; ''Los contactos de Cuevas,'' *Revista Cambio*, Apr. 23, 2001.

[24] ''EE UU Acusa.''

derived from the drug trade.[25] The movement is not waging war against the Colombian state or the military. The FARC, meanwhile, insists that it is merely taxing the trade in coca products—a claim that only a few of the movement's most politically correct supporters in journalism and academia still seem prepared to believe.[26]

The economic and strategic dimensions of the post-cartel guerrilla threat are not known with certainty. Colombian government estimates of annual guerrilla income from all illegal activities typically range from $500 million to $1 billion.[27] It is generally believed that the FARC accounts for most of this income and that, in contrast to the other groups, most of the FARC's earnings come from narcotics-related activities. The organizations probably generate a substantial surplus over what it takes to maintain an army in the field and to administer the guerrillas' various political fiefdoms. One detailed study by an intra-agency Colombian group placed the FARC's surplus at $310 million in 1998. Even if certain business-related costs are factored in (such as outlays for cocaine base or processing services), the estimated annual surplus is likely to exceed $200 million. Reportedly, some of these funds are invested in various legal enterprises—banks, security firms, transport companies, real estate, ranching and the like—some in sophisticated weaponry such as surface-to-air missiles, and some in imported machinery for arms manufacture. The FARC, in sum, is well positioned to carry on the war in Colombia indefinitely or to escalate hostilities if need be.[28] Various wider scenarios also should be contemplated, including threats to Venezuela's oil fields or to shipping in the Panama Canal and possible flows of money or weapons to revitalize moribund revolutionary movements elsewhere in Latin America.

Still More Unintended Effects

U.S. supply-reduction and counterorganization policies in the Andes have thus transformed the Andean cocaine industry in ways that strengthen Colombia's various insurgent groups and worsen the country's internal crisis. But still other consequences of the assault on the cartels may be cited. One of these is the growing economic significance of the heroin industry in Colombia and the increased penetration of Colombian heroin into the U.S. market. A second, reflecting the diminished strategic reach of successor

[25] Caracol Television (Bogota), "And Death Shall Have Its Dominion" (interview with Carlos Castaño), *Harpers*, Oct. 2000, p. 16; "Narco-Castaño," *Semana*, Apr. 26, 1999.

[26] For a typical account, based on meetings with FARC spokesmen, see Alma Guillermoprieto, *Las Guerras en Colombia* (The Wars in Colombia) (Bogota: Aguilar, 2000), pp. 34–35.

[27] See for example "El costo de la paz" (The Cost of Peace), *Revista Cambio*, July 17, 2000; Maria Cristina Caballero, "La guerrilla billionaria" (The Billionaire Guerrillas), *Cambio-16*, July 6, 1998.

[28] For example, by deploying missiles against the new Black Hawk helicopters introduced under Plan Colombia. On the FARC's balance sheet, see "Los negocios de las FARC" (The FARC's Businesses), *Semana*, Mar. 8, 1999.

organizations to the cartels, is the changing dynamic of drug smuggling in the Western hemisphere; this has meant a greater participation of trafficking groups in transit countries in the value-added from Colombian narcotics exports.

Heroin is not a new industry in Colombia. Small-scale opium cultivation and heroin processing have been taking place in Colombia for upward of 30 years. However, marijuana and later cocaine (the dominant drug export) were the commercially significant narcotics products. By the early 1990s, though, Colombian traffickers—especially those associated with the Cali coalition—began to view heroin as an alternative source of income to the established cocaine trade. One Cali faction—the Ivan Urdinola group—acquired a measure of control over cultivation and processing, and the dominant Rodriguez–Orejuela organization within the cartel undertook to distribute heroin to the United States.[29]

Law enforcement pressure on the cartels seems to have increased traffickers' propensity to diversify into heroin. It is not hard to see why; the per-gram price of the drug averaged almost ten times that for cocaine during the 1990s.[30] For independent trafficking enterprises—those that succeeded the cartels—the drug offered exceptionally attractive commercial possibilities. Storage and handling of large quantities of heroin is not an issue as it is with large cocaine loads. Transport by human couriers, or "mules," the preferred pre-cartel mode of smuggling (at a time when cocaine prices were several times higher) again allowed the small operator to realize a substantial return.[31] For these reasons, the heroin business took off in Colombia during the 1990s. Estimated "repatriable" heroin revenues increased from $45 million per year in 1991 to $323 million in 1998, according to a 2000 U.N.-sponsored study, making heroin Colombia's second most important narcotics export.[32] According to DEA's Heroin Signature Program, in 2001 approximately 59 percent of the heroin seized in the United States by federal authorities originated in Colombia, compared to none a decade earlier.[33]

The decline and fall of the cartels also had a significant effect on the distribution of drug smuggling revenues within the hemisphere. Since the early 1990s, risk-averse Colombian exporters, cognizant of the dangers of shipping cocaine directly to the United States, relied increasingly on transportation groups in transit countries to make the final delivery to U.S.-based customers. Initially, arrangements took different forms, such as payment in cash per kilogram or in a share of the load—and the smugglers

[29] National Drug Intelligence Center, *Colombian Heroin*, pp. 1–2.

[30] *National Drug Control Strategy, 1999*, p. 131.

[31] *Colombian Heroin*, Tables 12 and 16.

[32] Ricardo Rocha, *La economia colombiana tras 25 años de narcotrafica* (Bogota: Siglo del Hombre, 2000), Statistical Annex, Table 15.

[33] *INCSR*, 2002, p. IV-25. In another development worth watching, reports of poppy cultivation in Peru are "increasing at an alarming rate." There are no signs yet of morphine or heroin production in Peru, however. Ibid., p. IV-40.

undertook to transfer the drugs to Colombian wholesaling organizations or "cells" in different U.S. cities. With the progressive decartelization of the cocaine business, Colombians became more inclined to sell cocaine to the intermediaries themselves outright, receiving 50–60 percent of the port-of-entry U.S. price and exiting from the transaction at that point. Correspondingly, the Colombian "cell" structure began to atrophy as the intermediaries established their own distribution networks in the United States. By 1997, for example, Mexican-based trafficking groups had practically supplanted Colombian distributors throughout the western and midwestern United States, although the Colombians continued to be the dominant players in the Northeast.[34]

The results have been predictable. In Mexico the profitability of the cocaine business greatly augmented the economic resources of trafficking groups; by the late 1990s traffickers' net earnings from drug smuggling approached $7 billion per year, or about 2 percent of GDP.[35] With respect to the Dominican Republic (DR), a major Caribbean transshipment hub, a recent UN study calculated that half of the country's 7–8 percent annual growth in the 1990s was attributable to the repatriated proceeds of criminal activity, especially drug trafficking. Possibly reflecting such transfers, assets of DR commercial banks grew at almost double the rate of GDP growth from 1995 to 2000. In Haiti, what is left of the floundering economy is being kept afloat principally by net aid flows from the international community and by revenues from the 40–70 tons of the cocaine that pass through the island annually. Elsewhere in the Western Caribbean, the flow of cocaine through Jamaica is estimated to be as high as 70–100 tons per year, doubtless contributing huge sums to the coffers of that country's criminal class.[36]

In some Caribbean countries drug money has become the lifeblood of party-building activities and electoral campaigns. For example, the St. Kitts Labour Party and the Dominican Revolutionary Party (Partido Revolucionario Dominicano–PRD) allegedly have received substantial backing from local drug kingpins and (in the case of the DR) from the party's network of drug distributors in the northeastern United States.[37] Upperworld and underworld activities are increasingly intertwined. In one Caribbean country, a leading political organizer in the capital city reputedly is also a master strategist of the cocaine trade, establishing ties with Colombian suppliers and handling payoffs to senior politicians and police officials. In another, the head of a prominent financial institution is said to invest the institution's capital in

[34] *The NNICC Report, 1997*, p. 11. Colombian organizations still control exports to the lucrative European market, however.

[35] Peter Smith, "Semi-Organized International Crime: Drug Trafficking in Mexico," in *Transnational Crime in the Americas*, ed. Tom Farer (New York: Routledge, 1999), p. 196.

[36] Author interviews, UNDCP officials, DR bankers, and DR police official, Santo Domingo, Mar. 15–20, 2001.

[37] PRD fundraising activities by DR drug dealers resident in the U.S. are the subject of a current lawsuit in Pennsylvania. See *McLaughlin v. Watson*, U.S.D.C. Middle District of Pennsylvania, Civil Action—Law, 1-CV-97-1555, Oct. 11, 1997, pp. 1–36.

cocaine futures—that is, in smuggling ventures that offer large returns and high odds of success. In another, a senior banking official reportedly manages a thriving money courier-cum-laundering business between that country and the United States. In a smuggling operation uncovered in the Mexican state of Quintana Roo, police commanders reportedly were "coordinating the drug shipments," while the staff chemist of the local office of the federal attorney general was employed by the traffickers to analyze the purity of the cocaine. Also, the fugitive former governor of the same state was recently arrested on charges of taking millions of dollars in bribes from cocaine traffickers.[38] Many more depressing examples could be cited.

Significantly, the countries in which these newly rich narcotraffickers have entrenched themselves are geographically close to the United States and maintain extensive economic, cultural, and demographic links to this country. For example, annual U.S.–Mexican trade is approximately $130 billion, almost twenty times U.S. trade with Colombia. Obviously the massive yearly flow of people and goods across the U.S. southwestern border (approximately 295 million people, 88 million cars, 4 million trucks, and 461,000 rail cars entered the United States from Mexico in 1999) creates a ready pipeline for the movement of illicit drugs.[39] Moreover, the stain of Mexican corruption has reached out to federal and local agencies on the U.S. side of the border, so the problem is no longer confined just to Mexico. Similarly, the machinations of Mexican, Dominican, or Jamaican drug distributors in the United States seem likely to influence the flow of money to political parties and campaigns, at least in some states and cities. Such unwelcome developments present new enforcement challenges and political complications for U.S. drug war strategists.

Pros and Cons of Counternarcotics Strategies

America's international drug problems have produced a difficult legacy. More than a quarter-century of struggle against the Andean cocaine industry has done almost nothing to reduce the availability of cocaine in U.S. markets, while at the same time feeding the insurgency in Colombia (which threatens to metastasize to neighboring countries), stimulating the South American heroin industry, and accelerating the "Colombianization" of criminal and political structures in drug transit states.[40] Such adverse consequences raise the obvious question of whether the benefits of

[38] R.W. Lee, "Transnational Organized Crime: An Overview," in *Transnational Organized Crime in the Americas*, p. 24; Tim Weaver, "Ex-Mexico Governor Arrested and Linked to Cocaine Traffic, *New York Times*, May 26, 2001.

[39] ONDCP, *National Drug Control Strategy* (Washington, D.C.: U.S. Government Printing Office, 2000), p. 73.

[40] Of course, many other factors contribute to Colombia's current crisis, among them the Colombian government's failed strategy of negotiating with the guerrillas. See, e.g., Michael Radu, "The Perilous Appeasement of Guerrillas," *Orbis*, Summer 2000, pp. 363–79.

international drug control are commensurate with the costs. Certainly the goal of supply-reduction has been elusive. As we have seen, eradication of drug crops merely shifts the locus of upstream production from region to region and country to country. Another unanticipated consequence has been unwanted crop diversification—the expanded cultivation of opium poppy in Colombia and (according to recent reports) in Peru, as well.[41] Even the intensified aerial spraying envisaged under Plan Colombia is unlikely to succeed, since farmers will probably push the coca frontier (and the attendant polluting effects of the cocaine industry) further into the Amazonian jungle with little or no decrease in net cultivation. Indeed, recent reports from Colombia suggest that this is already happening.

More importantly, the spraying campaign exacerbates the government's problems of political control in coca-growing areas, alienating large rural populations who stand to lose their main source of income. In the southern department of Putumayo, according to a recent RAND Corporation study, 135,000 of the department's 314,000 inhabitants depend directly on coca growing for a livelihood.[42] Since the FARC poses as an advocate for growers, spraying widens its base of support, contradicting the objectives of the government's counterinsurgency efforts in Putumayo and other affected zones. In addition, allegations abound that the spray mixture used causes extensive harm to humans, other crops, and livestock.[43] The United States and Colombia clearly need to rethink the logic of the spraying program. Perhaps they could learn from the example of Peru, which suspended eradication of coca altogether at the end of the 1980s to counteract the influence of the revolutionary Sendero Luminoso (Shining Path) movement and to improve the image of the Peruvian government locally. Possibly Colombia's enforcement priorities should shift to targeting critical nodes in transportation and refining and (to the extent possible) sealing off traffic routes to and from the main coca-producing zones. Interdiction can disrupt internal markets for coca derivatives, and compared to eradication it imposes fewer direct costs on peasant producers and generates less political unrest.

Even relatively benign or noncoercive strategies for crop control have some disadvantages, at least in the conditions prevailing in South America. Alternative farming, for example, has little intrinsic appeal to farmers because coca and opium poppy offer a more attractive cash flow picture than do most licit crops. An element of compulsion, therefore, is always present in alternative development programs. Also, typical conditions of drug crop zones—geographical remoteness, marginal soils and (in Colombia) extreme insecurity—tend to limit prospects for legal commercial agriculture. Of course, the mix of constraints differs from country to country: in Bolivia,

[41] *INCSR*, 2001, p. IV-38; and *INCSR*, 2002, p. IV-40.

[42] Angel Rabasa and Peter Chalk, *Colombian Labyrinth* (Santa Monica, Calif.: RAND, 2001), p. 66.

[43] Storrs and Serafino, *Andean Regional Initiative*, CRS-16, 26. In a recent committee decision the U.S. Senate required the State Department to report on the possible adverse health effects of spraying. See footnote 1 above.

where decent roads connect the main coca growing areas to major markets, farmers have achieved some success in cultivating non-traditional crops such as pineapples and export-grade bananas. In Colombia, where most such areas are effectively cut off from markets and lie largely outside of government control, crop substitution projects have made little headway. To be sure, substitution-in-place can temporarily alleviate the effects of enforcement measures such as spraying; a more promising strategy, however, is to foster development of the legal economy in other locales, including urban areas, in order to attract people away from areas that have a comparative advantage principally in coca or opium cultivation.

By any reckoning the outlook for supply control in Colombia—now the epicenter of Andean coca cultivation—is dim for the foreseeable future. Even if drug policies can be improved at the margins, Colombia's current instability as well as a poorly performing economy (growth averaged only 1.3 percent annually between 1994 and 2000) virtually rule out large-scale reduction of illegal crops. In any event, the government's top priority at present is to combat insurgency and to assert control over the national territory—imperatives that conflict at certain points with the requirements of fighting drugs. For the United States, the best course is to support state-building in Colombia while tolerating for the time being the tactical compromises (including "hearts and minds" efforts vis-à-vis small drug producers) that this process would necessarily entail.

The counterorganization imperative of international drug policy requires a somewhat different interpretation. Few would disagree that the structure of criminal power and criminals' corrupt accomplices within governments are legitimate targets for law enforcement. Furthermore, the often-articulated national security justification for counterorganization—that large and wealthy criminal aggregates pose threats to fragile democratic institutions around the hemisphere—contains a kernel of truth. Even if criminal actors are not hostile to democracy, at least in the procedural sense, their participatory style (relying heavily on bribery and intimidation) tends to distort political outcomes and, over time, to erode the legitimacy of the system.

In this hemisphere, Colombia has been the principal laboratory for Washington's counterorganization initiatives. Unfortunately, U.S. drug war strategists—obsessed with chasing Medellin and Cali kingpins—never evolved a conception of what the post-cartel trafficking environment might look like. Such lack of foresight proved costly. Now this environment has become hopelessly politicized, and Colombia's democratic survival is threatened by armed political criminals of all stripes, though most directly by the FARC. Conceivably the United States can target the FARC and other guerrilla formations *qua* criminal organizations and these are signs that Washington is moving in this direction (for instance, the U.S. ambassador to Colombia talks of extraditing FARC and paramilitary leaders to the United

States on drug trafficking and money laundering charges).[44] There are risks in such a course, though, and rules of engagement must be carefully drawn to limit direct U.S. involvement in Colombia's civil war—and especially to rule out the possibility of U.S. engagement with guerrilla armies on the ground.

Other challenges for U.S. policy also lurk in Colombia's treacherous and ever-changing trafficking environment. Physical evidence of a new configuration in the narcotics underworld was discovered recently in an industrial warehouse outside of Bogota—a half-built, 100-foot-long submarine capable of transporting ten tons of cocaine to the United States "while remaining at snorkel depth the entire trip." Construction of the vessel, which may or may not be the first of its kind, was estimated to cost $20 million.[45] Such a complex and expensive undertaking could not have been managed by a single "mom-and-pop" trafficking organization; some larger entity must have been coordinating the project. Are new drug cartels emerging in Colombia or are the old ones really dead as advertised?

Conclusion

Efforts to scale back the huge Andean cocaine industry, which supplies 500 or more tons of cocaine each year to international customers, have been an embarrassing failure. The outlook for current supply-reduction policies in Colombia, the epicenter of that business, is dismal. Outlaw armies control directly or intermittently most of the coca-growing areas as well as a significant piece of the cocaine and heroin action, which increases the attendant risks and complexities of drug fighting in that country. Both supply-reduction and counterorganization policies need to be tailored to fit that reality. The recommendation here is to shift to an interdiction-based strategy vis-à-vis peasant producers and—in a careful and limited fashion—to disrupt the criminal side of the FARC activities (especially, perhaps, their drugs-for-arms deals and money laundering networks outside Colombia). The United States also must be alert to new organizational threats of a more conventional kind such as tendencies to recombination and recartelization. But these are really minimalist prescriptions for carrying on the drug fight in the volatile and highly unstable circumstances of a country that is rapidly failing politically.

Past mistakes and strategic failures (announced as "successes") have led to the current predicament in Colombia. But the United States cannot extricate itself from its antidrug commitments without giving inspiration and comfort to the violent narco-based groups and the new-age "boutique" traffickers that populate the Colombian trafficking scene. With Colombia's national future increasingly in jeopardy, the United States can no longer

[44] Vadira Ferrer, "U.S. Cracks Down on Rebels," Inter-Press Service—Bogota, Oct. 30, 2001.
[45] *INCSR*, 2001, p. IV-23.

afford just to ''muddle through'' on drugs—new concepts and approaches are desperately needed.

Colombia's drug agonies will not be much alleviated by anything the United States does inside Colombia. Actions taken closer to home are likely to have more lasting effects. One necessary measure, widely advocated in the wake of the events of September 11, is to revamp and upgrade the entire U.S. system of border defenses, sharply increasing air and sea patrols, immigration checks, and targeted customs inspections at borders and main ports of entry. New search technologies and timely intelligence would be essential to such an effort. In the current wartime atmosphere in the United States, this seems a sensible precaution, whether the aim is to stop smugglers of drugs, illegal immigrants, or terrorists. Congress' emergency supplemental appropriation for FY 2002 allocated $9.9 billion for additional border security programs, a 14-percent increase over 2002 base funding. The preliminary results are encouraging: seizures of drugs for October–December 2001 registered a 17-percent increase over the same period the year before. Also, by late 2001, sources in Colombia were reporting significant declines in prices of coca derivatives in that country.[46] Drug prices in major U.S. cities could be expected to rise with increased border security although traffickers may have enough cocaine and heroin stockpiled to keep a lid on them for the time being.

Improved surveillance of U.S. borders also should be coupled with a forward defense strategy encompassing America's neighbors—principally Mexico and the Caribbean countries. As argued earlier, entrenched criminal formations in Mexico and parts of the Caribbean acquired increased power and influence partly as a result of weakening and disintegration of the cartel system in Colombia. The United States must collaborate more closely with these countries to apprehend and prosecute the leaders of such organizations, to shut down land and maritime smuggling routes, and to disrupt money-laundering channels. Unfortunately, U.S. drug policy has been overly focused on Colombia, and responses to the growing Mexican and Caribbean drug connections have been weak and ambivalent. Political pressure from immigrant communities in the United States, as well as concerns that crackdowns on smuggling could hurt Mexican exports and the U.S.–Mexican border economy, incur a U.S. ''bully'' image in the Caribbean and alienate immigrant voting blocs at home have blunted the thrust of U.S. enforcement policies in these countries. Perhaps these concerns will fade as a new national security consensus takes shape in the United States. Of course, that remains to be seen.

As part of a Caribbean-wide shield against drugs Washington should also broaden cooperation with the Castro regime—even in the absence of

[46] Michael Janofsky, ''Border Agents on Lookout for Terrorists are Finding Drugs,'' *New York Times*, Mar. 2, 2002; telephone interview, Francisco Thoumi (Colombian drug expert), Nov. 2, 2001.

normal diplomatic and economic relations. The most direct routes for Colombian cocaine and heroin en route to the United States pass through Cuba. But Cuba lacks the resources to patrol its 3,700 kilometer coastline effectively, and the island appears increasingly vulnerable to penetration by organized drug mafias. Substantive forms of cooperation—such as U.S. technical assistance and training for Cuba's Border Guard—should receive serious consideration in Washington despite likely resistance from anti-Castro groups and their allies in Congress.

Finally, it goes almost without saying that the supply-side architecture that the United States is constructing in the Andes and elsewhere can serve little useful purpose unless the two million-odd chronic users of cocaine and heroin in the United States can be induced to cut their intake of these substances. Recent comments by administration officials pay at least lip service to the need for greater attentiveness to the demand side of the trafficking equation. President Bush, for instance, remarked early in his presidency that the administration would continue to "work with other nations to eradicate drugs at their source and enforce via borders and to stop the flow of drugs into America. However, the most effective way to reduce the supply of drugs in America is to reduce the demand for drugs in America."[47] Nevertheless, treatment, prevention, and related research account for less than one third of the $20 billion federal drug control budget. More money must be spent—and spent far more wisely here and in the Andes—if the 25-year-old war on drugs is to show the sort of progress that the war on terrorism displayed in a matter of months.

[47] Mike Allen, "Bush Suggests Shift in Drug Strategy," *New York Times*, May 11, 2001.