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# **Illegal Drugs in Colombia: from illegal economic boom to social crisis**

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## **1. Introduction**

At the turn of the XXI century Colombian society is in a profound crisis in which illegal drugs play a very complex and important role. Colombia is the only country in the world where the three main plant based illegal drugs are produced in significant amounts. Colombians are involved in illegal drug production, international smuggling and marketing. In the 1980s Colombia became the largest cocaine producer in the world. During the 1990s it also became the largest coca grower nation. Furthermore, Colombia produces and supplies the lion's share of heroin consumed in the United States and also exports illegal marijuana.

Illegal drug production and trafficking in Colombia has signed the last thirty years of the country's history. In no other country the illegal drugs industry has had so dramatic social, political and economic effects. Illegal drugs have contributed greatly to changes in institutions and values, have indirectly conditioned the country's economic performance and have become a mayor element in the country's polity. Illegal drug revenues are a primary source of funds for left and right wing armed actors of the ambiguous war currently experienced in the country.

This short essay summarizes the development of the illegal drugs industry, attempts to identify its main effects on Colombia and the government's main reactions and policies in response to it.

## **2. Illegal drug industry development**

### *a. Marijuana*

Illegal drug production and trafficking started to grow in Colombia in the mid 1960s when marijuana crops developed in response to increases in domestic demand, which echoed American developments. Still, marijuana production and traffic did not however become important until the

early 1970s. The 1960s growth in marijuana consumption in the United States and Europe triggered the development of large marijuana plantings in Mexico and Jamaica to supply them. Towards the end of the decade, the United States government promoted eradication programs in Mexico using paraquat, a herbicide known to have harmful health effects which drew away American consumers. This measure created strong incentives to find other marijuana growing sites and the marijuana crop was then displaced to Colombia.

Marijuana grew mainly in the Sierra Nevada de Santa Marta on Colombia's Caribbean coast. At the beginning, American smugglers sought Colombian suppliers. Some local and American entrepreneurs provided seeds to poor peasants from whom they obtained the marijuana to be sold to the Americans. After a short time "Colombians seized the opportunity offered by the new market, and rapidly replaced the Americans organizing production to become marijuana exporters, but Americans retained marketing control" (Thoumi, 1995: 126). News about the good marijuana business spread rapidly and by the late 1970s marijuana plantings had appeared in several other regions; particularly in isolated recently settled areas of the country (Ruiz-Hernández, 1979).

Marijuana exporting organizations were relatively simple. The peasants produced for a local exporter who controlled and/or owned one or a few landing strips or a port and negotiated with the American importer. Due to the lack of land titling and the very rudimentary and uncompetitive capital markets, the exporter frequently provided crop financing (Ruiz-Hernández 1979: 140). Most peasants in the Sierra Nevada de Santa Marta had roots in that area and many of them retired from the illegal business after a couple of successful crops provided them with enough capital to maintain a satisfactory living standard growing legal crops (Ibiden).

The illegal marijuana boom started to decline in 1978 victim to several external forces. In late 1978 the United States government questioned President Turbay's anti-drug credentials because of possible links between traffickers and some of his close political supporters. In response, the Colombian government engaged in an aggressive manual eradication campaign, confiscated boats and airplanes and destroyed some of the marijuana processing equipment (Thoumi, 1995: chap. 3). By that time, marijuana production in the United States had grown substantially after the development of the more potent "sin semilla" variety.

These developments made the marijuana business less attractive, but they did not destroy it. Moreover, marijuana had infused Colombian entrepreneurs with the awareness of other potential illegal sources of wealth. Methaqualone began to be produced or imported and then exported jointly with marijuana (Ruiz-Hernández, 1979: 180).

Marijuana did not disappear but as the cocaine industry developed, the policy focus shifted away from it. This changed in May 1984 after Minister of Justice Rodrigo Lara-Bonilla was assassinated

and President Betancur used aerial spraying against marijuana plantings. Traffickers' response to fumigation was to shift the location of marijuana plantings to locations characterized by lack of State presence and a very high level of violence. In several of these regions guerrilla organizations rooted out the bullies, established order and gained peasants' support (Vargas, 1994). Marijuana eradication campaigns continued during the 1980s with American support, and by 1990 marijuana plantings were relatively marginal in Colombia (United States Department of State, Bureau of International Narcotics Matters, 1992: 104). Uribe (1997) concluded that in the mid-1990s there were about 6,000 hectares planted with marijuana concentrated in six regions of the country used to satisfy mostly the domestic demand.

#### *b. Coca and Cocaine*

Cocaine is a more appealing trafficking drug than marijuana because it has much higher value to weight and volume ratios and coca cannot be produced in Europe or the United States, except in a few areas in Puerto Rico, Hawaii and Guam. To grow coca does not require special skills; the plant is very hardy and fits very well in fragile tropical soils and cocaine manufacturing is a simple process.

In the mid-1970s, illegal entrepreneurs began to export small quantities of cocaine to the United States. Very high profits fast allowed the business to become self-financing and expand and induced Colombians to develop stable routes and links with coca paste suppliers from Bolivia and Peru, with suppliers of chemical inputs to refine cocaine and the development of transportation systems to make large shipments and distribution networks, especially in the United States. The large number of Colombian immigrants facilitated this. The growth of the illegal business promoted the development of increasingly sophisticated money-laundering systems enabled in part, by the large and complex contraband networks used to import many goods into Colombia.

The illegal traffic was a strong incentive for the development of coca plantings in Colombia which appeared as a backward linkage of the cocaine trade during the mid-1970s (Thoumi, 1995: chap. 3). By 1987 Colombia produced 11 percent of the world's coca crop (Sarmiento, 1990: 69-70). Coca's production has had an upward, albeit unstable, long-term trend. Coca prices have fallen in the long run and at times, when the government has intensified its anti-drug fight against the "cartels," they have collapsed generating deep depressions in coca growing regions because of the disruption of coca leaf demand.

During the XX Century Colombian suffered several internal conflict episodes that forced significant domestic peasant displacements. Coca plantings in Colombia developed almost exclusively in areas recently settled by displaced peasants where the State has a weak, if any, presence. These regions are isolated and distant from the main economic centers of the country.

During the 1990s coca plantings exploded in Colombia. In 1991 that Colombia was the third largest coca-growing nation with 18,8 percent of the Andean countries' coca acreage but produced only 13,7 percent of the coca leaf volume (Thoumi, 1995: chap. 3). In 1995 there were 80,000 hectares of coca in Colombia (Uribe, 1997), more than double the 1990 figure. The increase continued during the late 1990s reaching some 120,000 to 150,000 hectares by 2000. This coupled with substantial declines in the area cultivated in Peru and Bolivia turned Colombia into the largest coca producing country in the world. Furthermore, cocaine yields increased significantly as growers and refiners adopted important technological advances (Uribe, 1997).

Several factors should be mentioned as contributors to the 1990s coca boom. First, the Fujimori administration, with American support, developed an illegal flight interdiction program that dried up coca paste supply to Colombia. Second, the collapse of the iron curtain weakened the finances of FARC guerrillas who sought alternative funding in the illegal industry. Third, paramilitary and guerrillas found useful to promote illegal plantings to develop and keep peasant support in the areas they controlled.

The coca boom incorporated a complex set of new actors to the illegal industry. In coca growing areas guerrilla and paramilitary groups substitute for the State imposing a very authoritarian regime, defining and applying their own laws and regulations, and providing education, police, and civil justice to solve conflicts among the population. In exchange, these groups charge coca production and cocaine export taxes (Uribe, 1997, Vargas, 1999). Other actors include long time settlers, who moved to the region to follow their farmer vocations, produce mainly foodstuffs and devote a small part of their land to coca. Recent settlers who devote most of their efforts to produce coca paste but who also devote some of their land to coca. Finally, recent migrants who arrive to the region to grow coca (González-Arias, 1998: 52-53). There are also commercial farmers with large plantings between 25 and 200 hectares who have direct links with traffickers; many of them own laboratories. Most workers in these farms are "*raspachines*" who pick coca leaves and help in the manufacturing process. González-Arias (1998) argues that this is a heterogeneous group made up of displaced peasants, former rural hired workers and pickers who came from regions that produce coffee or from modern agriculture crops and who expect to settle in coca growing regions and transient "*raspachines*" who expect to make some money before returning to their places of origin.

Until recently coca was processed into paste by peasants themselves and "*chichipatos*" who gather paste to sell in small quantities to "*traquetos*". These furnished the links to trafficking organizations (González-Arias, 1998: 53). There is also a group of "*parachuters*" who do not live in the region, and fly small planes to come in and out. They bring large amounts of cash (pesos or dollars) and buy big quantities of cocaine from the large "*factories*" and "*traquetos*."

In late 1998 the Pastrana administration granted the FARC guerrilla control over a large part of the

country where coca plantings were widespread. To a large extent the guerrillas have substituted the "chichipatos" and "traquetos" and have profited from selling to trafficking organizations. A similar situation has developed in paramilitary controlled coca regions. While illegal drugs are a main source of funds for these groups, the involvement in international drug trafficking is impossible to determine at the time.

The illegal industry has also generated a strong illicit chemical input and arms trade. These products are extremely hard to control. Besides, once the industry establishes export smuggling capabilities, it also can import many products using many of the same smuggling systems.[2]

#### *c. Poppy, opium and heroin*

Poppy cultivation was first detected in Colombia in 1986. Available evidence indicates that traffickers who distributed seeds and guaranteed crop purchases to traditional peasants in minifundia high-altitude regions promoted poppy plantings. Many of these peasants belong to Indian communities. Poppy plantings spread quickly over many areas of the Colombian Andes (Vargas and Barragán, 1995). In traditional Indian areas poppy has increased peasants' incomes but has created conflicts over payments, misunderstandings about business transactions, and has attracted undesirable outsiders to the growing areas where violence has increased (Vargas and Barragán, 1995). These developments have disrupted communities and have challenged their ancestral authority structures. In these communities many prominent elders support eradication negotiations.

Poppy has also attracted non-Indian migrants to high altitude unsettled regions and has been a main cause of high altitude old primary forest destruction. Guerrilla presence has also increased in poppy growing regions. Poppy grows in "commercial" and "peasant" plantings (Uribe, 1997). The commercial ones are generally in "vacant" government lands, growers use modern techniques, fertilizers, herbicides and fungicides, many of which are sold by drug buyers. These generally do not exceed a total of five hectares divided in several small plots to avoid detection. Commercial plantings employ hired labor while. Peasant plantings employ only family labor, use less sophisticated production techniques and are less profitable.

Traffickers do not buy opium in Colombia because they cannot guarantee purity. Instead, morphine base is refined near poppy plantings where it is sold to traffickers (Uribe, 1997). Estimates of poppy, morphine and heroin production are very weak partly because poppy is a short cycle crop. Several estimates (Uribe, 1997, Vargas, 1999) show poppy plantings between 6,000 and 20,000 hectares during the 1990s. In any case, these are sufficient to supply a significant share of the U.S. heroin demand.

#### *d. "Cartels", marketing networks, guerrillas and paramilitary*

Criminal networks are in constant flux to avoid detection. They continuously seek new routes, sources of chemical inputs, ways to disguise exports, and channels to influence politicians. High profits and low barriers to entry continuously attract independent operators that spring up at various stages of the business.

Marijuana development did not result in complex business enterprises. These came to life with cocaine that started as a small-scale artisan activity but quickly became a sophisticated business activity. This was the result of a more elaborated production process, the need to import unrefined cocaine from other countries and the greater profit incentives. The development of large-scale smuggling methods increased potential gains dramatically and induced the formation of "cartels" or export syndicates.

These export syndicates were organized to spread risk and guarantee profits. They coordinated the Colombian cocaine industry. They sent coca paste and cocaine base buyers to Bolivia and Peru who organized shipments to Colombia, established laboratories to refine cocaine or sub-contracted that process, organized the illegal exports from Colombia and the wholesale of the product in the United States and other markets. The extremely high profits of the cocaine business induced Colombians to participate in all stages of the cocaine industry, including its distribution in the United States where the large number of Colombian immigrants facilitated the establishment of distribution networks. This development was also facilitated by the proclivity of Colombians to use violence against other smuggling organizations. Violence was also instrumental in deterring the development of export syndicates in Bolivia and Peru from competing with Colombians.

The large profits generated by the illegal industry also required the development of sophisticated money laundering systems. Rapid wealth acquisition, furthermore, made it impossible for successful exporters not to be noticed. Their high notoriety increased their need for a social support network to protect their business, illegal profits and accumulated capital. One of the early strategies for social support was to let wealthy Colombians buy shares in a cocaine shipment, under a system known as "la apuntada" (Krauthausen and Sarmiento, 1991: 74).

The illegal drug industry comprised peasants, chemists, various types of suppliers, purchasers and intermediaries, pilots, lawyers, financial and tax advisers, enforcers, bodyguards, front men ("testaferros") and smugglers that help launder profits. They were tied to the central "cartels" in different ways. Some were directly part of the "cartels", but many were independent sub-contractors loosely tied to them. The network also included politicians, police, guerrillas, paramilitaries, individual army members, public employees, bankers, loyal relatives, friends, childhood friends, and others. The social support network provides protection to the illegal industry, mostly at a price, and constitutes the main channel through which the illegal industry penetrated and corrupted social institutions. Through this network, illegal income was distributed to the rest of society and forged strong loyalties within the illegal industry.

During the 1980s the Medellín and Cali "cartels" gained notoriety in international cocaine markets. In reality, these were not truly cartels with the capacity to exclude and control production but rather were syndicates that improved the efficiency of distribution. Smaller syndicates remained in the shadow of the two main ones. These varied from relatively large to "mom and pop" organizations that exported small quantities. Most information about export organizations focuses on the Medellín and Cali "cartels" and little is known about the rest.

During the 1990s the Colombian illegal drugs industry experienced significant structural alterations in response to changes in demand or government policies. First, cocaine demand in the United States stagnated while cocaine production increased. The resulting lower prices encouraged traffickers to search for new markets and products.[3] Trafficking organizations became more international and links were established between Colombian and European criminal organizations (Clawson and Lee III, 1996: 62-90). Second, the United States increased interdiction efforts in the Caribbean led to a routing shift to Mexico and the development of links between Colombian and Mexican traffickers. The latter increased their market share at the expense of the former. Third, after the 1989 assassination of the leading presidential candidate Luis Carlos Galán, the Barco and Gaviria governments followed a "war against narco-terrorism" that destroyed the Medellín "cartel." Pressured by the United States, the following Samper government fought the Cali "cartel" and incarcerated all its leaders. Fourth, as the two large "cartels" were weakened, a large number of smaller trafficking organizations sprouted up. These have followed low profile strategies, are led by more educated Colombians and are more difficult to track down. Fifth, these smaller organizations are also functional for heroin smuggling. Heroin has a substantially higher price per kilo than cocaine and its volume demand in the US is much smaller. These two factors make heroin an ideal trafficking drug for small criminal organizations. Seventh, coca and poppy planting boomed. This added new actors and complexity to the drug industry, particularly paramilitary and guerrilla organizations that use illegal drugs as a main funding source.

### **3. The size of the illegal industry and its economic effects on the country**

Size is one of the determinants of an illegal activity's effects on a country. The illegality of the industry makes estimating its size quite difficult. Every estimate requires many assumptions about key variables such as cocaine content in coca leaves, chemists' skills, smuggling costs, and so on. Not surprisingly, available estimates show a wide variation depending on the particular assumptions made.[4] The most rigorous estimates place total illegal drug value added in the \$2 to \$4 billion range in the early and mid 1980s and somewhat lower values afterwards. During the 1990s these estimates place total illegal drug value added at around \$2.5 billion per year but they do not include possible profits repatriated by Colombian traffickers abroad.

In the early and mid 1980s GNP was about \$36 billion, measured in current dollars. During the



1990s it has grown substantially to \$68.6 billion in 1994 and \$96.3 billion in 1997.[5] According to these estimates, the value added generated by the illegal drug industry in the early 1980s was in the seven to ten per cent GNP range, but by the late 1990s it has dropped to three to four per cent. These estimates show that the relative importance of the illegal industry in the Colombian economy has been declining. One important issue is to what has been the effect of the illegal industry on the Colombian economy?

There is no doubt that the impact of the industry on Colombia has been quite large. The private sector capital formation during the 1980s averaged \$2.8 billion a year (Thoumi, 1995). Furthermore, any criminal organization exporting 50 or more tons of cocaine a year would have profits that compete with those of the largest financial conglomerates of the country.[6] Any estimate of the size and profits of the illegal drugs industry, no matter how conservative, highlights the capacity of the illegal drugs industry to change the economic power structure of the country (Thoumi, 1995).

The effects of illegal revenues and profits on the Colombian economy have evolved through time. During the 1970s and 1980s they generated real estate booms in a few cities and regions, revalued the Colombian peso, and encouraged contraband imports. The illegal export boom was welcome by most Colombians for decades had confronted a tight foreign exchange constraint.

It can be argued that the drug industry has penetrated many economic activities, particularly rural and urban real estate, however, a very large part of the Colombian economy, including its most modern enterprises have been rather insulated from the illegal industry power. The modern Colombian economy has been controlled by a number of financial conglomerates that include financial, manufacturing, modern agricultural, marketing and media organizations. These groups tend to be self-contained and have a lot to lose developing partnerships with illicit entrepreneurs. Furthermore, the stock market is very thin and most companies traded are controlled by those financial conglomerates. Not surprisingly, there are few activities in which large sums of illicit funds can be laundered in Colombia. Indeed, the "Laundromat is quite small" (Thoumi, 1999).

While the illegal drug industry has been important, it cannot be argued that the performance of the Colombian economy has improved because of the drug income. Indeed, the Colombian GNP's rate of growth during the post-cocaine era (1980 on) though 1997 was about 3.2 percent, while it averaged 5.5 percent during the 30 years before. This decline cannot be explained by the Latin American foreign debt crisis of the 1980s, which Colombia avoided or by worse international terms of trade or other external conditions during the 1980s than the three earlier decades (Thoumi, 1995). After 1995 the performance of the Colombian economy declined sharply and in 1999 it registered a decline of about 5 percent of GDP. This was the first year since the end of World War II in which income fell.

When the illegal industry began to grow its short run effects on the economy tended to be positive but in the medium and long run its effects have been highly negative. The drug industry has acted as a catalyst that accelerated a process of "delegitimation of the regime" that has contributed to the country's stagnation (Thoumi, 1995). This process produced a sharp decline in trust that increased transaction costs; contributed to increased violence and impunity that has induced "clean" capital flight, and larger security costs; promoted expectations of very fast wealth accumulation that produced highly speculative investments, and increases in bankruptcies, embezzlements, etc. Increased criminality has had a significant declining effect on the country's income growth rate: "the cost of crime in terms of lost growth exceeded 2 percent per year, without including its longer term effects on factor productivity and capital formation" (Rubio, 1996: 32)

During the 1990s the negative effects became sharply noticeable when illegal drugs became a main funding source for right and left wing guerrilla and right wing paramilitary movements. Today a significant part of illicit revenues is used to buy weapons, pay warriors. It is ironic that when the illegal drug revenues are received by guerrilla and paramilitary groups and fund the ambiguous war in progress and when they are received by government and military officers they go to private pockets. In all cases they greatly undermine the State and the licit economy. The illicit industry thus became a main immediate cause of the current Colombian social crises and also contribute to the destruction of productive activities and to capital flight.

#### **4. The illegal industry's effects on politics**

The political system has been more vulnerable to the power of the illegal industry than the country's economy. The illegal industry has had to develop social and political support networks to protect their investments and to prevent the government from jailing traffickers and more importantly, extraditing them to the United States. They have used "carrot and stick" strategies to obtain these means.

Extradition has been the main source of conflict between the government and drug traffickers who have used all available resources to fight it. This was the main cause of the "narco-terrorism" that erupted in the late 1980s and that included the assassination of many prominent politicians including several presidential candidates.

In the early 1980's members of the Medellín "cartel" tried to obtain power directly and developed a strong support base spending some of their wealth in public works. Pablo Escobar "bought" a politician and got himself elected to the Colombian Congress as a back-up.[7] Carlos Lehder established a small nationalist party that did not prosper. The Medellín "cartel" invested heavily in rural land and promoted the formation of self-protection paramilitary. The Medellín "cartel" did not hesitate to use violence against the public who opposed it or who simply tried to enforce laws as

their duties required. The need to influence government policies also induced traffickers to develop links with politicians. Their wealth allowed them to make large political contributions. Not surprisingly, jointly with the large financial conglomerates they became the main contributors to political campaigns.

By the late 1970s the illegal industry was already a large election funding source and the industry contributed heavily to the 1982 election.[8] The 1986 and 1990 presidential and congressional campaigns were fairly free of illicit drug funding because at the time the government was waging the "war against narco-terrorism". In 1994 the large amounts of illegal industry funds received by the Samper campaign became a main political and international issue that crippled the government and produced an unprecedented political crisis.

The benefits that drug traffickers have obtained from their contributions to politicians are debatable. On the one hand, many drug traffickers, including the leaders of the old Medellín and Cali syndicates were jailed or killed. Besides, despite large campaign funding, President Samper was forced by American pressures to implement very strong repressive policies against the illegal industry. This led Gutiérrez-Sanín (2001) to argue that traffickers did not get much for their money. On the other hand, most traffickers avoided extradition and many have continued to run their business from jail. A few points are worth mentioning in regards to this issue. While drug moneys can cover a very large share of a political campaign, they are insignificant relative to total drug revenues. This means that traffickers are willing to "throw away" funds to politicians without a quid pro quo determined at the time of the contributions. As noted by Lee and Thoumi (1999), many traffickers simply use their contributions as a "joker" that they can pull out when needed later on. Besides, many inconspicuous non-extraditable traffickers use their contributions just to gain social recognition.

## **5. Colombian Policies and Attitudes**

Colombia is in the midst of an institutional crisis characterized by extremely low levels of social capital and trust. It is a country where society imposes very few behavioral constraints on its members. Indeed, every Colombian has to develop its own ethical norms. Not surprisingly, Colombia is a country of "individual creativity and social indiscipline." This environment produces extreme individual behaviors and exceptional individuals, some of whom go to any extreme to comply with the law and others to break it. Success in Colombia is individual but not collective. Loyalty is extended to those close to oneself because it is necessary to survive in a hostile institutional environment. "The net result is the abundance of antisocial conducts and the preponderance of private over collective rationality" (Gómez-Buendía, 1999: 20).

Not surprisingly, during the last 50 years Colombia was the country of "muddle through" policies.

Policy changes were gradual and motivated by the individual interests of those in power. Social reforms deemed necessary by many intellectuals and foreign observers were at best enacted but weakly implemented so that they did not achieve their social goals. These were the cases of rural land tenancy, education, and tax reforms.

The weak government confronted many policy issues: very rapid urbanization, great pressures to provide education, housing, health services to its population, to promote food production, create infrastructure, etc. Individual addiction to psychoactive drugs was (and is) a very low priority issue in the government's agenda. Besides, individual addiction is perceived mainly as a personal problem. Most Colombians did not realistically expect to have the government take care of it. Indeed, "as long as it does not concern me directly, it is not my problem." [9]

In Colombia "impersonal norms exist and are recognized except that they are not taken seriously, there is a low law breaking threshold, and many consider 'my case an exceptional one' that requires me to break or dodge the law. This constitutes a sort of democracy in which we are all equal because we have the right to evade or avoid the law" (Gómez-Buendía, 1999: 20). In this case, if drugs were a foreign problem, why should Colombians take care of it?

Policies followed by the Colombian government at various times cover the full spectrum of repressive measures used against drug trafficking. These include: jailing and extraditing traffickers, involuntary eradication of illicit crops and alternative development programs for affected peasants, import, production and marketing controls of chemical inputs used to refine cocaine and heroin, interdiction of illicit drugs, anti-money laundering measures in the financial system, against contraband and seizure and confiscation of assets. On the demand side there are also addiction treatment policies.

The implementation of these policies has been affected by the government priorities and weaknesses and the structural limitations of the policies themselves. Consider first eradication. Colombia is the only country where aerial spraying takes place. This is done because the government does not have a strong presence or control over the regions in question. This policy generates a strong opposition from environmentalists and peasants and has not succeeded in limiting illegal crop acreage but rather, it has contributed to planting displacement around the country.

Alternative development programs have been attempted in Colombia. Unfortunately, it is difficult to think of a country where these are less likely to succeed. Coca plantings are in areas with very poor and fragile soils, inaccessible by highway and far away from any realistic market. Peasants are relatively recent settlers, have weak community institutions and are armed. All this makes it difficult to negotiate any program and to find real alternative crops. Indeed, whether there should be any agricultural activity in those areas is a big question.

Traffickers are imprisoned but the state has very little control over what goes on inside jails and prisons. They are overcrowded and under funded, prisoners have access to cellular phones, weekly visitors smuggle arms, weapons and other items. Prisons are understaffed and personnel are poorly paid. Inmates organize themselves in gangs and many actually build facilities within the jail. Escapes are common and many traffickers have been able to continue running their business while in prison.

Expropriations of traffickers' assets had been seen as a key policy against organized crime and a source of funds for anti-drug policies. The government simply does not have the financial and managerial capacity to administer seized property and expropriation procedures are complex, costly and difficult to implement successfully. The Colombian drug control office (Dirección Nacional de Estupefacientes) in charge of handling these properties is woefully inadequate to do the job. Only a handful of properties have been expropriated and lawyers have had a field day defending traffickers and their heirs against the state.[10]

When the illegal drug industry started it was very difficult to mobilize public opinion against something that was not perceived as a social threat. The first eradication campaigns in the late 1970s were pursued in response to American pressures on the government. An extradition treaty was signed with the US in the late seventies and ratified in 1982 but the government did not enforce it until the assassination of a Minister of Justice by the drug traffickers. In other words, anti-drug policies for many years were reactive either to foreign pressures or misdeeds by the illegal industry. The wave of terror that followed generated a strong anti-extradition sentiment among the population so that extradition was declared unconstitutional in the new 1991 constitution.[11]

Until the late 1980s most Colombians did not perceive the negative long-term effects of the illegal industry and public support for anti-drug policies was weak. During the 1980s homicides and other violent crimes increased dramatically and by 1989 it was evident to most Colombians that the illegal industry's effects on the political system was perverse. During the 1990s it became clear that the illegal industry was funding both guerrillas and paramilitary groups. Contrary to what happened in some Central American countries and Vietnam, guerrilla groups do not have strong social support. Colombian guerrillas in many ways represent Colombia's past, not its future. They are rural based in a country 75% urban, their level of education is very low in a country where literacy rates increased sharply, they use violence and primitive conflict resolution methods in a society that aspires to modern social institutions. Furthermore, Colombian is subject to strong external pressures and Colombians are discriminated around the world (Colombian profiling is legal and legitimate all over the world). Today Colombians realize that the illegal industry was a catalyst in a process social decomposition but since their institutions are so weak, there is little that individually can do about it.

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[1] The author thanks the comments of Peter Reuter to an earlier draft and exonerates him of any responsibility for the contents of this essay.

[2] Many inputs are bulkier, which is a disincentive to use small planes to smuggle them. However, traffickers smuggle inputs selectively depending on which are harder to find in Colombian markets.

[3] Steiner (1997:35) uses D.E.A. data and estimates the mid-range wholesale price per kilogram in the United States at \$60,000 in 1980, \$40,000 in 1985, \$25,500 in 1990 and \$22,500 in 1990. Prices in Miami had been significantly lower.

[4] These have been surveyed by Thoumi (1995) and Steiner (1997) among others.

[5] These figures are based on the Inter-American Development Bank on-line data base.

[6] A back of the envelope estimate can place export profits net of transportation costs at about \$10,000 per kilogram or \$500 million per 50 tons. SEMANA (1996) estimates that in 1995 the four largest financial groups had profits of \$530, \$140, \$480 and \$190 millions respectively. After 1998 Colombia entered a deep recession and the profits of these conglomerates have suffered drastically.

[7] At the time every congressperson had a back up who would replace the elected candidate when he or she was absent.

[8] Lee and Thoumi (1999) study this issue in detail. Former President Alfonso López-Michelsen (2001) acknowledges in a newly published book that his 1982 campaign received about \$400,000 from the illegal industry. This is a remarkable confession because the total campaign cost that year did not likely exceed \$1 million.

[9] It should be noted that despite a very low street price of about \$5 a gram, cocaine use in Colombia is not perceived as an epidemic. The most detailed survey (Pérez, c2000) found that in 1999-2000 1.4% of the youths between 15 and 19 years old had used cocaine in the last month and 4.4% had used it at least once in their lives. These figures are not particularly low, and indicate but they do not generate a social reaction comparable to that of the United States.

[10] EL Tiempo, the country's main newspaper reports on May 9, 2001 that only 33 of 34,000 seized properties have been expropriated. The government does not have an inventory of seized assets, many looted and burned properties would cost very large sums to fix, others continue to be exploited by their owners who now do not pay taxes or maintain them. In some cases armed paramilitary groups prevent the government from taking possession of seized

assets. The potential cost to the government arising from litigation can be enormous.

[11] A constitutional amendment has since changed this.