

Talmanus "Supply Reduction in Peril? The Case of Colombia"

Slide 1:

- Since 2005, global production of coca has averaged between 150-160 000 hectares, with a high of 180 000 hectares in 2007 and a low of 120 000 hectares in 2013.
- During this period, Colombia has consistently been the world's greatest producer of coca, with the exception of the period 2011-13, during which production in Peru was comparable to or even slightly higher than in Colombia. Early in this period, Colombia produced approximately $\frac{1}{2}$ of the world's coca, which shrunk to approximately $\frac{1}{3}$ in 2012 and then grew to $\frac{2}{3}$ in 2015.
- These numbers are from the UNODC World Drug Report 2017. This means there is a lag in data, which I will show in the next slide. It should also be noted that data from US agencies (the DEA, I believe), are consistently higher than for UNODC. During the presidency of Uribe (2002-2010) there was also a strong emphasis on quantitative measures of progress. So we should just keep in mind that the data for this period might be somewhat lower than actual numbers.

Slide 2:

- This graph shows coca production in Colombia again, but I have added two measures. The dark blue line shows total production in Colombia, the baby blue line shows the share of production which is based in 8 (of 32) Colombian departments. And the black line shows the share produced in just two departments, Narino and Putumayo, bordering Ecuador.
- This is meant to show the concentration of coca production in a few areas in Colombia. In fact, Narino and Putumayo accounted for approximately $\frac{1}{3}$ of coca production in Colombia, reaching over $\frac{1}{2}$ in 2015. Recently, a third department – Norte de Santander – could be added to this list, as production more than doubled there between 2015-2016.
- The graph is based on the UNODC Colombian Coca Survey, so here I add one more year to the graph – in 2016, Colombia produced 146 000 hectares of coca, representing a tripling of production since 2013 and an increase of 52% since the preceding year.
- This means that in 2016 Colombia alone produced almost as much as Colombia, Peru and Bolivia taken together just the year before. In fact, production in Narino was comparable to that of entire Peru in the preceding year, and production in Putumayo was comparable to that in all of Bolivia.
- I mentioned that US estimates vary from those in Colombia – in 2016, they estimated that 188 000 hectares of coca were being cultivated.
- So here is the preliminary answer to the question of the seminar – is supply reduction in peril? Since coca production in the largest producer country has tripled between 2013-2016, yes it is very much in peril.
- The preliminary numbers I have seen also suggest that this trend of growing production continued in 2017.

Slide 3:

- This map shows coca production density in Colombia – the darker the color, the denser the production. As you see, Putumayo and Narino in the south and Norte de Santander in the northwest stand out.

- Just to emphasize the point of how localized production is – 48% of production in 2016 was located in 10 of the over 1100 municipalities in Colombia. Of these, all but one are located in either Narino, Putumayo or Norte de Santander.
- More than 30% of coca crops in Colombia are less than 20km from some border, primarily with Ecuador and Venezuela.
- It should also be noted that coca whilst coca production has moved around somewhat in adaption to fumigation and manual eradication, the top producers have remained fairly stable. Tumaco in Narino, the top producer, has for instance remained on the list since 2002.
- By way of context, perhaps in contrast to the popular image, Colombia has a well-educated urban middle class and the Colombian state has access to very strong technical skills at the central, policy-formulating level. In specific regions – and particularly frontier areas, it has been almost entirely absent, which has led to a certain outlaw or "bandolero" culture locally. This blends informal economic activities, ranging from importing subsidized petrol from Venezuela and selling it by the way-side, to outright criminality. Often, locals speak of a "bonanza" when coca collectors come into town, impacting the entire community.
- These regions correspond fairly well to areas that have traditionally seen a strong presence of armed groups. FARC was strongest in southeast Colombia, including Putumayo (but also Meta, Caqueta, and Vichada, where much drugs were previously trafficked). In the north, the paramilitary AUC and more recently their successor groups have traditionally been stronger. Narino has been fiercely contested, with presence of FARC, AUC, ELN and OC-groups of all shades.

Slide 4:

- So let me briefly describe the role of FARC in Colombian coca production, by way of explaining how the peace agreement figures into the current spike in production.
- FARC initially refrained from active involvement in coca trafficking, but in 1982 took a decision begin "taxing" producers and traffickers, as a means of financing the expansion of the guerilla group. As a result expanded exponentially until 2002.
- Nominally, the Marxist group formally "taxed" traffickers and "protected" producers, i.e. by ensuring that they were paid fair prices. In reality, the group was however deeply involved in the coca industry, and for instance collaborated closely with some international traffickers, trading coca for large-scale arms shipments, etc. Perhaps contrary to popular imagery however, individual members did not receive any salaries at all. And while some individuals may have benefitted from this trade, most who did so stole money from the guerilla and risked execution of they were caught doing so.
- As coca cultivation is concentrated in a few regions of Colombia, a handful of FARC's 70 or so "fronts" (their basic military unit) has a disproportionate level of involvement in drug trafficking. This included the 48th front in Putumayo and the 32nd front in Narino, but also the 16th front in Vichada, where a lot of the coca grown in southeastern Colombia were flown out to Brazil for a period. I personally interviewed numerous ex-combatants from the 16th and 48th fronts.
- These regions and actors are key to what happens during the war-to-peace transition in Colombia. What I mean by that is that certain regions have a disproportionate role in drug production and hence merit especially close

attention from a supply reduction perspective. But also, if we look at previous waves of demobilizations, drug-trafficking fronts and particularly mid-level commanders from these fronts are the most likely actors to create illegal successor groups. They know the combatants, the trafficking routes, may have contacts with international traffickers, may have corrupted local law enforcement agencies, and so forth. Given the amounts generated by the drug trade, there is few incentives the state can offer which can rival their potential pay-off they may see if they enter into the drug economy as heads of new outfits.

- Solution to the problem of illicit drugs was one of the five or six points negotiated at Havana during the peace talks. While well-intended, I will argue that the design, implementation and follow-on consequences of this peace agreement *in part* explains the current spike in coca production.

Slide 5:

- The UNODC Colombia coca survey lists four driving factors behind the spike in coca production, and I would add a fifth one.
- Firstly – profitability. Coca prices grew between 2013-2015, and even though they decreased in 2016, they remained approximately 45% higher than in 2013. It should be noted that prices offered to coca growers vary in different regions of Colombia, and constitute a *very* small percentage of the end-user prices. Even so, in the context of rural Colombia, such incentives can still be tempting. I personally interviewed coca collectors who were offered approximately the Colombian nominal minimum wage, or around \$200 dollars/month. But this was still much better than the alternative incomes available, and many migrate from their home regions to areas which are experiencing “coca booms”.
- Risks decreased, as aerial fumigation of coca cultivations decreased and was formally suspended in 2015. This was formally due to findings that glyphosate – the substance used to eradicate the crop – “probably” caused cancer. But this occurred in 2015, during peace negotiations, and was interpreted also as a sign of goodwill, as the guerilla favored suspension to shield farmers from negative side-effects. Colombia has been pressured by the US to resume aerial fumigation and the presidential election beginning this month might result in a change in this policy.
- As part of the peace agreement, farmers are offered compensation for abandoning coca cultivation. But this means that many started planting coca in order to qualify for this program. It is rational from the perspective of the individual, poor farmer – when you reward previously criminal behavior, you create incentives for that very behavior. It is possible that this program will be successful in the long run – in the short run however, it has proven quite counterproductive.
- In certain regions, there are examples of alternative crops yielding poor returns. I don’t want to overemphasize this point, but there are examples of supply shocks (i.e. too much of a certain crop being grown), lack of infrastructure making it difficult to bring the product to market, etc.
- Adding a fifth factor (which is mentioned but not highlighted by UNODC), there is a host of groups vying to take over control of coca production in areas which FARC previously controlled. These include FARC “dissident” break-away fractions and paramilitary successor groups such as the Gulf Cartel, but also ELN and other criminal groups. It was widely expected amongst Colombia specialists and local policy-makers that this would happen. But as easy as it is to predict, as difficult it

is to prevent it in practise. Essentially, it would demand setting up a state presence in regions where there was none previously, with latent hostility from the local population (since many depend on the coca economy) and sometimes overt violent resistance from organized crime groups benefitting from the trade.

Slide 6:

- Looking forward, how might supply reduction in Colombia evolve in the near future? While this is by definition informed speculation at best, some trends are fairly clearly visible.
- Firstly, a spike in production would be expected to result in a decrease in prices. We already see evidence of this from 2016, but prices remained higher than in 2013. This might moderate the growth in production somewhat, but will hardly end the supply boom.
- Secondly, Colombia is coming under intense pressure by the US to resume i.a. aerial fumigation. While President Santos has not budged on this point yet, if a right-wing candidate wins the elections in May and June this year, this may change. The issue is complex however, as Colombia's constitutional court has banned the usage of glyphosate, which is judged to "probably" cause cancer.
- The offer to receive monetary compensation to eradicate one's coca cultivation will eventually expire, so the effect of "perverse incentives" will eventually ebb out. However – there is a clear risk that some communities will come under intense pressure (including threats and violence) from organized crime groups to resume coca production.
- While monetary yields of alternative crops can be improved, issues such as good infrastructure and access to markets are not resolved overnight. With the very ambitious peace-agreement being largely underfunded – and the prospect of a new president that may directly opposed to it – we should not hold our breaths for this to be comprehensively resolved anytime soon.
- While the Colombian government pursued a very effective counterinsurgency campaign against FARC – based on very extensive intelligence collection, in part based on HUMINT from FARC ex-combatants – building up such understanding of new "dissident" groups and OC groups is challenging and time-consuming. Also, FARC combatants wore "military" uniforms and largely resided in rural camps, whereas OC groups do not. Last but not least, some of the military instruments are taken off the table, since this is no longer an internal conflict, but a police matter. Hence, the demobilization of FARC may make supply reduction harder, (i.e. by targeting trafficking networks, not production per se) not easier.

Slide 7:

- Coca production in Colombia tripled in 2013-2016 and seems to have grown further in 2017. So supply reduction is very much in peril, if not already in shambles.
- Taken together, the factors outlined in the previous slide suggest that even if we are at or close to the peak of coca production in Colombia, we should not expect any quick reversal back to levels of coca production in 2013. The factors which lead to a reduction in coca production are all tentative and piece-meal – a price drop *may* lead to lower production; the state *might* be pressured into resuming aerial fumigation; monetary compensation for removing coca crops will *eventually* be removed; monetary yield of alternative crops can *hopefully* be improved; and the state may *perhaps* develop better intelligence on emerging

dissident and OC groups. Hence, even a modest reduction from the currently very high levels is a somewhat optimistic scenario.

- In this presentation, I have argued that the spike in coca production is partly the result of the peace agreement with FARC. Only part of this is a result of the peace agreement per se (i.e. the monetary compensation for coca eradication, and in part suspension of aerial fumigation), whereas the other factors are either a result of suboptimal implementation (i.e. crop substitution) or inability to handle the follow-on effects of FARC's demobilization (i.e. the emergence of new OC actors). Just to emphasize – I am very much in favour of the Colombian peace agreement. But that this has coincided – in time, and partly causally – with a dramatic spike in coca production is hard to ignore.
- I also argued that the demobilization of FARC may supply reduction harder, not easier. This might sound counterintuitive, but is widely agreed amongst close observers of the Colombian coca economy.
- Lastly, perhaps contrary to its public image, the Colombian state can be very effective, as witnessed for instance by its effective and largely successful counterinsurgency campaign against FARC. But tackling the lucrative coca economy in Colombia, with fewer tools at its disposal and faced with new OC actors emerging in rural regions, is a tremendously challenging task, and one which will probably take a very long time to resolve.