Despite the government's advances in security over the last decade, at least a half dozen major criminal groups still operate in Colombia. Several of them have put ideology aside and focus on drug production, trafficking and distribution on a local level, even while they continue to move arms, launder money, kidnap and extort. The complicated panorama has been fueled by the recent demobilization of thousands of right-wing paramilitaries and left-wing guerrillas. These ready recruits and experienced fighters have pushed levels of violence to their previous marks in some areas, particularly in urban settings where they seek to push more consumption. Mexican trafficking groups appear to be taking advantage of the chaos, making the long-term prospects grim.

Geography

With access to two oceans, Central America and vast, unmanned borders along four other countries, Colombia is the gateway of South America. Three extensive

mountain ranges also give criminal groups ample space to move, store and produce illicit drugs.

Criminal Groups

Two insurgencies, multiple former right-wing paramilitary groups and several smaller drug trafficking organizations alternatively work in concert or fight against each other for control over what remains the most important production, depot, storage and embarkation point for illicit drugs and numerous other contraband. These groups include the FARC and ELN rebel groups, and criminal groups known as the Rastrojos, ERPAC, the Paisas, the Oficina de Envigado, and the Urabeños.

Colombia Factbox

Homicide rate

Criminal Activities
Drug production, kidnapping, domestic drug sales, arms trafficking, money laundering, human trafficking

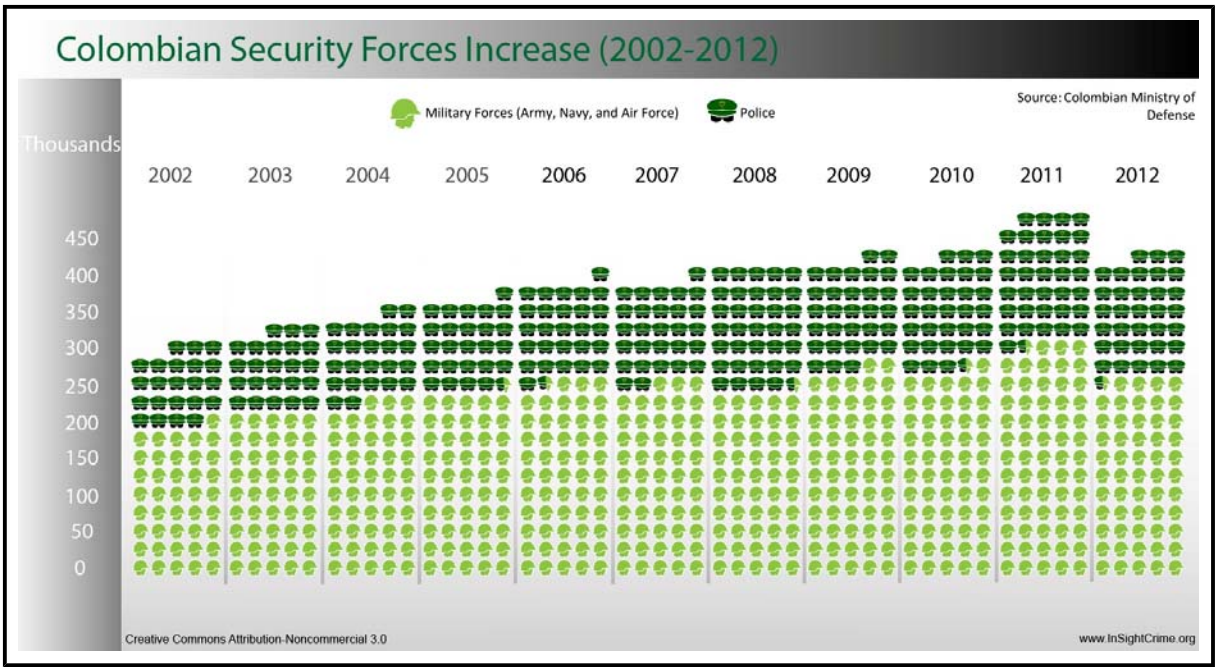
Principal Criminal Groups
Revolutionary Armed Forces of Colombia (FARC), National Liberation Army (ELN), Urabeños, Rastrojos, Popular Revolutionary Anti-Terrorist Army of Colombia (ERPAC), Paisas, Oficina de Envigado

Security

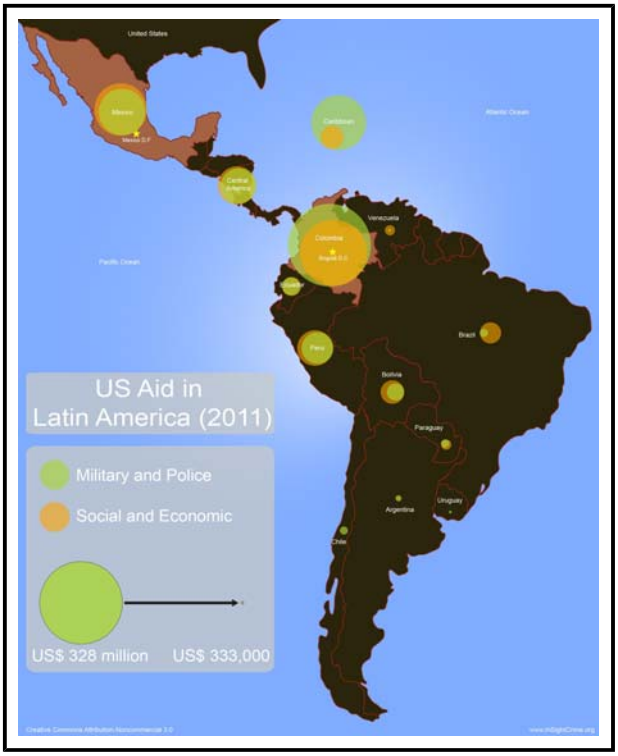
Colombia has 244,000 armed forces, split into army, navy and air force, as well as its police force. Each branch has its own intelligence services that work closely with United States and European intelligence agencies sharing information and, at times, coordinating operations against organized criminal groups.

History

Colombia's location has long made it a center of contraband and illicit activities, while its vast mountain ranges have made it difficult for any government to properly unify the nation or control this trade. Colombia gives licit and illicit businesses access to four major neighbors to the south, and two oceans and Central America to the north. The corridors used today to smuggle drugs, arms, liquor, cigarettes and humans, among other things, are many of the same ones used since the country's beginnings. Taking advantage of the difficult terrain, traders have long used Colombia as a depot. More recently, the country has become a producer of both the raw material for cocaine and heroin, and the



refined products themselves. This shift has given illegal armed groups the financing to fight each other and the state.



The process whereby Colombia became the epicenter of drug trafficking activity dates back to 1940s, when the country slipped into a violent, sectarian struggle aptly called 'La Violencia'. The period, which began with the assassination of a prominent and popular Liberal Party politician in 1948, touched off a battle for both the political and economic reigns of the country. At the heart of the fight was a struggle for control of Colombia's most lucrative commodity, coffee. Not surprisingly, the areas most affected by the violence, which left close to 200,000 people dead in a 15-year period, lived in the coffee growing regions. The new economic paradigm depended on large, not small, coffee growers.

Many of these "coffee" refugees moved to more remote areas of the country. Their options limited and government presence scant, they began producing marijuana and selling it to local criminal gangs. The development of Colombian organized crime accelerated following Augusto Pinochet's ascension to power in Chile in 1973, where most of the coca from Peru and Bolivia was processed into cocaine hydrochloride (HCL). In the 1970s, these criminal groups began processing coca in Colombia. Fittingly, some of the first were car thieves like Pablo Escobar who had been operating in the long-established illicit networks for years and would eventually create a large network that became known as the Medellín Cartel. Another emerged in Cali, an area where some of the first HCL labs in Colombia started.

Around the same time as coca processing was shifting to Colombia, the country's armed groups were embarking on a new strategy to increase their revenues via kidnapping. The four main guerrilla groups, the Movimiento 19 de Abril (M-19), the Ejercito de Liberacion Nacional (ELN), the Fuerzas Armadas Revolucionarias de Colombia (FARC), and the Ejercito Popular de Liberacion (EPL) began targeting businessmen, cattle owners, and politicians. The so-called retenciones or "retentions" were at first declared political in nature but quickly evolved into one of the single most important motors for growth. However, the long-term impact of this strategy would be catastrophic for these groups. The M-19's kidnapping of the daughter of a major drug lord led to the organization of one of the first of many drug-financed paramilitary groups that eventually targeted not just insurgents but civilians suspected of collaborating with them. Locals also turned on the guerrillas as they started to kidnap middle class and even poor farmers and shop owners. The result was widespread backlash, increased support for the right-wing paramilitary groups and "slash and burn" military tactics, and little political support for them once they had demobilized and entered the political process.

The cocaine laboratories, meanwhile, were a boon for everyone from the criminal syndicates to the rebels, the businesses to the government but also had catastrophic consequences for Colombia. Few had any real incentive to slow the trade until pressure from the United States to prosecute some of the big cartel leaders led to a violent showdown in which hundreds of innocent civilians were killed in a series of bombings orchestrated by Escobar and his cohorts. The so-called "Extraditables" also killed dozens of police and judges, and assassinated and kidnapped prominent politicians and wealthy scions. The tactics worked as Colombians banned extradition during the 1991 constitutional assembly. However, Escobar's problems continued. After escaping jail, he faced a formidable foe that included a loose alliance between the Colombian police, the Drug Enforcement Administration, a lethal group of paramilitary assassins, and

the rival Cali Cartel. The pressure eventually forced the kingpin from hiding long enough for authorities to gun him in down in December 1993.

US Aid to Colombia

Source: Just the Facts

Even with Escobar gone, the drug trade continued apace. Those who had allied to defeat him simply took over his supply and distribution routes. The new criminal groups were more sophisticated than the old, often camouflaging their intentions in political rhetoric, military alliances and police uniforms. They included the multiple paramilitary groups who worked as the state's proxy in its battle against leftist guerrillas. And, following the arrest of the heads of the Cali Cartel, a group of ex and active police became the core of the most dangerous and powerful cartel to date, the Norte del Valle.

Indeed, the end of the Medellin and Cali Cartels meant the end of direct purchase of coca paste in Peru and Bolivia, and the resulting boom in coca production in Colombia. Regions such as Putumayo, along the Ecuadorean border, Norte de Santander, along the Venezuelan border, north-central Antioquia near the Panamanian border and the northern coast, and the Sierra Nevada de Santa Marta on the Caribbean, became centers for coca production. Territorial control became more important. While both the Medellin and Cali Cartels operated large, sophisticated armed networks, the new groups were quite literally armies that competed for control of this production. Autodefensas Unidas de Colombia (AUC) was the largest. A nationwide movement of paramilitary groups formed in the 1990s ostensibly to fight leftist guerrillas, at its height, the AUC had some 35,000 soldiers at its disposal. And for years, they did battle with the increasingly unpopular guerrillas, whose penchant for kidnapping had reached unprecedented heights. But the AUC was always more concerned with

the business it could garner than the military and political battles. At the AUC's center was Diego Murillo, alias 'Don Berna,' an ex-guerrilla turned bodyguard and hitman of the Medellin Cartel who later converted a local Medellin street gang into his own hit squad. Meanwhile, portions of the police split off to form the core of Norte del Valle Cartel, a loose syndicate of traffickers with police ties based near Cali that also had huge armed groups at their disposal. Pieces of the Norte del Valle Cartel eventually merged with the AUC. Some guerrilla fronts from the Revolutionary Armed Forces of Colombia (FARC) also became increasingly involved in the production and supply of cocaine, mostly through Venezuela, Brazil and later Ecuador.

Each of these organizations used Central America and Mexico to transport their drugs. The AUC dispatched drugs by land and air to different points in the Caribbean, Central America and Mexico. The FARC focused mostly on developing their own routes through Venezuela but also sought contacts in Mexico. The Norte del Valle Cartel, fortified the routes that are still the most utilized today, specifically the use of go-fast and fishing boats dispatched along the eastern Pacific coast.

In 2003, the supply chain went through another transformation. The Norte del Valle Cartel began a bloody internal war after one faction assassinated one of the other faction's key leaders. The war coincided with the beginning of a peace process in which the AUC leaders demobilized their armies and handed themselves in to authorities. Several AUC leaders were also assassinated during this process. The Colombian government also began a military offensive against the guerrillas, dislodging them from many of their strongholds in coca-producing areas. Norte del Valle and AUC Cartels left numerous groups battling for control over their territory and routes, including Mexican organizations such as the Gulf, Tijuana, Juarez and the Sinaloa Cartels, who have positioned themselves throughout the Andes to take advantage of the shakeup. In Colombia, these Mexican organizations are now negotiating directly with the HCL providers.[3] The economics are simple: What is a 20 to 30 percent stake for transporting the cocaine from Mexico to the United States becomes a 70 to 80 percent stake by obtaining it at the source.

In addition, in Colombia, operating on a large scale has become more difficult. The life-span of today's 'capo' is often months, not years, in part due to skyrocketing number of extraditions from Colombia to the United States.[5] The vast number of informants and cooperators has accelerated the process by which U.S. and Colombian authorities can dismantle a drug trafficking organization (DTO). Colombia's increased capacity to act on this intelligence has made for smaller, more agile and less consolidated chains of distribution. Still, it

is clear that there are many big Colombian DTOs, not all of which have relinquished control of their supply and parts of the distribution chain. This was evident in the arrests in September 2011 of 30 Colombians, most of them pilots, who were flying loads of cocaine to Central America for two major Colombian traffickers.

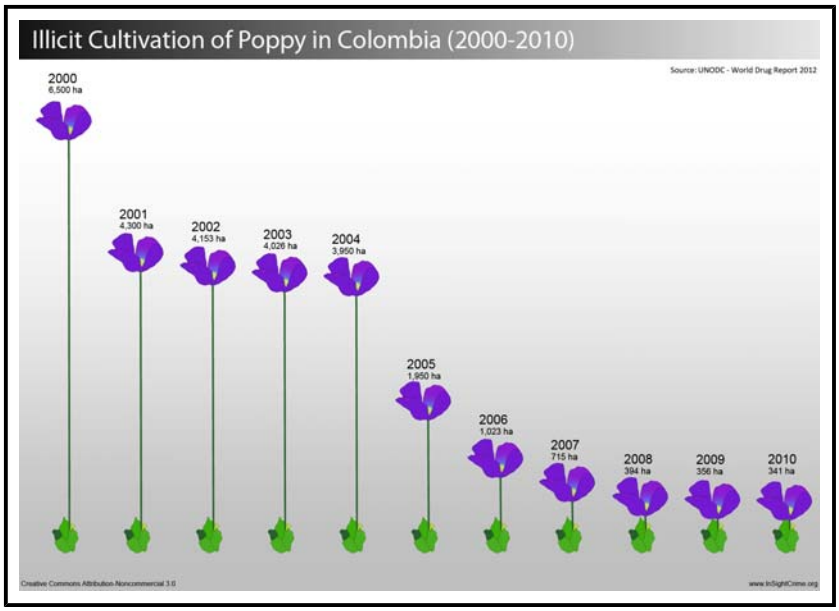
Today's HCL providers in Colombia are former paramilitaries or lieutenants of now defunct larger organizations. They operate in many of the same zones as their predecessors and use many of the same routes with slightly updated methods. They are noticeably smaller in terms of numbers, but they maintain enough forces for territorial control of production, storage and dispatch. Their relations with each other are as fluid as their relations with the Mexican DTOs. Some former paramilitaries, for example, buy HCL directly from the FARC. For its part, the FARC also remains an important HCL source, especially along the Ecuadorean and Venezuelan borders, although there are also reports of a guerrilla group dispatching drugs from the Uraba region near Panama as well.

Activities

Drug Trafficking

Colombia's drug trafficking industry has its roots in the longtime legal and illegal trading routes that crisscrossed the country. These contraband trails stretched up and down the Andes but always passed through Colombia to move to and from the Pacific or Caribbean coasts that make this country a prime depot and embarkation point for any product. Drug production began en masse in the 1960s with marijuana, but the drug trafficking industry got its real start after Chilean chemists taught Colombians how to process coca into cocaine hydrochloride (HCL) in the early 1970s. The contraband traders were soon moving both HCL and coca base from Peru and Bolivia to laboratories in Cali and Medellin, where the two largest cocaine cartels in the world would emerge.

While they were in the same trade, the Medellin and Cali Cartels were polar opposites. The Medellin Cartel leaders cut their teeth stealing cars, buying their way through the local police and employing street thugs and gangs to do their dirty work. When the upper classes rejected their attempts to enter politics, they rebelled and used violence to try and coerce the state. The Cali Cartel was a more sophisticated operation born of a more upper class contingent and bent on the use of political persuasion rather than military might. Both established cocaine empires that stretched from coca fields of Bolivia to the streets of New York.



The downfall of these two cartels left a massive void and came at a time when drug production was shifting from Peru and Bolivia to Colombia. The resulting battles for control of the coca fields involved illegal armies like the Autodefensas Unidas de Colombia (AUC) right-wing paramilitary coalition, the Norte del Valle Cartel, which drew from Colombia's police, and the Fuerzas Armadas Revolucionarias de Colombia (FARC) guerrillas. Between the warring factions, peasant farmers grew and sold unprecedented amounts of coca but were also often the first ones to die when a rival faction sought control of their fields.

The end of the AUC and Norte del Valle, and the government's success against the FARC -- who have been in peace negotiations with the government since 2012 -- has created another power vacuum. Smaller organizations, most the remnants of the AUC and Norte del Valle, continue to vie for control over the fields, routes and embarkation points. Their relationship to their international partners is also shifting. Mexican cartels control the distribution, some of it directly from the source.

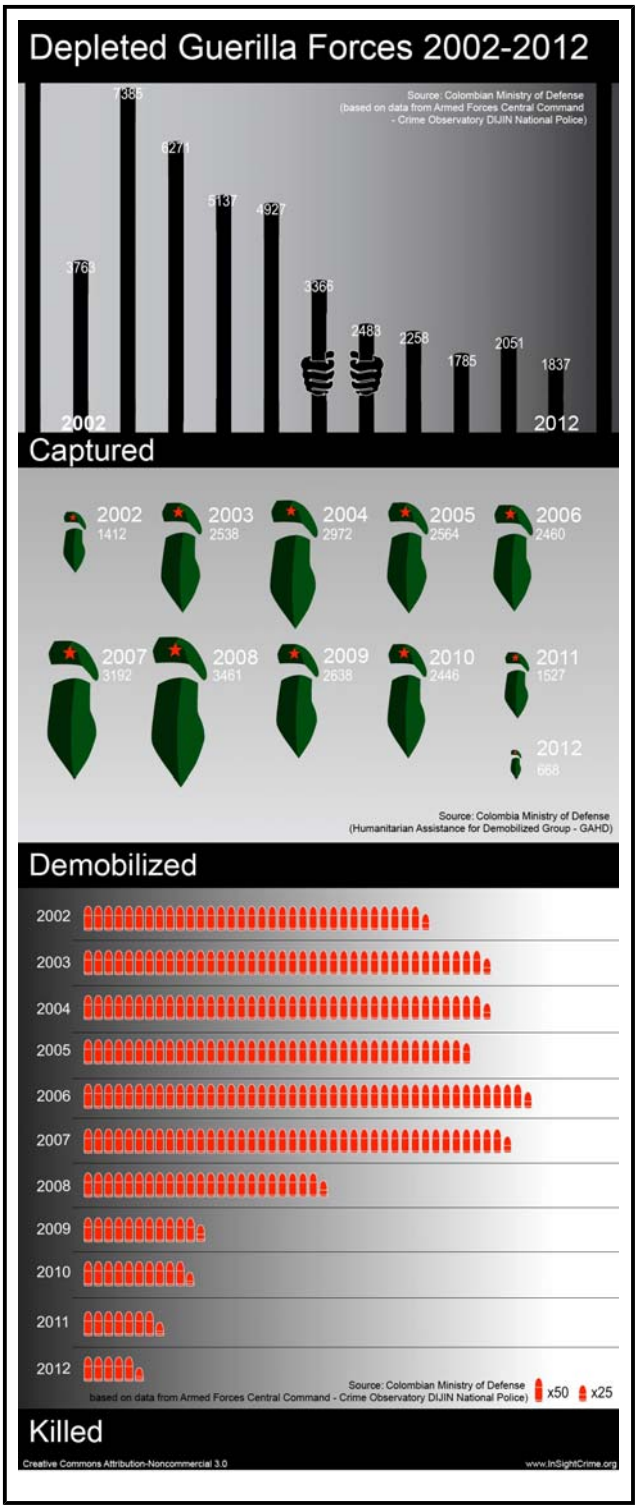
In sum, Colombia remains the epicenter of drug production, drug processing, drug storage and drug trafficking in the Americas. Some aspects have evolved, in particular the ability of the Colombians to produce high-yield coca and the means by which the Colombians and their partners move their finished product, which

now includes a fleet of semi-submersibles (submarines), some of which can dive up to 30 meters below the surface. But other aspects have remained remarkably static, like the use of remote, unpatrolled areas to process coca into cocaine hydrochloride; the need for large armed groups to control territory for the production, storage and distribution of the HCL; and the ability of these criminal organizations to coopt local authorities to move large quantities of drugs, bring in large quantities of arms and launder heaps of money throughout the world.

Kidnapping

The kidnapping industry in Colombia traces its roots back to the violent, sectarian period known as 'La Violencia,' in which close to 200,000 people lost their lives in a 15-year period that ended with the onset of the insurgencies' conflicts with the state. Known as 'bandoleros,' the early kidnappers targeted opposition politicians, businessmen and farmers. Their tactics led the government to create its first anti-kidnapping commission in the 1960s. By then, rebel groups had sprung up in different parts of the countryside and cities. The rural groups focused on extortion or "war taxes," although some, including Fuerzas Armadas Revolucionarias de Colombia or (FARC) may have begun kidnapping as far back as 1965. The urban groups moved more deliberately into kidnapping and, like their cohorts in the Southern Cone, targeted big bankers, politicians and diplomats. The dual rationale of securing political and financial gains from taking high-ranking politicians, businessmen or diplomats came with an equally high cost as intelligence services were able to dismantle these organizations often using information parsed from the kidnapping cases.

In the rural areas, guerrillas began a more concerted kidnapping campaign in the 1980s. At first, the targets were wealthy people who traveled from cities to the countryside to vacation. When that source proved both costly and dangerous, as it attracted too much security presence, the rebels began to target middle class and even lower class peasants and shopkeepers. Again, the price was high. Kidnappings of middle class and lower class peasants caused some to flee. The resulting influx of a new landed class, which included powerful drug traffickers, changed the dynamic. The drug traffickers were willing to strike back with equal or greater force than the rebels, and they were willing to create large armies to protect their families and their economic interests. These paramilitary groups surged, especially in areas where kidnapping and extortion had alienated the population.



The drug traffickers were not immune to kidnapping themselves. Drug trafficking groups regularly kidnapped rivals to scare or extort from them, politicians to make a political point and businessmen or company executives to obtain a ransom. To be sure, many of them had begun their criminal careers as kidnappers, including the heads of the Cali and Medellín Cartels.

The apex of the kidnapping scourge came in the late 1990s and early 2000s when rebel groups began taking people en masse, sometimes off the highways in operations that became known as the pescas milagrosas (roughly translated as "hugely successful fishing trips"). These kidnapping sprees included children, elderly, as well as foreigners and multinational employees in an attempt to take advantage of the massive insurance payouts. Indeed, by the 1990s, kidnapping was an industry that had created a massive food chain, which included those who provided the infrastructure, transportation and food to the kidnappers and the specialists who negotiated their release.

The rebels also worked closely with smaller kidnapping gangs, which mostly operated in urban areas. These smaller gangs kidnapped then sold the victims to the guerrillas. Some of these kidnapping gangs included ex-police and even members of the anti-kidnapping unit the Colombian government had created.

Kidnappings started to drop after the government began a massive offensive against the guerrillas in 2003. 'Plan Patriota,' as it was known, pushed the rebels further into the countryside and greatly debilitated the infrastructure and support network they had used for activities such as kidnapping and arms trafficking. Parallel to the military offensive, the government began manning all the police stations around the country and increasing the military presence on the highways. The strategy had a domino effect: Colombians took to the roads, adding an even greater level of security. Today, Colombia has a kidnapping rate comparable to Ecuador. But while it has lost its crown as the kidnapping headquarters of the world, the kidnapping industry in Colombia remains one of the most potent and sophisticated on the planet. Colombian groups have also lent their services to other groups outside of the country, in particular in Mexico, Ecuador, Venezuela and Paraguay.

Arms Trafficking

Weapons trafficking has been a staple in Colombia's conflict from its onset. The country's nearly constant state of war from the 1950s onward made it a prime destination and source of demand for weapons. The buyers include the government, civilians, private security firms and the multiple illegally armed actors that populate the cities and countryside. Indeed, Colombia has long represented a constant marketplace for arms traffickers across the world and opportunistic neighboring states. Corrupt military officials in Venezuela and Ecuador, in particular, have long supplied small arms for Colombia's armed groups.

According to statistics from 2006, there were 1.3 million legally registered weapons in Colombia. The legally registered weapons were split between the government forces and civilians evenly, with some 80,000 registered to private security companies. The Colombian government has various entities to control the import and use of small arms. These include the military-run Military Industry (INDUMIL), which is responsible for importing weapons for the armed forces, and the Arms Trade Control Department (DCCA), which is responsible for cataloging the weapons into a unified database. Due to restrictions imposed by European nations because of human rights violations by the Colombian military, Colombia's government began to assemble some of its weapons at home, including the G3 Galil and MK-1 grenade launchers. Yet the vast majority of weapons for the armed forces still come from overseas.

The black market is where most of the weapons are trafficked. There are as many as three illegal weapons for every legally registered weapon in Colombia. Government regulation is scant, corruption rampant and ineptitude common enough to open the door for nearly every transgression from the simple falsification of ownership papers to the massive arms transfers. The illegal armed groups in Colombia also obtain many weapons from armed forces around the region. Some are channeled through corrupt officials. Other weapons are stolen.

World politics and the dynamic of Colombia's conflict have accelerated the arms race. The fall of the Soviet Union, coupled with the end of Central America's civil wars, left huge stockpiles available. These events coincided with Colombia's illegal groups' attempts to create more formidable armies in size and scope. The FARC, for instance, grew from 2,000 soldiers to 16,000 between 1980-1996. Their guerrilla rivals, the Ejercito de Liberacion Nacional (ELN), and their principal foes, the Autodefensas Unidas de Colombia (AUC), also grew rapidly. Finally, the government's forces expanded by some 30 percent during the period of the late 1990s to the mid-2000s.

The dynamic of the conflict has changed again in recent years. The AUC demobilized, freeing up weapons for newly armed groups that engage exclusively in drugs and other illegal activities. Meanwhile, Colombia's insurgencies continue to obtain weapons from the country's neighbors. Tensions have heightened between Venezuela and Colombia because of this availability. Venezuela's government purchased 100,000 AK-47 assault rifles to supply an army of just 40,000 soldiers and licensed factories to make AK-103s and 7.62 mm rounds, the Colombian guerrillas' weapon and bullet of choice. But Colombian stockpiles have also traveled abroad, fueling increasing violence in Central America and Mexico.

Money Laundering

Colombia's role as the epicenter of storage, processing and exportation of cocaine has made it a center of money laundering as well. As opposed to their Mexican counterparts, who are less concerned about using dollars in an economy full of them, Colombian traffickers have sought to conceal their money in the local currency, pesos, in order to avoid detection or raise suspicions. This has helped the Colombian economy maintain one of the steadiest economic growth rates in the hemisphere since 1950s, as traffickers plowed their money into construction, drug store chains and the cattle industry. It has also given rise to one of the largest money laundering enterprises in history. Known as the Black

Market Peso Exchange (BMPE), this rather simple process allows for dollars, obtained from drug trafficking in the United States, to arrive in pesos in Colombia often without the trafficker's involvement.

The emergence of BMPE was part of an evolution of money laundering that began in the 1980s when traffickers no longer had the time or place to count and store their dollars arriving from the United States. The next logical place became "discreet" European financial institutions and unscrupulous Caribbean banks. But soon U.S. and other law enforcement agencies began penalizing and prosecuting these banks for lax regulations and a failure to notify international authorities of large deposits. The result was the emergence of the BMPE, which one Colombian regulator said laundered $5 billion per year in its heyday in the mid-2000s.

The BMPE system was relatively simple. The traffickers set up or used existing peso exchange houses, which were under less scrutiny than the banks, to receive and move dollars from the United States back to Colombia in pesos. These exchange houses mixed their transactions with legitimate businesses to camouflage or facilitate the movement of the money. They also usually bought the dollars at a greatly discounted rates in the United States – as much as 40 percent in some cases – giving them leverage in the legitimate market as they could discount the price of dollars for businessmen or wealthy customers who were seeking make purchases abroad for commercial or personal reasons. They used the influx of these pesos from the legitimate side to pay their drug trafficking clients back in Colombia.

The BMPE has been greatly debilitated in recent years by new regulations, in particular a Colombian law that requires the exchange houses to notify the government when it moves more than $200 (as opposed to the laws regulating banks, that require it to notify the government when movement tops 10,000,000 pesos or about $5000). Colombian criminals have responded by moving more cash in bulk and shifting the BMPE activities to Mexico. They have also long used the contraband market, in particular cigarettes and liquor trading, to launder proceeds and get earnings back to their homeland. In addition, they are wiring more money and using other electronic methods such as pre-paid debit cards to move cash between nations.

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