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Monterey, California. Naval Postgraduate School

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EVALUATING THE WAR ON DRUGS: US AND COLOMBIAN  
INTERDICTION EFFORTS

by

Alfonso Peña  
Colonel, Colombian Army  
BS, *Nueva Granada*, 1982

Submitted in partial fulfillment  
of the requirements for the degree of

MASTER OF SCIENCE IN SYSTEMS MANAGEMENT

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## ABSTRACT

During the past decade, a great debate has arisen over the course of drug policy in the United States and in Colombia. In both countries, there are many factors to be considered relating to the issue of drug abuse and narcotics trafficking. There is also a variety of opinion about what to do to solve the problem.

This thesis examines the background and nature of cocaine-related activity in Colombia and the transport of cocaine to the US for consumption. Additionally, it inquires into the ongoing efforts of agencies of both countries to enforce an effective interdiction policy. Production, transport, and seizure issues and statistics are discussed, and there is an analysis of the interdiction effort in terms of cost effectiveness and supply and demand. This work concludes that there is a need for reexamination of the intent and execution of policy regarding drug trafficking, exhibited by the failure of current policies based upon statistical evidence. Additionally, there is a recommendation for more partnership between the governments and people of the US and Colombia in addressing the problem.

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## I. INTRODUCTION

Since the US declaration of the "War on Drugs" during the 1980's, the people of the United States have looked out beyond their shores and land borders for the solution to the drug problem. With more and more funds devoted each year to interdiction efforts aimed at preventing, or at least reducing the amount of, drugs reaching the US consumer, the primary goal of anti-drug policy has been to intercept supply, rather than reduce demand.

The efforts of the Colombian government against narcotics traffickers have, due to the nature of Colombian drug involvement, centered around the elimination of supply, and the equipment and personnel networks necessary to maintain it. This is the result of the practical issues at work in and around the drug problem, rather than the outcome of a political or law enforcement strategy.

There is, it seems, nothing to be gained by an adversarial relationship between a supplier and consumer country. The view that a supplier country is contributing to the social deterioration of a consumer country may be a de facto truth, but it ignores the responsibility which must be taken by a nation for the actions of even a small percentage of its people. Similarly, the people of a supplier country cannot view the concerns, and in some cases demands, of a consumer nation as arrogant or petty when the societal impacts made upon the consumer country are of the severity evidenced by the familiar statistics on drug related crime and violence.

It seems prudent, therefore, to make an examination of the history and elements involved in what is commonly known as the "drug problem," so that both the leadership and people of the nations involved can make determinations as to what action to take, as well as the probability for success that any action may have. In a small way, this work will attempt such an examination.

It should be noted from the first that the ideas and opinions which are expressed in this thesis are entirely those of the author, and do not represent the views of the institution through which the work is presented or the governments or any agencies of the United States or Colombia. Where the views expressed may be deemed insightful, it is almost certain that they are not new; where they are found to be simplistic or lacking, the author expresses his hope that such shortcomings will be forgiven. In any event, it must be stressed that the entirety of the present work is intended as a beginning, rather than an end; a question rather than an answer.

In examining the "War on Drugs," there are several questions to be answered. Who is the enemy and who are the allies? What are the strategies employed by both? What are the current trends in production, interdiction, and consumption? Finally, what are the prospects for victory; is the war being won or lost? The primary research objective of this work is to determine the effectiveness of the interdiction strategy being employed in the War on Drugs by consulting the indications of the trends noted above.

Chapter II, "The Enemy," discusses the Colombian cocaine trade. After an overview of the history of narcotics trafficking in Colombia, the activity itself is

examined. Four key areas are investigated: production, transportation, distribution, and money laundering. As further background on the issue, the next section examines industrial organization issues. A following section describes the economic impact of the profits which are derived from the activity. Chapter II concludes with a discussion of the effects of narcotics trafficking on Colombian society.

Chapter III, "The Allies," concerns efforts in the US and Colombia aimed against narcotics trafficking. In the case of each country, the primary agencies and their roles are listed, and there is also a discussion of the funding provided for those agencies over recent years.

Chapter IV provides an analysis of the key research question. It analyzes the effectiveness of the efforts outlined in Chapter III against the narcotics activity outlined in Chapter II. This chapter includes information on production, seizures, prices, and consumption, as well as a discussion of the role of supply and demand in the cocaine trade and an analysis of the cost effectiveness of interdiction efforts.

Chapter V offers conclusions and recommendations.

## II. THE ENEMY

### A. HISTORICAL PERSPECTIVE

In the 1980s, Colombia achieved international notoriety as a major narcotics trafficking center. The country's involvement with drugs begins earlier in its history. As in Bolivia and Peru, although on a smaller scale, Colombia's indigenous populations had grown and chewed coca leaves for thousands of years. Marijuana cultivation, by contrast, is a much more recent phenomenon. It arrived in Colombia along the Caribbean coast via Panama during the first decade of the twentieth century. By the 1930's, limited cultivation began among the *costeño*<sup>1</sup> population centered on Barranquilla, where the urban criminal element was known for smoking marijuana. During World War II, experiments with hemp cultivation designed to increase fiber production for the war effort substantially expanded the growth of marijuana.

The real takeoff in Colombian marijuana production began in the middle and late 1960's as result of the growing demand generated by the market in the US.<sup>2</sup> By the early 1970's, Colombia was a major supplier of marijuana to the US market, although most of the market remained in the hands of Mexican traffickers.<sup>3</sup> When, in the early 1970's, the US tightened drug enforcement along the border with Mexico and the Mexican government launched a major effort against its domestic producers, the epicenter of

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<sup>1</sup> A mixed-ethnic population inhabiting Colombia's coastal areas.

<sup>2</sup> *Colombia: A Country Study*, Federal Research Division, Library of Congress.

<sup>3</sup> *ibid.*



marijuana production in the hemisphere rapidly shifted to Colombia, especially to the Guajira Peninsula and the slopes of the Sierra Nevada de Santa Martha. By the end of the decade, Colombia accounted for about 70 percent of the marijuana reaching the US from abroad. Between 30,000 and 50,000 small farmers on Colombia's Caribbean coast came to depend directly on marijuana cultivation for their livelihood<sup>4</sup>, while at least another 50,000 Colombians, including seasonal pickers, guards, and bankers, were included among the financial beneficiaries of marijuana production and distribution.

The drug trade came to be an important source of new wealth for the Caribbean coast, providing the population with income, comforts and a degree of economic stability that they had never before enjoyed. The Caribbean port cities of Barranquilla, Santa Martha, and Rio Hacha, in particular experienced unprecedented prosperity. At the same time, however, the Guajira Peninsula experienced a dramatic upsurge in drug related violence, and a simultaneous disintegration of local police and judicial institutions as the result of corruption and bribery. Local food production declined as thousands of hectares of farming land were converted to marijuana cultivation. Farmers who had traditionally grown crops such as bananas were now considering marijuana, and those who did not found labor more expensive and in short supply. Inflation was rampant, especially in land markets, as drug producers increased bids for property. Many legitimate businesses, including banks, hotels, airlines, restaurants, and casinos, were bought up by individuals who had profited in the drug trade, and these ventures came to be used for "laundering" funds which had been illegally obtained.

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<sup>4</sup>       ibid.

The Colombian cocaine trade paralleled that in marijuana. In the late 1960's, a relatively small cocaine smuggling network, largely under the control of an exiled Cuban criminal organization based in Miami,<sup>5</sup> began to emerge. Coca was cultivated on small plots by paez Indians<sup>6</sup> in the San Jorge Valley, which is in the Department of Cauca in southwestern Colombia, and in the cordillera occidental. Smuggling was carried out largely by individual carriers, or "mules"<sup>7</sup>, who transported a few kilograms at a time using commercial airlines.

In the early 1970's, as demand for cocaine expanded rapidly in the US, the limited raw coca supplies produced in Colombia were augmented with coca paste imported from Bolivia and Peru, refined in "kitchen laboratories" in Colombia, and smuggled into the US. The 1973 Chilean military coup that deposed President Salvador Allende also proved to be a severe blow to the Chilean criminal gangs involved in the cocaine trade in that country. When the military government of General Augusto Pinochet clamped down on drug producers, many Chilean "chemists" fled Chile and ended up swelling the ranks of the refining networks in Colombia and Miami. In addition, two Colombians, Carlos Lehder and Jorge Luis Ochoa, worked with criminal networks in the city of Medellin in the mid-1970's to transform the cocaine transportation system from smaller mule activities into huge airlift operations.<sup>8</sup>

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<sup>5</sup>       ibid.

<sup>6</sup>       The *Paez* are a particular group of Indians who live in the south of Colombia and who have a distinct and separate language, culture, etc.

<sup>7</sup>       The name for persons that are transporting cocaine from one location to another.

<sup>8</sup>       General Command of Colombian Military Forces.

By late 1977, the United States drug Enforcement Administration (DEA) had opened a file under the name "Medellin Trafficking Syndicate". Violence was an integral part of the operations of the Medellin Syndicate from its very beginning. As the organization grew in size, power, and wealth, it also became more violent and more ruthless. After consolidating their dominance in South America, the Medellin drug bosses in 1978 and 1979 turned their attention to controlling wholesale distribution in the US. Thus began a period of violence in southern Florida known as the "Cocaine Wars".<sup>9</sup>

As the violent struggle for US market domination subsided in late 1981 and afterward, what emerged was a loosely organized criminal enterprise known as the Medellin Cartel. In effect, by installing their own middlemen in the US, the Colombians "forward integrated" their operations and were thus able to capture additional profits. By reinvesting their profits in the existing operation they were able to expand and streamline production in Colombia and farther south in the Andes. They also purchased bigger and better airplanes and boats for transporting drugs, more sophisticated electronic communications devices and radar to escape detection, and paid huge sums in the form of bribes for protection to law enforcement in Colombia, the US and elsewhere.<sup>10</sup>

By the early 1980's, marijuana traffic was already being eclipsed by the cocaine trade, both in terms of wealth and the power associated with it. Cocaine also generated criminal organizations that were more profitable, more vertically integrated, more

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<sup>9</sup> *ibid.*

<sup>10</sup> Intelligence Appreciation, Colombian Army, 1985.

hierarchical in structure, and more ruthless in their systematic use of bribery, intimidation, and assassination than the marijuana traffickers had been.

Although Colombia had long been accustomed to extraordinarily high levels of violence, the rise of the cocaine industry provoked a qualitative change. Relying on paid assassins, locally known as *sicarios*,<sup>11</sup> Colombia's drug lords fought not only among themselves but also launched a systematic campaign of murder and intimidation against Colombia's government authorities who could not be bribed. This enabled an effective circumvention of the country's justice system, and in the process drove scores of Colombians from all walks of life into self-imposed exile. Drug trafficking contributed significantly to the devaluation of life throughout Colombia, and converted murder and brutality into a regular source of income for individuals with an inclination for it.

Unlike marijuana money, which was concentrated along the Caribbean coast, cocaine money made its way into major metropolitan areas, most notably Medellin, Cali, and, to a lesser extent, Bogota.

Cocaine trafficking is a highly specialized business; the organizations that handle cocaine do not overlap much with those that handle South America's other major drug export, marijuana. In Colombia the largest producer of both drugs—the cocaine and marijuana business display distinct hierarchies, assets, employees, and methods of operation. They have different regional bases: the main centers of refined cocaine production appear to be in Antioquia, Cordoba, and the Middle Magdalena Valley. Coca grows predominantly in the southern departments of Meta, Guaviare, Vaupes, and

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<sup>11</sup> Assassins for hire.



Caqueta. The centers of the marijuana industry are in the Sierra Nevada de Santa Marta and the Serrania de Perija mountains in the northeastern part of the country (The Sierra Nevada de Santa Marta also contains some coca cultivation). Trafficking patterns are also different: the vast majority of cocaine smuggled into the United States is shipped by air (the majority by general aviation aircraft). Most Colombian marijuana, on the other hand, enters the United States by sea, often in stages. "Mother ships" may carry the cargo most of the way, then discharge it to smaller, faster craft that make the final run into the United States, particularly along the Florida coast.<sup>12</sup> Cocaine traffickers regard marijuana as not particularly lucrative; moreover, they hold marijuana dealers in low esteem, seeing them as uncouth peasants with little intelligence or entrepreneurial talent.

The cartel leaders began to develop an appreciation for the utility of political power as well. Several, such as Lehder, bought interests in local radio stations and newspapers. Others, as in the case of Pablo Escobar, sought to establish themselves as *patrones* (patrons) in the cities by giving money to the poor, building low income housing in the slums, or purchasing popular sports teams and constructing sports stadiums. This was a particularly efficient method of operation, considering the great potential that existed for money laundering in each situation. All of the cartels regularly contributed to political campaigns. Lehder went so far as to create his own Latino Nationalist Party<sup>13</sup> and to publicize it through his newspaper, *Quindio Libre*. In 1982, Escobar was actually elected

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<sup>12</sup> Colombian Antinarcotic Police.

<sup>13</sup> A combination of Colombian and Latin America nationalism, leavened with elements of fascism.



as an alternate congressman on a liberal party slate in his native Department of Antioquia.<sup>14</sup>

Recently, officials have begun to review the activities of the Colombian cartels in light of the death of Pablo Escobar, killed while trying to flee from Colombian authorities. While official efforts were aimed at smashing the Medellin cartel, the Cali cartel maneuvered effectively to capture market share. The Cali cartel is now estimated to control 80% of the drugs flowing into the United States, taking advantage of the reduced role of the Medellin cartel.<sup>15</sup> This latest evolution promises more difficulties in dealing with the drug problem, as the Cali cartel has a reputation for good business and no violence.

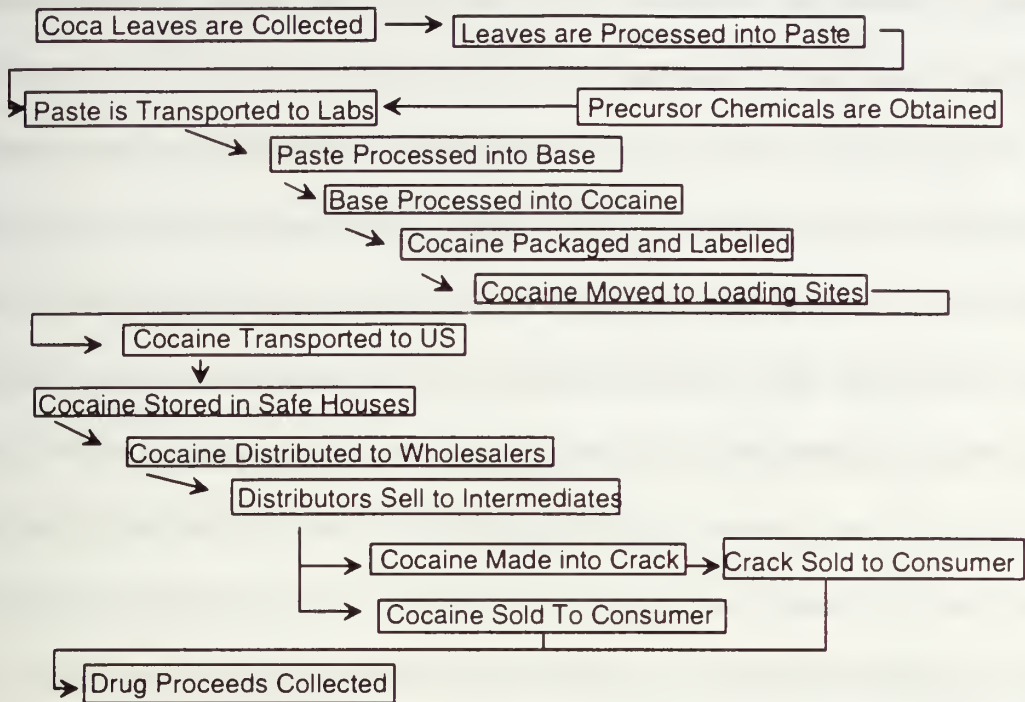
## **B. THE STRUCTURE OF NARCOTICS ACTIVITY**

The method by which cocaine moves from cultivation to the ultimate consumer can be divided into three phases: Production, transportation, and distribution. Colombian trafficking organizations dominate the higher value-added stages of the narcotics-logistic chain: refining, smuggling, and wholesaling. The flow of drugs from production to consumption is illustrated in Figure 1.

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<sup>14</sup> History of the Colombian Congress.

<sup>15</sup> "Cali High: Colombia", *The Economist*, December 25, 1993, v329, n7843.



**Figure 1. Steps in Cocaine Production. Source: Colombian Anti-Narcotics Police.**

## 1. Production

The story of cocaine begins at or near the farm site. Middlemen acting for traffickers pick up coca leaves from the farmer and transport them to nearby laboratories. Sometimes leaves are conveyed on the backs of hired laborers, who travel down hidden jungle trails to avoid detection by the authorities. A few of the larger coca growers have developed forward linkages into the production of paste and maintain clandestine laboratories on their farms. Similar to the transport of leaves, paste production is labor

intensive. Laboratory owners hire so-called pisadores, literally "trampers", to stomp on the leaves before they are immersed in the kerosene solution, because crushing expedites the process of leaching out the cocaine.

An obviously high level of integration exists between paste manufacture and coca cultivation. Coca growers, laborers hired to pick leaves at harvest time, illicit wholesalers, leaf carriers, laboratory owners, and pisadores all constitute more or less a single socioeconomic unit. Differentiation does occur, however, at the more advanced stages of cocaine manufacture. Converting base to hydrochloride tends to occur far from the farm site. Most Colombian CHCL laboratories, at least in recent years, have been located outside of coca-growing areas; for example, in ranches in the departments of Antioquia and Cordoba or deep in jungles along the Colombian-Brazil-Peru border. (One reason for such laboratory siting is that the traffickers do not like dealing with the FARC, an insurgent group which controls many zones of coca cultivation.)<sup>16</sup>

Moreover, cocaine production is "spread out" by country. Following the general pattern, Peru and Bolivia supply semiprocessed cocaine to the Colombians for refining and subsequent export to the United States. For example, most of Peru's cocaine exports take the form of cocaine base (produced in the Upper Huallaga Valley or in the Peruvian Amazon), which is sold to Colombian buyers. Bolivia's cocaine industry is somewhat more developed than Peru's. Colombians also purchase much of Bolivia's CHCL production, which they then smuggle to Colombian wholesalers in the United States.

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<sup>16</sup> Colombian Army Intelligence.

The US National Narcotics Intelligence Consumers' Committee (NNICC), the federal coordinating committee for drug matters, estimates that 75 percent of the cocaine entering the United States in 1985 and 1986 was refined in Colombia. Colombian syndicates dominate both cocaine smuggling to the United States. (In the 1970s, the Colombians grabbed control of the wholesale traffic from Cuban Americans and from the traditional US Mafia)<sup>17</sup> The Colombians' role diminishes as the drug moves through the wholesale and retail distribution network yet their dominance at the upper levels of this network enables Colombian dealers to capture some of the huge profits to be made by selling to the US. market.

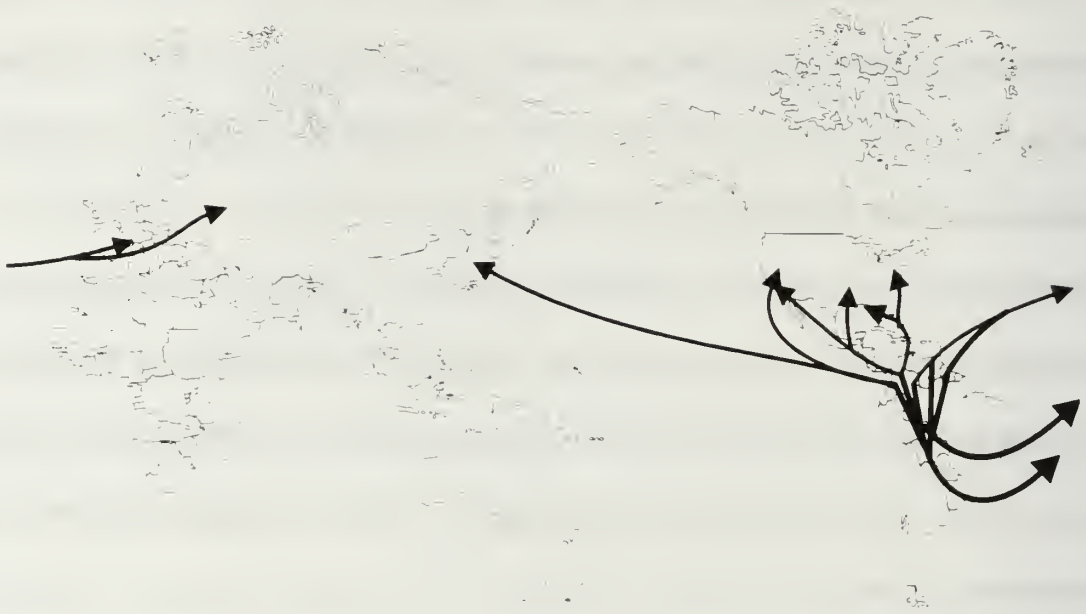
## **2. Transportation**

Colombia's cocaine syndicates also draw on that country's long tradition of smuggling. In fact, the so-called Medellin syndicates evolved largely from families of *contrabandistas* that used to ply their trade in and out of the Gulf of Uraba, on Colombia's Caribbean coast. Colombia's criminal syndicates are noted for their business acumen and also for their ruthlessness.

Figure 2 illustrates the principal routes for smugglers operating between South America and the US.

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<sup>17</sup> Supply of Drugs in 1980.



**Figure 2. Narcotics Transport Routes.**

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Source: DEA Quarterly Intelligence Trends Vol. 13 No. 1, 1993.

### **3. Distribution**

The final stage of the cycle is the distributions of narcotics in the USA. By and large, Colombian control the distribution system in the US at the wholesale level. Each cartel group within Colombia has "managers" in the United States who oversee distribution of cocaine and collection of money for a particular area of the US. Each manager may oversee several distribution networks, with each network organized by the manager's designee.

One such network, which was dismantled in Los Angeles by the FBI, was run by a Colombian who worked for the Cali Cartel. This Colombian controlled a cell of 12



other Colombians and this cell was one of 25 which involved this particular distribution network. Several law enforcement agencies in Los Angeles estimated that there are approximately 4,000 Colombians in the Los Angeles area engaged in distribution of cocaine.<sup>18</sup>

At the lower levels, tasks become more compartmentalized and specialized. In Los Angeles, New York and Miami, persons were flown to US from Colombia solely for the purposes of serving as "stash" house keepers or couriers. These low level workers are referred to as "mopes" by US law officials because they know very little about the organizations beyond the name and phone number of their immediate supervisor. Family members of operatives in the US are often kept in Colombia to ensure that they stay in line.

Regardless of their function most Colombians working distribution networks maintain close telephone contact with their employers in Colombia. Part of the profile developed in one jurisdiction to identify suspects included the deposit of seven quarters in a pay telephone, which was the amount necessary to call Colombia constantly to discuss the inventory of cocaine loads received.

The successful dealer is one with a reliable source of large amounts of drugs, perhaps with some backup sources for periods of drought, and several reliable outlets. The day to day business of dealers at the middle stages of the distribution networks, that is, dealers who buy from an importer and sell to others wholesalers or retailers, consists largely of dunning customers for timely repayment of their short term loans in order to

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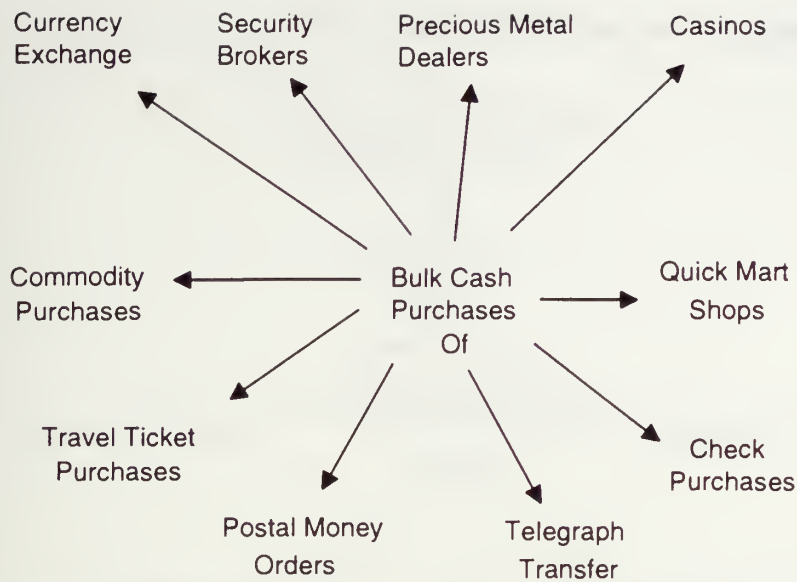
<sup>18</sup> U.S. Congress, Senate Committee on Governmental Affairs Hearings, September, 1989.

have cash ready to repay the supplier for one's short term loans, so that next week or next month drugs will be delivered and the whole process can continue.

For all these reasons, Colombians have a stranglehold on the US. cocaine market. The best opportunity for the other Andean countries (especially Bolivia, because of geography) is to market refined cocaine in the West European market, where the Colombians are not so well established. By all indications, however, the Medellin and Cali organizations are moving quickly to establish wholesaling networks in Spain, England, West Germany, and other Countries. The Colombians therefore apparently will call the shots on international cocaine traffic for some time to come.

#### **4. Money Laundering**

Another area of narcotics activity to be considered is money laundering, whereby proceeds, reasonably believed to have been derived from criminal activity, are transported, transferred, transformed, converted, or intermingled with legitimate funds, for the purpose of concealing or disguising the true nature, source, disposition, movement or ownership of those proceeds. The goal of the money laundering process is to make funds derived from, or associated with, illicit activity appear legitimate.

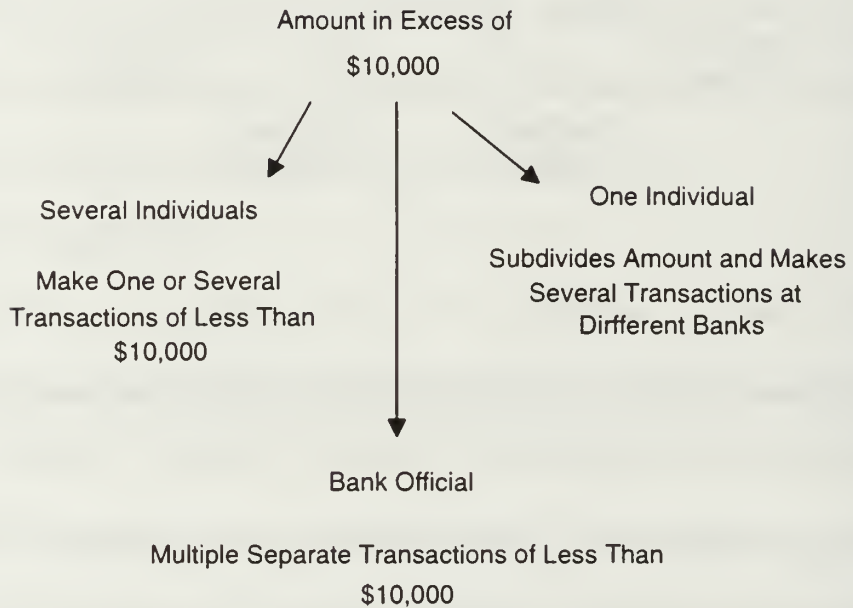


**Figure 3. Placement of Cash in the System Through Non-Traditional Institutions.**

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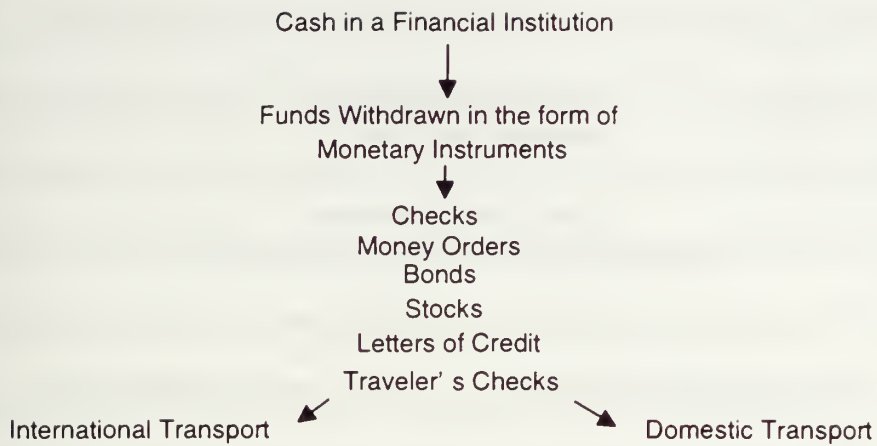
Figure 3 illustrates the methods whereby narcotics profiteers place their cash profits into the legitimate financial system. Figure 4 shows some of the ways in which these organizations manage to circumvent government tracking of transactions involving \$10,000 or more in cash. Figure 5 illustrates how narcotics organizations transfer cash into non-cash monetary instruments in order to transport their profits across institutions and borders. Figure 6 demonstrates how these organizations are able to circumvent tracking of cash movements through the use of electronic transfers of funds. Figure 7

provides an example of how narcotics organizations can use an apparently legitimate check cashing business to "launder" their profits.



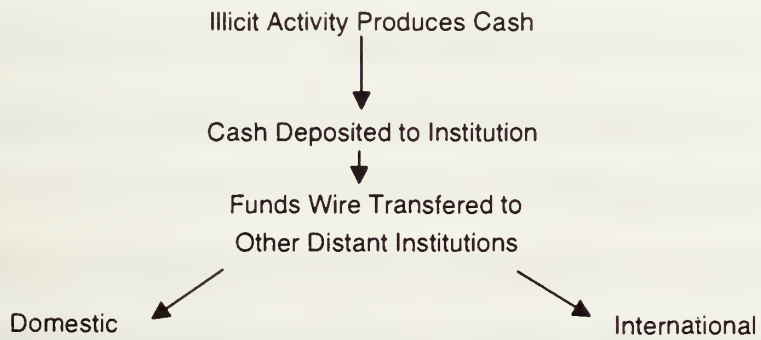
**Figure 4. Placement of Cash Via Structuring.**

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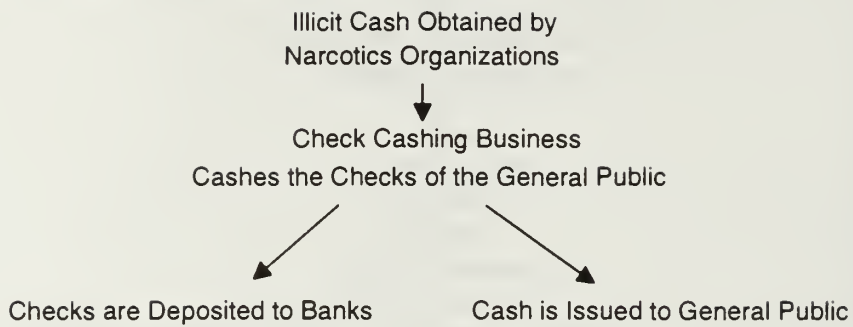
**Figure 5. Conversion of Cash to Monetary Instruments for Transport.**

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**Figure 6. Transfer of Funds by Wire.**

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**Figure 7. Money Laundering through Check Cashing.**

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The requirement to launder money stems from the desire to conceal criminal activity. Although the term "money laundering" is generally associated with narcotics; criminal activities such as gambling, prostitution, extortion, international arms sales, and fraud schemes, also generate illicit proceeds needing to be concealed. Cash is the medium of exchange in all manner of criminal activity. The ultimate goal of the criminal organization is to manipulate its illicit proceeds in a manner which makes them appear to have come from a legitimate source.

It is imperative to understand that money laundering is a vital component of all criminal activity, and more particularly, or drug trafficking operations. The laundering of drug proceeds usually involves the international movement of funds at some point in the process. Payments must be made to the source country growers, to the processors, to



those responsible for the smuggling as well as to those who collect and launder the proceeds. Accumulated proceeds must somehow be "legitimized" in order that the traffickers may make use of their acquired wealth. It is the interception of those proceeds where in law enforcement can inflict the most harm: the cartels replace seized drugs from continued cultivation, but cannot easily replace seized proceeds. Comparable efforts should be exerted in both stemming the flow of drugs into the US as well as curbing the domestic and international laundering of drug related proceeds.

Money laundering schemes do not merely provide the conduits for financing drug trafficking ventures; they also conceal the true nature and source of drug related proceeds and disguise those funds to make them appear legitimate.

Cash is the medium of exchange in the world of drug trafficking. Thus, the most basic problem to the money launderer is to convert the large amounts of cash received from the drug transactions into more manageable monetary instruments or other assets which conceal its illicit origins. The difficulty of the problem can be recognized when one considers that street transactions are completed in small bill denominations, i.e., \$5, \$10, \$20 and \$50's. A US. currency note weighs approximately one gram and there are approximately 454 notes per pound. For example, one pound of US. twenty dollar notes equals \$9,080 and 100 pounds of US. one hundred dollar notes equals \$4,540,000. Criminal organizations need to convert the cash itself into a more easily transferable/manageable form. In order to complete the money laundering scheme of

concealing the true source and ownership of the proceeds, the illicit proceeds must be laundered without leaving a recognizable audit trail.<sup>19</sup>

The laundry process, regardless of the degree of complexity, is accomplished in three basic steps, i.e., 1) Placement, 2) Layering and 3) Integration, and often involves the utilization of offshore laundering systems. The three basic steps may occur as separate and distinct phases; they may occur simultaneously; or more commonly, they may occur in an overlapping fashion. The utilization of these three basic steps depends upon the available laundering mechanisms and the requirements of the criminal organization.

These three stages of money laundering are delineated to facilitate the reader's understanding of the overall process of money laundering, and to provide a consistent framework for discussion.

*a. Placement*

The physical disposal of bulk cash proceeds. Recognizing that large volumes of cash may draw immediate attention to their illegal source, criminals often physically remove the bulk cash from the location of its acquisition. In a known narcotics trafficking section of a large city, let alone in a small town, disposing of bulk cash would likely draw law enforcement attention. Thus, criminal organization are driven to coalesce these proceeds in areas where they are more easily recognized for what they actually are. Although physical separation from the location of the acquisition may have occurred, the placement of the bulk cash proceeds by any number of means into a) traditional or b)

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<sup>19</sup> U.S. Congress, Senate Committee on Governmental Affairs, 1992.

nontraditional financial institutions, c) into the retail economy or d) out of the US. entirely, is the initial step to legitimize illegal proceeds.

### ***b. Layering***

Separating illicit proceeds from their source by creating complex layers of financial transactions designed to disguise the audit trail of the illicit proceeds. If the placement of the bulk cash has been successful (i.e., undetected, the money launderers' activities become increasingly more difficult to uncover. The confusing and complicated ways in which layer after layer of activities and transactions are piled on one another are intended to make the traceability of the illegal, and thus seizable, proceeds extremely difficult for law enforcement.

What follows is an overview of the known methods utilized in the layering process:

- ♦ Cash Converted Into Monetary Instruments
- ♦ Material Assets Purchased with cash and converted or sold
- ♦ Electronic funds transferee (EFT's)

### ***c. Integration***

The provision of apparent legitimacy to criminally derived wealth. Once the layering process has been accomplished, the money launderer needs to provide a legitimate looking explanation for his wealth. Integration schemes place the launderer proceeds back into the economy in such a way that it reenters the banking system appearing as normal business earnings. Unless the traceability of illicit proceeds has

been established during the bulk cash placement or layering stages, it becomes extremely difficult to distinguish between legitimate and illegitimate wealth. Detection and identification of laundered funds at the integration phase is normally possible only through undercover infiltration or violator assistance.

What follows are the various known methods utilized during the integration process:

- ◆ Real Estate Sales
- ◆ Front Companies and Sham Loans
- ◆ Foreign Bank Complicity
- ◆ False Import/Export Invoices

***d. Where Money Laundering is Vulnerable***

The proven weak link in the laundering process is the bulk cash (Placement) Stage. This is the stage in the laundering process at which the estimated billions is US. drug related proceeds are most easily detected.<sup>20</sup>

Most illegal activity involves other illegal activities. Most illegal activity involves either US. or foreign currency. This medium of exchange may involve suitcases of cash used in payment for a major delivery of drugs, arms, or secrets. Small denomination bills (\$20s and less), "street money," is what is collected as a result of individual sales of drugs, pornography, gambling, or sex. Cash is what drives the criminal activity and it is cash that is both the power behind and ultimately one of the greatest vulnerabilities of the criminal.

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<sup>20</sup> ibid.

History and experience has shown that large, well organized money launderers must rely on the sophistication of both domestic and international financial channels to move proceeds while providing anonymity to themselves and their clients. It is the transfer of illegally generated proceeds through layers of front companies and financial institutions affording bank secrecy that breaks the audit trail necessary to prove the connection between the proceeds and the drug trafficker or other criminal. It is during the coalescing of these proceeds, the preparation for the "placement" into financial channels and/ or the transfer of the proceeds out of the US, that the criminal is most susceptible to detection. From the time that the criminal amasses large quantities of cash, until the criminal successfully deposits the proceeds into a bank which affords anonymity, the criminal must rely on couriers and financial channels to move the proceeds thus providing a window of vulnerability. Every effort should be undertaken by law enforcement to exploit this vulnerability. Once the bulk cash has been successfully placed into a nation's legitimate financial channels, the job of combating money laundering and tracing the proceeds becomes an increasingly difficult task for law enforcement.

The following representations are related to businesses and professions outside of the regulated financial sector. These businesses and professions are considered to have actual or potential significance as vehicles utilized in the cash placement stage of money laundering:



- ♦ Check Cashers, Bureaus de Change, Money Transmitters and Travel Agencies
- ♦ Currency Exchanges
- ♦ Money Transmitters
- ♦ Precious Metals, Stones and Artwork Dealers and/ or Brokers
- ♦ Casinos/Gambling Establishments of Businesses
- ♦ Automobile/Airplane/ Boat/Real Estate Dealers and or Brokers
- ♦ Professionals
- ♦ Money order Issuers/Check sellers
- ♦ Insurance Companies
- ♦ Securities Brokers/Dealers
- ♦ Commodities Brokers

## **C. INDUSTRIAL ORGANIZATION**

### **1. Structure and Organization**

The cocaine Syndicate is the organizational embodiment of the downstream phases of the cocaine industry: refining, smuggling, and distribution. Like the coca lobby, it is a potent political force in South America countries. The source of the cocaine syndicate's power, however, is not so much numerical strength (for example, masses of peasants who can blockade highways), but rather superior financial and logistical resources, sophisticated weaponry, and extensive protection networks. In Colombia and Bolivia, syndicate organizations have penetrated deeply into key decision making



structures (such as legislatures) and have virtually substituted for state power in parts of the country.<sup>21</sup>

US law enforcement officials believe that Colombian syndicates are vertically integrated "from the clandestine laboratories of Colombian to stateside distribution." According to a 1986 US indictment against nine Colombian drug traffickers, the operation of Jorge Ochoa's "family" extended from the purchase of raw materials through and including cocaine production, transportation, distribution, and sale.<sup>22</sup> However, these organizations seem to be more amorphous than criminal organizations in the United States or Western Europe. Their boundaries are fluid, the cast of characters changes continually, and the links in the chain are bound together in an intricate system of contracts and subcontracts.

In Colombia, the cocaine trade is dominated by two coalitions of crime families; the larger one is centered in Medellin and the other in Cali.<sup>23</sup> The capos of these organizations typically reside on maintain residences in Medellin or Cali. The major syndicates apparently export a large share, perhaps 70-80 percent,<sup>24</sup> of the cocaine manufactured in Colombia. They also handle some percentage of Bolivia and Peruvian cocaine exports.

It can at one and the same time be said that the "cartels" control the cocaine market and that there is apparently no effective cocaine cartel operating in Colombia; that

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<sup>21</sup> Lee, Rensselaer W. III, *The White Labyrinth: Cocaine Trafficking and Political Power in the Andean Countries*, Transaction Publishers, New Brunswick, 1990.

<sup>22</sup> Ricks, Thomas, "Indictment of Nine Alleged Gang Members Portrays How Cocaine Industry Works," *The Wall Street Journal*, November 19, 1986.

<sup>23</sup> Colombian Police Anti-Narcotics Balance, 1991.

<sup>24</sup> *ibid.*

is, the leading organizations seemingly cannot restrict production or maintain prices, as expected when a "cartel" is in control of a market. (The US. wholesale price of cocaine dropped from \$60,000 per kilo in 1980 to \$22,500 per kilo in 1988).<sup>25</sup> Competition, especially in the inner city, clearly operates in the system. For example, Medellin and Cali coalitions were at one time waging a war for control of the lucrative New York City market. Also, the Medellin and Cali groups probably do not account for much more than 60-70 percent of the total world market; most of the balance is in the hands of Colombian independents or Peruvian and Bolivian traffickers. Yet if the organizations involved in the Colombian cocaine trade do not constitute a cartel in the strictest economic sense, they are capable of coordinated action. Organization leaders form joint business ventures, pool cocaine shipments, cooperate in insurance schemes, issue joint communiqués and even jointly plan assassinations.

The sheer size of syndicate operations requires the explicit coordination of many transactions as well as a system of information gathering and record keeping. Cocaine syndicates are too vulnerable to penetration by law enforcement agents. Hence, they have to make large cash payments to the authorities to protect their laboratories and smuggling routes and to keep their chief executives out of jail. Their system of protection also includes a far-flung intelligence network that extends to enforcement agencies (and subordinate bureaucracies) and even, perhaps, to U.S. embassies operating in drug-producing countries. Syndicates also have a capacity for violence. Such violence or the threat of it is used to discipline employees, to enforce contracts with business

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<sup>25</sup> Colombian Police Review -- Criminality, p. 410.

associates, and to exterminate rival traffickers. In Colombia, violence is also a means of influencing judicial outcomes -- the *plomo o plata*<sup>26</sup> alternative -- and of shaping the government's overall policy on drug control. The parade in recent years of syndicate-sponsored hits against uncooperative judges, public officials, and newspapermen has no counterpart elsewhere in Latin America or in the United States.

## 2. The Nature of the Business

Syndicates tend to concentrate in down-stream activities -- on refining, transporting, and distributing coca products. Most are not engaged in coca cultivation, although traffickers sometimes provide financing and even seeds and fertilizer to growers. Organization differ greatly in the sophistication of their refining operations and in their capacity to move cocaine in to major consumer markets. Here, a rough comparison can be drawn between Colombian syndicates on the one hand and Peruvian and Bolivian organizations on the other. The former buy coca paste and cocaine base -- mainly from Peru and Bolivia, convert these intermediates to cocaine hydrochloride (CHCL), and ship the finished drug to distributors. Colombians dominate the coca trade; according to the US National Narcotics Intelligence Committee, 75 percent of the refined cocaine entering the United State in 1985-1986 was of Colombian origin.

In contrast, syndicate organizations in Peru and Bolivia are mainly in the business of supplying crude cocaine to Colombian middlemen, who capture the value added in further refining and in delivery of the product to overseas markets. Peru's trade is especially poorly integrated.

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<sup>26</sup> An offer in which someone can choose between money (*plata*) or a bullet (*plomo*).

The vast majority of cocaine leaves Peru in the form of cocaine base and is often carried out in Colombian airplanes that fly the routes between the Upper Huallaga Valley and the Amazon Basin. Colombia dominates smuggling and distribution, at least for North American markets. Colombia's geographic location, its extensive transportation links with the United States, and a large Colombian immigrant population in the United States cities give Colombian traffickers an enormous commercial advantage over their Bolivian and Peruvian counterparts.

### **3. The Physical Assets**

Large syndicate organizations own or control an array of physical assets used in running the cocaine business. The most important of these are laboratories, means of transportation, and means of communication. Laboratories constitute the core of syndicate operations. They may produce intermediate products, such as cocaine paste or cocaine base (purified paste), or they may produce cocaine hydrochloride -- the finished cocaine consumed by most end users. The larger and better organizations, the more sophisticated its processing capability.

Transport also is essential to syndicate from remote jungle laboratories to customers and also to supply the laboratories with raw materials and chemicals. Traffickers also build and maintain the literally thousands of clandestine airstrips in Colombia, Bolivia, and Peru<sup>27</sup>. In addition, traffickers rely on sophisticated communications systems to maintain secure communications within their organizations and to monitor law enforcement surveillance.

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<sup>27</sup> Colombian Anti-Narcotics Review, 1991.



Such systems include state-of-the-art radio equipment, sometimes outfitted with scramblers (to prevent interception of message), and digital encryption devices. In Colombia, as retired U.S. Army General Paul Gorman notes, the government communications system is regularly intercepted "indeed used, by the narco-traffickers who can track the movement of Colombian armed forces and aircraft and ships better than their respective commanders, and know more surely where they are and where they are going".<sup>28</sup>

Two other assets are also critical to the functioning of cocaine syndicates: weapons and money. Both factors carry political as well as business connotations. For example, weapons provide security for installations but also convey an image of power. Money is plowed into direct operating expenses and equipment, raw materials, salaries, and the like -- but also is used to buy protection, fund political campaigns, and even create political movements.

Cocaine trafficking organizations in Colombia, Bolivia, and Peru are better armed than the anti-narcotics police -- at least, the police believe that to be the case. Such weapons are used for guarding laboratories, airstrips, and other facilities against both police and predatory guerrilla groups. Personal escorts of leading drug capos also carry weapons.<sup>29</sup>

The financial resources available to drug trafficking organizations are seemingly enormous. Colombia's major cocaine capos reported in 1984 that their business earned

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<sup>28</sup> Lee, Rensselaer W. III, *The White Labyrinth: Cocaine Trafficking and Political Power in the Andean Countries*, Transaction Publishers, New Brunswick, 1990.

<sup>29</sup> *ibid.*

"an annual income close to \$2 billion," but the earnings are probably far higher today. The personal fortune of one of Colombia's most important capos, Pablo Escobar, was estimated at \$3 billion.<sup>30</sup> In such a case, however, it is difficult to determine what percentage of the total amount is attributable to direct profits from cocaine sales, as opposed to legitimate investments. Some drug money ends up in banks for investment overseas, but a significant sum is spent domestically on overhead; for example, on running laboratories, maintaining fleets of planes and helicopters, and carving out airstrips and maintain networks of information in key government ministries.

The narcotics traffickers have poured millions of dollars into national electoral campaigns, built grassroots political organizations. However, the South Americans apparently have penetrated much further into the political realm. They have poured millions of dollars into national electoral office, and even offered to pay off part of their countries foreign debts. For South America drug lords, money is not just operating capital or a means of acquiring luxury; it is also a powerful tool for influencing political processes and outcomes.<sup>31</sup>

#### **4. The Human Assets**

The structure of the cartels also can be defined in terms of their human assets. There are several main categories of people: a core element comprising syndicate leaders and key lieutenants -- the latter often blood relatives -- operators of cocaine laboratories, and professionals such as lawyers, bankers, and financial managers. The most important

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<sup>30</sup> Henry, David "Pablo Escobar Gourria," *Fortune*, October 5, 1987, p. 153.

<sup>31</sup> Lee, Rensselaer W. III, *The White Labyrinth: Cocaine Trafficking and Political Power in the Andean Countries*, Transaction Publishers, New Brunswick, 1990.



component of cocaine organizations is the system of protection and intelligence. Protection as defined here, means general immunity for criminal operations -- traffickers pay people in authority to leave them alone. However, the cartel's ability to penetrate and to corrupt enforcement agencies is limited; it cannot buy immunity for all its activities. The organization consequently needs an intelligence network to supplement the protection network and to provide advance warning of planned anti-drug operations such as raids on laboratories, customs searches, and arrests.

The network includes informants strategically placed in police organizations, the military, and key government ministries such as Justice, Interior, or Foreign Relations. Sometimes cocaine traffickers themselves occupy positions of trust and responsibility within the law enforcement bureaucracy.<sup>32</sup>

The United States is also a target of syndicate intelligence gathering. Cocaine syndicates reputedly have informants inside U.S. embassies in drug-producing countries.<sup>33</sup> U.S. narcotics experts in Bogota (Colombia) have speculated that the cocaine syndicate might have access to some of the U.S. embassy's cable traffic. The syndicate reportedly pays informants three times as much money as the DEA. Colombian cartels are also said to maintain a list of DEA agents and their code names -- a list that is circulated to counterpart organizations in other South American countries.

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<sup>32</sup>       ibid.

<sup>33</sup>       ibid.

## 5. The Domestic Market

In Colombia, the Medellin to Cali network imports raw materials, coca paste, and cocaine base from Peru and Bolivia; processes these products; and exports refined cocaine to international markets. However, a second cocaine industry in Colombia centers around the 20,000 tons or so of coca leaf that are grown domestically.<sup>34</sup> Colombian leaf, which has an alkaloid content one-half to one-third of that grown in Peru and Bolivia, is relatively expensive to process into high quality cocaine. Small peasant entrepreneurs process the leaf into cocaine base; some of this enters the Medellin-Cali refining system, and some is sold to independent cocaine refiners. Colombian guerrillas -- notably the Fuerzas Armadas Revolucionarias (FARC) - protect or control many of the base laboratories.<sup>35</sup> The FARC also may have some CHCL processing capability, although the FARC's technique for marketing their product is not clearly understood.

## 6. Industry Developments

As already noted, large Colombian syndicates seemingly do not constitute a cartel in the sense of being able to control production and prices. Yet, there are tendencies toward cooperation. Like mature criminal syndicates in the United States, Colombian syndicates apparently have staked out territories, such as distribution markets in major U.S. cities. Moreover, they actively help each other in certain respects. If one family does not have enough cocaine on hand to meet delivery obligations to a customer, it can obtain the necessary product from other families, which is increasingly common.

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<sup>34</sup> Narcotics Trafficking in Colombia, Uniandes, 1990.

<sup>35</sup> Colombian Army Intelligence.

Families take turns insuring each others' shipments of cocaine. If the cocaine is confiscated en route, the insurer gets a percentage of the take usually between 30 and 50 percent of the price paid by the foreign wholesaler.<sup>36</sup>

Colombian cartels are formidable opponents worthy of the best efforts of drug law enforcement. As an example, the infamous Medellin cartel was actually a group or conglomerate made up of the pooled resources of at least three principal organizations; the Pablo Escobar Gaviria; The Jorge Luis Ochoa Vasquez; and Rodriguez Orguela organizations, and at least seventeen other subordinate organizations. The structure of the organizations that make up the Medellin cartel is fairly typical of cocaine organizations in general.

With the exception of the "Bosses" of the organization, the management hierarchy is fairly fluid. Group members may change position, or affiliation within the cartel, occasionally branching out to start their own organization. Yet the key figures in any group remain relatively constant and traditionally are close relatives, childhood friends or neighbors from hometowns in Colombia.

The structure of a Colombian cocaine cartel can best be visualized using a business conglomerate for comparison. If the cartel is a true conglomerate, the Escobar Ochoas, and Silvio Caballeros are CEO's of the subsidiary corporations and form the board of directors. It is the board's responsibility to control production level, supply, balance prices, explore and develop new markets and settle disputes on a global level. In fact, the drop in cocaine wholesale prices in the United States over the past several years

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<sup>36</sup> Colombian Anti-Narcotics Police.

has forced the Medellin, Cali, and other cartel boards of directors to establish and develop new product markets. Trend projections show an increasing emphasis on Europe as a cocaine market as well a commodity trading center where southeast Asian heroin, still a stable market leader in the United States, is bartered for cocaine, which is becoming a growing profit maker in the European community. In addition, synthetic drugs have been very successful in Europe, competing well with drugs derived from tropical plants.<sup>37</sup> Cocaine, however, is still of very great profit potential in Europe. Europe is looking more and more attractive to drug traffickers. While the American market has grown saturated in recent years, the European market price ranges between \$20 and \$40 thousand, double that in the US.<sup>38</sup> Cash-poor Eastern Europe is also a fertile ground for the efforts of cocaine traffickers. In September of 1991, a jointly owned Czech-Colombian company was found to have 98 kilos of cocaine on the premises. The drug seizure was given a street value of \$4 million, which is approximately \$40,000 per kilo.<sup>39</sup> The potential for new markets for the cartels is very threatening. The market for heroin appears to be growing world-wide, and the distribution networks that have proved efficient for organizations like the Cali cartel offer a vehicle to further accelerate that growth.<sup>40</sup>

The cocaine trade is, in an economic sense, both a product and service market. In the individual organization, the division of labor is highly complex and organized. At

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<sup>37</sup> "High in the Andes: Drugs War," *The Economist*, February 13, 1993, v326, n7798.

<sup>38</sup> Witkin, Gordon "Cocaine Kings and Mafia Dons," *US News and World Report*, October 19, 1992, v113, n15.

<sup>39</sup> Glarza, Pablo, "Cocaine Czechs In," *Forbes*, May 25, 1992, v149, n11.

<sup>40</sup> "High in the Andes: Drugs War," *The Economist*, February 13, 1993, v326, n7798.



the low and mid-levels of this corporation, the managers are easily transferred but the positions remain consistent. Crop production and refining are multiphase operations and as such are labor intensive, and have been traditionally foreign-based, which limits the FBI's ability to gather strategic operational intelligence on this aspect. In the wake of the all out war between the Medellin cartel and the Colombian authorities, the Cali cartel is reported to be moving its physical operations to jungle areas of Venezuela and Brazil.<sup>41</sup>

In response to efforts to regulate precursor chemicals, the producers have started recycling in their laboratories.<sup>42</sup> A trend to relocating final processing and refining steps to clandestine laboratories within the United States has increased as the United States develops greater ability to control or track precursor chemicals; However, this relatively recent trend is not significant when considering the vast number of clandestine laboratories located within the source countries of Colombia, Peru and Bolivia. Once refined, the cocaine product must be transported to markets.

#### **D. IMPACT ON THE ECONOMY**

Large infusions of dollars from any source are of great potential value to a developing nation, and narco-dollars are no exception. Drug earnings stabilize a country's currency, help finance needed imports, and may even enhance a country's credit rating. Yet, establishing a link between drug money and economic growth, at least in the conventional sense of the term, is difficult. A good argument can be made that the

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<sup>41</sup> "Cali High: Colombia", *The Economist*, December 25, 1993, v329, n7843.

<sup>42</sup> "High in the Andes: Drugs War," *The Economist*, February 13, 1993, v326, n7798.

cocaine economy has functioned as a hedge of sorts against economic disaster, absorbing labor from moribund economic sectors (the Bolivia tin industry, for example)<sup>43</sup> and becoming a vital source of hard currency when world prices for traditional exports -- oil, gas, copper, and tin -- collapse. But that argument is not the same as saying that the cocaine industry constitutes a positive factor in a country's development. Such a conclusion might be warranted, but much depends on whether coca growers and cocaine traffickers spend their money locally in economically productive ways.<sup>44</sup>

Evidence on this point is vague -- people in the drug trade do not publish balance sheets or release annual reports. Yet, accounts from a variety of sources -- journalists, US. DEA and State Department officials, and government authorities in producer countries -- suggest that cocaine money (earned at all stages of production and distribution) flows into the following activities:

Direct Capital and Operating Expenses: seeds and fertilizer, farm tools, laboratory equipment, chemicals, raw materials, means of transport (aircraft, boats, and trucks), and labor (pisadores, chemists, pilots, couriers, and the like).

Security: private armies, "enforcers," and contract assassins; automatic and semiautomatic weapons (for example, Uzis, AR-15s); state-of-the-art radio equipment; scramblers and coding devices; and computerized navigation systems.

Critical Services: lawyers, accountants, bank employees, investment counselors, and the like.

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<sup>43</sup> UDAPE, "Información Económica," 1986, p.1.

<sup>44</sup> Lee, Rensselaer W. III, *The White Labyrinth: Cocaine Trafficking and Political Power in the Andean Countries*, Transaction Publishers, New Brunswick, 1990.



Protection and Intelligence: payoffs to politicians in office, law enforcement officials, judges; and maintenance of an informant network in government agencies and in U.S. embassies overseas.

Political Participation: contributions to political campaigns, public relations and image-building (for example, promotion of pro-drug positions in the media), sponsorship of candidate slates and political movements, and running for political office.

Private Welfare Activities: housing projects, sewer repair, medical services, roads, schools, and charitable donations.

Legitimate Capital Investment: typically ranches (cattle breeding and horse farming); commercial agriculture; banks; hotels; restaurants and discotheques; real estate and construction companies; apartment complexes; sports clubs; radio stations and publishing ventures; and various retail outlets, such as gas stations, car dealerships, and drug stores.

Luxury Consumption: for example, yachts, Mercedes-Benz, beach-front condos, gold chains, and antiques.

Cocaine earnings are largely recycled in the cocaine industry itself, expended on capital and operating costs plant labor, equipment, and raw materials and on the creation of a secure environment for the industry. Some of the money spent on inputs for the industry may not enter the local economy at all for example, when Colombian traffickers buy ether and acetone (precursor chemicals) from Brazil or coca paste or cocaine base from Peru or Bolivia. Protection expenses provide employment and salary supplements,

but little else. Private armies guard cocaine shipments, laboratories, and key industry executives. Syndicate money does flow into legitimate business, although it does so selectively. The Colombian syndicate as a whole invested an estimated \$5.5 billion<sup>45</sup> in urban and rural real state between 1979 and 1988; real state has probably absorbed most of the syndicate's repatriated funds.<sup>46</sup> Service industries such as hotels, travel agencies, real estate firms, transport companies, and banks also absorb trafficking funds. In Cali, the Orejuela family at one time controlled a financial empire that comprised a Chrysler dealership; a construction firm; a number of drug stores; a toy company, Mundo de Los Niños; an automobile race track; various real estate companies; 28 radio stations in Colombia cities; and one of Colombia's largest banks, Banco de Los Trabajadores. (The Orejuelas rid themselves of the radio stations and their shares in the troubled bank.)<sup>47</sup> The suspicion is that aerial spraying companies belonging to Rodriguez Gacha and an executive airline service (pilotos ejecutivos) controlled through intermediaries by the Ochoa family are being used to transport cocaine.

Relatively little narcotics money flows directly into core industries such as mining, oil, power generation, and manufacturing. Such enterprises are either government-owned or dominated by established economic elites who make it a point to exclude drug dealers and other parvenus. Moreover, the economics of some drug trafficking investments are suspect. For example, the enormous Posada Alemana hotel complex built by Carlos Lehder in Armenia at a cost of roughly \$5 million was touted as

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<sup>45</sup> *ibid.*

<sup>46</sup> *El Narco Agro, Semana*, Nov. 29-Dec. 5, 1988, p. 34.

<sup>47</sup> *Los Jinetes de la Cocaína*, pp. 124-131.

a future "tourist epicenter" in Colombia's coffee-growing zone, but lost more than \$1 million in its 3 year existence. Moreover, traffickers' businesses are sometimes just fronts for money laundering and operate consistently at a loss. For all these reasons, the Syndicate's legitimate investments are unlikely to catalyze the economic take off drug producing countries in Latin America.

## **E. IMPACT ON SOCIETY**

### **1. Violence**

State Department officials like to talk about narco-terrorism, but drug violence should be distinguished from terrorist violence. To the stray judge, policeman, or cabinet minister who gets in the line of fire, this may seem like a distinction without a difference. Still, terrorists who are interested in destabilizing the existing government target the civilian population more broadly than drug traffickers; the latter do not randomly kill civilians, but rather single combatants-enemies of the narcotics industry. Bombing public buildings, hijacking airplane, destroying railway links, blowing up oil pipelines and references, and attacking military bases are acts of revolutionaries, not drug dealers. Foreign and Colombian businessmen are not afraid of being kidnapped by the cocaine Syndicate; however, the threat of kidnapping by the FARC and the National Liberation Army (ELN) is real and ever-present).<sup>48</sup> In some recent cases, traffickers have kidnapped political figures to convey an anti-extradition message.

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<sup>48</sup> Subversive groups operating in Colombia.

In late 1988, the incidence of violence in Colombia posed a general threat to national security and appeared to challenge the country's thirty-year record of stable civilian-led government. Colombia's tradition of violence dates from the war for independence in the early nineteenth century; but the level of violence was increasing in the late 1980s, for reasons ranging from land disquiets to criminal and political actions. The perpetrators of violent incidents included the private groups and gunmen hired by the major narcotics traffickers, guerrilla organizations, and members of right-wing paramilitary groups, or "death squads". Their victims included government officials, students, professionals, unionists, members of opposition political parties, and even petty criminals.

During 1988 Colombian security forces were engaged in a highly publicized campaign against narcotic traffickers. Enhanced by the military's two decades of experience in counter insurgency and irregular warfare, the campaign focused on eliminating clandestine processing laboratories, eradicating crops, prohibiting drug shipments, and arresting and prosecuting known narcotics traffickers. In reaction, the traffickers increasingly turned to co-optation and bribery, intimidation, and murder. Prominent individuals whose views and activities were seen as compromising the profitability of the traffickers' illegal operations frequently were subjected to death threats some of which were carried out. Between 1984 and mid-1988, a minister of justice, an attorney general, and a dozen Supreme Court judges were murdered by assassins allegedly hired by narcotic traffickers.



Colombian security forces in the late 1980s also continued to struggle against the country's major guerrilla groups. Despite stepped-up military efforts, the guerrillas continued to carry out robberies, kidnappings, ambushes of security personnel and facilities, attacks on the economic infrastructure, and murders. During the late 1980s, the Colombian government expressed a willingness to negotiate a political settlement, provided that the insurgents agreed to disarm before talks were held.

Narcotic traffickers and subversives are not natural friends; they do not share a common political and ideological agenda and they pursue basically different goals. Guerrillas attempt to overthrow the government and to transform society; traffickers on the other hand, seek above all to be left alone, aspiring to a kind of quasi-legality within the political status quo. Drug dealers, especially the larger operators, do hold some anti-establishment views: They are strongly anti U.S. and they favor a more egalitarian structure.

Cocaine dealers and guerrillas compete bitterly for territory and resources and for control over the coca growing peasantry. Guerrillas increase the industry's business overhead; traffickers must either pay protection money (war taxes) to guerrillas or make large outlays to guard their laboratories, drug shipments, and clandestine airfields. The Colombian syndicate which invests much of its new found wealth in farms, ranches, and landed estates in Colombia's relatively unprotected hinterland, is vulnerable to extortion by FARC guerrillas because its class interest and those in Colombia's traditional rural

elite are identical. In addition in many rural areas guerrillas try to drive a wedge between local cocaine leaders and cultivators of coca leaves.

Clear signs in Colombia indicate that rural based guerrilla organizations levy war taxes on the cocaine industry. The linkage is clear in the case of the FARC- "the oldest-standing guerrilla movement in all of Latin America."<sup>49</sup> The FARC exercises intermittent political and military control over some important coca-growing zones in the southern and eastern Llanos region. In these zones, coca farmers and leaf processors reportedly pay a tax of 10-15 percent on their outputs. The FARC also taxes the wages of laborers in the coca fields at a rate of 7-10 percent.<sup>50</sup>

However, the FARC's ability to shake down the Medellin-Cali syndicates is problematic. There is little evidence on this point; however, two general observations can be made. First, the cocaine syndicates (unlike the minor Syndicate of independent processors and refiners) hire well-armed security forces to guard their laboratories, supply routes, and cocaine shipments. The big cocaine operators can insulate their cocaine operations (at least in part) against guerrilla extortion attempts. Much depends on the local balance of forces at any given time: In southern Antioquia, a syndicate stronghold, cocaine traffickers are less likely to pay taxes than in southern Cauca, a region predominantly controlled by the FARC. Second, the U.S. wholesale price of cocaine dropped from \$55,000 per kilo in 1980 to \$15,000 per kilo in mid-1988, creating strong incentives for cocaine traffickers not to pay protection money to guerrillas.<sup>51</sup> No doubt

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<sup>49</sup> Bagley, Bruce, *The Colombian Connection: The Impact of Drug Traffic on Colombia*, 1986.

<sup>50</sup> *Los Jinetes de la Cocaína*, 1990.

<sup>51</sup> *ibid.*



the declining size of the "cocaine pie" has constituted an important factor in the recent open hostilities between cocaine operators and guerrillas in both Colombia and Peru.

Allegations have been made that the FARC actively defends traffickers laboratories, plantations, and airstrips. This may happen in some cases, but U.S. and Colombian officials have been too ready to assume the existence of a FARC shield. Occasional reports surface that unidentified people wearing green fatigues fire on police on anti-drug missions, but a syndicate security force also could wear general military uniforms. Aerial photographs of laboratory sites sometimes show evidence of a guard contingent, hammocks, tents, shower stalls, and so on but how is one to know whether the guards are guerrillas or traffickers hired guns? Police and military forces operating in remote areas where both guerrillas and traffickers are active sometimes are fired upon quite possibly by FARC and other guerrilla groups. Such incidents, however, may reflect general guerrilla-government hostility rather than a conscious strategy of insurgents to set up a defense perimeter around laboratories or cultivating areas.

Finally, a few reports contend that the FARC has actually moved beyond taxing and protecting the cocaine traffic, that individual fronts cultivate their own coca and even operate their own processing laboratories. Such a prospect is not beyond the realm of possibility. Revolutionary organizations in other parts of the world have developed their own production and sales capabilities. However, the FARC is formally at least, part of the current peace process in Colombia. The FARC signed a truce agreement with the government and via its civilian arm, the Union Patriotica, is actually participating in

national and local elections. For the FARC to be involved directly in cultivating cocaine in manufacturing and selling cocaine runs counter to its political strategy (although not to its financial strategy). Politically speaking, the FARC is much better off claiming non-involvement in the trade, while at the same time taxing its proceeds.

In sum, the narco-FARC connection, such as it is, can be characterized as limited, opportunistic, and tenuous. On the narcotics side of the equation, cooperation represents a cost of doing business that, because of worsening market conditions for cocaine, has become more burdensome over time. The major syndicate players, in fact, actively resist paying off the guerrillas. The FARC shakes down the narcotics industry as a way of raising money for the revolution; however, this apparently is a temporary expedient rather than a long-term strategy.

## **2. Economic**

Unfortunately, news reports sometimes contain data which is grossly overestimated. This is particularly damaging because it leads people to believe that the economic benefits to a producer country are enormous. For instance, it has been said that the Colombian cocaine syndicates comprise a \$150 billion drug market for product from Colombia, Peru and Bolivia. It is not difficult to conclude the activity in these countries are totally dominated for cocaine. The resources of the drug activities come from foreign exchange through purchasing properties. As a result the salesmen will not be able to justify this operation and they have to deposit their resources in the exterior and these

foreign exchanges become in "pesos" to pay expenses in foreign money which came from other sources.

### **3. Domestic Drug Use**

In addition to corrupting political and economic systems, narcotics trafficking generated a domestic drug problem. In the early 1980's, a widespread addiction to *basuco* developed among Colombian youth. A highly addictive and very damaging form of cocaine normally smoked with marijuana or tobacco, *basuco* was dumped by the cocaine smugglers on the Colombian market because it was not export quality. Sold cheap, it soon became more popular in many cities than marijuana, leaving thousands of addicts in its wake, many suffering from permanent nervous disorders.

The cocaine Syndicate in Colombia has made every effort to disassociate itself publicly from *basuco* trade. It is not difficult to see why. *Basuco* consumption is one of Colombian's major public health problems -- an estimated 200,000 to 600,000 people regularly use the drug.<sup>52</sup> Civic and professional groups have increasingly labored to raise public concern and professional groups have increasingly presented to Colombia's Attorney General in 1984, Colombia's top 100 cocaine traffickers denied any association with the *basuco* trade.

### **4. Environmental**

Among the rest of human tragedy that comes about as a result of the cocaine trade, it is often easy to overlook the impact that production is having on the environment. The damage is not limited to the destruction of native fauna to clear more

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<sup>52</sup> *Colombia: A Country Study*, Library of Congress, p. 130.

room for the growing of coca. One year of Peruvian cocaine processing, for instance, contributed the following to the Amazon feeder river system:<sup>53</sup>

- ♦ 57 million liters of kerosene (the same volume as a supertanker)
- ♦ 22 million liters of sulfuric acid
- ♦ 16,000 metric tons of lime
- ♦ 3,000 metric tons of carbide
- ♦ 6 million liters of acetone
- ♦ 6 million liters of toluene
- ♦ 10,000 tons of toilet paper

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<sup>53</sup> "Fact Sheet: Coca Production and the Environment," *US Department of State Dispatch*, March 2, 1992, v3, n9.

### **III. THE ALLIES**

In order to evaluate the impact of the ongoing effort against drug trafficking, it is necessary to explore the vast network of U.S. and Colombian agencies and organizations involved.

#### **A. UNITED STATES**

##### **1. Organizations**

There are more than 32 federal agencies involved in the multifaceted effort to reduce the supply of and demand for drugs. The agencies are grouped by function, beginning with those with central policy roles, followed by international efforts, interdiction, domestic enforcement, data gathering, intelligence and USA efforts.

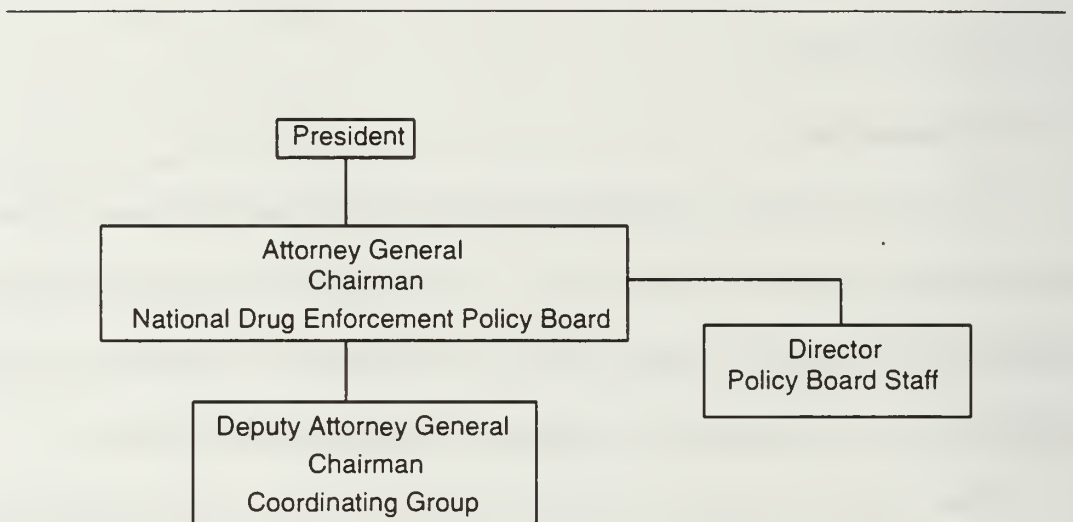
The National Narcotics Act of 1984 created the National Drug Enforcement Policy Board. This cabinet level Board consists of the Attorney General as a Chairman and the secretaries of State, Treasury, Defense, Transportation and Health and Human Services, as well as the Directors of Central Intelligence and the Office of Management and Budget, as members (see Figure 8). The Congress expresses its intent to:

- (1) Maintain a national and international effort against illegal drugs;
- (2) Coordinate fully the activities of the federal agencies involved: and



- (3) Charge a single competent and responsible high level Board of the U.S. Government, chaired by the Attorney General, with responsibility to coordinate U.S. policy with respect to National and International drug law enforcement.

The policy Board has adopted the following organizational structure to implement its objectives:



**Figure 8. Organization of the National Drug Enforcement Policy Board.**

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Source: National drug enforcement policy board interim report to Congress, July 1985.



*a. Drug Enforcement Administration (DEA)*

As the primary Federal anti-drug agency, the DEA is charged with enforcing the controlled substance laws and regulations of the U.S. DEA also participates in non-enforcement programs to reduce the demand for drugs. Part of the Department of Justice, DEA includes 2,400 special agents in 121 domestic field offices and 61 offices in over 40 countries.

DEA's primary objectives are:

- ♦ To bring to bear all the Federal resources on the arrest, prosecution, and immobilization of major drug trafficking organizations.
- ♦ To reduce the supply of illicit drugs from source countries, thereby reducing the availability of illicit drugs in the U.S.
- ♦ To significantly reduce the diversion of controlled substances from the legitimate channels in which they are manufactured.
- ♦ To enlist the active participation of state and local governments and law enforcement agencies in the national drug eradication program.

The DEA is evolving their strategy for fighting the drug war. One area of focus for the agency will be an increase in the use of court-ordered wiretaps. Another area where the agency seeks to increase its resources are the major port cities of South America and Panama, where the majority of cocaine is thought to pass on its way to retail markets in the US. They will try to increase the number of informants in those locations

who will pass information to the interdiction agencies. Additionally, the organization plans to assign more intelligence operatives to the larger cartel families. Objectives also include increasing the number of drug-ferrying aircraft interdictions and reducing the amount of precursor chemicals available to the producers.<sup>54</sup>

***b. U.S. Coast Guard (USCG)***

Responsible in large part for U.S. drug interdiction efforts, the Coast Guard's strategy has been mainly directed toward intercepting mother ships as they transit the major passes of the Caribbean. To effect this "choke point" strategy, the Coast Guard conducts both continuous surface patrols and frequent surveillance flights over the waters of interest, and boards and inspects suspect vessels at sea. In the past major Coast Guard resources have been concentrated in the "choke points" traditionally transversed by traffickers. Cutters now more frequently patrol the Bahamas, the eastern passes of the Caribbean and the Gulf, Atlantic and Pacific coastal areas.

During the past several years the Coast Guard has increased the number of cutter patrol days and aircraft operating hours devoted to drug interdiction, increasing their ability to respond quickly to sightings and other intelligence. In addition, the Coast Guard is deploying leased Sea Based Aerostats (SBA's), which are small tethered balloons equipped with surface search radar, tethered offshore at sufficient altitude to greatly increase its range. As part of a coordinated operation, surface target information

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<sup>54</sup> Gordon, W., "A New Assault on Cocaine," *US News and World Report*, January 11, 1993, v114, n1.

is passed to a command and control cutter for evaluation and deployment of other assigned units surface and air.

Better intelligence remains an important factor in increasing the Coast Guard's overall interdiction effectiveness. The most critical need is timely and accurate information on the number, identity, location and destination of vessels and aircraft carrying contraband which are bound for the United States. During the past two years improvements have been made in the collection, evaluation, and dissemination of intelligence. A new intelligence coordination center in Washington, D.C. maintains a 24 hour all-source watch to exploit all intelligence systems available to the Coast Guard, and produces intelligence tailored to the needs of operational commanders. The Coast Guard is also continuing liaison with the law enforcement community's intelligence network.<sup>55</sup>

*c. U.S. Customs Service*

The U.S.. Customs Service participates in several multi-agency investigative programs, including the Florida Joint Task Group and the President's Organized Crime Drug Enforcement Task Force. The efforts of these two programs alone resulted in 1,194 arrests and drug seizures of 35,702 pounds of cocaine, 132 pounds of heroin, and 3,848,293 pounds of marijuana from FY 1982 to FY 1985.<sup>56</sup>

Prompted by the increasing sophistication of violators of critical technology and trade laws, including individuals in drug-related activities, the Customs Service established an Office of Intelligence in 1981. Customs-acquired intelligence of national

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<sup>55</sup> U.S. Coast Guard Narcotics Interdiction Initiatives, 1-5 (USCG Document, October, 1985).

<sup>56</sup> U.S. Customs Service.

security interest is, for the first time, actively being disseminated to community agencies, and the intelligence community is currently developing information useful for drug enforcement. The development of secure communications facilities within the Customs Service, currently underway, will further enhance this capability.

The Customs Aviation and Marine Programs are consistently changed and upgraded to reflect new technologies and equipment and improved tactics and strategy. Drug smugglers have responded to these programs by adjusting their routes to elude the increased effectiveness of enforcement officials.

The Customs Service has developed teams of inspectors and canine enforcement officers to more thoroughly examine persons, conveyances, and cargo determined to be high risk. These mobile teams, which use highly trained dogs to detect drugs, allow Customs to release cargo and passengers deemed to be low risk without examination, thus speeding the entry of most people and cargo. The teams comprise 12 percent of the inspectional workforce, but have accounted for the greater proportion of the drug seizures. During the first 9 months of FY 1985, they have been responsible for 66 percent (10,269 pounds) of the hashish, 87 percent (876 pounds) of the cocaine, and 40 percent (243 pounds) of the heroin that has been seized by inspectors.<sup>57</sup>

During the past three years, the Customs Service has attempted to convince the commercial air and sea carriers of their responsibilities in the effort to halt drug trafficking. As part of this initiative Customs contacted the major carriers and signed

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<sup>57</sup> U.S. Customs Service and America's Habit -- Drug Abuse, Drug Trafficking, and Organized Crime, 1986.



cooperative agreements with a number of them. These set out specific measures designed to prevent and detect the use of commercial vessels and aircraft that smuggle drugs and other contraband. Customs works closely with carriers, to apprise them of their vulnerabilities through regular meetings; to provide a training program on cargo, aircraft, and facility security; to perform security surveys; and to compile threat assessments. This cooperation between Customs and commercial carriers has led to the detection of drugs and the transmittal of valuable intelligence to local customs officials.

*d. Department of Defense*

In 1981 Congress passed legislation clarifying statutory restrictions on the use of Department of Defense (DOD) resources for law enforcement purposes. As a result, the Department of Defense now has greater freedom to support Federal law enforcement agencies. DOD resources play an important role in the Federal drug interdiction program by providing surveillance and support services, such as using aircraft to search for smugglers and Navy ships to tow or escort vessels seized by the Coast Guard to the nearest US port. As of the end of September 1985, the DOD has been involved in 38 vessel seizures.

The fact, the Joint Chiefs of Staff recommended unanimously in early 1985 that the U.S. military be engaged to an unprecedented extent in fighting drug trafficking and production. It called for the implementation of a massive new program in which military forces would expand their present supportive role by becoming involved in drug



interdiction, in training Central American nation's anti-drug forces, and in providing needed weapons and equipment.

*e. The National Narcotics Border Interdiction System (NNBIS)*

The (NNBIS) attempt to accomplish comprehensive planing in the limited area of interdiction at or approaching USA borders. NNBIS was created by the President in march 23, 1983 and is directed by the vice President.

NNBIS mission is to improve border interdiction by accomplishing a threefold goal: to continue to improve interagency coordination among law enforcement agencies; to maximize the participation of the Military service and Federal Agencies involved in drug interdiction: and to increase and provide interaction for intelligence community involvement in interdiction efforts. Participating agencies include the U.S. Customs Service, the US Coast Guard, the Drug Enforcement Administration (of particular importance is the contribution of DEA's El Paso Intelligence Center-EPIC) the Border Patrol, Federal Aviation Administration, the National Oceanic and Atmospheric Administration, the Federal Communications Commission, and the Department of State. NNBIS itself consists if a headquarters staff in Washington, DC and six regional offices: Miami, New Orleans, El Paso, New York, Chicago and Long Beach, California.

Actual interdiction at or approaching U.S. borders is accomplished by individual agencies during single agency multi-agency special operations. The role of NNBIS is to provide necessary equipment, intelligence, detection and trend analysis support. Specific NNBISD contributions to drug seizures consist of direct support, such

as the passing of "real-time" information, general information, or regional analysis. NNBIS staffs, consisting of agency-contributed personnel in both Washington and the regional centers, coordinate with contributing agency staff to lay the groundwork for special initiatives, which then can proceed in a timely fashion to enhance drug law enforcement efforts. Of critical importance in understanding NNBIS' role is the fact that the activity has no funding of its own. It is entirely dependent upon agency contributions of manpower and intelligence and does not have a direct operational authority. It can only inform and advise its constituent agencies concerning opportunities for coordinated or expanded operations. Thus, criticisms of NNBIS, alleging that many seizures would have occurred anyway, even if NNBIS did not exist,<sup>58</sup> miss the point. Individual agencies are intended, indeed mandated, to carry out their missions, including contraband seizures. NNBIS is intended to supplement, not replace, those efforts. It has a steadily improving record of doing so, a fact recognized even by some critics.

## **2. Funding**

The Federal budget for narcotics control grew notably between 1981 and 1987, to \$3.9 billion, as shown in Table I. In the early nineties, the budget has tripled, approaching \$12 billion dollars. Table II lists a percentage breakdown of funding dedicated to anti-demand (law enforcement, treatment, prevention) and anti-supply (interdiction) efforts. The Bush administration's Andean Initiative and other anti-supply efforts have countered the expansion of demand oriented programs, the result being that

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<sup>58</sup> U.S. General Accounting Office, *Coordination of Drug Interdiction Efforts*, (GAO) GGP.

in the early 1990's the percentage of the drug control budget oriented toward supply reduction remained at approximately 70%.

TABLE I. FEDERAL EXPENDITURES ON ANTI-NARCOTICS ACTIVITY, 1981-1987.

Year	Amount (in billions)
1981	
1982	1.2
1983	1.3
1984	1.6
1985	1.9
1986	2.2
1987	2.2
	3.9

Source (1981-1987): General Accounting Office.

TABLE II. DISTRIBUTION OF ANTI-NARCOTICS FUNDING, 1981-1987.

Year	% Against Demand	% Against Supply (Interdiction)
1981		
1982	32	68
1983	27	73
1984	24	76
1985	21	79
1986	18	82
1987	18	82
1988	23	77
1989	25.9	70.3
1990	25.2	71.2
1991	26.6	69.9
1992	28	67.9
	27.2	68.6

Source (1981-1987): General Accounting Office.

In this period of time (1981-1987) the budget oriented toward the prevention of drug abuse in the USA fluctuated between 1/5 and 1/3 part of the total budget. It is

anticipated that the Clinton administration will increase spending on the demand side of the cocaine problem, which has left many people nervous about the corresponding cuts in spending on interdiction which will likely emerge.<sup>59</sup> Bill Clinton is likely to favor a strong anti-drug approach as long as it puts more policemen on the street.<sup>60</sup>

## **B. COLOMBIA**

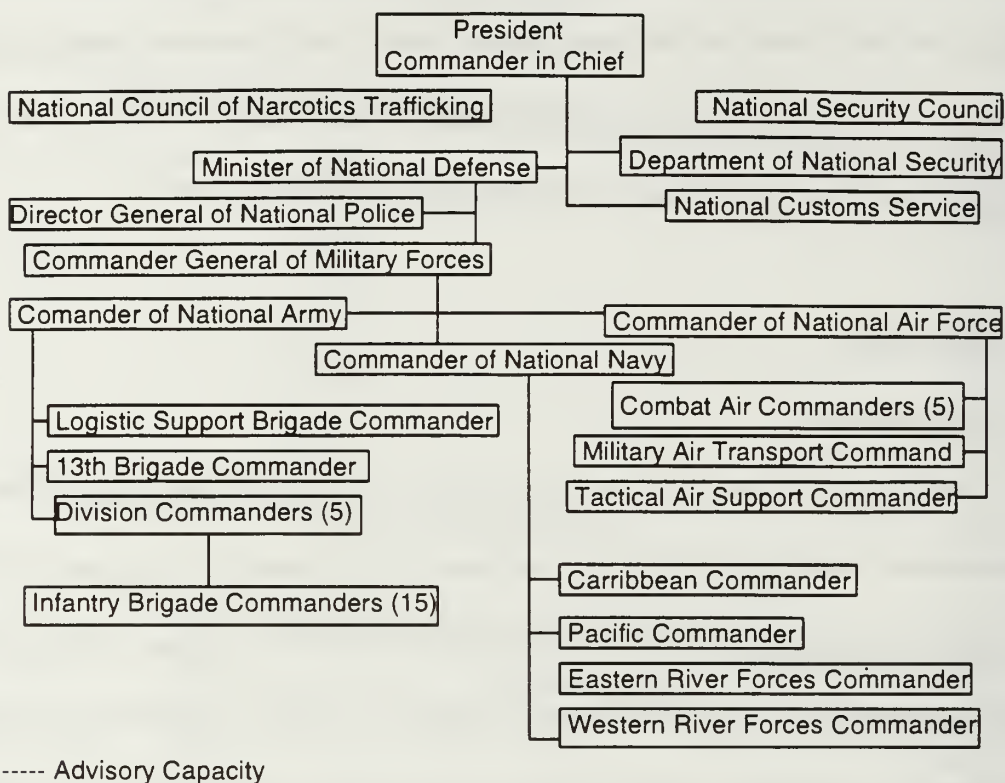
### **1. Organization**

The historical development of the national drug policy demonstrates that the national response to drug abuse and drug trafficking has become more complex over the time. A good indicator of the present complexity of the national response is the fact that twenty National agencies are now involved in reduce the supply and demand of drugs. The agencies are grouped by function, beginning with those with central policy roles, followed for interdiction, data gathering and intelligence, including Military, Police, and civil personnel. The focus in this discussion will be the agencies involved in the supply side. The command structure of Colombian security forces is illustrated in Figure 9.

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<sup>59</sup> "Under the Eye of the Police", *The Economist*, May 8, 1993, v327, n7810.

<sup>60</sup> Gordon, W., "A New Assault on Cocaine," *US News and World Report*, January 11, 1993, v114, n1.



**Figure 9. Command Structure of the Colombian Security Forces (1992).**

*a. The National Council of Narcotics (CNE)*

The National Government created the National Council of Drugs narcotics, this cabinet level Board consists President of Colombia the Ministers of Government, Justice, Defense, Health, Public Finance, the Commander General of the Military Forces, Director of the National Police and the Chief of Administrative Security Department.

The principal functions of this council are:

- (1) Maintain a national effort against illegal drugs



- (2) Coordinate the activities of the Agencies involved
- (3) Reviewing, evaluating, and developing Colombia Government Policy, strategy and resources with respect to drug law enforcement efforts
- (4) Facilitating coordination of all Colombian Government Efforts to halt national and international trafficking of illegal drugs
- (5) Coordinating the collection and evaluation of information necessary to implement Colombia's policy

According to the Constitution of 1990, the president of the Republic of Colombia serves as the commander in chief of the country's armed forces. In addition to this obligation to maintain public order, the president is empowered to provide for the country's external security. The president has the right to declare war, with the consent of the Senate, or, if deemed necessary to repel a foreign invasion, without such consent. The president also has constitutional authority to conclude and ratify peace treaties and is responsible for reporting to Congress on their conclusion of such pacts. Military promotions for general and flag officers as well as military appointments are conferred by the president of the republic, subject to the confirmation of the Senate.

In case of foreign war or domestic strife, the president, with the approval of the cabinet, is authorized to declare a state of siege in all or part of the republic, thereby placing it under martial law. The president, also upon approval of the cabinet, can declare a state of emergency in response to events that pose an imminent threat to the social and economic order.

The specific responsibilities of the armed forces and National Police are detailed in a series of articles in the Constitution. This series of articles is entitled "The Public Force". All Colombians are required to perform military service and have an obligation to bear arms to defend the nation. The length of service and terms of exemption from service are to be determined by law. As amended by presidential decree in 1968, the constitution provides for the organization of a standing army to guarantee national defense. It also specifies that details relating to the army including the number of troops, the regulation of promotions, and the definition of the rights and duties of military personnel are matters to be decided according to legislation. The organization of a national militia and National Police, also to be established according to specific laws.

The constitution calls for a nonpartisan, apolitical military. The article restricts the military's right of assembly, "except by order of legitimate authority," as well as its right to petition the government, except on "matters that relate to the good service and morale of the army, and in accordance with its laws."

In addition, the article stipulates that military and police personnel are ineligible to vote while on active duty and are not permitted to be candidates for elective office.

#### ***b. Armed Forces***

According to the Constitution, the president of the republic serves as commander in chief of the country's military and police forces. The president appoints the armed forces' highest ranking officer (by tradition an army general) to serve as head of the Ministry of National Defense. During the 1980s, the minister of national defense held

both administrative and operational authority over the three armed services and the National Police. As authorized by the minister of national defense, military operations were executed under the mandate of the General Command of The Military Forces.

*c. The National Army*

In 1992, The National Army was composed of 109,000 active-duty soldiers, including approximately 26,000 conscripts. The troops under the command of the National Army represented some 80 percent of Colombia's total military personnel.

Each of the four army divisions had territorial command over two to three of the country's military regions and was organized into three brigades. Each brigade had a minimum of two infantry posed of three infantry battalions, one mechanized cavalry group, and one battalion each of artillery, engineer and service personnel. In all, the five divisions commanded thirty infantry battalions, six mechanized cavalry groups, eight artillery battalions, six engineer battalions, twelve service battalions, and five military police battalions.

*d. The National Navy*

In 1992, the National Navy had about 15,500 personnel, including approximately 5,000 marines, 1,500 coast guard personnel, and 500 conscripts. Personnel under the command of the National Navy represented 12 percent of the country's total military forces.

From 1978 to 1988, the navy's Corps of Marine Infantry (Cuerpo de Infantry de Marina) benefited from a gradual buildup. The marine corps was organized into five

battalions. Two battalions each reported to the Atlantic Marine Brigade and the Pacific Marine Brigade, which corresponded to the navy's Caribbean Command and the Pacific Command, respectively. A jungle battalion, first organized in 1978, was also part of the Western River Forces Command. Coordinated marine-army operations frequently were carried out during the late 1980s under the operational control of the army. In 1988 analysts anticipated that the EE-9 Cascavel armored cars and EE-11 Urutu armored personnel carriers would be used to form a mechanized element in each marine brigade. In 1979 the navy organized the small Coast Guard Corps (Cuerpo de Guardacosta) to carry out coastal patrol duties and operate some aircraft.

*e. The Colombian Air Force*

The Colombian Air Force (Fuerza Aerea Colombiana-FAC) had some 9,500 personnel in 1992, including approximately 1,900 conscripts, about 8 percent of the country's military forces. Members of the air force reserve were estimated approximately 1,900.

The principal units assigned to the FAC's commands included two fighter squadrons, three squadrons dedicated to counterinsurgency missions (including squadron of helicopters under the tactical air support command), a reconnaissance squadron, and a transport squadron. The two fighter squadrons were assigned to the first Air Combat Command with headquarters at the country's principal air base, the German Olano Military Air Base at Palanquero in Cundinamarca department.



*f. The National Police*

During the 1980s, the National Police remained directly subordinate to the minister of national defense. Officers holding military rank filled key posts within the National Police. Their uniforms and insignia of rank, however, were different from those worn by members of the country's military forces. Having passed through the police's own professional training institutions, these men were believed to have dedicated their professional careers to service with the force. Such career officers did not alternate between military and police service, as was customary with some Latin American armed forces.

In 1969 National Police personnel were estimated to total about 42,000. Recruitment plans announced during the mid-1970s projected an increase in the size of the force to some 80,000 personnel by 1990. Yet despite the increased challenges to internal security, the size of the force did not increase significantly and remained relatively constant at some 50,000 between 1974 and 1984. In 1992 the size of the National Police was 87,000, of whom approximately 10 percent were civilians.

The headquarters of the National Police was located in Bogota. The force's organization appeared to parallel the military's headquarters command it was divided into separate functional departments, including personnel (F-1), intelligence (F-2), operations (F-3), and logistics (F-4). Personnel not attached to the headquarters staff were deployed in each of the country's administrative departments, in which a police commander served as the ranking police officer.



In addition to the force's primary charge to handle common crimes, its major responsibilities included narcotics interdiction, some counterinsurgency work, participation in civic action in rural areas, and riot control in the country's urban centers. Other duties included enforcement of traffic regulations, supervision of public recreation areas, provision of security at gold and emerald mines, provision of security in the transport of valuables between government banks and on the national railroads, and administration of and provision of guards for the country's prison system.

A number of special police units functioned under the overall jurisdiction of the headquarters operations command. They included the Radio Patrol Group, the Antimugging Group, the Private Surveillance Group, the Highway Police, the Tourist Police, the Juvenile Police, the Railroad Police, and the Operational group against Extortion and Kidnappings. The Antinarcotics Police were important not only in the seizure of narcotics and the arrest of those involved but also in helping search out and destroy the concealed air landing strips and processing laboratories used by the narcotics traffickers. The National Police's Carabineros were a special rural police force that carried out counterinsurgency missions, frequently in conjunction with army units. Headquarters at the department and national territory capitals, the Carabineros were maintained in squadrons that were separate from those of the regular police; they wore distinctive uniforms and often traveled as mounted units. The National Police also administered and manned the country's fire departments. In support of these various

police units, the National Police maintained a small air section equipped with some thirty light helicopters and one HS-748 airplane.

***g. The Department of Security Administration (DAS)***

The DAS was the principal organization responsible for enforcement of laws relating to national security. This organization had a national role comparable to that of the Federal Bureau of Investigation in the United States. The formal responsibilities under the DAS's mandate included investigating crimes against the internal security of the state, fraud against the state and its financial institutions, breaches of the public faith, and crimes affecting individual liberty and human rights. The DAS also was responsible for screening and maintaining records on foreigners who entered the nation and for enforcing immigration laws. To carry out its mission, the DAS had both investigative and intelligence-gathering responsibilities.

***h. The Customs Service***

The Customs Service in Colombia is a department of the Ministry of Public Finance. Direct mandates for the Customs Service are:

- ♦ Control of the borders and prevention of smuggling
- ♦ Monitoring import and export products and practices
- ♦ Interception of narcotics

The Customs Service engages in anti-narcotics activity at border points, ports, airports, and along the borders and coastlines, having land, sea, and air jurisdiction.

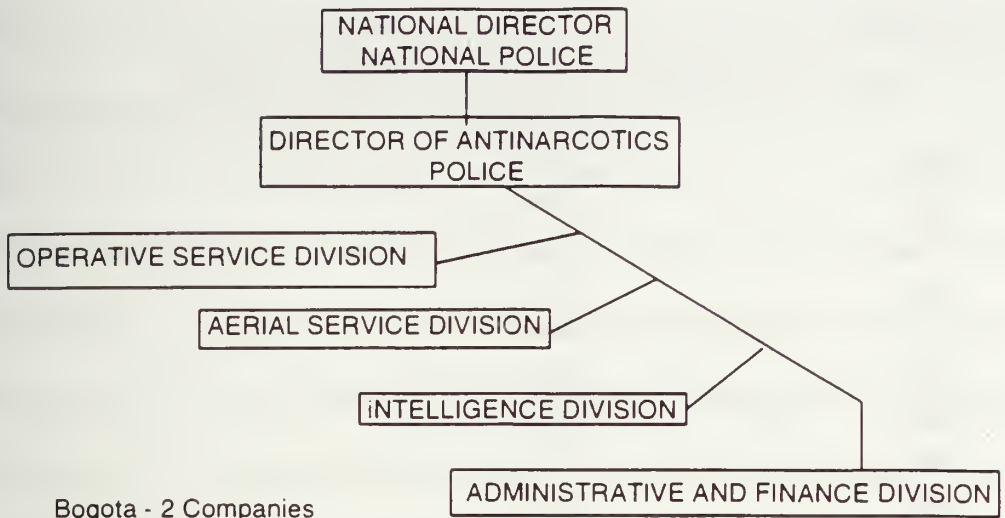
*i. The Narcotics Police*

The Colombian government has developed over the time different strategies to combat the narcotics trafficking into the national territory. The Antinarcotics Police was first created with the following mission:

Conduct activities to control the narcotics trafficking into the Colombian territory; and also with these particular functions:

- ♦ Eradicate crops of marijuana, coca and poppy.
- ♦ Control of raw materials and chemicals used in the process of narcotics.
- ♦ Detection and destruction of laboratories.
- ♦ Become useless clandestine runways
- ♦ Control of spaceship and people included in activities of narcotics trafficking.

In order to accomplish the mission of the Antinarcotics Police was restructured in march of 1992, and has the organization structure shown in Figure 10.



- Bogota - 2 Companies
- Sta Marta- 4 Companies
- Medellin - 2 Companies
- Monteria - 2 Companies
- San Jose
- Guaviare - 2 Companies
- Tulua - 3 Companies
- Puerto Asis- 2 Companies

**Figure 10. Colombian Anti-Narcotics Police Organization Structure.**

## 2. Funding

Table III. The Colombian Defense Ministry Budget, 1982-1992.

	US\$ Millions	Percent of Total Budget
1982	613	12.5
1983	764	16.1
1984	788	16.2
1985	594	14.7
1986	603	13.5
1987	664	14
1988	953	14.8
1989	748	15.3
1990	645	12.3
1991	660	13.2
1992	764	14.5

Source: *Plancacion Ministerio de Defensa, 1992.*

Table IV. U.S. Assistance to Colombia, 1989-1991

Type	1989	1990	1991
Military	73.1	93.2	37.1
Law Enforcement	10	20	32.5
Economic	2.8	2.1	50

Source: Compiled from data of the U.S. House Foreign Affairs Committee (1991) and the Office of National Drug Control Policy (1992).

Table V. U.S. Assistance to the Colombian Anti-Narcotic Police, 1990-1993.

Year	Amount (in millions)
90-91	21.3
91-92	41.2
92-93	23

Source: *Reporte Policia Antinarcoticos, 1993.*



During the late 1980s, the increased threat to national security posed by renewed guerrilla activities and the growing power of Colombian narcotics traffickers provided the rationale for considerable increases in military expenditures. In 1987 the armed forces budget stood at \$274 million dollars, an amount nearly twice the spending level set a decade earlier. This amount represented nearly 15 percent of the federal government's total public expenditures for 1987, making military spending the second highest item after education in terms of official budgetary priorities. This proportion of spending was comparable to expenditures in the mid-1960s, a period when the armed forces were involved in an intensive effort to defeat the country's domestic insurgents. The proportion of government expenditures on defense in 1987 represented a significant increase over allocations approved during the early 1980s. At that time, military spending ranged from 7 to 10 percent of central government expenditures. In comparison, during the mid-1950s the Colombian armed forces received about 20 percent of the government's budget.

Military expenditures for 1987 represented only an estimated 1 percent of the gross domestic product (GDP). As a proportion of GDP, this level remained relatively constant throughout the 1980s, but it reflected a decline from an average of 1.7 percent of GDP during the 1970s. As a proportion of the gross national product (GNP), military spending also remained relatively constant through the mid-1980s. In 1985 military expenditures as a percentage of GNP were estimated at 1.2 percent, a level of spending proportionate to that maintained a decade earlier.

Currently, the Colombian Defense and Security Forces receive financial and instructional assistance from the U.S. This is not to say, however, that a *full* partnership exists. For the most part, training is provided to Colombians at times and places deemed appropriate by the U.S., rather than as a result of consultation between the two countries. As a result, there has been no centralized training of Colombian personnel in existing academies and training centers. Rather, operational training provided by the U.S. usually occurs in the field, and personnel who have received such training are rotated to other duty assignments and replaced by personnel who lack these skills.

Additionally, financial arrangements between the U.S. and Colombia are, at best, tenuous. On several occasions, the Colombian government and its agencies have been promised funds and based operational planning upon those funds, only to find out that the money is either no longer available, or will not be available within the original time frame. In either case, operations are canceled, and the confidence of the command and rank and file military member is eroded.

Colombia is the principal beneficiary of the Andean Trade Act, passed in December of 1991. Under the terms of the legislation, Colombia stands to receive more than \$80 million in trade.<sup>61</sup>

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<sup>61</sup> Robinson, L., Witkin, G., "Cracks in the Drug War," *US News and World Report*, March 2, 1992, v 112, n8.

### C. U.S.-COLOMBIAN COOPERATION

Although Colombia and the U.S. had friendly and cordial relations during the nineteenth century, relations were strained during the first two decades of the twentieth century as a result of the involvement of the President Theodore Roosevelt's administration in the Panama revolt. The U.S. was the major market for Colombia's leading export and source of revenue: coffee.

A U.S. agreement to provide a military training mission and a 1940 bilateral trade agreement strengthened pre-World war two relations between Bogota and Washington.

Colombia's partnership with the USA prompted it to contribute troops to the UN Peacekeeping Force in the Korean War (1950-53). Colombia also provided the only Latin American troops to the UN Emergency Force in the Suez conflict (1956-58).

Colombia became one of the largest recipients of United States assistance in Latin America during the 1960s and early 1970s. Much of the United States aid was designed to enable Colombia to ease internal economic development through industrialization, as well as agrarian and social reforms. Nonetheless, Colombian policy makers had become disenchanted with the Alliance for Progress program, conceived during the administration of President John F. Kennedy, that called for extensive United States financial assistance to Latin America as well as Latin American support for social change measures. These social change measures include agrarian reform undertaken with United States economic assistance. Many felt that Colombia's economic dependence on the USA had only increased. By 1975, however, the U.S. was purchasing only 28 percent of Colombia's

exports, as compared with 40 to 65 percent during the 1960s. In 1985 the United States accounted for 33 percent of Colombian exports and 35 percent of Colombian imports.

Although Colombia voted fairly consistently with the USA in international security forums, such as the UN General Assembly and Security Council, its willingness to follow the lead of the USA within the inter-American system had become less pronounced by the mid- 1970s. In 1975 President Lopez Michelsen resumed diplomatic relations with Cuba. He also refused further American economic assistance to Colombia and terminated funding from the U.S. Agency for International Development, complaining that his nation's unhealthy economic dependency resulted from foreign aid.

In the 1970s and 1980s, Colombia's standing as the major source of illegal cocaine and marijuana smuggled into the U.S. plagued relations between these two countries. However, the bilateral Extradition Treaty Between Colombia and the U.S., signed by both countries in 1979, meant U.S. \$26 million in United States aid and helped to produce what Washington considered to be a model antinarcotics program. Colombian President Betancur initially refused to extradite Colombians as a matter of principle. By mid-term, however, he changed his position after becoming alarmed over the implications for Colombia's political stability of the increasing narcotics-related corruption and drug abuse among Colombian youth and the Medellin Cartel's assassination of Justice Minister Lara Bonilla. In May 1984, following the murder of the strongly antidrug minister, Betancur launched a "war without quarter" against the cartel and began extraditing drug traffickers to the USA. During the November 1984 to June 1987 period, Colombia



extradited thirteen nationals including cartel kingpin Carlos Lehder Rivas and three foreigners to the United States. (A United States jury convicted Lehder in May 1988 of massive drug trafficking.)

In a major setback for the antidrug effort, however, in June 1987 the Colombian Supreme Court unconstitutional a law ratifying the U.S.-Colombian extradition treaty. United States authorities had more than seventy extradition cases still pending. The annulment of the extradition treaty resulted from a ruling of the Supreme Court in December 1986 invalidating the treaty's enabling legislation. New enabling legislation signed by President Barco worked only until February 17, 1987. Consequently, the only course left open to the Barco administration was to resubmit the enabling legislation to Congress, which was not eager to act, being caught in the same world of threats and bribes.

The extradition issue came to a head after Ochoa was released from prison on December 30, 1987, prompting the United States to protest. The U.S. endorsed the Colombian Supreme Court's suggestion that extradition decisions could be made directly by the Colombian government, thereby bypassing the court, under an 1888 treaty between the two countries. Barco's justice minister argued, however, that the old treaty was revoked by the 1979 treaty. In any event, in early May 1988 the Supreme Court rejected the use of existing laws to send more drug traffickers to the U.S. for trial. The Council of State consequently suspended the issuing of warrants for the arrests for the purpose of extradition of cartel leaders, beginning with Escobar. Consequently, for future



extradition's, the Congress must either pass a new law to validate the 1979 extradition treaty, or dispense with the treaty altogether in order to use the 1933 multilateral Montevideo Convention as the basis for extradition.

The Andean Initiative was announced by US President George Bush. The goal of the Andean Initiative was to reduce the amount of illicit drugs (primarily cocaine) entering the US by 15% within two years and by 60% within ten years.<sup>62</sup> These objectives were to be accomplished through Drug Control funding sources, as well as by tying economic and other aid to narcotics enforcement efforts in producer countries. More than this, the initiative included economic incentives, resulting in an initial trade package deal with Colombia valued at \$64 million dollars in the first year.

Gustavo de Greiff, the Colombian State Prosecutor, has initiated discussions with the leadership of the Cali cartel. The expectation is that key leaders and members will submit to law enforcement authorities for light prison sentences in special prisons, and they will also foreswear involvement in drugs. Observers feel that the chances for success are so high that preparations for a special prison to house over 300 members of the cartel are being made. It has been reported that the group includes Gilberto Rodriguez Orejuela, the cartel's reputed leader.<sup>63</sup> So far, key lieutenants in the organization have surrendered as a result of this initiative. The US is reportedly worried about the prospects of an agreement between the Colombian government and the Cali cartel. The various US organizations involved in drug interdiction are all apparently eager

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<sup>62</sup> "High in the Andes: Drugs War," *The Economist*, February 13, 1993, v326, n7798.

<sup>63</sup> "Cali High: Colombia", *The Economist*, December 25, 1993, v329, n7843.

to target the Cali cartel with the same approach used in destroying the Medellin cartel. Some of these organizations have reportedly supplied the Colombian authorities with intelligence showing that the Cali cartel has no plans to give up the drug business.<sup>64</sup> Some observers have suggested that Colombian leader Gavira has already achieved his principal aim of ending drug violence by achieving the destruction of the Medellin cartel.<sup>65</sup>

The Colombian organizations involved in the battle with the Colombian cartels have the unique ability to bring the war on drugs directly to the cartels' Colombian operations. When these organizations have focused efforts against the cartels, they have produced results. On the other hand, the cartels are moving more and more of their physical operations out of the country. While the Colombian authorities can be credited by achieving this situation through applying pressure, the ability to apply that pressure stops at the Colombian border.

The US will most probably expect the same level of intensity to be applied to putting pressure on the higher elements of the cartel organization, such as finance and control, but this will be an altogether different matter for the Colombian authorities. There is much discussion about the cocaine smuggled out of Colombia, but somewhat less about the profits that are smuggled out of the US. It is also possible that some of that profit is maintained in the US. Just as interdiction efforts seem to be netting a small percentage of the amount of cocaine, so other efforts are netting but a small percentage of

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<sup>64</sup> "Cali High: Colombia", *The Economist*, December 25, 1993, v329, n7843.

<sup>65</sup> Robinson, L., Witkin, G., "Cracks in the Drug War," *US News and World Report*, March 2, 1992, v 112, n8.

the profits. The chances that the Colombian authorities will be more successful in these areas, which require more extensive intelligence resources, than in attacking the physical operations are not great.

In terms of international relations, Colombia has been an active member of the UN since the organization was founded. It belonged to numerous UN organizations, including the General Agreement on Tariffs and Trade (GATT), the Economic Commission for Latin America and the Caribbean (ECLAC), and the United Nations Conference on Trade and Development (UNCTAD). Under the National Front government, Colombia became a major recipient of funds and programs from international bodies, such as the IDB, IMF, United Nations Development Program (UNDP), and International Labor Organization (ILO). Colombia preferred to handle security and global matters through the international forums provided by the UN General Assembly and Security Council. Pursuing a somewhat independent course, Colombia became a respected voice in the General Assembly and other international arenas on matters of international law.

## IV. EFFECTIVENESS OF INTERDICTION EFFORTS

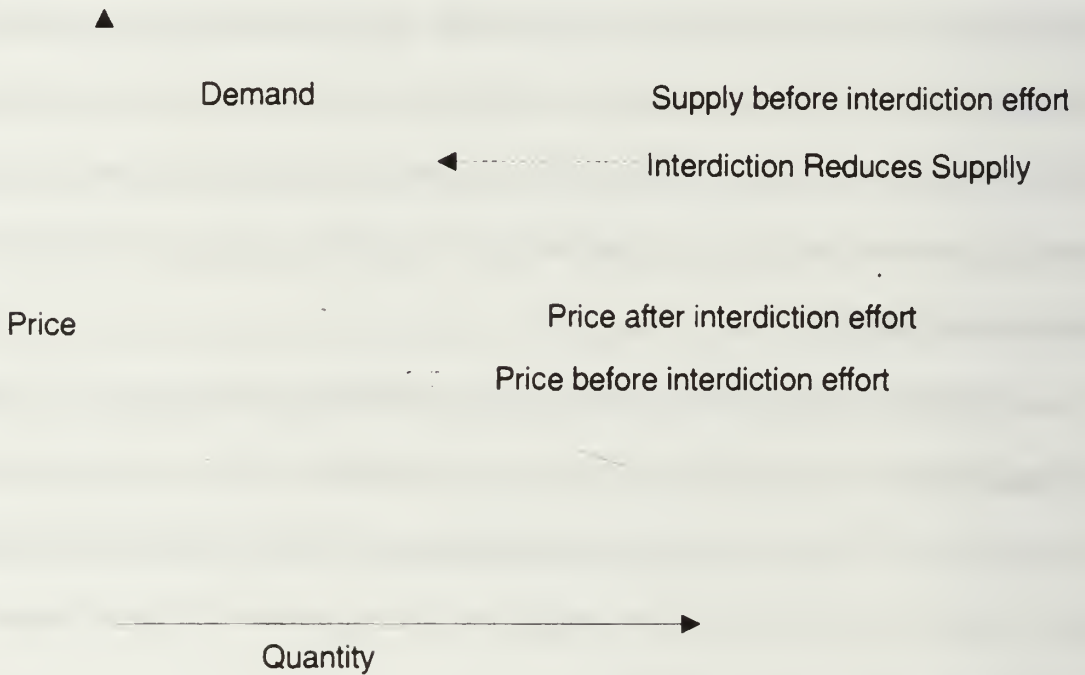
### A. OBJECTIVES

The current strategy favors interdiction, as opposed to dealing with demand-side issues. Approximately 3/4 of all US Federal funding for anti-drug activity is spent on interdiction. This policy is intended to reduce supply and increase the risk (cost) posed to the supplier, both of which actions are assumed to have the effect of increasing the price of illicit substances and, in accordance with the law of supply and demand, decrease quantity demanded and, in turn, consumption. The intended effect of interdiction is illustrated in Figure 11.

The supply curve is said to be upward sloping because of the increased risk (cost) to drug producers and traffickers as the quantity supplied increases. Notice that an implication of the reduction in supply from interdiction activities is that the price of drugs rises. Later, the possibility that there might also be drug *producer* initiated changes in both supply and demand is discussed.

There are a variety of statistics which are available for evaluating the level of cocaine activity and the effectiveness of interdiction efforts. In the case of all of the most commonly used indicators, the level of certainty of the statistic must be considered. Most of the evaluation performed in this chapter utilizes maximum estimates of production provided by US government agencies. While one of the estimates presented in this

section attempts to calculate the impact of seizures and other losses, the use of maximum production estimates provides at least partial mitigation of the uncertainties with regard to the extent of coca production in South America (There is every chance that even these maximum estimates are low). In evaluating the impact of interdiction efforts, this chapter will consider statistics relating to seizures, production estimates, prices, and use estimates.



**Figure 11. Intended Effect of Interdiction on Quantity and Price.**

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## B. ESTIMATING QUANTITY

### 1. The Maximum Estimate

Because production, transportation, and distribution activities are all illegal, direct production estimates are nearly impossible, but indirect estimates based upon data which is available can provide some insight into the level of Colombian participation in the cocaine trade.

The relevant statistics from the point of view of this work are in the efforts of the NNICC to calculate the volume and value of the imported cocaine to the USA, based upon quantities of product available and prevailing prices each year. Drug production can be identified with hard data, such as aerial photographs showing land being cultivated, seizure statistics, and wholesale and retail prices. The NNICC maximum estimates of total production over the period 1980-1988 were obtained by multiplying the number of cultivated hectares which are detected in the producer countries (Bolivia, Peru, Colombia and Ecuador) and applying the coefficient of productivity to obtain the quantity of leaf available for processing. The resulting figures for production are then multiplied by processing coefficients to determine the maximum quantities available for export to the US. Under the NNICC methodology, different producer countries have different yields of coca leaf per hectare of cultivation, as follows: Peru -- 1:1; Bolivia -- 1:1.4; Colombia -- 1:0.8. All processing involves the transformation of leaf to cocaine with a coefficient of 500:1. That is, it takes 500 kilograms of leaf to eventually yield 1 kilogram

of cocaine. Table VI shows the results obtained by the NNICC for the maximum production of cocaine over the years 1981-1988.

TABLE VI. MAXIMUM NNICC ESTIMATES FOR COCAINE PRODUCTION, 1981-1989.					
	Country	Area (hectares)	Leaf (metric tons)	Cocaine (kg)	Percent
1981	Perú	20,000	50,000	100.0	48.9%
	Bolivia	35,000	49,000	98.0	47.9%
	Colombia	4,000	3,200	6.4	3.1%
	<b>Total</b>	<b>89,000</b>	<b>102,200</b>	<b>204.4</b>	<b>100.0%</b>
1982	Perú	50,000	50,000	100.0	46.0%
	Bolivia	35,000	49,000	98.0	45.1%
	Colombia	12,000	9,600	19.2	8.8%
	<b>Total</b>	<b>97,000</b>	<b>108,600</b>	<b>217.2</b>	<b>100.0%</b>
1983	Perú	60,000	60,000	120.0	46.3%
	Bolivia	40,000	56,000	112.0	43.2%
	Colombia	17,000	13,600	27.2	10.5%
	<b>Total</b>	<b>117,000</b>	<b>129,600</b>	<b>259.2</b>	<b>100.0%</b>
1984	Perú	70,000	70,000	140.0	55.6%
	Bolivia	30,250	42,356	84.7	33.6%
	Colombia	17,000	13,600	27.2	10.8%
	<b>Total</b>	<b>147,254</b>	<b>125,956</b>	<b>251.9</b>	<b>100.0%</b>
1985	Perú	100,000	100,000	200.0	62.4%
	Bolivia	34,250	47,950	95.9	29.9%
	Colombia	15,500	12,400	24.8	7.7%
	<b>Total</b>	<b>149,950</b>	<b>160,350</b>	<b>320.7</b>	<b>100.0%</b>
1986	Perú	120,000	120,000	240.0	63.1%
	Bolivia	38,000	53,200	106.4	28.0%
	Ecuador	2,000	3,300	6.6	1.7%
	Colombia	17,000	13,600	27.2	7.2%
	<b>Total</b>	<b>175,000</b>	<b>190,100</b>	<b>380.2</b>	<b>100.0%</b>
1987	Perú	121,000	121,000	242.0	57.9%
	Bolivia	48,000	67,200	134.4	32.1%
	Ecuador	25,000	20,000	40.0	9.6%
	Colombia	510	842	1.7	0.4%
	<b>Total</b>	<b>194,510</b>	<b>209,042</b>	<b>418.1</b>	<b>100.0%</b>
1988	Perú	124,000	124,000	248.0	54.7%
	Bolivia	56,000	78,400	156.8	34.6%
	Ecuador	30,000	24,000	48.0	10.6%
	Colombia	300	495	1.0	0.2%
	<b>Total</b>	<b>210,300</b>	<b>226,895</b>	<b>453.8</b>	<b>100.0%</b>

Source: NNICC Report -- 1981-1988.

Production increased from 204 metric tons in 1981 to 453.8 metric tons in 1988, an increase of over 122%. Only in 1984 was there a decrease in the annual level of maximum cocaine production, as determined by areas in production. The Colombian share of production moves to a maximum (1988) of 10.58% over the period. Figure 12 shows these maximum yearly estimates.

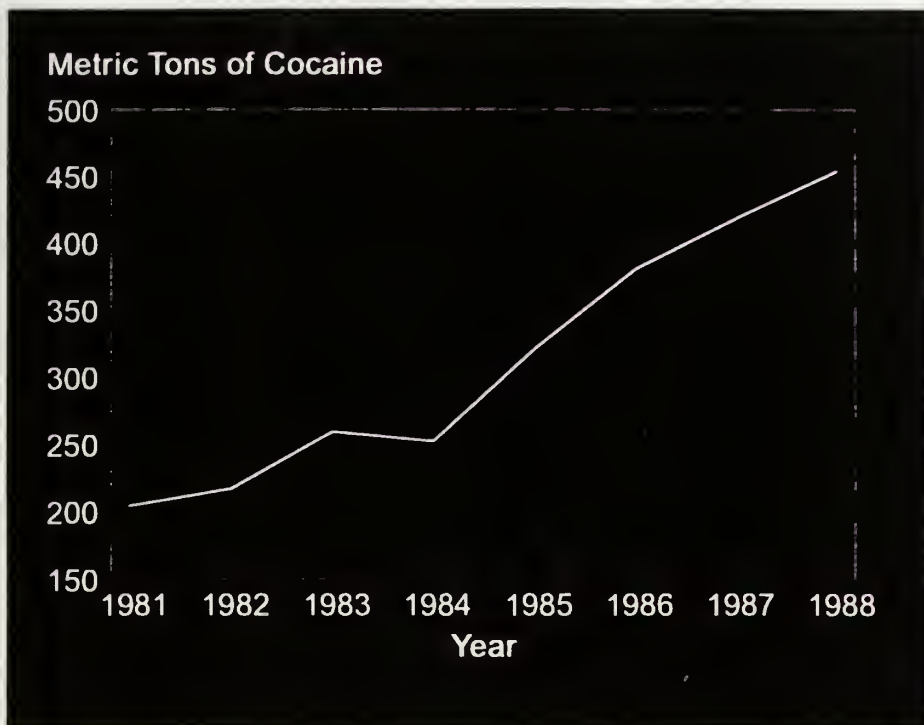


Figure 12. NNICC Maximum Estimates for Cocaine Production, 1981-1988.

On one hand, these maximum estimates do not consider losses incurred in the fields, internal consumption, and Colombian and US seizures. On the other hand, these estimates are obtained primarily through the use of satellite surveillance, which is neither

comprehensive nor flawless, and the estimates do not consider production which may have relocated from Peru, Bolivia, Colombia, and Ecuador into areas of Venezuela and Brazil, as mentioned in Chapter II. One could therefore make the argument that these maximum estimates are too high for consideration, because they do not consider losses, or that the estimates are too low, because they do not adequately reflect the true area of production. In either case, one would have a defensible position.

## 2. Eradication

Colombian Anti-Narcotics Police figures for eradicated hectares over the period 1981-1992 are listed in Table VII and graphed in Figure 13. The numbers show great variance in certain years, usually when a major anti-drug effort was under way. The lowest year, 1988, saw 230 coca producing hectares destroyed, while for the year with the highest figure, 1983, the figure approached 6,000 hectares.

TABLE VII. ERADICATED HECTARES, 1984-1993

Year	Destroyed Hectares
1981	362
1982	2,316
1983	5,834
1984	4,930
1985	1,334
1986	870
1987	572
1988	230
1989	641
1990	760
1991	459
1992	944

Source: *Direccion De Policia AntiNarcoticos* (March, 1993).

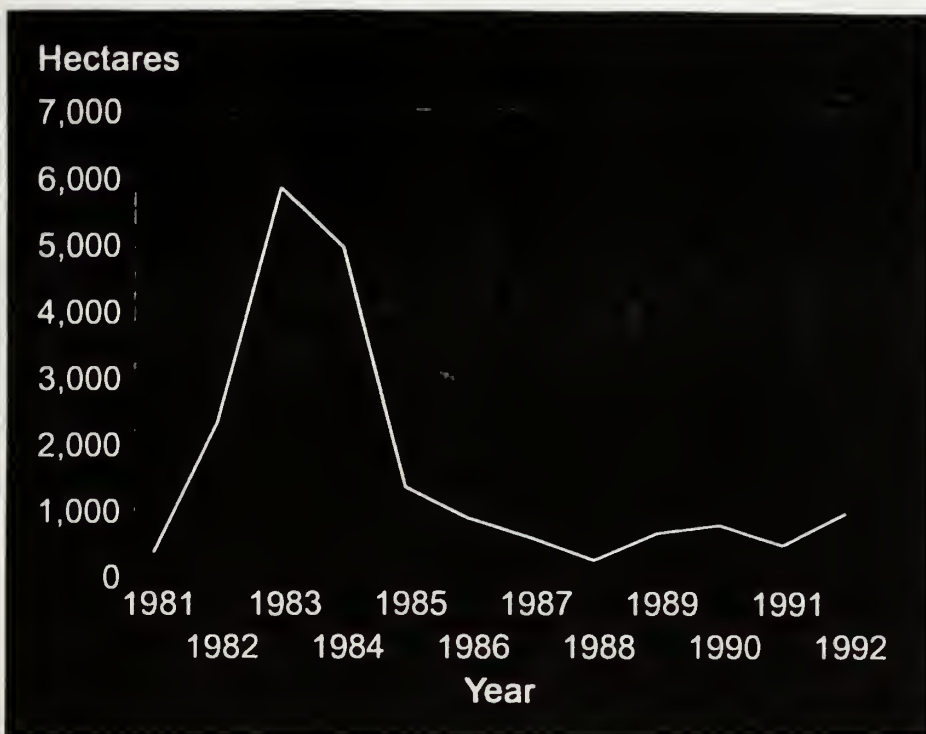


Figure 13. Eradicated Coca-Producing Hectares in Colombia.

### 3. Seizures

#### *a. Paste in Colombia*

The amount of coca paste seized by Colombian authorities over the period 1984-1992 is shown in Table VIII. The values fluctuate between the 1984 amount of 9,448 kg and the 1992 figure of 6,053. The years 1987, 1989, and 1991 all reflect a substantial increase, but the overall effect from 1984 to 1992 is a net decrease of 36%. This trend is illustrated in Figure 14.



TABLE VIII. COCA PASTE SEIZURES, 1984-1993.

1984	9,448
1985	3,700
1986	4,070
1987	6,712
1988	3,897
1989	6,726
1990	5,786
1991	11,338
1992	6,053

Source: *Direccion De Policia AntiNarcoticos* (March, 1993).

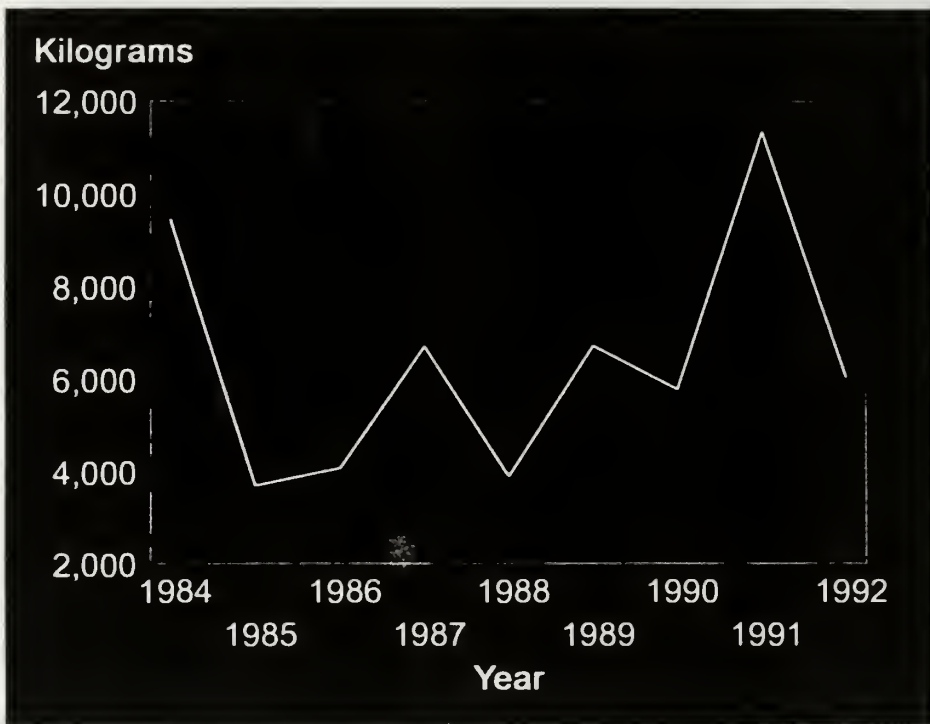


Figure 14. Coca Paste Seizures in Colombia, 1984-1992 (1 metric ton=1,000 kilograms).

*b. Colombian Laboratory Destruction*

From 1981 to 1992, the number of cocaine-producing laboratories destroyed by Colombian authorities rose from 31 to 224, as shown in Table IX, with a maximum number of 1,359 in 1987. In other words, the net change from 1981 to 1992 is on the order of 623%. It is difficult to quantify these seizures in terms of product, however. No information is available on the productive capacity of the labs, nor are there reliable indications of the total number of laboratories in operation over the period. The trend in laboratory destruction is illustrated in Figure 15.

TABLE IX. LABORATORIES DESTROYED, 1981-1993.

1981	31
1982	165
1983	113
1984	137
1985	696
1986	572
1987	1,359
1988	831
1989	452
1990	320
1991	294
1992	224

Source: *Direccion De Policia AntiNarcoticos* (March, 1993).

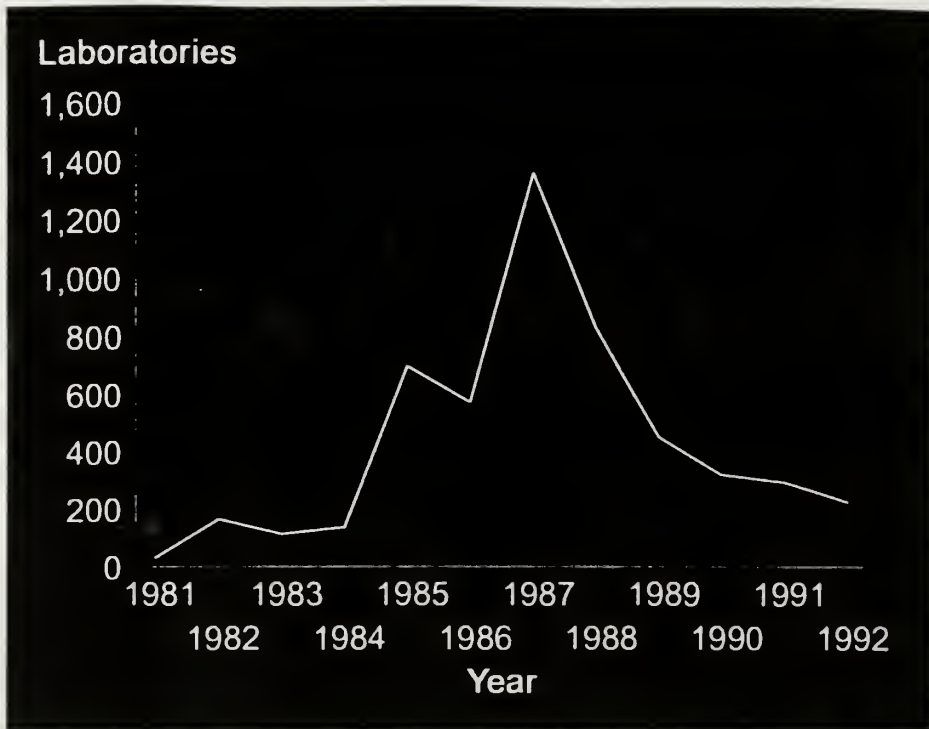


Figure 15. Colombian Laboratories Destroyed, 1981-1992.

*c. Cocaine in Colombia*

From 1982 to 1992, over 230,000 kilograms of cocaine were seized in Colombia. This represents a net increase over the period of over 8,500%. These figures are reflected in Table X and Figure 16.

Significant years are 1984, during which there occurred a substantial anti-cocaine campaign, and the period over the late 1980s and early 1990s, which witnessed the bitter struggle between the government authorities and the Medellin cartel.

TABLE X. COCAINE SEIZED, 1981-1993.

1981	359
1982	661
1983	2,082
1984	19,582
1985	4,240
1986	3,029
1987	8,326
1988	18,701
1989	30,633
1990	44,962
1991	69,666
1992	31,184

Source: *Direccion De Policia AntiNarcoticos* (March, 1993).

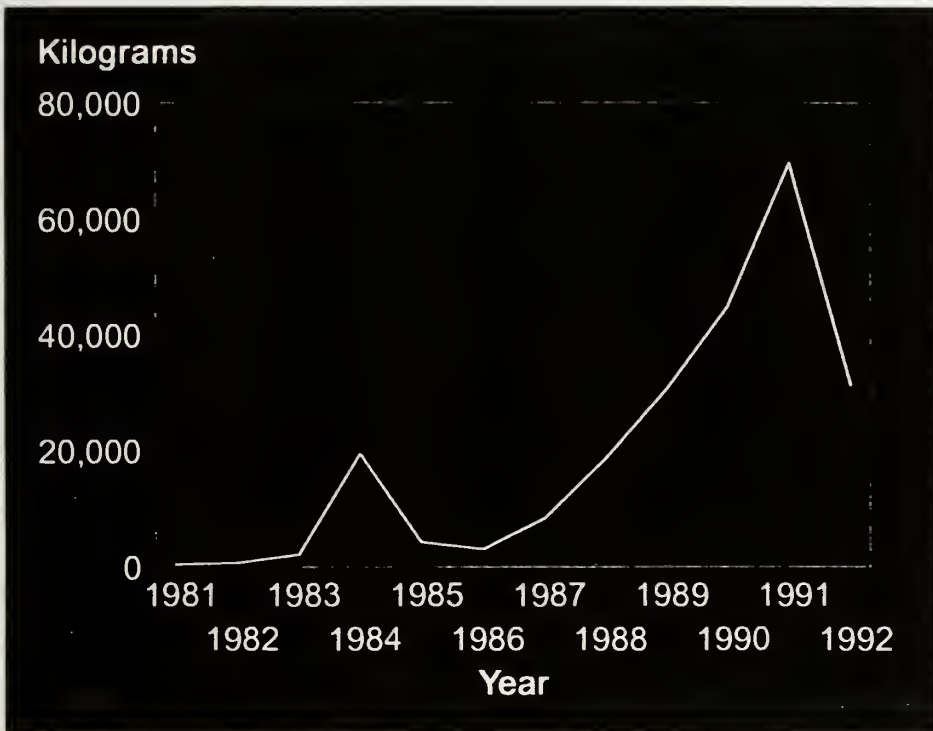


Figure 16. Colombian Cocaine Seizures, 1981-1992.

*d. Cocaine Enroute to the US*

Table XI lists amounts of cocaine seized by the US Customs Service and the US Coast Guard from 1981-1986. The National Drug Enforcement Policy Board figures from this table illustrate a 1500% net increase in the quantity of drugs seized from 1981 to 1986 (Figure 17). The reader is advised, however, that these figures may reflect some "double-counting" which has consistently occurred in this area, meaning that the figures may be higher than the actual seizures they were intended to record.<sup>66</sup> More recently, the US Customs Service recorded 55,000 pounds of cocaine seized in the first quarter of the 1992 fiscal year.<sup>67</sup> That would be 24.97 metric tons, a substantial increase over the latest reported figure below, but saying that this was an indication of success would be stretching the evidence. An increase in seizures in the context of a larger quantity shipped would yield a net increase in imports.

Year	Amount (In Metric Tons)
1981	1.7
1982	5.08
1983	8.92
1984	13.35
1985	25.03
1986	27.22

Source: National Drug Enforcement Policy Board, 1986-1987

<sup>66</sup> Reuter, P., Crawford, G., Cave, J., *Sealing the Borders: The Effects of Increased Military Participation in Drug Interdiction*, Rand Corporation, R-3594-USDP, January, 1988.

<sup>67</sup> Robinson, L., Witkin, G., "Cracks in the Drug War," *US News and World Report*, March 2, 1992, v 112, n8.



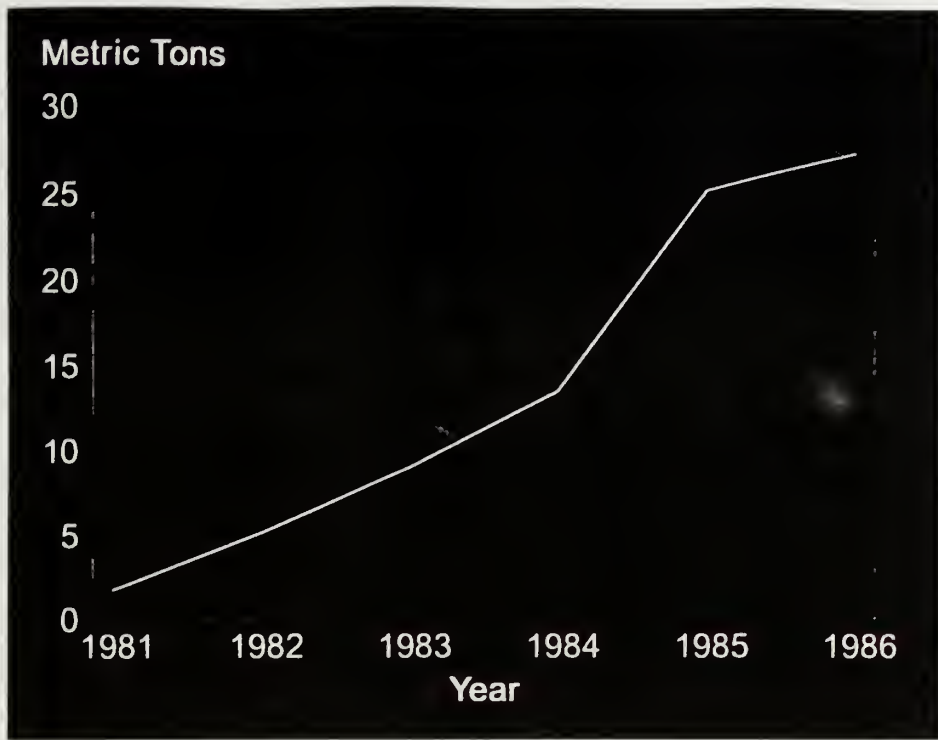


Figure 17. Seizures of Cocaine by US Customs and Coast Guard.

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#### 4. World-Wide Cocaine Seizures

The United Nations has monitored narcotics seizures world-wide, as reported by its member nations. These statistics are listed in Table XII and reflect a steady increase in the amount seized, a trend illustrated in Figure 18. One of the reasons that these figures are so interesting is that the US has tied more of its foreign policy, including trade and economic aid, to cooperation in the anti-drug effort.

TABLE XII. WORLD-WIDE COCAINE SEIZURES, 1947-1985.

Yearly Average	kg
1947-1966	41
1967-1974	625
1975	2,406
1976	2,419
1977	2,931
1978	5,391
1979	8,365
1980	11,820
1981	9,541
1982	12,113
1983	41,005
1984	59,404
1985	56,243

Source: United Nations, Data on the Illicit Traffic in Narcotic Drugs and Psychotropic Substances during 1985. Note by the Secretary General, UN Document E/CN.7/1987/CRP.6.

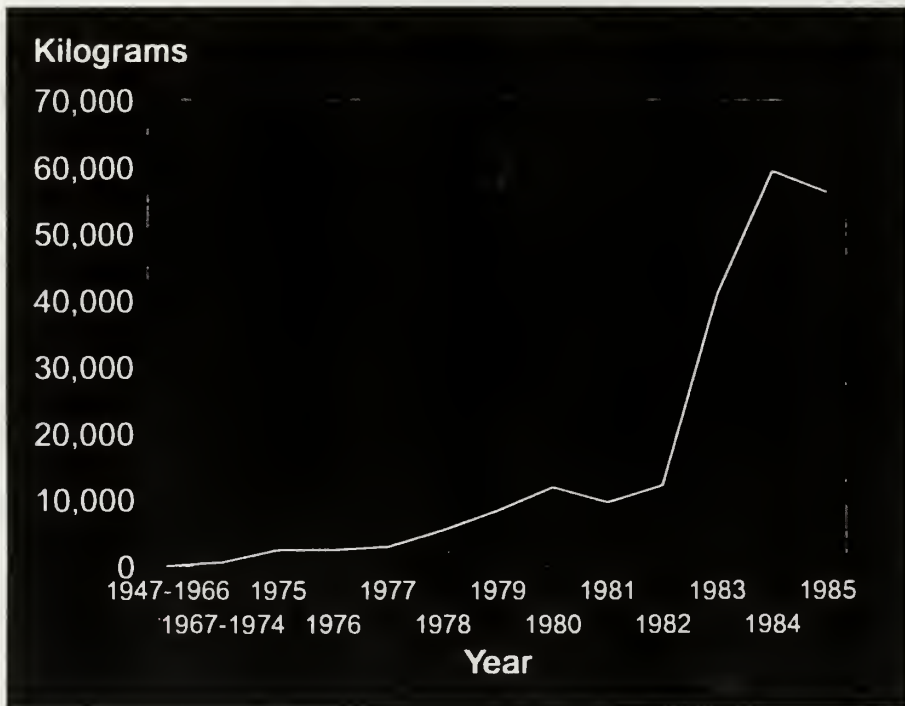


Figure 18. World-Wide Cocaine Seizures, 1947-1985.

## 5. Estimates of Colombian Exports, Considering Losses

A more interesting exercise is to make an estimate which considers losses in cultivation and production, internal consumption of intermediate and final products, confiscation of product and eradication of cultivation areas. Arrieta, et. al., present a model of minimum and maximum availability of cocaine for importation into the US from Colombia.<sup>68</sup>

This minimal estimate considers Colombian production with historical importation figures from NNICC reports, while the maximal estimate considers imports of base from other producer countries in the range of 40 to 50% of their total production.

From the total number of hectares in production, the number of hectares eradicated by national authorities is subtracted, and then multiplied by a factor of 0.8 to obtain actual hectares in production. From this result a factor of 5% is subtracted to reflect internal consumption of leaf, leaving an amount of leaf available for conversion. A conversion factor of leaf to base of 200:1 is assumed, and confiscation and internal consumption amounts are subtracted. The amount of imported of base is added to obtain the amount of base available to process. Applying a conversion factor from base to cocaine and considering the amounts confiscated and/or consumed, the amount of cocaine available for export is determined. The final step is to multiply the amount of product available by the prevailing wholesale price.

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<sup>68</sup> Arrieta, Carlos, G., Orjuela, Luis J., et. al., *Narcotrafico en Colombia: Dimensiones Políticas, Económicas, Jurídicas e Internacionales*, Universidad de los Andes, 1993.

The minimum estimates listed in Table XIII fluctuate from a low of \$.7 billion (1984) to a high of \$2.7 billion (1982). The estimate for the latest year, 1988, is \$1.2 billion. Although there were sharp changes of direction over the years 1982-1985, the net change for the period is a decrease of 14.3%.

		Table XIII. Minimum Value of Cocaine Exports -- 1981-1988.							
		1981	1982	1983	1984	1985	1986	1987	1988
Hectares	Total	3,500	8,500	16,000	17,000	15,500	17,000	22,500	27,000
Cultivated	Eradicated	362	2,316	5,834	4,930	1,333	869	571	230
	Producing	3,138	6,184	10,166	12,070	14,167	16,131	21,929	26,770
Leaf	Total	2,510	4,947	8,133	9,656	12,183	12,905	17,543	21,416
Available	Losses	126	247	406	438	609	645	877	1,071
	Harvested	2,385	4,700	7,723	9,218	11,574	12,260	16,666	20,345
	Confiscated	1	2		42	152	163	188	97
	Consumed	400	400	400	400	500	500	500	500
	Processed	1,983	4,299	7,327	8,777	10,922	11,597	15,978	19,781
Base	Total	10	22	37	44	55	58	80	99
Available	Consumed								
	Confiscated				10	4	4	7	4
	Imported	57	100	100	100	80	70	90	90
	Processed	67	122	137	134	131	124	163	185
Cocaine	Total	27	49	55	54	52	50	65	74
Available	Consumed	3	3	3	3	3	3	3	3
	Confiscated	1	1	4	34	4	3	8	19
	Exported	23	45	48	16	45	44	54	52
Sales Price	thousands U.S. per kg	60	60	50	45	40	34	26	23
Total Value	billions \$	1.4	2.7	2.4	.7	1.8	1.5	1.4	1.2

Source: Narcotics Trafficking in Colombia (Uniandes, 1990).

The maximum estimates in Table XIV show that cocaine exports reached a maximum value of \$4.5 billion in 1983, and from that point on had a decreasing tendency. In the present decade, the value of exports of cocaine from Colombia fluctuates between \$1.5 billion and \$4.0 billion. The estimate for the latest year (1988) is \$3.3 billion. As with the minimum estimates, the direction of the trend is sharply varied from 1982-1985, but the net change over the entire period is a decrease of 19.5%.

		Table XIV. Maximum Value of Cocaine Exports 1981-1988, with Increased Importation from other Producers.							
		1981	1982	1983	1984	1985	1986	1987	1988
Hectares	Total	3,500	8,500	16,000	17,000	15,500	17,000	22,500	27,000
Cultivated	Eradicated	362	2,316	5,834	4,930	1,333	869	571	230
	Producing	3,138	6,184	10,166	12,070	14,167	16,131	21,929	26,770
Leaf	Total	2,510	4,947	8,133	9,656	12,183	12,905	17,543	21,416
Available	Losses	126	247	406	438	609	645	877	1,071
	Harvested	2,385	4,700	7,723	9,218	11,574	12,260	16,666	20,345
	Confiscated	1	2		42	152	163	188	97
	Consumed	400	400	400	400	500	500	500	500
	Processed	1,983	4,299	7,327	8,777	10,922	11,597	15,978	19,781
Base	Total	99	22	37	44	55	58	80	99
Available	Consumed								
	Confiscated				10	4	4	7	4
	Imported	168	168	207	193	226	264	301	325
	Processed	178	190	243	237	281	322	381	423
Cocaine	Total	712	76	97	94	112	129	152	169
Available	Consumed	3	3	3	3	3	3	3	3
	Confiscated	1	1	4	34	4	3	8	19
	Exported	68	72	91	57	105	121	105	148
Sales	thousands	60	60	50	45	40	34	26	23
Price	U.S. per kg								
Total	billions \$	4.1	4.3	4.5	2.6	4.2	4.1	3.7	3.3
Value									

Source: Narcotics Trafficking in Colombia (Uniandes, 1990).



Figure 19 illustrates the trends reported by the NNICC maximum estimates and the Arrieta minimum and maximum estimates over the period 1981-1988.

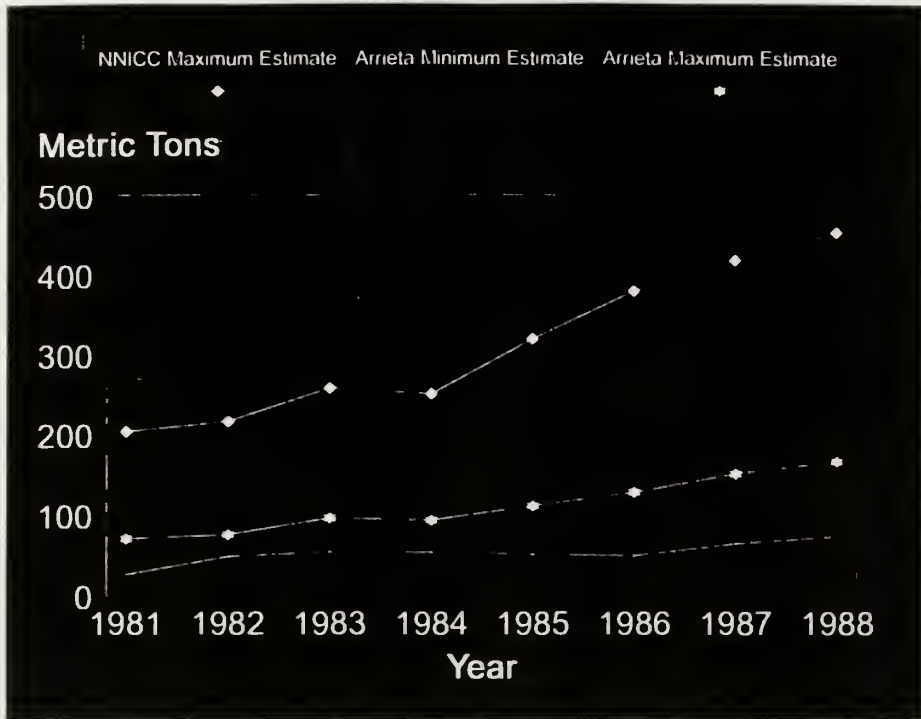


Figure 19. Comparison of NNICC and Arrieta Estimates.

Although the NNICC's resulting estimates are considered to be the best available, certain problem areas exist, such as:

- The estimates over the quantity of that produced are on basis of aerial photographs.
- The output by hectare changes between countries, regions, and over time.<sup>69</sup>
- Usually, the quantity of coca leaves produced is identified with the estimate of leaves cultivated. There is a tendency to ignore losses produced by climate,

<sup>69</sup> National Intelligence Estimate, 1981.

infestation, the robbery and other causes, which can result in a 10% reduction in the quantity of leaf cultivated. In relation to the internal consumption of leaf, paste and cocaine the NNICC recognize that in producer countries do not have studies to determine the levels of consumption

- The NNICC assumes that it is necessary to have 200 Kg of leaf to obtain 1 kg of paste and 2.5 kg of paste to obtain 1 kg of cocaine. That means a factor of global conversion of 500: 1, this coefficient has not changed over the period in which these studies have been conducted, and therefore fails to reflect any advances in processing technology or other factor.

### **C. INFORMATION ON PRICE**

Table XV relates the average annual price of cocaine over the period 1980-1988. These US General Accounting Office figures show a 63% decrease in the average wholesale price of a kilogram of cocaine over the period. This progression is illustrated in Figure 20.

The price per kilo for cocaine in Miami went from between \$13,500 and \$16,000 in late 1989 to between \$18,000 and \$27,000 in 1990. By early 1992, however, the price had fallen back to between \$14,000 and \$22,000 per kilo.<sup>70</sup> Interestingly, the spike in prices occurred during some of the most intense periods of the Medellín drug wars, a period of intense competition between the cartels of Medellín and Cali.

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<sup>70</sup> Robinson, L., Witkin, G., "Cracks in the Drug War," *US News and World Report*, March 2, 1992, v 112, n8.

Table XV. Average Wholesale Price of Cocaine, 1980-1988.	
(thousands of dollars per kg)	
1980	60
1981	60
1982	60
1983	50
1984	45
1985	40
1986	33.5
1987	26
1988	22.5

Source: General Accounting Office, Drug Control in Colombia 1988 and NNICC Report 1988.

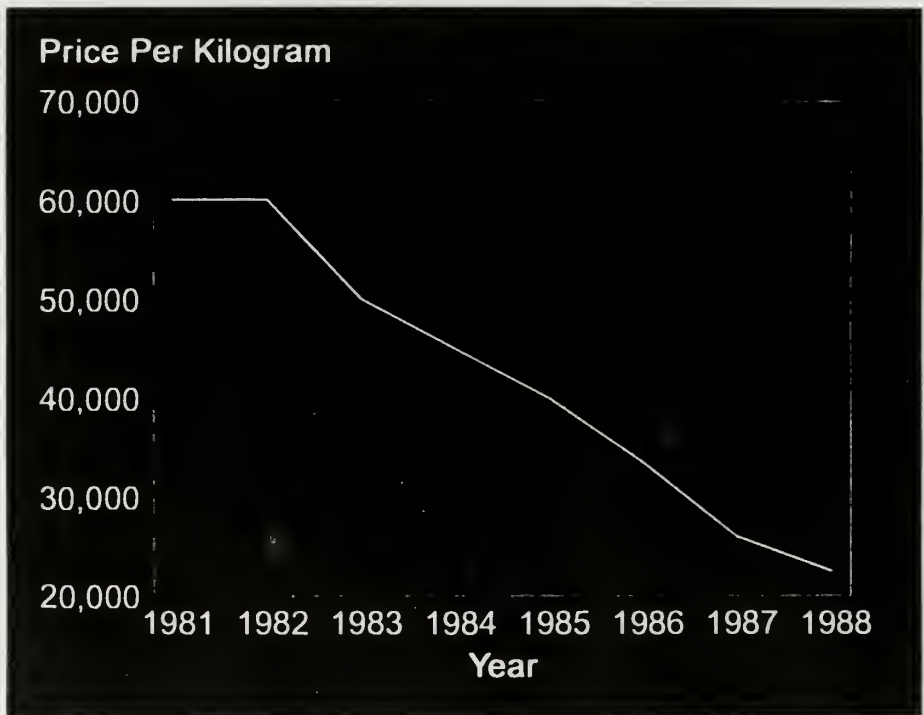


Figure 20. US Wholesale Price of Cocaine per Kilogram.

## D. EVALUATING INTERDICTION

### 1. Cost Effectiveness

Figure 21 compares U.S. expenditures on interdiction with maximum estimates of production of cocaine from leaf produced in Bolivia, Colombia, and Perú combined. It is apparent from this figure that, as the interdiction investment rose from approximately \$1.5 billion in 1981 to almost \$3 billion in 1987, so the level of cocaine production rose (from approximately 60 metric tons to over 200 metric tons over the same period). This would seem to indicate that, whatever the effect of seizures on price and consumption, they do not lead to a drop in production rates.

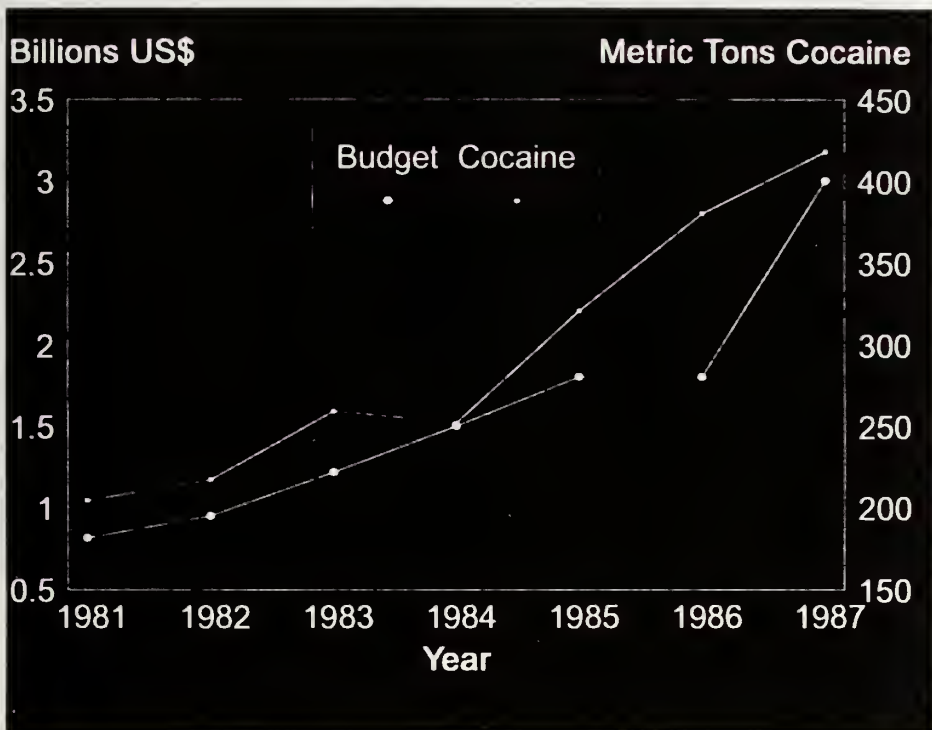


Figure 21. US Interdiction Budget versus Cocaine Production.

Figure 22 illustrates recorded U.S. seizures and total production in producer countries. From 1981 to 1986, there was an increase in the seized metric tonnage from approximately 2,000 to approximately 27,000. As with the size of the interdiction budget, these statistics on seizures coincide with those illustrating the increase in coca leaf production. It can therefore be said that the effect of increasing seizures has not resulted in a reduction in deliveries of cocaine to the distribution/consumption system.

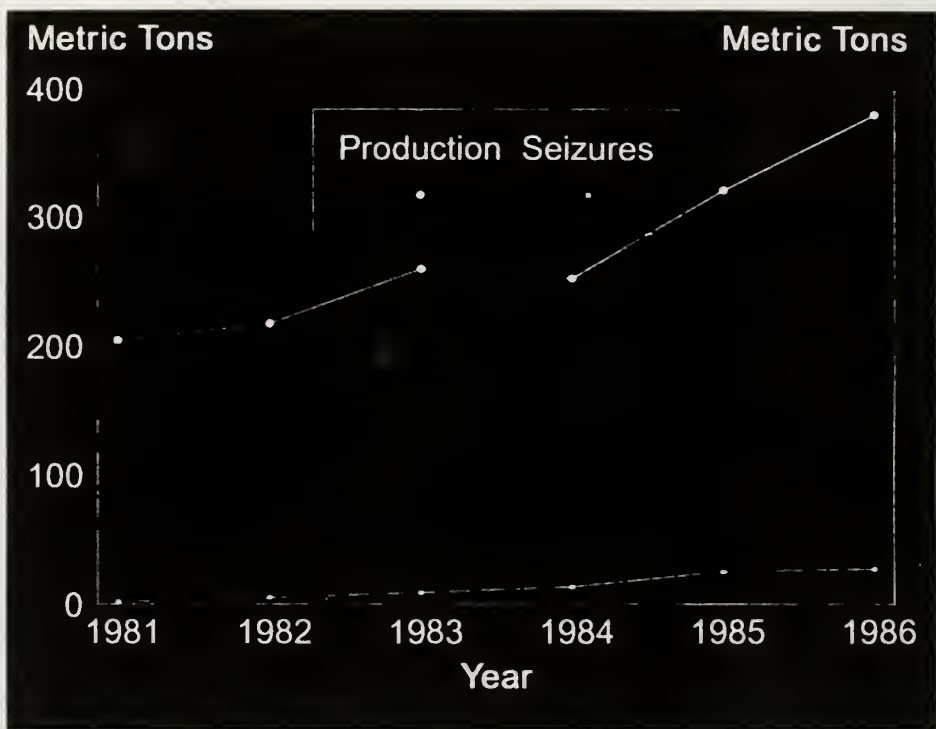


Figure 22. Cocaine Production versus US Seizures.

Figure 23 compares Colombian expenditures on narcotics enforcement with production in that country over the period 1982-1987. Over the period 1982-1984,



defense budget expenditures and coca leaf production are practically identical in direction. From 1984 to 1986, the size of the defense budget and the level of coca leaf production move inversely to one another; the defense budget goes down and the level of production rises. From 1986 to 1987, however, the defense budget increases slightly while coca leaf production experiences a dramatic surge. All anti-narcotic activity is funded through the defense budget, and one might conclude that changes in funding will not produce corresponding changes in results (at least in terms of coca leaf production). However, the situation in Colombia is complicated in the extreme by the presence of guerrilla activity. Not only might the majority of funding fluctuations be explained by anti-insurgency activity, but the level of involvement of insurgents in narcotics activity can sometimes make it difficult to tell what funds are really fighting narcotics and what funds are strictly limited to anti-guerrilla efforts. Nonetheless, one thing is clear: the organizations tasked with the fighting narcotics activity cannot claim changes in coca leaf production as a result of increases or decreased funding.

Figure 24 shows the average yearly price in comparison to U.S. expenditures on interdiction. The illustration of the gradual increase in expenditures from 1981 to 1986 is in contrast to the steady decline in price. The sharp increase in expenditures from 1986 to 1987 has no evident effect on the continuing decrease in price.

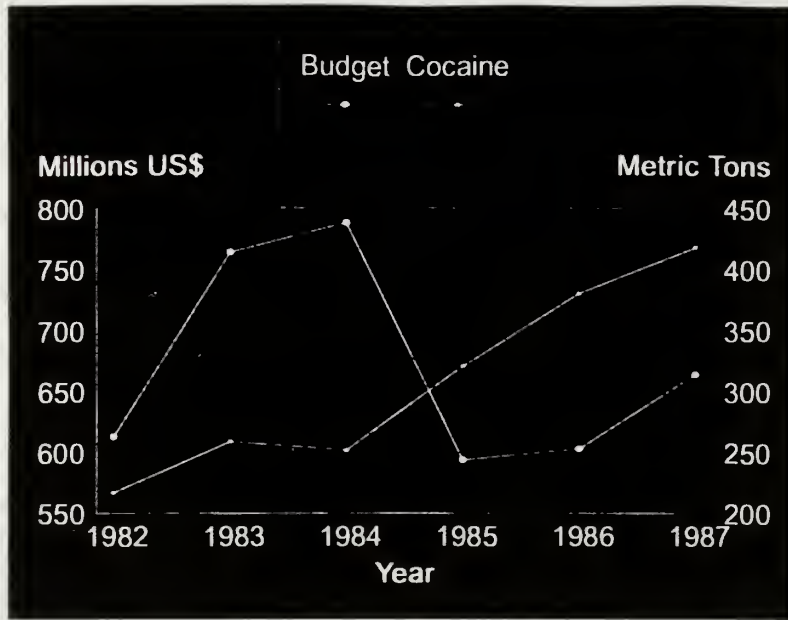


Figure 23. Colombian Defense Budget versus Cocaine Production.

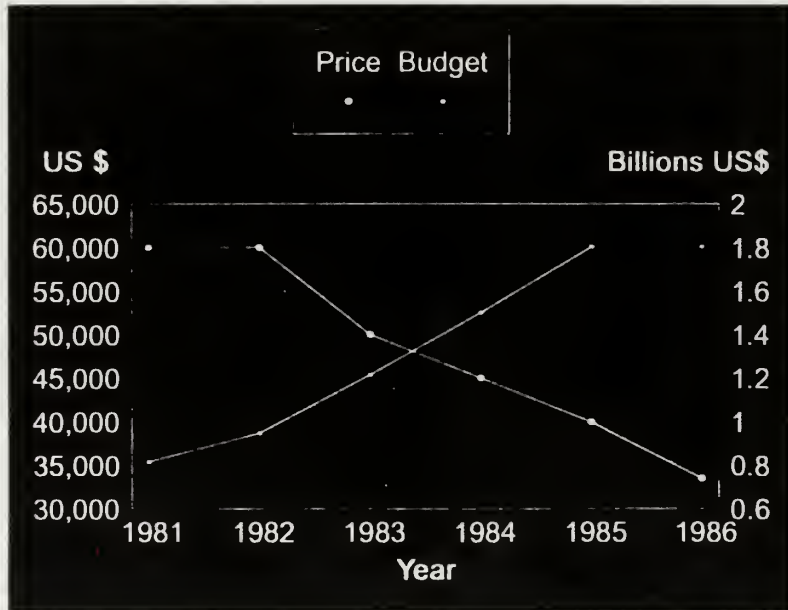


Figure 24. US Interdiction Budget versus Price.

Another factor for consideration is that high seizure rates do not necessarily reflect positively on interdiction and negatively on the cartels. For instance, it is believed that responding to the rapid growth of the European market may have led to the risks taken by the cartel and the mafia which exposed them to the "Green Ice" seizures in September of 1992.<sup>71</sup>

Another negative element to the cost effectiveness of the interdiction effort is that poor coordination is often exhibited. For instance, after giving the Bolivian military \$14 million to train two battalions of troops for anti-drug operations, the US had to rent four wheel drive vehicles at the last minute in order to transport the troops to the operation site.<sup>72</sup>

In further examining the cost effectiveness of interdiction, another set of comparisons is possible. First, as demonstrated in Figure 25, the drug revenue per cultivated hectare which is available to the cartels is apparently decreasing. This estimated revenue is based upon the falling wholesale US price of refinement and the increasing number of hectares in cultivation.

Next, as demonstrated in Figure 26, it is possible to interpret the US cost of interdiction in terms of the amount of seizures by calculating a per-kilogram interdiction expense. As seen in the figure, the cost is steadily decreasing.

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<sup>71</sup> Witkin, Gordon "Cocaine Kings and Mafia Dons," *US News and World Report*, October 19, 1992, v113, n15.

<sup>72</sup> Robinson, L., Witkin, G., "Cracks in the Drug War," *US News and World Report*, March 2, 1992, v 112, n8.

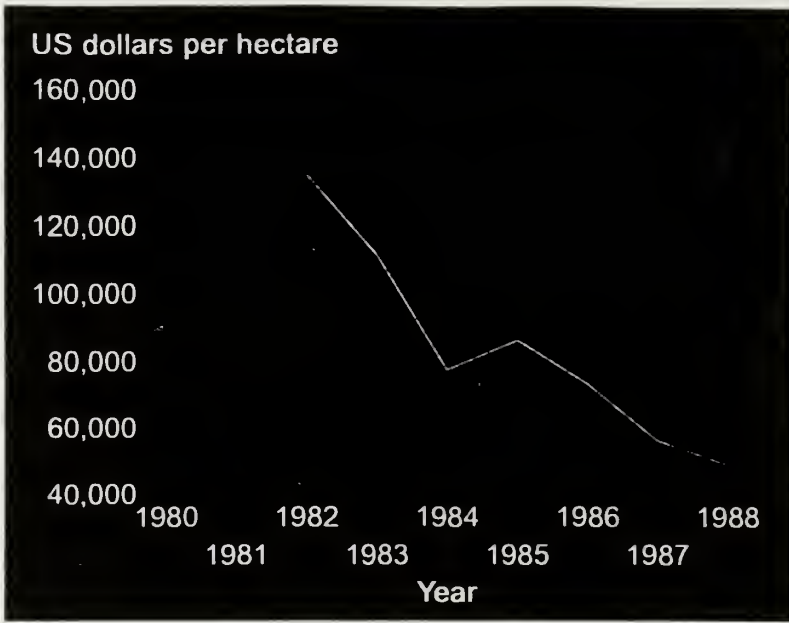


Figure 25. Potential Revenue per Hectare (Using Wholesale Price).

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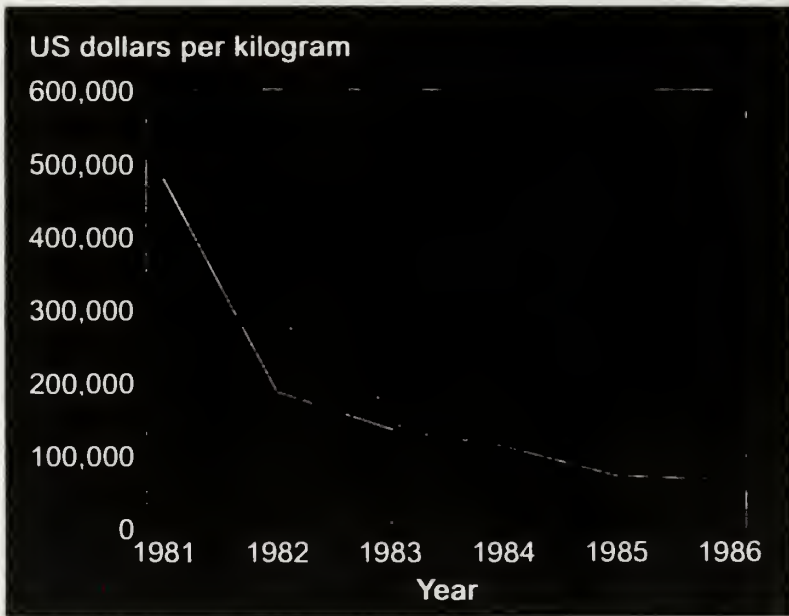


Figure 26. US Interdiction Cost per Kilogram Seized.

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Looking at the US cost of interdiction in terms of the number of hectares in cultivation, however, reveals an interesting trend. As shown in Figure 27, the cost of interdiction per hectare in cultivation is increasing. This is made even more dramatic when one considers that the 1992 drug control budget had risen to three times that of the last comparison year used here.

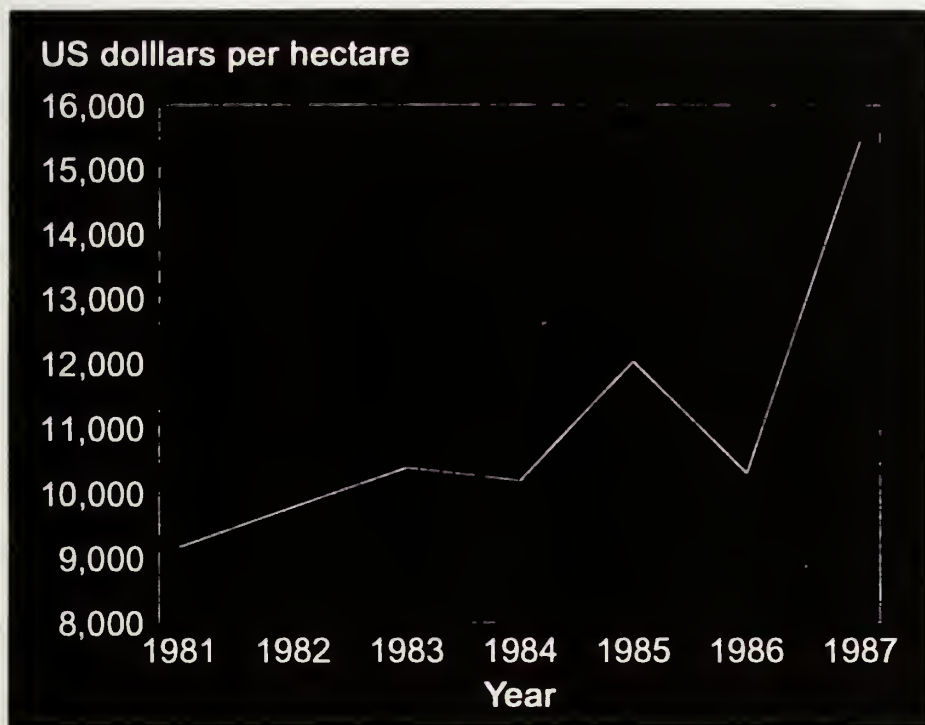


Figure 27. US Interdiction Cost per Cultivated Hectare.



## 2. Objectives Involving Demand and Supply

Once again, the objective of the interdiction effort is to reduce supply, thereby increasing price and reducing consumption. From the information presented in previous sections, it is possible to draw two fundamental conclusions about the cocaine market:

- ♦ The price of cocaine has steadily decreased, with only a few exceptions, since 1980
- ♦ The supply of cocaine has steadily grown since 1980

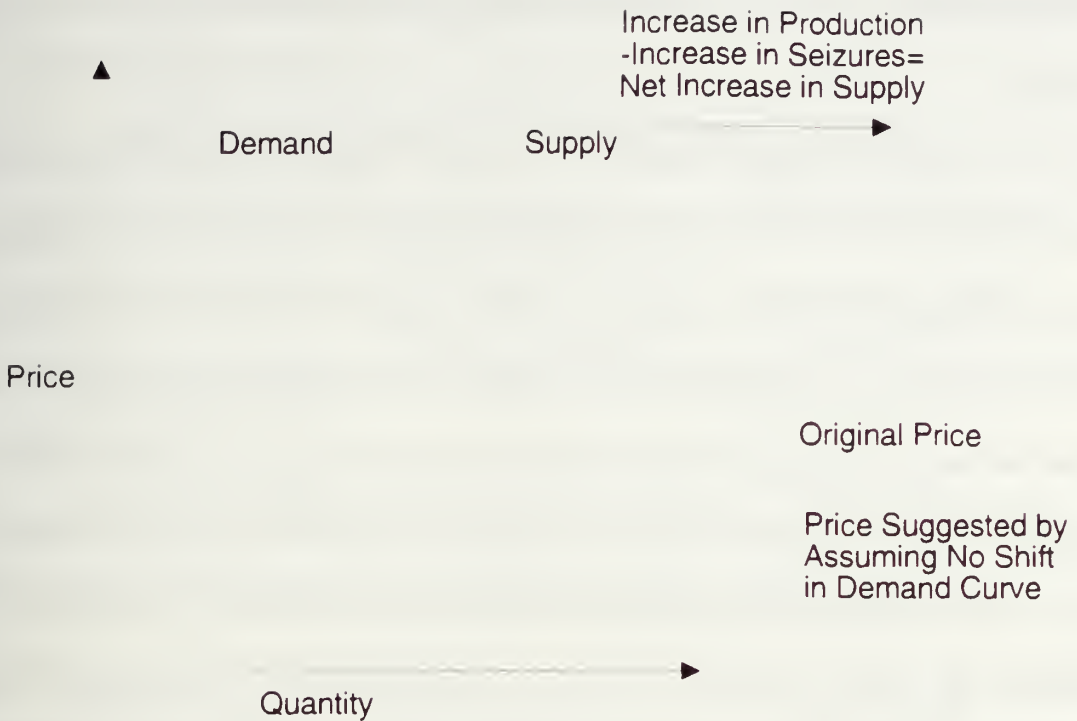
In the sense that these results are completely contrary to the stated objectives of interdiction, it can be said at this point that the efforts have failed. It is interesting, however, to continue the supply and demand evaluation in order to obtain a better understanding of why it is so difficult to approach the cocaine market using the law of supply and demand.

### *a. Supply Increases*

It is widely accepted that interdiction has had little impact on the supply of cocaine, which is in fact increasing.<sup>73</sup> This can be logically interpreted from the rapidly rising production rates, falling prices, growing but still inconsequential seizure rates, and great uncertainties which characterize the cocaine market.

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<sup>73</sup> "High in the Andes: Drugs War," *The Economist*, February 13, 1993, v326, n7798.



**Figure 28. Supply and Demand Curves Showing Effect of Increased Supply.**

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*b. Possible Explanations*

In the case of illicit products and substances, there are several characteristics of the demand and supply equation that can be observed. One must first recognize the limited ability of determining supply and demand indicators in an illicit market. Having accepted that, however, it is possible to draw several conclusions about the nature of the cocaine problem as seen in the context of supply and demand.

An important aspect of supply and demand analysis is its capacity to offer indications of the likely outcome of continued interdiction efforts. Viewing the supply

and demand graph in this way, it is possible to say several things about the nature of its elements.

The price indicator seems to be in the firm control of the cartels. This is not to say that price is not influenced by interdiction efforts. It is likely that interdiction serves to increase the price of cocaine, but that increase is of great use to the cartels in maintaining both profit margins and market control.<sup>74</sup> The threat of incarceration by the authorities serves to deter individuals from entering the trade. The cartels, however, combine extensive resources to offer their employees and affiliates increased chances of success. By increasing their management efforts to make operations more efficient, by relocating to more cost effective areas of production, and by developing more cost-effective production and distribution systems and practices, the cartels can give themselves a large amount of room to offer price incentives to new markets. The fact that the cartels are involved in such a wide variety of enterprises (products and services, legal and otherwise); gives them further room in which to operate, because they can suffer losses in one enterprise which are offset by profits in another. In fact, losses are at sometimes crucial to the cartels because they are utilized in money laundering operations.

*The Economist*<sup>75</sup> noted the following characteristics in one of its many examinations of supply and demand in the cocaine trade:

- ♦ Suppliers maintain large stocks, all down the chain of distribution, ready to be drawn upon if supply is disrupted

<sup>74</sup> "High in the Andes: Drugs War," *The Economist*, February 13, 1993, v326, n7798.

<sup>75</sup> "High in the Andes: Drugs War," *The Economist*, February 13, 1993, v326, n7798.

- The US GAO claims that drug profits are so high that the cartels are well insulated against occasional losses
- It is believed that, while agencies in Bolivia were wiping out hectares of coca, the growers developed techniques which allowed them to double the per hectare yield
- Supply and demand exist at every stage in the chain from grower to consumer
- America's retail cocaine market may be worth anything from \$30 billion to \$150 billion per year

With regard to quantity, there is every indication that the cartel's ability to produce cocaine exceeds the ability of interdiction agencies to seize it. The most that can be said for interdiction in terms of its influence quantity is that the total amount of supply is, arguably, less than it would have been otherwise. At the other extreme, it is equally possible that the cartels currently sacrifice a given percentage of supply in order to maintain price. Such a mechanism might also provide a convenient opportunity to impose organizational discipline.

The factors influencing the actual curves of supply and demand are myriad in the case of any product, but even more complex with an illicit substance. Specifically, the addictive properties of cocaine present a problem in determining demand's capacity for change. It is impossible to know the precise effect, but it can certainly be assumed that an addict will have a far higher price threshold than a typical consumer of a non-addictive good. In recent years, the price of cigarettes in the US has increased

dramatically, yet there are still demographic groups in which the number of users has increased in spite of the price.

Because of the limited impact of interdiction on supply, the most effective course of action open to the US may be to reduce demand through associated costs to the consumer, rather than by trying to increase price. Such costs include the possibility of prison time, fines, loss of social status, etc.. The problem with the US demand side of the equation is that the only way to ensure such cost is to increase the apparatus that finds, prosecutes, and punishes drug consumers. The cost of doing this effectively may be the erosion of civil liberties, and that is a cost that the US is probably not willing to bear. Another problem with such a strategy is that every seizure or arrest action at the consumer level affects the minimum number of participants and resources (product, cash, etc.) available in the supply chain. In other words, it requires more effort to remove cocaine from consumption in 1 gram units at the consumer level than it does in kilogram units farther up the distribution chain. Even if the US were willing to engage in security practices to ensure the identification and punishment of consumers, the resources required to prosecute such a plan would probably cause even its staunchest supporters to rethink the approach.

Figure 29 is an illustration whose original source for prices and quantities was obtained through interviewing participants.





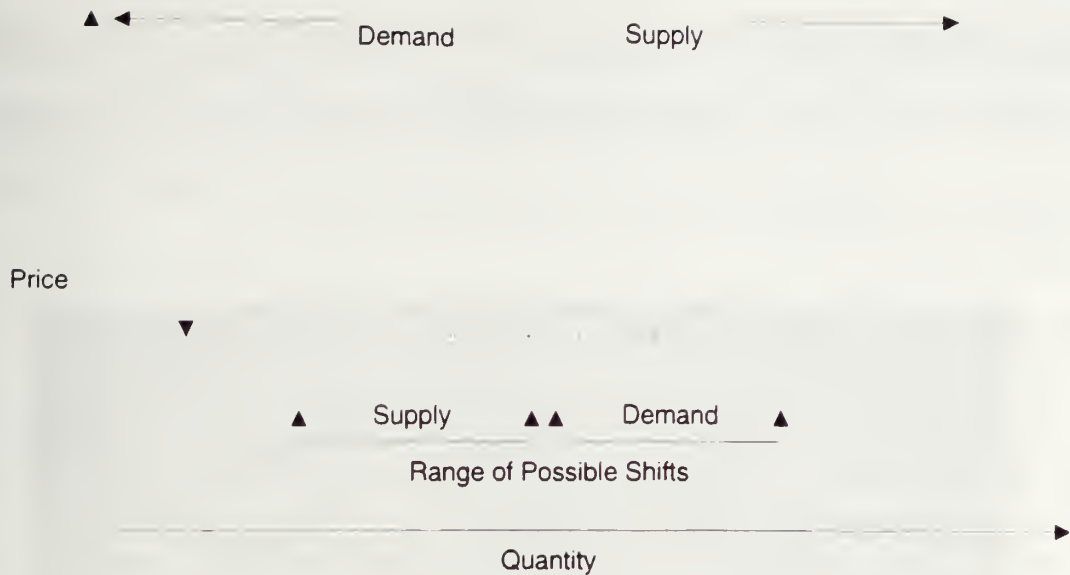
Figure 29. Price and Quantity, from Producer to Consumer.<sup>76</sup>

The progression from farmer to end-user affects the actual impact on consumption. To definitively decrease the number of drug users at a given point in time, the only certain way to interdict the drug is between the individual user and his immediate supplier. Unfortunately, eliminating supply to the end user places extreme demands upon law enforcement, demands which may, in fact, be insurmountable. Seizures of cocaine or precursor products are likely to affect more end-users only if those

<sup>76</sup> Rensselaer, L.W., *The White Labyrinth: Cocaine and Political Power*, Transaction Publishers, 1990.

supplies cannot be replaced. The seizure of 1 kilogram of cocaine at a production point, for instance, will become so diluted by the time that the supply chain reaches the end user that there will be no noticeable effect.

Figure 30 illustrates one important consideration when dealing with the law of supply and demand and the cocaine market. For any given change in quantity or price, there is a possible combination of shifts in the supply and demand curves. Normally, a supply and demand analysis might not have to confront that issue directly, as the market conditions can be relatively well determined. The number of cans of beans sold in a given year, for example, is a statistic which can be held to be reliable. When dealing with an illicit substance such as cocaine, however, such fundamental indicators are unavailable and, when estimated, the resulting figures are vulnerable to challenges from advocates for any specific policy direction. In the case presented in the figure, a drop in price can be explained through movement in the ranges of the curves.



**Figure 30. Range of Shifts in Supply and Demand Curves, Given a Decrease in Price.**

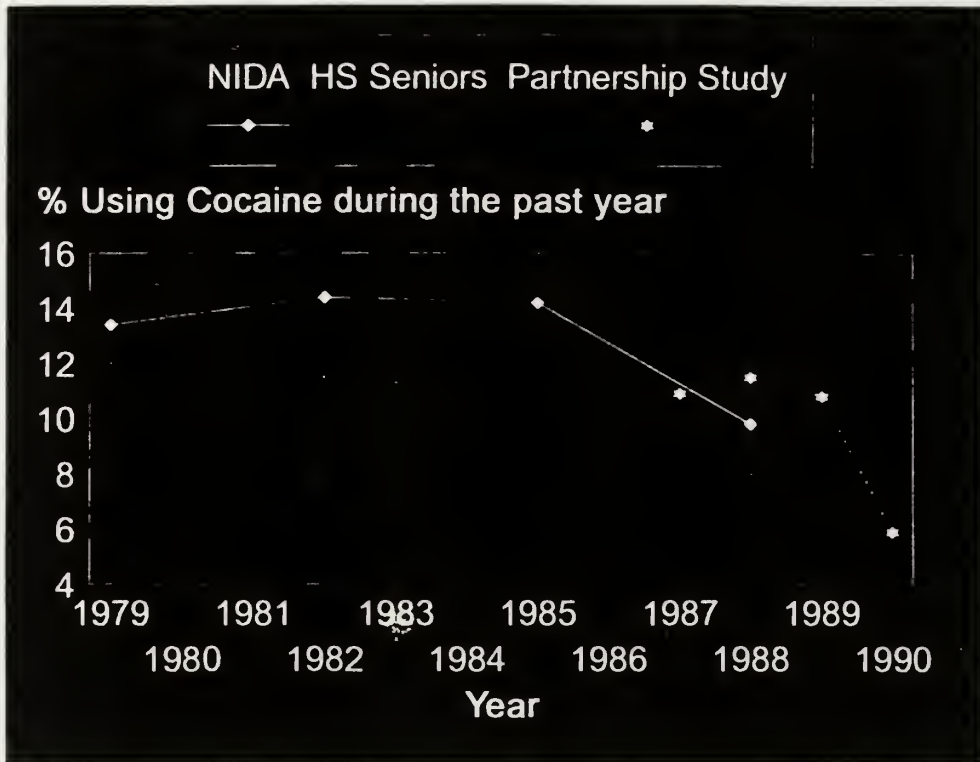
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The argument can be made that the price might drop even further, with a corresponding increase in use, if it were not for interdiction efforts. Unfortunately, it is altogether probable that, if interdiction were stopped immediately, the cartels would decrease production to maintain price. The justification that things would be worse if not for interdiction does not, therefore, appear to be sound.

### **3. Indications of Consumption**

There are several sources for information regarding the consumption of cocaine in the US. During the hearings of the US House of Representatives Select Committee on Narcotics Abuse and Prevention in October of 1990, the Committee was presented with a

graph showing the results of three studies: The National Institute on Drug Abuse's Household Survey, the annual High School Senior Survey, and a study of the Partnership for a Drug-Free America. This graph is reproduced in Figure 31.



**Figure 31. Three Study Comparison of Cocaine Usage.**

Source: US House of Representatives Select Committee on Narcotics Abuse.

These studies report a decrease in cocaine use among those surveyed over the respective periods measured. This alleged reduction in consumption is sometimes used as an additional defense for the interdiction strategy. Even if supply is increasing, reason interdiction advocates, the drastic drop in price can only be explained if one takes

decreasing demand into consideration, and this is logically explained by the effects of the non-monetary increase in the cost of purchasing/using drugs. There are two problems with this line of thinking.

First, the "studies" reported above are more accurately characterized as surveys, for that is what they actually are. One of the more interesting areas of the demand-side interdiction efforts is not dealt with in this thesis, but is mentioned here in reference to these surveys. Since the early 1980's, the US has been engaged in a massive publicity campaign, oriented toward young people but exposed to the entire population, which promotes the idea that one should "Just Say No" and that "Losers Use Drugs." The NIDA surveys households and tracks usage among 18-34 year olds. The High School Senior survey is performed at secondary schools, as is the Partnership for a Drug-Free America's study. One could argue that the only trend reported in the above chart is in regard to the *popularity* of drug use, rather than the use itself.

More recently, another National Institute on Drug Abuse Annual Household survey shows illicit drug use has leveled off from the previously reported trend, and cocaine abuse is actually increasing. Between 1988 and 1991, the number of weekly cocaine users rose nearly a third, with the sharpest rises among people over 35.<sup>77</sup>

Second, there is evidence from another source which says the opposite about cocaine use. One historical indicator of drug abuse involves tracking reports of health emergencies recorded by hospitals. It stands to reason that a reduction in drug use will coincide with a reduction in such reports, and vice versa. In spite of the alleged reduction

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<sup>77</sup> "The War on Drugs," *US News and World Report*, December 30, 1991, v111, n27.



in drug abuse, however, the number of cocaine-related hospital emergencies has increased over the period of anti-drug efforts (see Table XVI). Over the period 1980-1986, the number of cocaine-related hospital emergencies in the U.S. rose from 4,200 to 13,800. These U.S. General Accounting Office figures represent a net increase in such emergencies of 229% over the period.

TABLE XVI. COCAINE-RELATED HOSPITAL EMERGENCIES IN THE U.S. 1980-1986.

1980	4,200
1981	4,700
1982	6,200
1983	6,900
1984	7,800
1985	9,000
1986	13,800

Source: U.S. General Accounting Office, *Controlling Drug Abuse: A Status Report*, 1988.

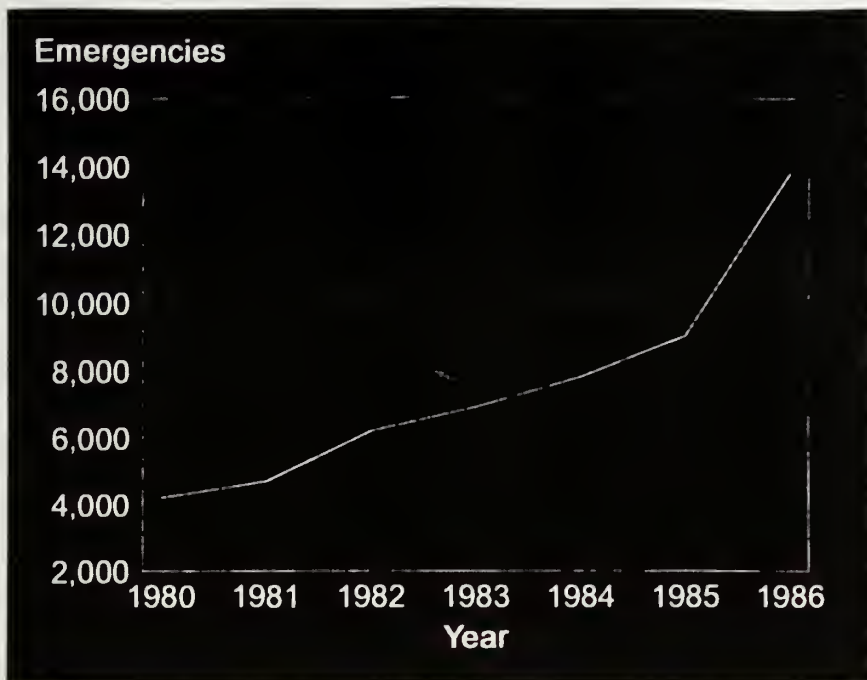


Figure 32. Cocaine Related Hospital Emergencies in the US 1980-1986.

The Drug Abuse Warning Network, which measures drug related emergency room cases, reports cocaine-caused emergencies jumped 31% from the fall of 1990 to the spring of 1991, while heroin episodes increased 26%.<sup>78</sup> Cocaine-induced deaths in Dade County, Florida, averaged 4.2 per month in the first nine months of 1991, compared with 1.7 per month in 1990.<sup>79</sup>

<sup>78</sup> *ibid.*

<sup>79</sup> Robinson, L., Witkin, G., "Cracks in the Drug War," *US News and World Report*, March 2, 1992, v 112, n8.

#### **4. Summary**

It may be useful to reiterate the main points made in this section. From the trends reported in production and seizures, it is possible to report a net increase in the supply of cocaine. In accordance with the law of supply and demand, it is reasonable to anticipate a corresponding drop in price, which is, indeed, observed. At this point in the discussion, however, some would argue that a price drop of the magnitude witnessed can only be explained by the impact of a corresponding decrease in demand. There are supporting surveys available to support such a claim, but this evidence is countered with the trend in cocaine-related hospital emergencies.

### **E. INCREASED MILITARY INVOLVEMENT**

#### **1. Costs**

Military operations of any kind are costly. The financial burden to a country whose military is utilized against criminal activity goes beyond the actual cost of operations, however. It is also necessary to consider the fact that total resources will have to be increased if a military is to take on responsibilities related to law enforcement and still maintain an adequate level of preparation for its original mission.

There is also a human cost. Not only does military involvement expose personnel to risk of death or injury, but the fact that the military is involved may lead to an escalation in violence. This is an obvious consequence; criminals who arm themselves with pistols against police officers are certain to arm themselves with greater weaponry

against soldiers with machine guns, cannon, and helicopter gunships, provided they have adequate financial resources.

Former Secretary of Defense Dick Cheney once characterized narcotics as a "threat to the sovereignty and security of the United States."<sup>80</sup> At the same time, he directed commanders to develop planning to increase the role of the US military in Latin American drug-producing countries. While no one anticipates the US embarking on a unilateral effort in another nation, it is still ironic to note that the Mr. Cheney's action plan to defend the sovereignty of the US is itself a threat to the sovereignty of the other nations concerned.

## **2. Benefits**

In addition to the obvious benefits to be derived from increased numbers of personnel and improved technology and equipment for operations, the value of the military intelligence system must be taken into account. National security interests bond the military very tightly with a country's intelligence gathering organizations. Moreover, the military will already be well-versed in intelligence operations, and will know better how to manage intelligence than civilian law enforcement, which is generally unaccustomed to such information and procedures.

It may be that a military organization will always outperform its civilian law enforcement counterparts due to the greater resources which are available to it and to the increased level of training to be found in military, as opposed to civilian, organizations.

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<sup>80</sup> *Los Angeles Times*, December 15, 1989.

### 3. The Danger

#### a. U.S.

The argument has been advanced that U.S. military involvement would have a counter productive effect on the situation. Essentially, this point of view suggests that the dogmatic approach inherent in military organizations is effective in eliminating only *inexperienced* smugglers.<sup>81</sup> The consequence of this is that experienced smugglers benefit from reduced competition and increased prices.

#### b. Colombia

The risk of increased involvement of the Colombian military in anti-narcotics activity is more severe in consequence and immediate in impact than in the case of the U.S.. Major involvement of the Colombian armed forces in anti-narcotics activity threatens to expose the military ranks to the corruption that has plagued its justice system. More important than the ineffectiveness of military operations against narcotics traffickers that would exist given the potential for bribery, intimidation, etc., is the chance that these problems would not be limited to the area of narcotics, but would spread throughout the levels of the Colombian armed forces, posing a serious threat to the security of the nation.

When considered in combination with the insurgent problems found in many producer nations, the potential consequences are even more alarming. It may be that pushing the military of a producer country into efforts directed against narcotics

<sup>81</sup> Reuter, P., Crawford, S., and Cave, J., *Sealing the Borders: The Effects of Increased Military Participation in Drug Interdiction*, Rand Publication R-3594 USDP, 1988.



syndicates will drive those groups and individuals into closer relationships with insurgent groups. This is an attractive proposition for both the syndicates (who are in need of "soldiers") and the insurgent groups (who are generally cash poor).

## V. CONCLUSIONS AND RECOMMENDATIONS

It would be, at best, unrealistic to expect that a single research effort at the conclusion of a course of study could compare to the vast resources which have been compiled concerning the problem of drug trafficking. Nevertheless, it is hoped that this work will, in some small way, focus attention on aspects of the problem which seem to have become remote from the formulation of official policy.

While the argument has been made before, it is still necessary to stress that the objectives of the "War on Drugs" are not being met. This is evidenced by observing two simple facts: The amount of money being spent in the interdiction effort continues to grow larger each year; yet the average annual price of one kilogram of cocaine continues to decline -- a direct contradiction to the primary goal of the interdiction effort, which is to reduce supply and consumption by increasing hazards (and the resulting price of product) faced by smugglers engaged in narcotics activity. Similarly, the incidence of cocaine-related hospital emergencies, and cocaine-related violence and criminal activity in general, continues to be on the rise. The conclusion, therefore, seems rather simple and direct: The War on Drugs is not being won.

There are several topics worthy of further research that have emerged during the course of this work:

- ♦ How can one explain the anomaly between survey reports showing a decline in consumption and cocaine-related hospital emergency statistics demonstrating the opposite?
- ♦ What are the realities of applying the law of supply and demand and other common economic tools when dealing with an illicit market?
- ♦ What are the actual monetary costs and benefits of interdiction, versus other, demand-oriented, drug control strategies?<sup>82</sup>
- ♦ What has changed in the strategy for the War on Drugs since the beginning of the Clinton Administration?
- ♦ Can healthcare reform play a role in the War on Drugs?
- ♦ What are the most current and accurate estimates of areas of drug production (world-wide)?
- ♦ What are the prospects for crop substitution and other programs which seek to increase the original producer's (farmer's) incentive to *not* participate in the illicit market?

One should also consider the increasing tendency of political regimes to place the added burden of drug enforcement upon military organizations. First, such activity is not within the original mandate or training and organization of these units, and, as discussed in Chapter IV, the risks posed by continuing this trend toward military involvement are far too great to allow it to continue without a major rethinking of the goals and

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<sup>82</sup> The reader is urged to consult the Budget Summary of the President's Drug Control Policy, which lists three years worth of budget expenditures, estimates and proposals, along with brief descriptions of the activity associated with each line item.

operational principles which are to be employed. These risks can be summarized in two primary points. First, as mentioned in Chapter IV, increased military involvement in the zero tolerance approach to interdiction efforts will emphasize the lack of randomness involved in those efforts. The result is that the inexperienced smuggler, who carries smaller shipments, is the recipient of the increased attention. The more experienced smuggler, who is wise to the ways of anti-narcotics efforts, is rarely affected. Indeed, the experienced smuggler is grateful in such a circumstance, for the ultimate effect is to drive prices up and keep out competition. It is interesting to note that, while the law of supply and demand is being debated among bureaucrats and politicians, the cartels would be able to more effectively utilize patterned interdiction efforts as a factor in their own position-enhancing strategies. The second great risk of military involvement lies in exposing military personnel to the corruption which is widespread in the activity. While it may be comfortable for some to assume that this is primarily a danger to Colombia, the fact of the matter is that the money responsible for such corruption knows no national or cultural bounds.

It should be obvious that the Colombian government and military and security forces are going to great lengths to fight the activity of narcotics traffickers. Those who advance the argument that Colombia is not as concerned with drug activity as it should be (because it is viewed as a problem of the U.S.) need only review the negative impacts, social, economic, judicial, and political, which are a direct result of the ongoing activity to know that Colombia must address the problem in some way.

At the same time, one should consider that drugs and drug-related violence are not the only threats to Colombian society. There is an ongoing, and quite serious, insurgent problem: poverty is widespread, along with its partners in misery -- violence, delinquency, illiteracy, etc.; and the level of corruption, which is now at a point of being an issue altogether separate from its origins in narcotics, has become a serious question in regard to Colombia's future as a democratic nation.

A view held by many in Colombia was expressed by Luis Canon, editor of *El Pais*: "We are tired of being told by Washington how to run our drugs policy. With enormous sacrifices we smashed the Medellin cartel. Do we see the United States doing anything about consumption?"<sup>83</sup> As anti-narcotics efforts turn away from the violent and much feared Medellin cartel to the operation based in Cali, which is very well organized and even respected among parts of the population, maintaining popular support for an anti-drug offensive will be difficult.

The threat posed by the Colombian insurgents cannot be under-emphasized. The politician who advocates taking a "harder line" with narcotics supplying countries should remember one important fact: The insurgent has as his primary goal the overthrow of the government, while a narcotics trafficker's ultimate desire is to be left alone so that he can continue to amass his fortune. If the leadership of a country has a finite amount of resources which must be expended in one area or the other, it is not difficult to anticipate their course of action.

<sup>83</sup> "Cali High: Colombia", *The Economist*, December 25, 1993, v329, n7843.



Resources of the U.S. devoted to the Colombian end of the drug can be of most use if directed in two areas: The operations of the Colombian Narcotics Police and the Intelligence capability of the Colombian military. As discussed in Chapter IV, the risks of pushing the Colombian military into a direct anti-narcotics role by far outweigh the possible benefits.

Additionally, the U.S. should reconsider the entire strategy of interdiction. The costs and risks faced by the necessity of military involvement in such activity might be justified if the results proved out the soundness of the interdiction theory. While a superior solution is not immediately apparent, a wide variety of alternatives have been and continue to be offered from all sectors of U.S. society. History does not look kindly upon previous similar efforts, as is evidenced by occurrences ranging from the prohibition era to more recent attempts to seal the borders to illegal immigrants.

As with so many other things at this point in time, the major obstacle to progress can be found in one issue: money. The financial resources available to the small number of people who control the Colombian narcotics industry are so vast as to seem without limit. While it may seem comical to some, a serious consideration of the Colombian people must be the ability of the narcotics traffickers to compete in an escalating arms race with the Colombian authorities. The collapse of the Soviet Union and the cash poor state in which it and its satellite countries have been left give reason for further concern. It is doubtful that there exists a weapons system in the world that the cocaine syndicates could not afford.

In the end, the people of the United States and of Colombia must examine their interests in the issue. Only when a solution with widespread popular support is proposed and adopted will there be any reason to anticipate progress against the drug problem. This widespread acceptance must stretch across borders, enabling a true partnership to be formed between the two nations to solve a problem that is damaging to both.

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