

## Lago Agrio (Nueva Loja), Ecuador: A Strategic Black Spot?

by

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USAWC STRATEGY RESEARCH PROJECT

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## **Abstract**

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Lago Agrio is a hidden ungoverned territory or “black spot” in eastern Ecuador that is a central node to the many security related issues of Ecuador. For the last two decades, there is proof that this region is being used to support illicit activity and is growing in importance. This almost lawless area is a haven for the Revolutionary Armed Forces of Colombia (FARC) and Transnational Organized Criminals (TOC), serving as a major hub in a pipeline that moves not only cocaine and weapons, but also humans, precursor chemicals, and hundreds of millions of dollars each year. The emergence of new state and non-state TOC groups in Ecuador along with their “hybrid alliances” with regional and international terrorist organizations and states that sponsor them pose a growing, dangerous, and immediate security threat to the United States and international community. The United States should prioritize Ecuador and in particular target the Lago Agrio region for intelligence collection and further analysis.





## **Lago Agrio (Nueva Loja), Ecuador: A Strategic Black Spot?**

Lago Agrio, a squat oil town carved abruptly out of forest 40 years ago, is a hub for the Ecuadorian military, off duty Colombian fighters, narco-traffickers, and informants whose presence has turned the dusty town into a jungle Casablanca- only without glamour and romance.

—Philip Sherwell<sup>1</sup>

Lago Agrio is a hidden ungoverned territory or “black spot” in eastern Ecuador that has tremendous influence in the region.<sup>2</sup> The emergence of a new hybrid of state and non-state transnational criminal and terrorist organizations in the Lago Agrio region pose a security threat to the United States and international community. Lago Agrio, officially known as Nueva Loja, is one of the most important cities in Ecuador.<sup>3</sup> Its importance comes from the discovery of oil in the 1960s and current ongoing oil extraction that occurs today.

Lago Agrio serves as a major “gateway” into the Amazon region and the Colombian provinces where its geographical position serves as a major hub connecting Colombia and the Amazon region to Ecuadorian infrastructure and ports for exportation to United States and European markets. For the last two decades, there is proof that this region is being used to support illicit activity and is growing in importance. This almost lawless area is a haven for the Revolutionary Armed Forces of Colombia (FARC) and Transnational Organized Criminals (TOC), serving as a major hub in a pipeline that moves not only cocaine and weapons, but also humans, precursor chemicals, and hundreds of millions of dollars each year.

The whole jungle Province of Sucumbíos is a “black spot” region and the provincial capital of Lago Agrio is the central node to this “black spot” region.

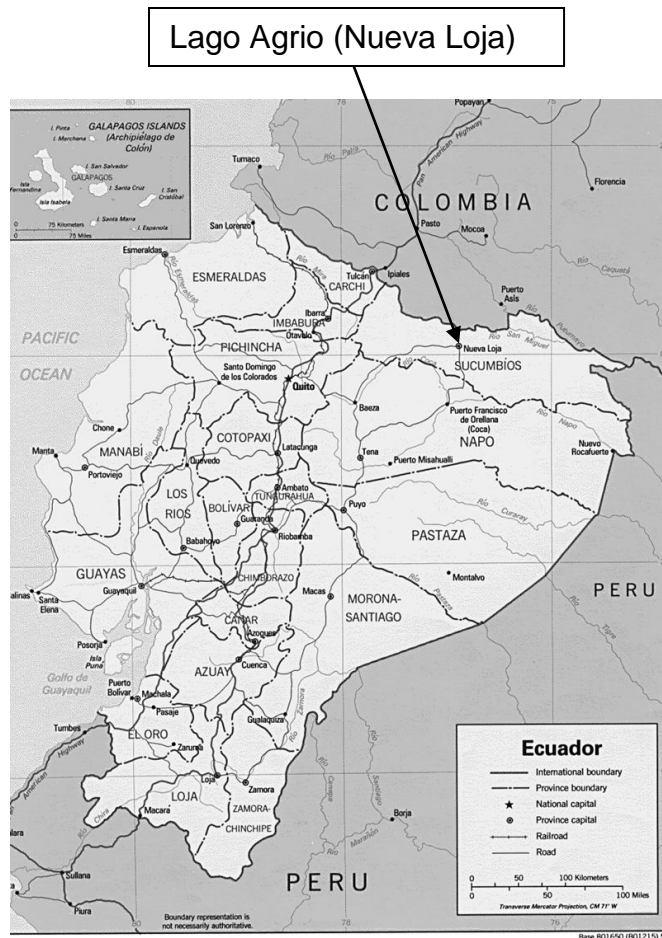


Figure 1: Political map of Ecuador. Sucumbíos Province and its capital Nueva Loja (Lago Agrio) is the Black Spot region.<sup>4</sup>

Over the past decade there has been a steady increase of FARC activity along the Colombian-Ecuadorian border most likely caused by the successes of “*Plan Colombia*.” There is also an increase in the number of drug producing labs found in Ecuador giving evidence that Ecuador is moving from a transit country to a drug-producing country. Organized illegal narcotics operations in Colombia penetrate across Ecuador's shared border, where thousands of Colombians also cross to escape the violence in their home country causing a huge refugee humanitarian crisis for Ecuador.

Ecuador always had a major role in being a Colombian drug cartel transient shipping point, but appears to have slowly evolved into more of cocaine producing

country, FARC support zone, and a safe haven for TOC and terrorist. For the last two decades the FARC has used settlements across the border in the Lago Agrio region for logistics, staging, and recreation with tacit approval from the Ecuadorian military and government officials. By the amount of drug labs found, especially in the last five years, there appears to be an almost constant movement of cocaine out of Colombia and the reciprocal movement of chemical precursors, food, medicine, clothing, arms and whatever else the FARC require into Colombia from Ecuador.

### The Significance of Ecuador and Lago Agrio

Ecuador is a failing state suffering from political polarization and the threat of violence. It suffers from a high level of corruption that has weakened the institutions of the state and does not have the military and logistical capacity to secure its border with Colombia.<sup>5</sup> Although a Republic, Ecuador is a very weak state with weak democratic governance that has enormous implications for regional security and for the United States. Ecuador has enjoyed 27 years of civilian rule, yet its democracy remains fragile. Being a self proclaimed “Bolivarian” state, Ecuador espouses 21<sup>st</sup> century socialism that is hostile towards free market reforms, the United States as a regional power, and traditional liberal democratic concepts.<sup>6</sup> None of the previous three elected presidents have finished their terms in office, and eight presidents have served over the last decade. The overall impact that Ecuador’s political climate is best summarized by author Gabriel Marcella:

Ecuadorians have had an especially difficult political and economic time recently. In the past 10 years, the country has had eight presidents, corruption has rooted deeply, poverty has increased, and a strong indigenous political movement has developed to question traditional politics. Democracy has been deeply delegitimized by the political class.<sup>7</sup>

To understand the significance of Lago Agrio, it is important to understand the significance of Ecuador and its geo-political context. Ecuador's geographic location makes it an attractive crossroads for transnational non-state armed groups and is emerging as a key meeting ground and operations center for multiple transnational terrorists and TOC organizations. There has been a recent significant growth of FARC drug trafficking networks throughout Ecuador and an increase on their reliance on Ecuadorian supply lines to support their activity. In addition, there is a huge growing presence of Mexican drug trafficking organizations.

Since President Rafael Correa's inauguration in January 2007, he has moved rapidly to expand Ecuador's ties to Iran, Russia, and China. There is a growing presence of Russian and Chinese organized crime groups in Ecuador, being attracted by the fact that Ecuador lifted visa requirements for almost every country in the world, allowing almost any foreign national to stay in Ecuador for 90 days as a tourist.<sup>8</sup> According to a senior U.S. official, in every case of non-Mexican and non-Central American illegal immigrants entering the United States in 2009, the migrants have all transited Ecuador and included East Africans, Southeast Asians, and Central Asians.<sup>9</sup>

In 2000, Ecuador also adopted the U.S. dollar as its official currency creating numerous new opportunities for TOC organizations and vulnerabilities for the state evidenced by Ecuador's growing role as a money-laundering center for TOC and terrorist groups. There is also growing Iranian influence in Ecuador evidenced by the official presence of Iranian financial institutions at the invitation of the Correa government. Even Iranian president Mahmoud Ahmadinejad attended Correa's

inauguration, largely on the insistence of Venezuela's president Hugo Chavez. These Iranian banking institutions are on the United Nations and U.S. sanctions list.

In addition, Ecuador is forming stronger relations with Russia in brokering nuclear power cooperation to include uranium exploration agreements and with Iran in carrying out joint mining agreements. This permissive environment, high level corruption, lack of functioning governmental institutions, porous borders, rich natural resources to include oil and uranium, and nonexistent anti-money laundering efforts make Ecuador very attractive to TOC and terrorist groups.

At the root of Ecuador's problems is the 400-kilometer Sucumbíos Province border region it shares with Colombia's volatile Provinces of Nariño and Putumayo. These two Colombian Provinces contain the largest expanse of coca crops, containing 36 percent of Colombia's total. The Lago Agrio region is situated in the easternmost region of Ecuador and comprises about 38 percent of Ecuadorian territory. The San Miguel River is located approximately just 30 kilometers from Lago Agrio where it serves as a tributary to the Putumayo River and where both rivers serve as a natural boundary for most of the geo-political line that divides Ecuador from Colombia.

Lago Agrio's terrain consists principally of an alternately flat and gently undulating expanse of the Amazon tropical rain forest. The rugged triple-canopy jungle terrain that comprises the Amazon River Basin presents tough challenges for cross mobility movement and the FARC and drug traffickers use the rugged jungle terrain to camouflage operations. The inhospitable Amazon jungle that comprises the area has become a patchwork of pikes, paths, and minor roads connecting to the San Miguel and

Putamayo Rivers where one source cites that there are 23 known illegal routes used by smugglers.<sup>10</sup>



Figure 2: Terrain Relief Map of Ecuador.<sup>11</sup>

Since oil was discovered in the Lago Agrio region during the 1960's, this region has become increasingly important economically. The discovery of oil led to the construction of roads and pipelines to deliver oil, along with petroleum facilities to process crude oil. Lago Agrio serves as major road network hub where “all roads lead through Lago Agrio” to access the deep outlying areas to the Amazon jungle region and westerly to the Ecuadorian populated areas, infrastructure, and Pacific coastal ports.

Route 45 serves as the main road connecting Colombia to Lago Agrio to the capital city of Quito where one can access the Pan-American Highway, which runs north to south and connects all of Ecuador to Colombia and Peru. Even further inland the coca produced in Colombia's Caquetá Province is shipped via the highways in Ecuador because it is easier than crossing mountain ranges.<sup>12</sup>

The Institute for National Statistics and Census sites Lago Agrio as having a population of only 91,4744 in 2010 and the whole Sucumbíos Province having a population of 176,472.<sup>13</sup> Beyond this, there is also a scattered indigenous population and large refugee population located throughout Sucumbíos Province that adds significantly to this population estimate. Ecuador has the highest refugee population in all of Latin America and The United Nations Higher Commission for Refugees estimates as many as 55,000 recognized Colombians refugees are seeking safety in Ecuador, many of whom do not register as refugees for fear of deportation.<sup>14</sup>

Though Sucumbíos Province is rich in oil, it is among the least developed in Ecuador, with high levels of unemployment and an informal economy that relies on illegal activity such as drug trafficking, weapons smuggling, and human trafficking. This entire region remains intrinsically poor and the overwhelming economic activity is subsistence farming.

The unemployment rate in the region reached 69 percent, about 20 percent higher than the national average in 2006. Unfortunately, the population has limited opportunities for education, which is essential to industrial development and attracting investment. Only half of the region's population finishes primary school, and just a small percentage of those continue on long enough to obtain a university or technical

degree. These statistics demonstrate the precarious state of the Lago Agrio region. Given the influx of drugs and organized crime infiltrating the border from Colombia and a lack of stable jobs, employment possibilities, and education in the region, its inhabitants are more likely than not to turn to some form of delinquency in order to achieve an adequate income.<sup>15</sup>

Further supporting that Lago Agrio is a “black spot,” is the fact that there is very little international media attention reporting on the insecurities of this region. Dominate coverage from international outlets focuses on Lago Agrio’s ongoing 27 billion dollar class-action environmental lawsuit against the United States’ Chevron oil company. The case was first filed in the U.S federal court in 1993 on behalf of 30,000 mostly indigenous residents of the Lago Agrio region against Texaco (which was later acquired by Chevron in 2001). In summation, the ongoing lawsuit claims that Texaco dumped more than 70 billion liters of toxic liquids, left some 910 waste pits filled with toxic sludge, and flared millions of cubic meters of toxic gases which poisoned the environment in one of the most biologically diverse areas in South America, creating serious health problems, including an unusually high incidence of cancer, for people in the region.

To a lesser extent, Lago Agrio receives some international attention focusing on Ecuador’s growing refugee crisis mainly affecting the Lago Agrio region. It is estimated that Ecuador receives more refugees than any other Latin America country- a consequence of the longstanding conflict in Colombia. According to the United Nations High Commissioner for Refugees (UNHCR), an estimated five to ten refugees enter Ecuador every day mainly from the Colombian Putumayo and Nariño Provinces.<sup>16</sup>



Outside of these two topics, Lago Agrio receives very little international media attention except from the Colombian and Ecuadorian press mostly exposing FARC presence in the Sucumbios Province border region.

Being a border area, the ethnic composition of the area is very diverse which can support cover for insurgents, international terrorists, and TOC groups. Since Ecuador's population is ethnically diverse consisting of mostly mestizo (mixed Amerindian and white)- 72 percent, Montubio- 7 percent, Amerindian- 7 percent, Afroecuadorian- 7 percent, and White- 6 percent, it can be assessed that Lago Agrio is comprised of these different ethnic groups.<sup>17</sup> Specifically in Lago Agrio region, there is a very large population of natives who inhabit small villages around the Amazon River basin, some migrating into the urban center of Lago Agrio.

There are also multiple "international" cultures present in Lago Agrio, ever since oil was discovered and government sponsored multinationals migrated to Lago Agrio to work in the petroleum business. Even today, there is a very diverse mix of internationals that could easily blend into the migrant worker population. Adding to the ethnic composition, an alarming March 2009 Colombian newspaper article claims that it is an open secret that the Colombian FARC has a public presence hidden among the Ecuadorian civilian population so drastic that it claims over 80 percent of the demographic composition of towns along the Ecuadorian border.<sup>18</sup>

#### Indicators of Threats and Insecurities

Ecuadorian threat groups range from numerous types of actors mainly classified as Colombian armed insurgent groups (some are officially recognized as foreign terrorists groups), and TOC groups such as drug-cartels. Colombia's major armed groups today are the FARC, the National Liberation Army (ELN) and a new generation

of paramilitary groups.<sup>19</sup> These Colombian insurgents and narco-traffickers have been active in the Ecuadorian-Colombia border regions for many years. There is also growing evidence that these groups are interrelated and periodically form relationships built on “marriages of convenience” to support each other’s activities and that they are expanding and more inter-connected than ever before, with extensive connections to international TOC organizations.

### Corruption

Wrapped around these threat groups is a very high level of corruption that permeates the region, breeds insecurity, undermines Ecuadorian institutions, and generates popular anger that threatens to further destabilize the region and exacerbate violence. Ecuador is rated the third most corrupt country in South America in 2012, better than only Venezuela and Paraguay by the Transparency International Corruption Perceptions Index. Out of 174 nations, Ecuador ranks 118 of the list of the 174 most corrupt countries in the world, with an overall score of 36 on a scale from 0 (highly corrupt) to 100 (very clean).<sup>20</sup>

As in all Latin American cultures, corruption among local government officials and military forces is rampant and systemic. “It coats almost every level of bureaucracy, from the highest authorities, who require large sums of money to manipulate the political-administrative machine, to the small fry: customs officers, border police, and provincial and municipal officials.”<sup>21</sup> Examples of this high-level corruption include Ecuadorian former deputy minister who confessed to being friends with former FARC leader- “Raul Reyes” and who is currently under investigation for drug-trafficking alongside the Osataiza brothers who regularly trade with the FARC. In addition, the Lago Agrio security forces are ripe with corruption. A former FARC guerrilla reported

that he personally gave bribes to police and the military to move coca through the Lago Agrio region and noted that the Ecuadorian police and military have a weakness for cash and are easily bribed.<sup>22</sup>

Even employees of Ecuador's state oil firm, *Petroecuador*, are at least complicit in a "white gas" or petroleum ether smuggling scheme where the white gas is stolen right out of *Petroecuador's* pipelines near Lago Agrio. It is believed that only *Petroecuador* employees can know the sequence and timing of the movement of the gas along the pipeline. President Correa recently made Petro Ecuador the target of an anti-corruption campaign and the government Hydrocarbons Ministry restricted shipments of refined gasoline to the Sucumbios border region.<sup>23</sup>

#### Transnational Organized Crime (TOC) Groups

There are numerous TOC activities taking place in Lago Agrio. The majority centers on smuggling illicit drugs and contraband ranging from weapons to exotic animals. However, the most dominate illegal activity is drug-trafficking by these TOC "drug cartel" groups. Drug trafficking has become a very significant threat to peace, stability and security in the Lago Agrio communities. This activity increases corruption, criminality, and is a radical political, economic, and social destabilizing factor. For the last 20 years, there is increasing evidence that Lago Agrio is a "lawless region" that is dominated by organized criminals who are exploiting this decisive terrain for the transit of cocaine and the reverse smuggling of weapons to arm the FARC and chemical precursors needed for cocaine production in Colombian laboratories. These drug cartels along with the FARC forces have long reaching contacts out to a worldwide network that inter-connects their activities globally.

With the increased operational-tempo of “*Plan Colombia*” which started in 2000, there has been an increase in movement of narco-trafficking activities to Colombia’s border regions and externally within bordering countries. This activity has continued to grow over the last decade and now Ecuadorian officials fear that Ecuador is turning from being primarily a transit country into a cocaine-producing nation. This assessment is supported by the fact that the last two drug labs found were not in border regions but in central Ecuadorian locations.

On July 15, 2009, a drug lab containing a metric ton of cocaine earmarked for shipment to Spain was discovered and dismantled in the Ecuadorian Province of El Oro. Also later that year, police seized 3.83 metric tons of cocaine and dismantled the largest refining and production lab ever discovered in Ecuador, located at San Vicente del Tingo in Cotopaxi Province. It is assessed that 40 metric tons of cocaine were produced monthly at this lab for an estimated street value of \$980 million dollars. Evidence from this operation currently points to an Ecuadorian-Colombian drug cartel alliance with linkages to international connections. Lago Agrio was one of the main “hubs” for this network’s operations.<sup>24</sup>

#### Revolutionary Armed Forces of Colombia (FARC)

The FARC practically rule the Lago Agrio region. According to some residents and soldiers of the Ecuadorian Army, the region is almost totally dependent on the Colombian guerrilla FARC fighters. To most inhabitants, the FARC is viewed as an “all-powerful miracle maker” who provides money and job opportunities for impoverished outlying areas where the FARC has made the Lago Agrio region their strategic “port” for stockpiling supplies and for resting.<sup>25</sup>

The FARC without question, have power and influence in this area, and tend to impose their own set of informal rules among the population that extend deeper into Sucumbíos Province. In some cases the FARC forcefully impose rules and in other cases the people cooperate by answering to an economic need. In the townships of Santa Rosa, Santa Elena, Pacayacu, and General Farfan (all just north of Lago Agrio), the inhabitants tell how the FARC impose their own laws by enforcing a mandatory curfew that does not allow residents to move about after 6:00 PM each day for safety reasons.<sup>26</sup> There also appears to be constant intelligence collection activities taking place where anyone cooperating with legitimate security forces, are dealt with internally by retribution and violence. Throughout the area, corruption is rampant and the FARC enjoy a large network of informants.

It is estimated that the FARC produce more than two-thirds of the world's cocaine and is rapidly strengthening its ties with international drug cartels, in particular with Mexican cartels. The FARC appears to have no problem recruiting personnel to include government officials, members of the police, and military to assist in their operations. In return, the FARC offer money and protection. There is also reporting that Ecuadorian elected officials have long given "tacit approval" and support to FARC activity. A FARC deserter in 2003 told his Colombian interrogators that President Lucio Guitierrez (retired Army Colonel elected president in 2002) had "tacitly" concluded a nonaggression pact with the FARC, permitting them bases and freedom of movement inside Ecuador in exchange for a pledge not to attack Ecuadorians and perhaps a cut of the FARC's drug exports.<sup>27</sup>

Since 2000, the FARC have chosen the province of Sucumbíos as a strategic security area and have always had a strategy aimed at assuring that the Lago Agrio region remains a sanctuary and support zone for the FARC. To this tactical end, Lago Agrio is used for logistics and arms transport where weapons are stored, to be later transported through smuggling corridors and pathways along the San Miguel River destined for Colombia under the care of the 48th FARC Front, which distributes them to the FARC Southern Bloc.<sup>28</sup>

There is strong evidence that many senior FARC leaders freely use Lago Agrio for sanctuary and for exercising command and control operations. On August 8, 2005, the Colombian police captured an alleged guerrilla leader identified as Moises Sierra Piraquive near the Ecuadorian border. Sierra was an alleged FARC 48th Front leader who had sought refuge in Lago Agrio. Later that same year, on December 22, 2005, Marco Tulio Erazo (aka El Colorado) was arrested in Lago Agrio after he was captured at a migration check-point in Lago Agrio. El Colorado was considered the logistical liaison for “Raul Reyes,” the second in command of the FARC, responsible for purchasing weapons, ammunition, and supplies in Ecuador. El Colorado was also extremely important because he was very close to the leader of the 48th Front Commander- Edgar Tovar.<sup>29</sup>

Before his capture, Olivar Solarte was the FARC leader responsible for managing all sales and financial transactions for the Southern Bloc FARC’s coca and alleged to also serve as the chief of all FARC operations in Ecuador. He was known to “not have to hide in the cover of the jungle and walk freely in the sunlight shining on the villages Lago Agrio, Puerto Nuevo, and La Punta.”<sup>30</sup> Solarte is also attributed with

establishing a network of medical clinics where FARC rebels wounded in combat can receive medical attention in Ecuadorian medical facilities in Quito and Lago Agrio.<sup>31</sup>

On July 13, 2005, three FARC fighters were captured in Ecuador. The three were apprehended in a Quito hospital where one of them was seeking medical treatment for a bullet wound. One individual was identified as Juan Carlos Vera, a presumed chief of the FARC's 48th Front. The police also arrested two other Ecuadorians who were hired to drive the three FARC members from Lago Agrio to Quito.<sup>32</sup> These are all clear examples of how Lago Agrio is used by the FARC as a key sanctuary and support zone for exercising command and logistical operations to include serving as a major transportation, medical, and supply node.

Today, the FARC has been weakened by Colombia's military campaign against it, including the killings of several FARC commanders in 2007. On March 1, 2008, the Colombian air force attacked the clandestine camp of the FARC in a remote region of northeastern Ecuador, called Angostura in Sucumbíos Province (a few miles downriver from Lago Agrio) along the Putumayo River, killing its second in command, Raul Reyes, and 24 other people. There were also three female survivors to include one Mexican. This was the inevitable proof that the FARC had been using Ecuadorian territory for years to rest, train, resupply, and command and control operations inside Colombia and were mixing with other internationals.

With the success of "*Plan Colombia*" the FARC threat appears to have migrated even deeper into the bordering countries of Ecuador, Brazil, Peru, and Venezuela. The Commander of the Ecuadorian Napo Jungle Brigade, General Fabian Narvaez, who is

responsible for protecting the border with Colombia, confirmed to the Colombian newspaper, El Tiempo:

The FARC have changed their strategy and are now trying to confuse themselves among the refugees, peasants, and merchants in the border settlements, so that from there, they can maintain a logistic network that allows the trafficking of drugs, arms, and subsidized fuels.<sup>33</sup>

The FARC have an elaborate illicit Intelligence Service and a very good informant system with the local populous that assists with supporting all types of nefarious activity. This type of “embedded” early warning system and corrupt Ecuadorian security forces is why Colombian President Uribe attacked; fully knowing FARC leader Raul Reyes was inside Ecuadorian territory, without notifying Ecuadorian President Correa. This activity continues with a more active covert presence of FARC guerrillas that are more and more blending in with the local population.

General Navarez went on to report that “under the cover of human rights activism,” many FARC guerrillas have “legalized themselves,” by claiming to be displaced people. With the assistance of the controversial Latin America Human Rights Association, these displaced people were indiscriminately handed out 5,000 ID cards to facilitate their stay in Ecuadorian territory. Navarez affirms that these “displaced peasants” have been given cameras, video recorders, and communications equipment that they have used to create an information network where they try to gather evidence on the patterns of behavior of the Ecuadorian military forces.<sup>34</sup>

Since the 2008 Colombian raid, Ecuador has at least appeared to increase their operational tempo in confronting the FARC and counter-drug activities. As of August 2008, Ecuador’s security forces claimed to have seized 34 FARC bases and drug labs and made 26 arrests in the Lago Agrio region. However, not a single FARC rebel has



been captured in any of these raids because the rebels are so well entrenched, that they are tipped off by informants and by the Ecuadorian Army who have a practice of alerting the FARC in advance of pending operations.<sup>35</sup>

### Terrorist Groups

There is controversy over if the FARC can be classified as a terrorist group.<sup>36</sup> The U.S. State Department and European Union does because they are a major source of money laundering and assist in the exportation of drugs world-wide. Colombia also classifies the FARC as a terrorist organization because it considers narcotics a national security threat because the FARC obtain their money from an “international narcotics economy” to conduct war against the Colombian state and its people. However, the Ecuadorian government refuses to label the FARC a terrorist organization, politically preferring to refer to them as “irregular forces.”<sup>37</sup>

Regardless, there is a nexus between FARC and TOC networks near Lago Agrio because they are one in the same. In addition, as a result of transnational terrorism, illicit drug and weapon trafficking, “narco-terrorism” is rampant and there are multiple ways to connect terrorist groups back to the drug trade. Alliances exist at both ends of the continuum, with TOC groups seeking alliances with terrorist organizations, both for short term and long term agreements usually used to gain expert knowledge, money laundering, counterfeiting, bomb making, operational support, and access to smuggling networks.<sup>38</sup>

The FARC, TOC groups, and terrorist networks use the same smuggling routes, intelligence networks, similar methods of money laundering, and take advantage of already seeded corrupt officials. A clear example of the breadth of these emerging “loose” alliances between TOC and terrorist groups for mutual benefit emerged from

*“Operation Titan”*- a 2008 counter-drug operation executed by Colombian and U.S. officials. After a two-year investigation, they dismantled a drug network that had linkages from Colombia to Panama, Mexico, West Africa, the United States, Europe, and the Middle East. One of the key money laundering experts was a man named Chekry Harb, (alias “Taliban”) who served as a key facilitator with ties connecting the FARC to Middle Eastern radical groups, primarily Hezbollah.<sup>39</sup>

By far, one of the most recent events that truly shows the high level interaction of the nexus between TOC drug cartels, the FARC, and the Ecuadorian military is the very recent arrest and follow on operations that resulted in eight tons of cocaine (which most likely belonged to the FARC) being uncovered in Ecuador. On October 13, 2009, Ecuadorian Army Captain Telmo Castro (who was under police surveillance for four months) was arrested during a drug sting operation.

CPT Castro was the commanding officer of the Communications and Electronic Warfare Group- an elite Military Intelligence unit that had access to the highest levels of secret intelligence information. The Police linked CPT Castro to an international drug trafficking network and mounted an operation to arrest him while traveling on the Lago Agrio road (Route 45) where he was apprehended while escorting a truck where 557 kilos of cocaine were found hidden in the truck walls. He was also riding with a Colombian national. Intelligence gained from this operation and other documents found at his house revealed that CPT Castro was the trusted agent of Oliver Solarte.

Future operations lead to eight tons of cocaine being seized in four Ecuadorian Provinces, which according to police all belonged to the FARC’s Solarte. The cocaine had been stockpiled in various locations since early 2009 and was going to be shipped

to the United States when the total amount reached 12 tons with the logistical help of a Mexican cartel.<sup>40</sup> This clearly shows the level of corruption within the highest levels of the Ecuadorian security forces, the multiple interactions between the FARC, Colombian drug cartels, and the linkage to outside TOC organizations such as the Mexican and U.S organized drug cartels.

There is also strong evidence that Ecuadorian government officials at the highest level have documented relationships with not only the FARC but TOC cartels that were directly assisting the FARC in moving cocaine to Mexico. Several of president Correa's senior advisors to include Gustavo Larrea, minister for internal and external security, and his deputy, Jose Ignacio Chauvin regularly met with FARC commanders and offered to remove certain Ecuadorian military commanders in the Lago Agrio region so the FARC would not be under so much pressure. Document and media exploitation and analysis of Raul Reyes' captured computer hard-drive concluded that \$400,000 FARC dollars were transferred to support Correa's 2007 election campaign.<sup>41</sup>

#### Global Security Impacts

The activities carried out by the FARC and TOC organizations in the Lago Agrio area affect local and regional security as well as national and global stability. Colombia is suffering from an increase of arms and ammunition due to the "drug for weapons" barter exchange that takes place between the FARC and TOC drug cartels. Ecuador suffers from a large refugee population fleeing war-torn Colombia and large Internally Displaced Persons (IDP) along with large quantities of the refined cocaine product ready for export throughout the world.

The cartels that are involved in trafficking drugs through the region are large inter-connected organizations. By the nature of their business, they are constantly in

contact with international criminal organizations throughout Colombia, Mexico, Central America, the United States, and Europe, to name a few. Illegal drugs transit through Ecuador and the drug money is easily laundered in Ecuador's "dollarized" economy. Lago Agrio serves as a hub since it has the infrastructure and a road network that connects it to the much sought after Ecuadorian ports of Guayaquil, Manta, and Esmeraldas.

### Weapons Proliferation

Ecuador plays an important transshipment role for arms traffic to Colombia's armed groups. Just as Ecuador's natural geography, road network and infrastructure are used to move drugs to its Pacific coastal ports, conventional arms primarily sourced from Central America reach Ecuador through these reverse transshipment routes. According to a former FARC fighter, "Ecuador has become the center of the black market in weapons smuggling for insurgent groups operating in Colombia, and the best client for these weapons is the FARC."<sup>42</sup>

The FARC regularly use the Lago Agrio border region as a safe haven for logistical weapons caches and smuggle arms, ammunition, and medical supplies into Colombia to support operations. It is an "open secret" that Ecuador plays a major role in arms trafficking to illegal groups in Colombia through the Amazon "strategic corridor" border regions. One of the three key arms smuggling routes utilized is the Lago Agrio to San Miguel to Puerto Asis, which connects Sucumbíos Province in Ecuador with the Putumayo Province in Colombia.<sup>43</sup> A 2004 International Crisis Group report estimates that there are 26 arms trafficking routes from Ecuador that reach FARC forces primarily in the Colombian provinces of Putumayo and Narino where arms are bought with illegal drugs, often on the simple exchange of one kilo of cocaine for one AK-47 assault rifle.<sup>44</sup>

There is even evidence of an arms smuggling network with ties from Peru to Lago Agrio. Peruvian intelligence has confirmed a Peruvian-Ecuadorian-Colombian arms smuggling network that supplies the FARC with combat equipment stolen from the Peruvian military. The organization's ringleader is a Colombian woman, Gilma Montenegro Vallejos (alias Norma) who worked under orders from the FARC's Southern Bloc chief of finances and logistics- Oliver Solarte. Norma had ties to a Peruvian woman named Luz Gonzales Perez, (alias "Zonia") who was buying and stockpiling rifles, revolvers, pistols, grenades, missiles, and ammunition from corrupt Peruvian military officials and supplying them to the Ecuadorian mafia, connected directly with the FARC. The intelligence agents determined that Zonia had visited the town of Lago Agrio and held a meeting with commander Solarte to coordinate the delivery of the shipment of arms.<sup>45</sup>

Weapons of Mass Destruction (WMD) production in Ecuador may seem a remote possibility, since Ecuador does not have nuclear power plants or the technology to produce nuclear energy. However, there are some possible indicators that Ecuador is moving in this direction by publicly declaring nuclear aspirations for energy purposes.

Russia and Ecuador recently signed an agreement on civilian nuclear power cooperation to include cooperation in geological research and development of uranium fields to include cooperation in building nuclear power plants and in nuclear fuel production.<sup>46</sup> Additionally, Ecuador and Iran signed a \$30 million dollar agreement to carry out joint mining and geological mapping activities.<sup>47</sup> With Ecuador's already uncanny ability to move large quantities of cocaine and weapons freely, obtaining and controlling uranium can be a cause for concern.

## Economic Impacts

The Lago Agrio region is economically dependent on the drug trade and is an integral part of the international cocaine route. Since the 1970s, illegal drug trafficking became a new way to make money in this region and for the last two decades, drug trafficking has been the real dominate economy in this region. Although drug trafficking is the biggest producer to the illicit economy of Lago Agrio, there are other products and services that also contribute- mainly from other “contraband-like activities.”

Lago Agrio is commonly referred to as “the warehouse of Colombia” since it serves as a logistical supply hub for practically everything. Just as drugs are smuggled through Lago Agrio, there is also the reciprocal illegal smuggling of arms and ammunition, gasoline, and logistical supplies into Colombia to support FARC activities and also the shipment of necessary chemicals needed in the production of cocaine. According to a FARC rebel who deserted in 2009 from the Ecuadorian border and is providing intelligence to the Colombian and Ecuadorian military and government, “everyone who buys cocaine comes into Ecuador through Sucumbíos Province-- even Mexicans, Ecuadorians, and gringos.”<sup>48</sup>

In addition, there is a tremendous impact in international financial markets caused by the money laundering that occurs with these illicit activities. The 11th and 13th Fronts of the FARC were cited in a confidential report of the World Bank’s Investigations and Information Directorate as being bases for transferring money from the FARC for purchases abroad. According to the document, the FARC have moved around \$1 billion dollars in the financial markets over the past 20 years. That money, “part of an economic activity that may reach \$4 billion,” is the result of payments of ransom demanded for release of people kidnapped, from extortion of businessmen, and

from selling a sort of insurance, bought by multinational organizations to ensure immunity against attacks on their facilities or leaders. The main segment in the make-up of the FARC's income comes from partnerships with TOC groups in which the FARC is accused of managing the growing relationships to move cocaine internationally.<sup>49</sup>

In 1999, Ecuador changed to using the U.S. dollar as its official currency and the restrictions on moving large quantities of money in and out of Ecuador are lax and unenforced. This has allowed Ecuador to become increasingly attractive as a money-laundering center for Mexican cartels and numerous other international TOC groups, as it has been for the FARC. Since any legitimate business or exchange for services is being backed by the U.S. dollar currency, it is very easy for drug money to be laundered through Ecuadorian businesses and their financial institutions and markets. A recent university study in Ecuador estimated that \$500 million to \$1 billion a year is laundered through Ecuadorian financial structures.<sup>50</sup> Without question, a tremendous amount of this illicitly obtained money is being transferred in the Lago Agrio area to support various criminal and political activities.

The exploitation and smuggling of natural resources is another huge issue for Ecuador. According to Ecuadorian and U.S. officials, Colombian cocaine cartels are tapping into pipelines in the Lago Agrio border area and stealing with impunity, thousands of gallons a day of "white gas" or petroleum ether, a byproduct of oil drilling. This product can be upgraded to gasoline, but cocaine makers like to use it in its native form to process raw coca into cocaine. Of all the solvents that can be used to fuel cocaine refining processes, "white gas" is sought after since it is the cleanest and most

abundant. It is estimated that of the 10,000 gallons of “white gas” crossing into Colombia daily, some 70 percent ends up in cocaine laboratories.<sup>51</sup>

Common theft is a huge issue which is sanctioned by the attitude of “the law of the jungle” - meaning that anything goes, every man is for himself, where only the strongest survive. This attitude manifests itself into a desire for anyone to turn a profit. *Petroecuador*, Ecuador’s state-run petroleum enterprise, claims that in the first 5 months of 2007 more than 80 cases of theft of cable have been reported, costing *Petroecuador* \$40-million dollars. In Lago Agrio, there are vendors selling copper, bronze, aluminum, steel, batteries, radiators, and lead. The copper-cored cable is desirable because it can be used to manufacture munitions and artillery. This condition was so serious that President Rafael Correa announced in 2007 that orders have been given to “militarize” the Amazonian hydrocarbon facilities in order to deal with the illegalities and robberies perpetrated at the region’s oil wells.<sup>52</sup>

### Societal Impacts

The Lago Agrio region is the biggest entry corridor for Colombian immigrants and refugees fleeing to Ecuador from the bordering Putumayo and Narino Provinces after being affected in an endless war involving paramilitary forces and narco-traffickers. This ongoing conflict has created a huge “spill-over” effect and humanitarian refugee crisis for Ecuador with an estimated 150,000 people seeking refuge in Ecuador over the past decade. By the end of 2012, there were 55,791 who officially sought asylum and 98 percent of these recognized refugees were Colombian. From January to June 2012, an estimated 1,500 Colombians entered Ecuador monthly and it is estimated that on a yearly basis, there will be an additional 18,000 asylum seekers entering the border regions annually.<sup>53</sup>



The Lago Agrio region receives the largest influx of these refugees and also presents many logistical and security challenges for humanitarian work. Ecuadorian military officials fear Colombian FARC rebels are also streaming in, using the refugees as cover. There is a security concern because the threat groups are not easily recognized and during the day, these refugees can be dressed in civilian clothes, but at night that same person could wear camouflage.<sup>54</sup>

Ecuador has one of the most lax visa policies in the world and the Illicit human trafficking is a growing business. Chinese, Indian, and African human smuggling networks are increasingly using Ecuador as a major transient hub since it is the easiest area to hide foreign human cargo. With Ecuador serving as a major hub, smugglers move their cargo through Central America, to Mexico, then to the United States.<sup>55</sup>

#### Recommendation and Conclusion

Ecuador and specifically the Lago Agrio region pose a volatile, uncertain, complex, and unambiguous threat that requires further analysis, understanding, and management within a comprehensive, integrated whole of government approach. This threat manifests itself in multiple concerns ranging from regional security and instability; high level corruption; illicit drug, weapon, and people smuggling; weakened governmental, judicial and legal institutions; money laundering and global financial market manipulation; trade and energy concerns; IDPs and refugee crisis; and alliances between TOC groups, the FARC, and terrorists groups as well as alliances with hostile states such as Iran seeking advantages and opportunities.

Since the early 1990s, the border area of Colombia and Ecuador has been associated with drug trafficking and other illicit activities. Although the leaders of Colombian guerrilla groups and drug cartels have changed and new rival splinter groups

constantly emerge, this area will always be a haven for the FARC and TOC groups who are highly organized actors with long term structures. With Ecuador's fragile democracy, failing economy, weak military and high level of corruption, illicit activity is almost guaranteed to continue to exist, especially in the Lago Agrio region.

At least Ecuadorian officials have acknowledged that there is security related problems in the Lago Agrio area and have taken some steps to give the appearance that they are taking steps to mitigate the insecurities posed by the region. On April 24, 2007, Ecuadorian President Rafael Correa formally introduced "*Plan Ecuador*," which is based on the idea of "oponer la paz a la guerra" ("replacing war with peace"). The plan provides increased security and reliable development along its northern frontier region by focusing on strengthening international and regional relationships, social development of the area, and defense of the population and Ecuador's national territory.<sup>56</sup> While "*Plan Ecuador*" presents numerous admirable goals, the proposal itself lacks the strong detailed structure necessary to attract international aid and support. Compounding the issues are amiable relations between the Ecuadorian government and such U.S. adversaries as Venezuela's Hugo Chavez and Bolivia's Evo Morales.<sup>57</sup>

In 1999, Ecuador signed a ten-year agreement with the United States allowing its Southern Command to establish a Forward Operating Location (FOL) in Manta port on the pacific coast, to support counter-narcotics operations in Colombia. The agreement allowed U.S. planes to land at the Manta airport and carry out monitoring operations over Ecuador and Colombia. However, Ecuador did not renew the lease, which just expired in 2009. It would be in the best national interest of the United States to

renegotiate establishing this FOL to assist with providing Intelligence, Surveillance, and Reconnaissance (ISR) assets and analytical assets to focus on the Lago Agrio region. The United States should also look at strengthening bilateral agreements, and upon invitation, assist in Foreign Internal Defense (FID) operations to train the Ecuadorian military to establish security in their country.

Lago Agrio is a hidden ungoverned territory or “black spot” that is a central node to the many security related issues of Ecuador that has tremendous influence in the region. The emergence of new state and non-state TOC groups in Ecuador along with their “hybrid alliances” with regional and international terrorist organizations and states that sponsor them pose a growing, dangerous, and immediate security threat to the United States and international community. The United States should prioritize Ecuador and in particular target the Lago Agrio region for intelligence collection and further analysis. Intelligence assets cannot look everywhere in Latin America, but there is enough open-source indicators presented in this paper to help focus collection and analytical efforts on this region.

## Endnotes

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<sup>2</sup> The author refers to Black Spots as regions in the world that are outside of effective governmental control, controlled by alternative, mostly illicit social structures, and capable of breeding and exportation of insecurity (e.g., illicit drugs, conventional weapons, terrorist operatives, illicit financial flows, strategic/sensitive know-how etc.) to the international community. They operate relatively hidden, “under the radar” and receive little international media attention.

<sup>3</sup> While the town has been formally renamed Nueva Loja, everyone in the region refers to it as Lago Agrio, meaning “Bitter Lake,” named after Bitter Lake, Texas, the home of the Texaco oil company which began oil exploration in the region in the 1960s.

<sup>4</sup> National Geospatial Agency, 2009. Accessed from the National Geospatial Agency map database in Intelink, <https://www.intelink.gov/sharepoint/default.aspx> (accessed March 1, 2013).

<sup>5</sup> Gabriel Marcella, "War Without Borders: The Colombian-Ecuador Crisis of 2008," December 16, 2008, 16, <http://www.StrategicStudiesInstitute.army.mil/pubs/display.cfm?pubID=891> (accessed January 10, 2013).

<sup>6</sup> The self-proclaimed "Bolivarian" states include Venezuela, Ecuador, Bolivia, and Nicaragua. They take their name from Simon Bolivar, a revered 19<sup>th</sup>-century leader of South American independence from Spain.

<sup>7</sup> Gabriel Marcella, "American Grand Strategy for Latin America in the Age of Resentment," September 2007, 30, <http://www.strategicstudiesinstitute.army.mil/pdf/files/pub811.pdf> (accessed February 4, 2013).

<sup>8</sup> Ecuador Visa Requirements Webpage, <http://ecuador.visahq.com/> (accessed February 2, 2013).

<sup>9</sup> Douglas Farah and Glenn Simpson, *Ecuador at Risk: Drugs, Thugs, Guerillas and the Citizens Revolution*, (Alexandria, VA: International Assessment and Strategy Center, January 2010): 98.

<sup>10</sup> Jorge Enrique Rojas, "La Bermeja, a FARC Port in Ecuador," Cali *El Pais*, February 6, 2006, in Open Source Center (accessed December 2, 2012).

<sup>11</sup> U.S. Government National Imagery Mapping Agency, 1999. Accessed from the National Geospatial Agency map database in Intelink, <https://www.intelink.gov/sharepoint/default.aspx> (accessed February 2, 2013).

<sup>12</sup> Marisol Gomez, "FARC Drug-Trafficking on Border with Ecuador Benefitted from Breakdown of Relations," Bogota *El Tiempo*, March 1, 2009, in Open Source Center (accessed February 2, 2013).

<sup>13</sup> Instituto Nacional de Estadística y Censos Webpage, <http://www.inec.gob.ec/cpv/> (accessed February 2, 2013).

<sup>14</sup> UNHCR Global Appeal 2013 Update Ecuador, <http://www.unhcr.org/cgi-bin/texis/vtx/home/opendocPDFViewer.html?docid=4ec2310bb&query=ecuador> (accessed February 2, 2013).

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<sup>16</sup> Irene Caselli, "Tackling Ecuador's Refugee Buildup," *Christian Science Monitor*, June 24, 2008, <http://www.csmonitor.com/World/Americas/2008/0624/p07s03-woam.html> (accessed December 15, 2013).

<sup>17</sup> The Central Intelligence Agency World Fact Book Ecuador Online, <https://www.cia.gov/library/publications/the-world-factbook/geos/ec.html> (accessed February 1, 2013). Data is derived from 2010 Census.

<sup>18</sup> Maggy Ayala, "On Border, FARC Mixing in with Civilian Population," Bogota *El Tiempo*, March 1, 2009, in Open Source Center (accessed February 1, 2013).

<sup>19</sup> June S. Beittel and Clare Ribando Seelke, *Colombia: Issues for Congress*, Congressional Research Service, August 7, 2009, (Washington, DC): 6.

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<sup>21</sup> Paul D. Taylor, *Latin America Security Challenges, A Collaborative Inquiry from North and South* (Newport, RI, U.S. Naval War College, Newport Papers 21),17.

<sup>22</sup> Marisol Gomez.

<sup>23</sup> Kelly Hearn, "Drug Cartels Siphon Pipelines: Use White Gas to Turn Coca into Cocaine," *The Washington Times*, June 4, 2008, <http://www.washingtontimes.com/news/2008/jun/4/drug-cartels-siphon-pipelines/print/> (accessed January 10, 2013).

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<sup>25</sup> Jorge Enrique Rojas, "La Bermeja, a FARC Port in Ecuador," Cali *El Pais*, February 6, 2006, in Open Source Center (accessed January 21, 2013).

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<sup>27</sup> "FARC, Ecuador and Secret Non-Aggression Pacts," May 15, 2003, <http://www.stratfor.com/> (accessed March 1, 2013).

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<sup>30</sup> Marisol Gomez.

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<sup>34</sup> Ibid.

<sup>35</sup> Frank Bajak, "Ecuador's Challenge: Dislodging Colombian Rebels," *USA Today Online*, August 30, 2008, [http://usatoday30.usatoday.com/news/topstories/2008-08-30-1648661946\\_x.htm](http://usatoday30.usatoday.com/news/topstories/2008-08-30-1648661946_x.htm) (accessed February 28, 2013).

<sup>36</sup> Colombia has three terrorist groups that have been designated by the Secretary of State as Foreign Terrorist Organizations: the leftist Revolutionary Armed Forces of Colombia (FARC), the leftist National Liberation Army (ELN), and remaining elements of the rightist paramilitary United Self-Defense Forces of Colombia (AUC). With more than 32,000 members demobilized, the AUC remained inactive as a formal organization, but some AUC renegades continued to engage in criminal activities, mostly drug trafficking. The ELN, which had dwindling memberships and reduced offensive capability, has participated in peace talks with the Colombian government, but no agreements have been reached.

<sup>37</sup> Gabriel Marcella, "American Grand Strategy for Latin America in the Age of Resentment," 32.

<sup>38</sup> MG(R) Alvaro de Souza Pinheiro, *Narcoterrorism in Latin America, A Brazilian Perspective*, (Hurlburt Field, FL: Joint Special Operations University Report 06-04, April 2006): 12.

<sup>39</sup> Douglas Farah, *Transnational Organized Crime, Terrorism, and Criminalized States in Latin America: An Emerging Tier-One National Security Priority*, (Carlisle Barracks, PA: Strategic Studies Institute, August 2012):26-27.

<sup>40</sup> Unattributed article, Quito *El Comercio*, "Drug Trail Leads to Solarte," October 13, 2009, in Open Source Center (accessed February 15, 2013).

<sup>41</sup> *The FARC Files: Venezuela, Ecuador and the Secret Archives of Raul Reyes*, (Washington, DC: International Institute for Strategic Studies, May 2011): 188-190.

<sup>42</sup> Unattributed article, "Smokescreen," *Bogota Semana*, November 10, 2003, in Open Source Center (accessed February 2, 2013). The most common firearms entering Colombia were the Mak-20 Sporter, manufactured in China, and FAL anti-tank grenades. These weapons would sell legally for an average of \$200-\$300 dollars, but they were sold in Colombia for approximately \$1,100 dollars.

<sup>43</sup> Ibid, 4. The other two major smuggling routes were identified as the Esmeraldes-Tumaco-Guachucal and Pasto in Narino province; the other is the Pan-American Hi-way: Quito-Ibarra-Tulcan-Ipales.

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<sup>45</sup> Doris Aguirre, "War Material Stolen from Armed Forces, Sold to FARC," Lima *La Republica*, April 2, 2007, in Open Source Center (accessed March 7, 2013).

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<sup>51</sup> Kelly Hearn.

<sup>52</sup> Unattributed report, "Petroecuador Turning to Military to Curb Robbery," *Guayaquil El Universo*, May 11, 2007, in Open Source Center (accessed February 12, 2013).

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<sup>55</sup> Douglas Farah and Glen Simpson.

<sup>56</sup> It consists of seven principle ideas: Institutional strengthening for peace and development, reinvigorating the economy and increasing employment, improving the basic social infrastructure, sustainable management of natural resources, administration of justice and control of illicit activities and products, human rights, humanitarian assistance, and sheltering refugees, and Protection of national sovereignty and the integrity of the state.

<sup>57</sup> Lydia Pardini and Raylsiyaly Rivero.

