

Political Economy & Illegal Drugs in Colombia

Francisco E. Thoumi

**STUDIES
ON THE IMPACT
OF THE
ILLEGAL DRUG
TRADE**

VOLUME TWO

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POLITICAL ECONOMY AND ILLEGAL DRUGS IN COLOMBIA

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Francisco E. Thoumi



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POLITICAL ECONOMY
AND ILLEGAL DRUGS
IN COLOMBIA

STUDIES ON THE IMPACT OF THE ILLEGAL DRUG TRADE
LaMond Tullis, Series Editor

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A Project of the
United Nations Research Institute
for Social Development (UNRISD)
and the
United Nations University (UNU)

*In memory of Luis Carlos Galán and Enrique Low-Murtra,
who tried to live true to their principles*

Foreword

• • •

LAMOND TULLIS

Francisco Thoumi has written an insightful, intriguing, even provocative treatise on Colombia's political economy and illicit drugs industry. He considers the two a culmination of a historical process that conventional "mainstream" and "left" economists have interpreted unsatisfactorily. Thoumi advances an alternative "institutionalist" perspective as a better interpretive model. The policy implications for illicit drugs are as astonishing as they are sobering.

Thoumi's analysis leads him to argue that for a quarter century or more Colombian political and economic institutions have progressively lost their legitimacy. The resulting caldron of violence, distrust, greed, and manipulation has all but invited the illegal drugs industry to step in and take advantage of a deteriorating situation.

Colombia's historical political economy, now overlaid with an illicit drugs industry, serves to delegitimize a capitalist, democratic economy and polity. Current drug-control efforts produce the unintended consequence of hastening the process through an increase in violence, militarization, and compromised government.

To reclaim legitimacy Colombia needs to implement a profound "national project of economic democratization." Doing so will require substantial political and economic reforms. However, because the delegitimation process is so advanced, the existence of Colombia's illicit drugs industry is a large obstacle to any such reforms: it promotes violence, concentrates income and wealth, feeds the underground economy, opposes some socially progressive reforms, and weakens the state. All these unfortunate consequences are exacerbated by a U.S. policy that focuses on supply suppression abroad as a means to control illicit-drug consumption at home.

Unfortunately, the elimination of the illegal industry itself as one way to enhance a national project depends on factors outside the

control of the Colombian government—resting largely in international demand for illegal drugs or major consumer countries' domestic policies that promote clandestine profits through illegality. Because such outside factors are unlikely to change soon, the ability of Colombia's government to undertake a nation-building project after the fashion of democratic capitalism is not good.

Nevertheless, there are opportunities within Colombia which, if seized, could ameliorate the difficult national situation. In discussing them, Thoumi argues that the first task is to gain a clear understanding of the intermeshing of Colombia's political economy and the illegal drugs trade—their historical roots, the cultural ambience out of which both have developed, the cyclical reinforcement of a regime of control that is now totally counterproductive for Colombia's long-term well-being with respect to illicit drugs or anything else. On this understanding hinges the consequential impact of all illicit-drugs control initiatives.

Beyond dealing with matters of production, traffic, illicit-drugs control policies, and the socioeconomic and political impacts of all three, Thoumi's wide-ranging discussion treats a matter seldom discussed in political economy studies of the illicit-drugs traffic: the consumption of psychoactive drugs and drug addiction within principal producer countries. Contrary to expectations, Thoumi's findings—informed by an analysis of psychological and economic theories of drug consumption and addiction—show that alcohol and tobacco are the chief drug problems in Colombia, although the drugs under discussion here (principally coca derivatives, heroin, and marijuana) are making inroads. Among these, *bazuco* (coca paste mixed with tobacco and then smoked) is more frequently associated with multiple addictions. It is seen as a problem because of its link with violence, criminality, and difficulties in the workplace and home. But these drugs do not constitute the epidemiological problem in Colombia one would normally expect on the basis of availability, price, and social correlates. Drug-control policies for Colombia must therefore be considered in a different context than, say, for the United States.

Thoumi's excellent book is part of a multicountry study of the socioeconomic and political impact of production, trade, and use of illicit narcotic drugs. The project has been sponsored by the United Nations Research Institute for Social Development (UNRISD), the United Nations University (UNU), and Brigham Young University (BYU).

The project has been developed in two phases. The first, a review monograph and annotated bibliography entitled *Handbook of Research on the Illicit Drug Traffic: Socioeconomic and Political Consequences* (Westport, Conn.: Greenwood Press), was issued in 1991. The second phase is a series of country-specific books and monographs that both

describe and analyze the interplay of economics, politics, society, and illicit drugs and drug-control policies through a careful analysis of causes and consequences of production, trade, consumption, and control.

Since the early 1980s the national and international traffic in and consumption of cannabis, opiate, and coca derivatives has exploded, perhaps now tapering off in the United States but vigorously expanding in Western and Eastern Europe and the republics of the former Soviet Union. Consumption has also rapidly increased in the principal so-called producer countries (e.g., Peru, Bolivia, Colombia, Mexico, Myanmar, and Afghanistan).

The socioeconomic and political costs of consumption and efforts to suppress it have mounted. Unfortunately, policy initiatives to reduce those costs have, in the worst cases, simply aggravated the problem, and in the best cases, they have apparently had only marginal impact.

Although the literature on illicit drugs is now rapidly expanding, most of it has focused on consumption and drug-control problems in major industrialized countries. Less attention has been paid to the impact of production, trade, and consumption of illicit drugs and international control policies in the developing countries. This is highly unfortunate, because illicit-drugs control initiatives have been mostly concentrated on supply-reduction efforts in developing countries. In the wake of a general failure of these supply-reduction strategies to control consumption anywhere (indeed, they may have served to expand it), a strong shift is now expected in international drug-control efforts.

The purpose of the country studies in this *Studies on the Impact of the Illegal Drug Trade* series is to expand the level of information and awareness about costs and consequences of the present policies and to consider the implications of proffered new solutions for developing areas. We desire to contribute to an enhanced quality of policy review discussions by bringing together a rich array of historical and contemporary information with careful analyses regarding specific countries. Francisco Thoumi's book makes a substantial contribution to this effort.

Aside from acknowledging the financial support of the UNRISD, the UNU, and BYU, we thankfully acknowledge the excellent support from Chelita Pate and her BYU staff of assistants in preparing the country study manuscripts. Lani Gurr, in particular, has rendered matchless service to this project. Susan Manning Sims, associate managing editor of publications at BYU's Kennedy Center for International and Area Studies, lent her substantial expertise to an editing of the entire manuscript.

LaMond Tullis

Preface

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During the twentieth century Colombia has experienced exceptionally turbulent social, economic, and political changes. These have been characterized by relatively fast economic growth, high levels of violence, and, in the past twenty-five years, pervasive growth of an illegal psychoactive drugs industry. Colombian and foreign analysts have observed these changes from differing perspectives and ideologies. Most have provided unsatisfactory explanations of the deeply disturbing, puzzling, and challenging social phenomena now affecting Colombia.

In this book I attempt to develop an alternative interpretation of the social, economic, and political changes in Colombia. In so doing I move beyond my formal training as an economist. This is especially necessary because traditional economic interpretations of Colombia's history are inadequate. I hope that my effort helps to improve understanding of the Colombian drama and its development process.

At the outset I give three warnings to the reader. First, I have not written an academic volume; indeed, I am not an academic economist in the traditional sense. I am an applied economist with extensive experience in Latin American and Caribbean countries, both as an independent research consultant and as a staff member of the National Planning Department of Colombia, the World Bank, and the Inter-American Development Bank.

Second, the main goal of this volume is to explain a complex development process, which requires my moving across the formal disciplines in which professions and academic institutions are organized. However, I certainly do write from the perspective of an economist. In order to follow the arguments developed in this volume the reader should be literate in basic introductory economics. I have placed a short glossary before the bibliography to aid those unfamiliar with some economics concepts.

Third, although development and change in many countries may look the same on the surface, during my twenty years as an applied

economist I have found that every country has a unique “story” to tell. Every country has its own institutions and history that condition its political economy and development policies. Beyond this uniqueness, however, lie the eyes and minds of the analysts. As every individual’s interpretation varies, it is understandable that we should have not only unique experiences but unique views about these experiences. In this volume I develop my own interpretation of Colombia’s processes of change and the growth of its illegal psychoactive drugs industry. I expect this interpretation to be controversial. Some parts of it may be eventually disproved. However, I am convinced that only by daring to put forward alternative interpretations and engaging in subsequent open debate can we improve our understanding of a deeply troubled society such as Colombia’s.

Some readers may think that this is an awkward volume, that perhaps it should have been issued as two books—one on Colombian political economy and another on the Colombian illegal drug industry. I have opted to have only one volume precisely in order to show that the two subjects are intimately related and cannot be understood independently of each other.

The first part of the book deals with Colombia’s economic development and its political economy. Here I attempt two things. The first is to analyze Colombia’s post–World War II economic development in an effort to understand the deep social and economic changes the country has experienced and the reasons that economic policies were formulated and implemented. Following this, because the common explanations of this process appeared to me to be unsatisfactory, I have heuristically developed an explanation that differs from mainstream economics on the one hand and from traditional political left theorizing on the other. This alternative interpretation views political and economic variables as parts of an interactive whole. I have thus tried to establish links between political party development, the characteristics of the development process, the extremely high violence that characterizes Colombia, and other socioeconomic variables.

The second and third parts of the book deal with the illegal psychoactive drugs industry. In Part 2, I summarize what is known about the illegal drugs industry in Colombia—its history, structure, entrepreneurs, size, government policies—and develop a theory to explain why the marijuana industry burgeoned in Colombia in the early 1970s, to be followed by cocaine refining. I thus try to answer a simple but important question: why Colombia?

Part 3 deals with the impact of the illegal drugs industry on Colombia and the policy alternatives open to the Colombian government to

relieve some of the nation's distress. The impact of the industry on the economy is analyzed, addiction theories are surveyed to understand Colombian addiction patterns, and an evaluation of supply and consumption control policies is set forth.

I extend sincere thanks to Dharam Ghai, director of UNRISD in Geneva, for inviting me to participate in the Institute's research program on illicit drugs. I owe the most to LaMond Tullis, of Brigham Young University, who directed the project and who encouraged me during the last two years. I also thank Albert Berry of the University of Toronto, Thomas Hutcheson of the World Bank, Rensselaer Lee III of Global Advisory Services, and an anonymous reviewer for keen and helpful comments on earlier drafts. As always in these cases, I heeded some suggestions but did not follow others.

In Colombia, several individuals helped me collect data and other information and debated many ideas for the book. In particular, I thank Manuel Ramírez, Juan G. Tokatlian, Ana María Avilés, Mauricio Reina, and Alejandro Vivas of the Universidad de Los Andes, Francisco Leal and Alejandro Reyes of the Universidad Nacional de Colombia, Guillermo Bonilla of the Departamento Nacional de Planeación, Carlos A. Carvajal, María Elsa Pulido, Alvaro Rodríguez, and María Cecilia Castro of the Unidad Coordinadora de Prevención Integral de la Alcaldía Mayor de Bogotá, D.C., and Juan Manuel García of Econometria Ltda.

F.E.T.



Population Concentration and Main Coca and Marijuana Growing Areas in Colombia

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Introduction

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Colombia's image in the early 1990s is of a country with a large, powerful illegal psychoactive drugs (PSAD) industry that is responsible for high levels of violence. While this is no doubt true, the description paints only a partial and imperfect picture of Colombia's economy and society. The role illegal drugs and violence have played in Colombia's recent economic and social development is complex and unclear. Taken alone, they cannot explain many important features of change in Colombia. Any attempt to explain why the illegal PSAD industry has flourished in the country, what short- and long-term effects it has had on the economy and on the country's social fabric, and how it has tried to become assimilated into Colombia's mainstream society, requires a deep understanding of Colombia's history and political economy. One must also understand relationships among the state, the legal private sector, the illegal PSAD industry, the non-PSAD underground economy, various political parties, and other social and political organizations.

Colombia's post-World War II social and economic development has been rather paradoxical. On one hand, during most of the period, Colombia has enjoyed a relatively satisfactory and stable income growth. Life expectancy, nutrition, health, and education levels have improved substantially. The growth of infrastructure has been impressive and the country has developed an integrated national market from a collection of small, fairly isolated, nearly self-sufficient regional economies. In addition, available data indicate that over the last twenty years income distribution has improved substantially—mainly due to a narrowing of the salary gap between unskilled and skilled workers (Londoño, 1990). Macroeconomic policy management has been conservative, allowing Colombia to escape many economic difficulties experienced by other Latin American countries. For example, during the 1970s Colombia borrowed cautiously on international markets, avoiding the debt crisis that affected the rest of Latin America.¹ As a result, the country did not experience drastic

balance-of-payments and external-debt crises, a sharp increase in unemployment, or a decline in national income. Indeed, since World War II, Colombia's economic growth was actually more stable than that of the United States (García-García, 1991). The country's economic successes were accompanied by political ones, and Colombia has a comparatively outstanding record of elections and transfers of power between civilian governments.²

Despite Colombia's economic success, certain key variables have shown troubling signs. In particular, GDP growth rates declined sharply during the 1980s, to the point that now, achieving an annual GDP growth rate of 5.5 percent would be considered a great success, even though that was the average between 1960 and 1980. The government's concern with declining growth rates was the main justification for the Barco administration's program to open the economy (Departamento Nacional de Planeación, 1990), a program maintained by the Gaviria administration.

On the other side of the paradox, Colombia has persistently suffered a level of violence that is high by any standards. High even during peaceful times, the violence level has increased dramatically in the last decade. While actions of the army, police, guerrilla, and paramilitary groups have contributed to the increased violence, the proportion of violence not related to political activity has been much higher than in other countries. Common explanations for this unique problem include Colombians' propensity for attempting to solve conflicts violently, their frustrations with unequal income distribution, and their decreasing respect for prevailing power structures. Factors also include failed land and tax reforms, rising expectations, widespread corruption, inefficient government, a paralyzed judicial system, the rapid growth of criminal and non-criminal underground economies (especially involving marijuana, coca, and more recently poppy cultivation), and cocaine manufacturing and exporting. Regardless of whether each of these factors contributes to higher violence levels, they have, over time, weakened the government's ability to perform some of its most fundamental functions, such as providing justice and a conflict resolution system, police services, and personal security.

These factors have also contributed to a situation in which the majority of the population does not accept the current system as legitimate or worthy of respect. This continuing process of "delegitimation" expresses itself in a growing gap between the legal system (legality) and socially accepted behavior (morality).

A weak, ineffective state and persistent violence are features common to many other societies. However, in Colombia they have taken