

The Political Economy of Colombia's Protracted Civil War and the Crisis of the War System

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INTRODUCTION

Intrastate wars have been the subject of inquiry for some time and as a result we have an important body of literature on this subject. During the Cold War these conflicts were seen by some as proxy-wars fought by the superpowers to either bolster or defend their interests in various parts of the world.¹ The literature on intrastate conflicts is mainly divided into three main theoretical genres: one that underplays the internal structural causes of social conflict and highlights instead the international dimensions; a second genre that takes the opposite direction by highlighting the endogenous causes of conflict and delegating international factors to a secondary place; and finally, conflict resolution theory which focuses on the causes that lead to the termination of intrastate conflicts. This article develops a systemic approach to intrastate wars focusing on its political economy. Such an approach allows us to draw on the three theoretical genres without committing to any of them.² The nuance of the war system approach used in this article stems from applying systems analysis to local conflicts as a tool to explain the political economy of their protraction, as well as, their possible termination.³ It is worth mentioning that such application has been used widely in theories of international relations, particularly in explaining interstate conflicts.⁴ The definition of the political economy of war protraction includes two main areas: first, is the set of political and economic assets accumulated by actors in conflict; and second is the significance of these assets (measured by the actors control of territory, military force, popular support and income) and their impact on the country's distribution of resources and their allocation.⁵ The main thesis of this article is that the current escalation of the civil war in Colombia manifests the crisis of the war system precipitated by the struggle for extraction between the two hegemonic projects. The two state-making processes are increasingly constrained by diminishing political returns and by economies of scale. This crisis was triggered by the emergence of paramilitary groups as a third force seeking rents, which disturbed the comfortable impasse that allowed the emergence of the war system in the 1980s and its consolidation in the first half of the 1990s.

A war system is a pattern of interaction between two or more social groups in conflict over a period of time allowing them to form an institutionalized relationship.⁶ War systems are formed and consolidated under three main conditions, one of which is when the state institutions fail to adjudicate, arbitrate or solve social conflicts. This is the prerequisite that provides the groundwork for the system. The second condition is when antagonistic actors succeed in adapting themselves to a war situation, thus providing the system continuity and establishing a positive political economy which helps make war beneficial to their interests, whether ideological, political, cultural or economic.⁷ Succinctly stated, a positive political economy is in operation when the assets obtained by actors outweigh the costs of war, although this might not be their optimal choice or goal. These assets may be inaccessible to actors through a peaceful intercourse.⁸ The third

condition is when there is a balance of forces between warring actors that does not allow any side to gain hegemony over the others. In most cases, war system conflicts are protracted and of low-intensity and, although punctuated by occasional flare-ups, are mostly characterized by a comfortable impasse.⁹ Given the balance of forces, a comfortable military impasse is the best condition under which actors can best attain a positive political economy short of prevailing. The war system is open and interacts dynamically with its environment and other systems, e.g., social, political, cultural and the domestic and international political economies. It is dynamic because its life cycles are affected by social, economic and political changes. Other systems and institutions can coexist and even benefit from the war system; the latter provides perverse mechanisms and institutions to deal with social conflicts, resource and cultural allocation and distribution and facilitating international interventions. Cases in point are the protracted wars of Rwanda, Congo, Lebanon, Sudan, Afghanistan, Angola and Sri Lanka, where internal conflicts became battlegrounds for regional and international actors to settle accounts and gain political and economic leverage. Almost every conflict in the post-Cold War period has presented an opportunity for restructuring markets and power distribution. In Africa, the competition between France and the United States, for example, in Rwanda, Congo and Central Africa has helped in the formation and consolidation of war systems by protracting existing conflicts.

War systems have a life cycle that is largely determined by four variables. First is the ability and interest of its actors to maintain a low-intensity conflict. Second, since these players/actors do not control the game, thus the Prisoner's Dilemma of defection is always a possibility because actors may feel that by escalating the conflict (i.e., defecting) they can gain more than by maintaining the implicit rules of a low-intensity conflict (i.e., by cooperating).¹⁰ Third, the emergence of new actors can disturb the balance of the system through their struggle to find a turf, which would require a structural adjustment in the distribution of power and resources. Defections and the emergence of new actors can destabilize a war system. Finally, war systems can also be contained and dismantled by an overwhelming foreign intervention as was the case in Lebanon in 1991 when Syria intervened to end a 15-year old civil war.

The War System in Colombia, 1970-95

In an earlier article I analyzed the political economy of the war system, formation and dynamics capturing the condition of the civil war from the 1970s up to the mid 1990s.¹¹ Here I will briefly sketch that article's main findings and draw on my other works on the subject before proceeding in discussing the causes of the current crisis of the war system.

As mentioned above, the first condition for a war system is the failure of the state in resolving the core cleavage around which the polity is polarized. In Colombia the state did not succeed in resolving the conflict over land between peasants and large landlords. Historical evidence suggests that during the twentieth century the adjudication of land disputes were mostly left unresolved. Catherine LeGrand in her study of the process of peasant colonization counted more than 450 separate major violent confrontations between landless peasants (colonos) and large landlords during the period 1875 to 1930.

¹² Most of these disputes languished in the judicial system leaving peasants and landlords in a juridical twilight zone and the issue of land property rights unsettled. ¹³ The inefficient legal system and biases in land laws favoring the landed oligarchy left the two classes to negotiate their differences by violent means. Such condition was only aggravated in the subsequent decades.

The land laws and the INCORA (the state institution in charge of distributing lands) fell short in reconciling the interest of the large landowners and the peasants. Between 1961 and 1990, INCORA distributed 1.07 million hectares to about 60,000 families in the agrarian zones and issued more than 300,000 titles covering 9.2 million hectares of public land. In addition, it established more than 256 reserves, covering 25 million hectares and benefiting some 37,000 indigenous families. The total number of peasants who benefitted from the 40 years existence of INCORA's land distribution policy did not exceed 103,084. ¹⁴ In contrast, the new landed oligarchy (narcobourgeoisie) in the 1980s and 1990s acquired more than 10 percent of the country's most fertile lands with an estimated market value of \$2 billions. ¹⁵ Against this backdrop the guerrillas emerged in the 1960s in the areas most affected by land conflicts and increasingly acted to defend the interests of colonos which in turn unleashed countermeasures from landlords who started sponsoring paramilitary groups.

Equally important is to note the land conflicts have been transported from rural into urban areas and this allowed the guerrillas to assume the task of protecting the squatters such as in the popular barrios in Medellin, Bogota, Cali, Barancabermeja and Bucaramanga, and this in turn feeds into violence as a modality of conflict resolution similar to their function in areas of colonization in rural areas. ¹⁶ The military and paramilitary forces, on their part, assume the role of the protectors of landowners. In this mode the institutional failure to stabilize property rights in the rural areas has facilitated the emergence of violence as conflict-resolution mechanism and made it pervasive.

The second condition that allows the emergence of a war system is the nature of the balance of power. The balance between guerrillas as reflected by the fatality ratio remained rather stable in spite of the fact that the guerrillas increased significantly the number of their military operations in the 1990s from 546 military operations in 1985 to 1,252 in 1996. ¹⁷ This ratio fluctuated slightly from a 1:1.52 in 1986 to 1:1.54 in 1995 in favor of the military which demonstrates that the balance of power was stable over a decade of the civil war. This finding validated the existence of the second condition of a war system that neither force was able to prevail given the asymmetries. ¹⁸ Finally, the war system became viable after the main contending forces - guerrillas and the state - managed to coexist under a low-intensity war that did not disrupt nor tax their growth.

In the case of the military, its budgets increased from a 1.8 in 1988 to 3.7 percent by the end of the 1990s. Salaries of military personnel more than quadrupled during the same period and so did the ratio of military bureaucrats to fighters (6 to 1), one of the highest in the world. The bloated army bureaucracy indicates a number of things. First is that the army's structure and doctrine are designed for defensive purposes and in practice demonstrated its ill preparedness in combat. Second, such a condition did not affect the

allocation of resources nor did it jeopardize the military's prerogative in designing its own strategy and allocating its budget with minimal civilian oversight. These prerogatives were gained by the military in 1958 as a condition to relinquishing power and accepting the return of civilian rule.

The military also cashed in on the general insecurity created by the armed conflict in urban centers by creating private security companies mostly run by ex-military. These companies witnessed an economic boom and by the mid-1990s they employed more than 100,000 people mostly ex-military. These security businesses flourished in the last two decades together with increasing oil, coal and gold reserves which made Colombia an attractive place for foreign investments. With these investments came the insurance businesses and multinational security companies that are set to protect these investments.¹⁹ It is estimated that private groups (individuals and enterprises) spend about \$150 million (0.3 percent of the GNP) per year to secure their properties and for their personnel safety.²⁰ This amount does not include what the foreign companies spend on security.

By the mid-1990s the guerrillas in turn had reached new levels in terms of military strength and ability to extract protection rents from narcotraffickers, multinationals corporations, large landowners, cattle ranchers, agribusinesses and wealthy individuals. The estimated income of the guerrillas (FARC and ELN) amounted to \$300 million by 1994. The military capability and political influence of the guerrillas also grew significantly. For example, as a fighting force FARC increased from less than 5,000 fighters in the 1980s to about 20,000 by the end of the 1990s; while ELN also increased its fighting force from 1,000 to about 5,000 by the 1990s. In short, the guerrillas (FARC and ELN) reached by the mid-1990s an unprecedented level in terms of income and military strength.

In sum, from the above we can infer that all actors to the conflict capitalized on the balance of forces that did not permit anyone to prevail, but also facilitated actors to accumulate resources and augment their incomes and expand their influence.²¹ The success of the military and the guerrillas in accumulating these resources during the 1970-95 period prompted me to describe the balance of power as a comfortable impasse.²² The remainder of the article elaborates on these points and analyzes the post-1995 situation which in effect changed the dynamics of war creating new conditions demonstrating a crisis in the war system and threatening the positive political economy gained earlier by the guerrillas and the military.

The Crisis of the War System

For my purpose, rent-extraction is crucial for examining the operation and perpetuation of a war system, and evaluating its current crisis and the prospects of its breakdown. The capacity of competing actors to extract sufficient resources for war-making, state-making and protection is crucial, as Charles Tilly contended. In Colombia there are two competing hegemonic forces that represent two state-making agents.²³ The guerrilla's state-making process is yet to reach the levels attained by the bourgeois state, yet this

latter is still also in the making because its hegemony has been challenged for the last 40 years, and increasingly in the last two decades. Due to this condition of competing hegemonies, the extraction of resources for war-making, state-making and protection acquires more importance. Within the framework of competing hegemonies and state-making processes war systems become a stage in the hegemonic struggle with its own peculiar characteristics. We have to keep in mind that war systems are not the optimal rational choice of actors, but rather war systems are imposed on them by their failure to prevail.

The key in termination of a war system is the ability of an actor to extract more resources to secure a strategic advantage over its opponents that can change the correlation of forces to its own advantage. Each of the competing political agents seeks to neutralize, if not eliminate their rivals inside. This raises the prospect of an escalation in warfare that would disturb the equilibrium of the system and possibly lead to its destabilization and collapse.

The Guerrilla's State-Making and Extraction

As Tilly pointed out, to the extent that a population is divided into classes and the state extends favors to one class or another, state-making actually reduces the protection given to some classes.²⁴ In this respect, two observations are in order. The first is that the state in Colombia was unable to provide efficient protection to an important segment of the dominant class, the large landowners. That is, the returns the latter obtained on what it paid for protection and the service provided by the state was negative. This led some sectors, such as the large landowners, narcotraffickers and large cattle ranchers, to contract private armies (paramilitary groups) for their protection against their enemies. While the inability of the state to perform "efficiently" is beyond the scope of this article, a few points must be stressed. There was a general feeling among these sectors that they were not getting their money's worth in terms of protection and thus opted to other more efficient, effective/lethal and accountable agents - namely, the paramilitaries. There was a perception that the regular army was unable to contain an irregular force. International pressures to control human rights abuses, which in turn made the military's position even worse, reinforced this view.

The second observation is related to the skewed nature of the state's protection which has favored the dominant classes. This in turn has alienated the peasants and popular sectors, and enabled the guerrilla's to emerge as their protectors. Thus, for example, the Colombian Armed Revolutionary Forces', (FARC) genesis lies in the 1930s and 1940s peasants' class struggles against large landowners and since it was formed officially in 1964 it has sought to protect the interests of the campesinos, particularly in areas of colonization.²⁵ In this sense, the insurgents became a state-making project and toward that end sought rents. But they faced a problem: in the past, most guerrilla movements relied on both foreign and local sources of financing. After the Cold War, however, the foreign source was no longer available, so more self-financing was needed. Since the 1980s, the Colombia's guerrillas have relied on their own resources based on their ability to extract rent protection converting it into "fiscal and accounting structures" in areas

under their control. Thus, taxes have been levied in accordance with property size and income. Drug traffickers, multinational corporations, local business executives, large landowners and cattle ranchers are all taxed. And, of course, the guerrillas use the kidnapping for ransom as a taxing mechanism as well. In return, they provide protection, policing and market stability. A very rough estimate of the FARC extracted protection rent is in the range of \$300 millions per year. ²⁶

The guerrilla movement, which in addition to the FARC consists of the National Liberation Army (ELN), the Popular Liberation Army (EPL) and other smaller groups, has proven to be a resilient enemy of the bourgeois state and its hegemonic project. During the past three decades the guerrilla challenge has ebbed and flowed but the bottom line is that the state failed to eliminate or neutralize its rivals inside “its territory.” Nor was it able to neutralize the enemies of its clients (large landowners, cattle ranchers, commercial bourgeoisie and multinational corporations). Both hegemonic potentials sought clients’ rents. In return, they promised protection, and these practices characterized both the conflict and the crisis of the bourgeois state, which was unable to render sufficient protection to some of its main clients. The consequence of this failure contributed to two seemingly contradictory outcomes: the emergence of paramilitary groups and the increasing capability of the guerrillas to extract protection rent.

The guerrillas’ military strategy since the 1980s was to establish a military presence in the departments and municipalities that have economic resources, large latifundios and cattle ranchers, coffee, mining and oil. This is in addition to their traditional presence in such departments as Caqueta, Putumayo, Guaviare, North Santander and Middle Magdalena, areas of peasant colonization which later became foci for coca and other illicit plantations. After its Seventh Conference in 1982, FARC, the largest of the insurgent groups (with about 18,000-20,000 combatants today) decided to expand its military presence to strategic economic areas. In the words of Yazid Arteta, a FARC commander, it would go to “where the bourgeoisie is.” ²⁷ This new military strategy had two main objectives: to increase the political pressure on the state and the dominant classes and to augment the movement’s finances. The advent of coca during this period in departments where the FARC had a presence (e.g., Meta, Guaviare, Narino and Caqueta) made it possible for the guerrillas to increase rents by taxing narcotrafficking for every kilo of processed coca paste. This system of taxation was then extended to other departments, such as Putumayo, Cauca, Santander and the Sierra Nevada of Santa Marta. ²⁸ Eventually, the FARC spread far beyond the zones of coca plantation (which are also areas of peasant colonization), into almost all other departments. During 1985, the guerrillas were reportedly present in 173 municipalities. By 1991, their presence had increased to 437 municipalities, and by 1995 to 622. (This is out of 1,094 municipalities.) Thus, in only four years (1991-95) the FARC was able to increase its military presence by 44 percent. At the same time (1991-95), the ELN also managed to increase its military presence by 69 percent in the various municipalities, while the EPL increased its presence by 51 percent.

Today, the guerrillas have a military presence in all departments and have entered areas that only a few years ago were out of their reach. In exploring the modalities of their

expansion a pattern emerges: most of this expansion was toward zones of middle to higher development growth, such as the one in the “Coffee Belt” *Eje Cafetero*. There the guerrillas’ presence increased from only two percent of the municipalities in 1985 to 53 percent in 1995. In zones where latifundios are concentrated, such as in Caribbean coast, the guerrillas increased their presence from eight percent of the municipalities in 1985 to 59 percent in 1995. And in zones characterized by agro-business and rural centers of high economic activity (oil, gold, coal, emeralds, coca) their presence increased from a 13 percent to 71 percent.²⁹ This expansion was propelled, as previously mentioned, by political and economic factors. The political aspect of this expansion has to do with the guerrillas’ strategy of widening their popular support in middle-sized cities in an attempt to break their isolation in remote areas and dispute the state’s hegemony. The other component that is essential to achieving the political goals is rent extraction which opens more possibilities for expansion and growth in terms of personnel, armament, command, control and communication (C3). This is particularly true for the FARC which may be the oldest guerrilla organization in the world.

The expansion of the guerrillas started in the mid-1980s during the presidency of Belisario Betancur (1982-86), who allowed some legality and free movement of the insurgent groups. Patriotic Unity (UP), which included elements from FARC, the Communist Party and other leftist forces and independents, was a by-product of the Betancur peace efforts to incorporate the insurgents into mainstream politics. But this experiment was frustrated after the extreme right, allied with large landowners and cattle ranchers, reacted by exterminating the UP leaders, union and student activists. The end result was more than 3,000 leaders killed in a span of less than 10 years.

This political development coincided with two other major phenomena: the rapid growth of narcotrafficking which allowed more revenues and thus more rents for the two hegemonic projects; and the decision of the guerrillas to develop their armed forces and make them more professional. To achieve this latter objective, the FARC established military schools with foreign experts and sent cadres to study military strategies abroad, particularly in Vietnam and the Soviet Union.³⁰ The professionalization of the FARC forces was enhanced by the development of its command, control and communications systems, which by the 1990s allowed it to enjoy a tactical advantage over the forces of the state. The attacks against the army in Las Delicias, Miraflores, Puerres, Patascoy, Uraba and Mitu, with forces ranging between 300 and 1,000 guerrillas demonstrate that the FARC has reached a level of military preparedness unmatched in the history of the guerrilla movement in Colombia, and perhaps in Latin America. I believe these operations represent a qualitative leap in the conflict and may be an indication of a new trend, which started in the early 1990s and acquired momentum in the last four years. The total military operations carried out by the guerrillas increased by almost two fold between 1990 and 1996, from 690 military operations to 1,252 respectively.³¹

However, this increase and military preparedness in a dynamic conflict has increasing costs. For example, the attack on Mitu carried out in late October 1998, cost approximately a million dollars according to some estimates.³² This figure may be inflated, but even if one were to reduce it by half it would still be a significant cost for a

guerrilla movement that has been launching more than five attacks on this magnitude a year since 1996. During 1998, seven attacks (that involved more than 300 fighters) were carried out, thus if we calculate that each cost \$300,000 - which is a very low estimate - then we have a total of about \$2.1 million. This is only the cost of major attacks and does not include the ordinary costs of maintaining a mobile force of about 18,000 guerrillas and over 3,000 militias in urban centers.

Let us put the operational costs of maintaining an army of 18,000 combatants with the munitions, armament, C3, and logistical support at about \$80 to \$100 million per year.³³ It was estimated that FARC's annual income is in the range of \$300 million, keeping in mind that this is not a fixed income.³⁴ In other words, the FARC's income fluctuates with political, military and economic variables. For example, a decline in the market price of coca paste from about \$1,000/kilo recorded in the early 1990s to about \$700/kilo in today's market influences the political economy of taxation. Thus, with the current escalation the costs of the conflict are increasing rapidly requiring more extraction. Extracting rent for protection becomes more crucial in two ways: first, to maintain the tactical advantage that the guerrillas already have, and second, to maintain their rate of growth.

In this vein we can better understand the motivations of the FARC's decision in 2000 to promulgate an income tax (Law 002) in which it calls on every citizen or resident with annual incomes of \$1 million and more to pay the organization 10 percent of their income. Income tax Law 002 reflects the intention of FARC's leadership to project authority and their desire to put in place an extraction strategy that does not overburden its popular bases (those with humble incomes or of middle class status) as happened before in certain cases such as in Uraba and Puerto Boyaca when the guerrillas taxed these sectors and created resentments. These resentments were important in generating popular support for the guerrillas' arch enemy, the paramilitaries.³⁵

This suggests that the current strategy is to expand its areas of operation to new areas to seek protection rents. But such a strategy has disturbed the inner balance of the war system, and contributed to the escalation of the conflict due to the resistance posed by other rent-seeking actors, namely the state and paramilitary groups. This is where the conflict has been for the last five years.³⁶ The current battles waged for the control of strategic areas, such as South Bolivar, Middle Magdalena, Cesar, Casanare, Aruaca, Uraba, Guaviare and Caqueta, where gold and coal mining, oil drilling, intensive cattle ranching, and coca and poppy seeds constitute bases of the economy, usher in a new phase in the conflict, characterized by the instability of the war system. This is a new phase because of the intensification of the attacks against traditional strongholds of the guerrilla, such as Serranias de San Lucas, southeast of Antioquia, Meta (Mapiripan), Putumayo, Northern Santander and others. The guerrillas' hegemonic project is increasingly under attack by paramilitary groups with some logistical support from the armed forces. These offensives are threatening the guerrillas' sources of income at a time when the guerrillas are spending more to offset the challenge. In November 1998, and for the first time, the paramilitary groups use of six helicopters in their attacks in South Bolivar attests to the dangerous destabilization of the war system. The guerrillas in turn

launched a counteroffensive against the army and paramilitary groups in strategic areas, such as Delicias, Miraflores and Uraba. Such escalation increases the political, economic and social costs that actors incur, causing an incremental erosion of the positive political economy which they enjoyed under the comfortable impasse of low-intensity conflict. Under the new dynamics the old structures of the war system become inoperative and new ones are yet to be established. The new escalation of war illustrates the precariousness of war systems whose stability depends on actors' behavior and their consequences that actors could not possibly foresee.³⁷

Taking into account the guerrillas' extraction potentials and structural constraints the following scenarios could emerge:

- *Extracting more rents from narcotraffickers.* This strategy, if pursued, could strengthen the alliances between the narcotraffickers and paramilitaries, something which started in 1988 in Middle Magdalena under Rodriguez Gacha (killed in 1989) and later under other paramilitary-narcos leaders who extended their operations to Putumayo and Meta. Since 1994, the guerrillas and paramilitary groups coincided in the departments of Antioquia, Boyaca, Santander, Huila, Caqueta, Valle, Putumayo, Casanare, and Cesar and Choco, among others. The guerrillas are present in about 48 percent of municipalities on the Caribbean coast where there is a concentration of latifundios, and the paramilitary groups are found in 43.9 percent of those. Such coincidence in the departments and municipalities reflects the degree of polarization and the potential for a larger scale civil war.
- *Extracting more rents from cattleranchers and latifundistas.* This strategy also could consolidate the relationship of these groups with the paramilitaries and narcotraffickers, which in turn could weaken the guerrillas politically and militarily.
- *Extracting more rents from multinational corporations and other large economic groups.* These sectors opted to pay protection money to the state, private security multinationals and local "private armies." Thus such a strategy might lead them to pay more to the state and "outside contractors" for security, or move their operations abroad. British Petroleum, for example, pays one dollar in security costs per barrel, whereas the world rate is half that. The average security cost in the developing world is about four percent of a company's operating costs; in Colombia, it can run up to 10 percent.³⁸
- *Extracting more rents through narcotrafficking.* This is a remote option due to the political costs that this can bring to the guerrilla hegemonic project at the national, regional and international levels. The guerrilla movement is aware that its revolutionary credentials depend on the type of relationship it has with the narco economy and there is growing evidence that the guerrillas (FARC and ELN) have taken measures to curtail the coca production in some areas including Micoahumado (Magdalena Medio) and Casanare.³⁹
- *Extracting more rent from neighboring states, such as Venezuela, Ecuador, Panama, Peru and Brazil.* Such practices could generate a coordinated regional reprisal that could deny the guerrillas the strategic depth they might need to wage war. In the border regions, Venezuelan and Ecuadoran latifundistas and large cattle ranchers have been subject to the insurgents' rent gathering/protection demands creating serious tensions and skirmishes especially with Venezuela, which in turn could consolidate border policing. In this regard,

it is also worth mentioning that large cattle ranchers in Venezuela by late 2000 started contracting paramilitaries.

What are the potentials for the guerrillas at this juncture? First, the election of the leftist Hugo Chavez in Venezuela has changed the Andean region political configuration, helping the rebels' cause by increasing their political support, but not necessarily their rents. Second, FARC has a historical opportunity to project a favorable image at the national and international levels in the territories left under its hegemony after the state withdrawal from an area of 42,000 square kilometers (16,000 square miles and twice the size of El Salvador) in response to this group's preconditions for peace talks. The FARC's challenge is to exercise its hegemony through consensus and also to present a viable program for the planting of alternative crops in place of coca and other illicit produce within the general frame of the agrarian question. In addition, if FARC formulates a political reform program that is acceptable by different social classes and groups, this certainly might increase FARC's political leverage. If FARC is able to capitalize on these potentials and transform them into political assets, this can offset the probable loss in its economic rents and extraction capabilities and help bring about a negotiated settlement.

In contrast, ELN, which has about 4,000 combatants, is in a less favorable position. Since 1996, it has been the main military target of the paramilitaries and the armed forces, which are trying to conquer the strategic areas under its control in south Bolivar. Of course, the issue is rent as well as the potential prospects of these territories for international capital investments (such as in the Serranias de San Lucas, whose mines produce about 40 percent of the country's exported gold). By 1998-99, most of these gold mines came under the control of the paramilitaries of Carlos Castano which generated for his group an estimated income of \$9 million.⁴⁰ This meant that the ELN lost a vital source of income which used to finance most of its fronts operating in Middle Magdalena and Antioquia - the loss is estimated to constitute about 10 percent of the ELN gross annual income.⁴¹ The AUC is also attempting to create buffer zones in areas with oil and oil pipe-lines to protect the multinational corporations - who are forced to pay directly or indirectly protection rents - in order to deny the ELN another important source of income for its fronts in Arauca and Casanare. In this effort, the paramilitary strategy coincides with the interests of the multinationals and the bourgeois state. Such endeavors are threatening the economic base of the ELN, as well as its potential growth and war-making capacity.

Thus, both the FARC and the ELN are faced with an extraction crisis and a war system that is becoming increasingly destabilized, presenting to them more threats than opportunities for expansion. Consequently, the guerrillas' rent extraction potentials are diminishing in relation to the increasing costs of the war. Such a condition is exacerbated by the decrease in FARC and ELN annual incomes from their 1995-96 levels. This income decrease is attributed to the loss of strategic territories to the paramilitaries and narcotraffickers in Putumayo, south Bolivar, Magdalena Medio, Uraba, and Catatumbo (North Santander). The other minor guerrilla groups such as the EPL and ERP are in no better condition.

The Paramilitaries: Extraction and the Crisis of the War System

The story of these groups goes back to the mid-1960s, when Decree 3398 and subsequently Law 48 provided the legal foundations for the creation of civil defense organizations through presidential order. These measures came after the emergence of FARC (1964) and the ELN (1965). Since then, paramilitary groups have assumed different incarnations in different regions of the country. For our purpose, it is enough to note that they gradually became a military force, largely organized and financed by sectors of latifundistas, cattle ranchers, agribusinesses, right-wing politicians and narcotraffickers with logistical support from the state's military. Although the paramilitaries were banned in 1990, their growth continued unchecked and by the late 1990s had become a force to be reckoned with. In 1986, the Castano group only counted 93 men according to the Ministry of Defense, but by 1996 they fielded 2,880, and since then they have increased their combat force dramatically - in 1999 they amounted to 5,915 and by 2000 their force had jumped to 8,000.⁴² Obviously, the advent of the paramilitaries and their increasing power in the second part of the 1990s changed the power configuration of the conflict, which until then had been bipolar (guerrillas versus state). A bipolar war system that was created during the 1970s and consolidated in the 1980s and early 1990s was shaken by the paramilitaries. A new conflict dynamic was created whose main characteristics will be analyzed. But first it is important to provide some background about the conditions that contributed to the emergence of paramilitaries and their success in becoming such a sizable military force.

The military expansion of the guerrillas led to the overtaxation of its own clients (which are mainly middle to large land owners and cattle ranchers) in their areas of operation. In addition, political abuses occurred, which led to various changes.⁴³ Uraba provided the launching point for the paramilitary groups known as the Peasants Self-Defense of Cordoba and Uraba (ACCU) led by the Castanos clan. During the 1980s Uraba was largely controlled by the guerrillas of the Ejército Popular - Nacional (EPL) and later by the FARC. By 1988, middle and large property holders, overtaxed by the guerrillas and disappointed by the inability of the state to protect them, decided to support paramilitary groups.⁴⁴ This shift led to the creation and strengthening of the ACCU. Narcotraffickers also formed their own paramilitary groups, as did some cattle ranchers, latifundistas, and emerald mining Mafia each in its regions of economic activity. Boyaca, once a bastion of FARC, witnessed a similar process in the late 1980s which also led to FARC's defeat in this area and the emergence of paramilitarism. This defeat is attributed to excessive taxation and political abuse committed by the FARC's front operating in Boyaca.

The different paramilitary groups created in the 1980s operated at the local levels and were designed to protect the local dominant elites whose interests were affected by the guerrillas' taxes and who also feared the increasing power of the guerrillas as a revolutionary force of social change. These paramilitary groups did not unify their forces until 1992 when a national umbrella organization was formed under the leadership of Castano, known as the United Self-Defense Force of Colombia (AUC). Since then, the

AUC started projecting a more coherent counterinsurgency political project and with increasing military might to back it up.

At another level, the paramilitaries' relationship with the state is one of both dependency and autonomy. Dependent because it relies on the logistical support that the armed forces can provide. This is evident in the levels of cooperation in the theater of operations, their choice of major bases (which are usually close to military bases) and in the areas of intelligence and training. Autonomous because they are self-financed through the levying of protection taxes from the dominant rural classes and through narcotrafficking, contrabanding, money laundering and gun running. The political project of the paramilitaries is to support and defend the existing capitalist economic and social order, and that is why I do not consider them to have a competing state-making project. Nonetheless, they can influence this process and the type of state that can emerge in terms of its class configuration (giving more weight to large landowners, rural elites and narcotraffickers) and regime type (authoritarian, giving the right-wing ideological orientation of the sector that sponsor the paramilitaries) if they become a major political contender to the guerrilla hegemonic project.⁴⁵

On the other hand, paramilitaries compete with both state and insurgents for the extraction of protection money and their military strategy is more aggressive than the state and is not subject to international pressures and sanctions. The AUC is targeting the peasant support base of the guerrillas by assassinating peasant leaders, opposition figures and unions' organizers as well as human rights activists. Such tactics and the increasing economic requirements for carrying them out have brought the bipolar war system to a crisis that requires a structural adjustment to accommodate this new actor, which has not been socialized into the rules of the war game. The paramilitaries disturbed one of the ground rules of the war system, which is the low-intensity warfare underscored by a comfortable impasse affecting negatively the political economy of both the guerrillas and the state. Each of these forces, for example, started investing more in warfare than in butter. The increasing costs of war for the guerrillas were discussed above and that of the state is discussed in the following section.

We have to keep in mind two crucial interrelated conditions for the war system maintenance: first is the actors' success in accumulating material and non-material resources that they could not access through peaceful means; and second, a low-intensity war which permits the accumulation of resources and the establishment of a positive political economy. The comfortable impasse encapsulates these two conditions and is the best condition (not necessarily the optimal nor the desired one) for the actors involved under a balance of power that does not allow any force to prevail. Finally, the comfortable impasse facilitates the maintenance of the war system.

Paramilitaries and the Escalation of Violence: Key Indicators

In the last four years the escalation of the conflict is transforming the comfortable impasse into a "mutually hurting stalemate," using William Zartman's phrase, where the power of

each side is sufficient to keep it from losing but is not sufficient to win.⁴⁶ Such observation is inferred from five indicators all of which demonstrate a significant increase in the levels of violence (i.e., transforming the low intensity-war as defined in this article to a higher intensity war), and that more resources are committed to guns rather than butter precipitating the extraction crisis. (See Table 1)

The first indicator is the increasing number of massacres committed for political purposes which demonstrate that the second part of the 1990s witnessed an upward trend. In 1994, 505 persons were victims to massacres, 531 in 1995, 370 in 1996, 660 persons in 1997, 899 in 1998 and 847 in 1999. In 2000, the number of massacres increased by 22 percent from the previous year reaching 205 mass killings in which 1,226 died. (See Figure 1) In Figure 1 we will notice that since 1996 the number of massacres increased significantly reaching its highest levels since 1988. Most of these massacres were committed by the AUC against the peasant bases of the guerrillas or alleged guerrillas' sympathizers.

The second indicator is the number of homicides. In the 297 municipalities in which the homicides rates exceeded the national level rate, 80 percent of those municipalities are concentrated in ten departments: in Antioquia (70), Cundinamarca (31), Valle (28), Boyaca (21), Santander (18), Meta (17), Caqueta (14), Caldas (13), Risaralda (12) and Quindio (10). Ninety-three percent of these municipalities belong to rural and seven percent to urban areas. In the most violent municipalities guerrillas and paramilitaries coincide and their coincidence since the mid-1990s has brought up the homicides rates.

Figure 1: Number of Victims of Massacres 1988-2000

The third indicator is the increasing resources committed to guns rather than butter. The military budget increased from a 1.8 percent of the GDP in 1986 to 3.7 percent in 1999, the highest percentage recorded in more than 30 years.⁴⁷ The fourth indicator is the overall cost of war which increased significantly since 1994 and tripled between 1996 and 1997, from \$1 billion to more than \$3 billions. This jump is attributed in part to the significant increase in defense expenditures (from 2.6 percent of the GDP in 1995 to 3.5 percent in 1998) and to the increase in the number of robberies, extortions and kidnap-ransoms notably after 1993.⁴⁸ Finally, the fifth indicator is the increasing number of battle-related deaths which increased from more than 10 percent since their highest attained level in 1990, and increased by about 17 percent from their 1994 levels (See Table 1).

These five indicators allow us to note a significant change in the levels of violence which increasingly is moving the low-intensity war to a higher level, which validates my argument that a unified AUC and its growing strengths in the post-1995 period unleashed the escalation of war destabilizing the war system. This new condition could either lead to the collapse of the war system maximizing the possibilities of a negotiated settlement, or usher in a "fluctuating stalemate" if the paramilitaries and the state successfully dislodge the guerrillas from some strategic areas, substantially reducing their extractive capabilities, but without decisively defeating them.⁴⁹

Table 1: Indicators of Rising Violence 1988-1999

	1988	1990	1994	1999
Civil war Fatalities	Na	3,871	2,384*	4,014***
<i>Number of people killed in Massacres****</i>	700	400	504	847
<i>Military Expenditures %GNP</i>	1.8	1.3	1.8	3.7
<i>Number of combats between guerrillas and the armed forces***</i>	866	690	1,374	1,252

*Camilo Granada and Leonardo Rojas "Los Costos del Conflicto Armado 1990-94" *Planeacion&Desarrollo* Vol.XXVI. No.4 (October-December 1995), p.143.

**Source Jesus Bejarano Avila, Camilo Echandia, Redolfo Escobedo and Enrique Querez, eds., *Colombia: Inseguridad, Violencia y Desempeno Economico en las Areas Rurales* (Bogota: Universidad Externado de Colombia&FONADE, 1997), p.52

*** Comision Colombiana de Juristas, *Panorama de los derechos humanos y del derecho humanitario en Colombia 1999* (Bogota: Comision Colombiana de Juristas, 1999)

****In 2000, 1,226 people died in massacres, the highest record since 1988.

Under this latter condition, negotiation is not an optimal choice for any of the parties. The guerrillas could withdraw to the mountains and wait for another day as the ELN did when in 1973 it was nearly defeated in Anori (department of Antioquia) but opted not to negotiate. If the paramilitaries and the state do not succeed in achieving that objective, then a mutually hurting stalemate could settle in.

The AUC's strategy is to dislodge the guerrillas from key strategic economic areas in order first to deny them rents, and second to serve their strategic objective of reestablishing a state's hegemony more in tune with the class interests of the AUC's supporters and their ultra-right ideology. A case in point is South Bolivar, a region rich in gold, coal and coca where AUC dislodged the ELN, FARC and Ejercito Revolucionario Popular (ERP, a dissident ELN group which emerged in 1997) from important areas in the Serrania de San Lucas. This is a strategic area in terms of its economic resources and as a corridor that can connect the paramilitary groups of Cesar and Sucre with those in Cordoba, Uraba and Santander. This struggle is of enormous significance, and its outcome will determine for some time to come the power correlation in the Serranias de San Lucas as well as in major parts of Middle Magdalena, Cesar, Santander and North Santander. This will give us an important clue as to the possibilities of a fluctuating or a mutually hurting stalemate.

The Paramilitaries' Extraction Potential

It is estimated that the costs of maintaining an army of 8,000 paramilitaries is about \$8,000 per fighter which includes salary, training, food and equipment. The total amount can run up to \$64 millions.⁵⁰ Where is this money coming from? Are there limits beyond which the AUC sponsors will not finance them? While some social groups may have the same class interests as the large landowners, drug traffickers, cattle ranchers and sectors of the urban bourgeoisie, that unity may disintegrate when decisions have to be made on issues such as extradition to the US, the confiscation of narcotraffickers properties, agrarian reform and the substitution of illicit crops. The economic crisis in the agrarian sector has affected both latifundistas and large cattle ranchers, and this suggests that they will have fewer resources to commit for an escalating war leaving the AUC to rely more on narcotrafficking, contraband and money laundering to finance their military buildup and for self-enrichment.⁵¹ Castano admitted in a televised interview that about 80 percent of his forces in the Middle Magdalena is financed by the narcotraffickers.⁵² Moreover, there is evidence that such a trend is gaining force in North Santander, Putumayo, Cordoba, Antioquia and Meta, where AUC is gaining ground in its attempt to eliminate the guerrillas' taxation system and their regulation of market relations between the peasant's cocagrowers and the narcotraffickers.⁵³ It is noteworthy that prior to the AUC challenge, the guerrillas made sure that narcotraffickers and their intermediaries paid the peasants the market price of the coca leaves and paste and also reinforced timely payments.⁵⁴ With the shifting balance of power guerrilla policing started changing, particularly in areas that fell under the AUC, such as in parts in each of South Bolivar, Putumayo and North Santander. In this mode the AUC is gaining some strategic advantage by capitalizing on the huge economic returns that narcotrafficking could bring. In this manner the paramilitaries have the potential to grow exponentially more than the guerrillas (e.g., in 1996 they numbered less than 3,000 fighters and by 2000 amounted to 8,000 fighters). The growing power of the AUC, however, poses serious threats to the country's future democratic development as well as to its international and regional relations.

In sum, the paramilitaries are unwittingly transforming the war system and the overall nature of the conflict. Their challenge to the state-making process of the guerrillas is threatening the latter's sources of extraction and clients and is putting the insurgents under pressure to respond to this menace via new military strategies and sources of financing as well as increased efforts to defend their popular base.⁵⁵

The State and the Dominant Classes

The state in Colombia in many respects can be seen as "weak" with resource scarcity, limited coercive and regulatory capabilities, and with a meager social network. This description, however, can also be applied to a number of other states that witnessed protracted civil wars such as Lebanon, Sudan, Angola, Afghanistan and Somalia. In part, the weakness of the state both lead to and reinforce the protraction of wars.⁵⁶

In the Colombian case its state suffered from a “chronic crisis of hegemony” caused by the state’s failure to project its authority either by democratic means or by coercion. Such chronic crisis was partially due to the failures of any sector of the dominant class to lead with the support of a consenting critical mass.⁵⁷ Manifestations of this hegemonic crisis are abundant since the country’s independence in the nineteenth century; it is worth mentioning the war of the Thousand Days (1899-1902), La Violencia (1945-58) and the War System (1964-present). The first two wars were precipitated by the intra elite’s unmitigated political competition without an institutional framework acceptable to the elites’ factions, namely the Conservative and Liberal Parties and capable of adjudicating their differences. In these two wars about 300,000 people perished. The War System phase (its origin lies with the guerrillas’ of the 1960s) was generated only after the elite closed ranks under an exclusive political arrangement that regulated the intra elite competition, the National Front, but without gaining the consent of the dominant groups. The politics of exclusion was coupled with violence and the two became part of a dialectic between “limited” democracy and guerrilla warfare resulting in a war system in which none could win.

The National Front regime (1958-74) laid the foundation for a consociational democracy where the two main elite political forces, the Liberal and Conservative Parties alternated the presidency regardless who won the popular vote, and also divided the state institutions “pie” between them on a fifty/fifty basis. Although the National Front arrangement ended in 1974 and since then the popular vote determines presidents’ political identity, the legacy of this arrangement endures and defines the exclusionary political structure that is still organizing the political game. Third political parties have found it difficult to breakthrough these multifaceted political structures and interests that the National Front left behind. These “impenetrable” structures diminished the credibility and legitimacy of the state and its institutions and its ability to gain the consent of a critical popular mass.

What exacerbated the hegemonic crisis of the state is what Francisco Thoum called the “privatization” of the state and its institutions, which became the personal domain (or fiefdoms) of the elites.⁵⁸ The transformation of public enterprises and state institutions into clientelist tools reduced the state’s social role to that of patronage. The peasant-based insurgency, in its turn, exposed the weakness of the state’s coercive capabilities as well as its inability to project social power beyond the elite and clients, but even this is threatened today.

More specifically, the escalation of the conflict has further weakened the state’s position, and put the urban political elite and sectors of the bourgeoisie (particularly those not associated with the paramilitary groups) in a dilemma. This dilemma was exacerbated during the presidency of Ernesto Samper (1994-98) due to the legitimacy crisis generated by the drug money that financed his presidential campaign. This legitimacy crisis created divisions within the dominant elite and weakened the state’s ability to articulate a coherent strategy in terms of war or peace, allowing the military and paramilitaries to seize the political initiative.

The outcome of the elite divisions was an ill-fated coup attempt against President Samper highlighted by the assassination of Alvaro Gomez Hurtado, the most prominent Conservative leader. The reasons behind the killing of the Conservative leader remain speculative, but one plausible explanation is that he backed down from supporting the plot after the coup attempt's leaders failed to obtain US support, and he then threatened to expose the conspirators. Regardless of the accuracy of such speculative theories, what is certain, however, is that the gravity of the crisis reached unprecedented proportions since 1958 revealing the precariousness of Colombia's democracy. The objective of the plotters, which included some military, right-wing intellectuals and political sectors, was to lead the country into an authoritarian route, revoking the 1991 constitution and reinstating its predecessor (the constitution of 1886).⁵⁹

The rumored coup and the assassination of Alvaro Gomez generated an overall feeling of insecurity which was exacerbated by intra elite conflict and weakened Samper's government. The apparent beneficiaries of these conditions were some military sectors, notably the notorious Brigade 20 (army intelligence), 5 and 14 and their allies: large landowners, cattle ranchers, narco-bourgeoisie and their paramilitaries who took matters into their own hands.⁶⁰ The state's political crisis during Samper's tenure can explain the rapid growth of the paramilitary groups during the mid-1990s. The governmental crisis reduced the capacity of the state to extract protection rents (taxes) due to the loss of confidence in its political institutions creating a legitimacy crisis even with its own traditional clientele. This explains, for example, why the "war tax" that was introduced by Samper's government failed to raise the money needed to upgrade the armament of the military.

The dominant classes represented by large enterprises and core sectors, such as coffee growers, financial institutions, large landowners and cattle ranchers, refused to pay or evaded the payment of the tax and were able to get away with it which in turn reveals the state's inability to enforce the law.⁶¹ The cause behind such reticent behavior by a large sector of the dominant class was a "loss of faith in the ability of the government to address the country's main problems, particularly the guerrillas' threat" as the FEDECAFE (Federation of Coffee Growers) president expressed to me in an interview.⁶² This behavior can be attributed to a dominant belief among these sectors that they can go unpunished for tax evasion and avoid penalties because of the norm of tax amnesties that the state provides on a regular basis.⁶³ Hence, the "war-tax" evasion was part of a larger problem that was only aggravated by the legitimacy crisis of Samper's presidency.

Nonetheless, military budgets increased and the discretionary power of the military also increased in how to allocate its money with little civilian oversight. Military expenditures increased from 2.3 percent of the GDP in 1990 to more than 3.6 in 1995. Some of this money was used to create mobile brigades of counterinsurgency units, and to modernize communication systems. During the last three decades the armed forces' strategy has been to contain the guerrilla movement. For the most part, this has meant maintaining a defensive posture, protecting strategic economic (such as oil refineries, mines, electrical resources) and urban centers; about 70 percent of the armed forces was dedicated to defensive and administrative functions and only about 30 percent used

for combat. This defensive posture and the lack of a coordinated political strategy allowed the consolidation of the war system during the 1980s and 1990s, when the military learned to live and benefit from a low-intensity war. Institutional interests were consequently developed, which in turn consolidated the war system.

But, now with the destabilization of the war system and under the pressure of escalating conflict generated by the paramilitaries, the military is pushing to reform its structure by creating a professional army of 60,000 professional troops and 60,000 conscripts (of a force of 120,000) over the next four years (started in 1999). This in turn will cost about \$2 billion (213,797 million pesos) and so again the issue of extracting more resources becomes imperative in an economic environment of austerity and budget cuts due to the economic crisis.⁶⁴

Negative economic growth (- 1.2 percent) and a record-high unemployment rate (of about 20 percent) are two indicators of Colombia's dire economic conditions in 1999.⁶⁵ The earthquake in the coffee region and the costs (about 2 billions) of rebuilding has further strained government resources. The government fiscal deficit in 1999 rose to about 5 percent of the GDP from 0.8 percent in 1998. Thus, Pastrana's government faced difficult options if it had chosen to wage war drawing on local resources. Financing the war through raising taxes would have discouraged investments and increased unemployment. In addition, raising taxes is an unpopular measure (given the rampant problem of tax evasion) that might be resisted by different sectors including those that support Pastrana. Another option was financing the war by selling public sector enterprises such as TELECOM, but such a policy was and still is unpopular and previous attempts to privatize were vehemently opposed by their employees and popular sectors alike. The only remaining option was to seek international financial support for the war. This explained why President Pastrana embraced the so-called Plan Colombia put forward by the US, which provided about \$800 millions (of a total package of 1.3 billion) mostly in military aid to Colombia. Such a plan bailed out the Pastrana's government and provided the resources needed to upgrade the military capabilities of the armed forces. In a certain mode, Plan Colombia and now the so-called Andean Initiative sponsored by the Bush's administration (Colombia will receive about \$400 millions in military aid in the coming fiscal year) are helping to prolong the livelihood of the war system by providing the military institution and its conservative allies with an incentive to continue the war rather than accept the costs of peace.

The Dominant Classes and the Crisis of the War-System

For the last four decades the dominant classes, particularly the industrial, financial and commercial elites, tolerated a low-intensity war which did not affect their economic and political interests. The war was mainly fought in rural areas and the war economy, including narcotrafficking, supplied the money needed by key economic sectors. But, by the 1990s, this money supply (calculated between \$3 to \$7 billion/per year) started exerting inflationary pressure, affecting the productive sectors and the rates of savings and investments. This development was coupled also with new conflict dynamics exacerbated in turn by the political economy of narcotrafficking which offered new

opportunities for the guerrillas as discussed in an earlier section. The positive political economy of the war system enjoyed by the dominant classes during the 1970s and 1980s started its diminishing returns in the 1990s.

In light of the above, the large business groups represented by the Association of Industrial Groups (Andi), Association of Bankers (Asobancaria), the “Cacaos” (Ardilla Lulle, Sarmiento Angulo, Santo Domingo and the Sindicato Antioqueno), the four largest economic groups in the country, started shifting their positions when the escalation of the civil war and its corresponding political economy started affecting inflation, transaction costs, saving and interest rates, and dropping the growth of the economy by at least by 3 points.⁶⁶ The multiplication of protection rents provided by multinational security companies, the state, guerrillas, mercenaries, paramilitaries and organized crime, and the economic and personal risks this implies for investment are now being translated into a new political stance.⁶⁷ These additional protection costs and the negative pressures of the war system’s political economy have contributed to this change.⁶⁸

Since 1997, the large business groups have begun seriously to consider how they can contribute to the peace process. The core questions are how much these dominant groups are willing to concede and what is the minimum the guerrillas are willing to accept. In a recent publication of the Andi, a group that includes most private industrial and business enterprises, its president Luis Carlos Villegas wrote: “The economic, social and international costs of our armed conflict are overwhelming our capabilities of coping, and we have reached the point where any choice is costly. But more costly is the status quo of death, anarchism, violence and insecurity.” He added “the 3 percent of the GDP that is being consumed by the armed conflict could be used instead for the incorporating of the 15,000 combatants and the marginal populations of the underdeveloped areas.”⁶⁹ This is a new discourse, virtually nonexistent before 1995 which represents a positive shift toward a negotiated solution.⁷⁰ But not all segments of the dominant class share the Andi’s view. The landed oligarchy, cattle ranchers and sectors of agribusiness (e.g. banana growers in Cordoba and large landowners in Bolivar) are the opponents of a peace that could affect their fortunes. The key conception of these sectors was best expressed by Jorge Visbal, president of Fedegan, the cattle ranchers organizations, when he said: “We want peace but not at our expense. We all have to pay for it, not only the large cattle ranchers and the rural landowners. A reform should be comprehensive not only a land reform.” Visbal explained that some sectors of the bourgeoisie believe that they can have peace by simply giving the peasants some land.⁷¹ Visbal’s stance reflects the divide existing among the different sectors of the dominant classes, primarily between the urban-based bourgeoisie and the rural-oligarchy, when it comes to a negotiated settlement with the insurgency that he feared will be at their expense.

Finally, the narco-bourgeoisie is another player that loses the most from peace and has an interest in maintaining the war system. The interplay between these different actors and their possible realignment will determine the chances of war and peace in Colombia.

CONCLUSIONS

The war system developed during the 1970s and 1980s and flourished in the early 1990s when rent extraction was not yet affected by the economies of scale due to the comfortable impasse established under a low-intensity war. Consequently, the two competing hegemonies, state and guerrillas, enjoyed long periods of “relative peace and coexistence.” This condition entered a crisis phase after the emergence and consolidation of the paramilitaries in the second part of the 1990s. This crisis is defined by the impossibility of maintaining the status quo without introducing structural changes such as a shift from a bipolar to a multipolar system allowing political space for the new actor.

However, this systemic restructuring faces serious difficulty due to the nature of class antagonisms and the political differences that characterize the relationship between the guerrilla and paramilitary groups. It is difficult to reconcile the two political expressions of these antagonistic classes - the large landowners, large cattle ranchers, narco-bourgeoisie on one hand, and the peasants on the other.⁷² It is a zero-sum game.

If this analysis is valid, then the competition for protection rent and the development of extraction strategies become of vital importance for the guerrillas if they are to attain a major national role and avoid passing into isolation and oblivion in Colombia's mountains. This article concludes that the potential of extracting rent has reached its limits and political violence is producing diminishing returns. Thus, maintaining the momentum of the insurgency will become increasingly difficult.

In their turn, the state and its “objective” ally, the paramilitaries, are not immune from the laws of diminishing returns; they too are limited in the rents they can extract for state- and war-making and protection. At least some sectors of the dominant classes already feel that their interests may be best served by reconciling the two hegemonic projects and state-making processes (bourgeois and guerrillas), even if this carries with it a political and economic price.⁷³ It remains to be seen, however, how the different actors behave in the coming months. What is becoming clear is that the political economy which sustained the war system during the 1980s and parts of the 1990s is being consumed by the escalation of the conflict, changing the war system's dynamics (low intensity to higher) and affecting its life cycle. This is generating a systemic crisis and exacerbating the struggle for extraction, which in turn has brought about a serious escalation in the conflict that will continue until a new correlation of forces emerges and a new system is established.

Finally, in light of the above, current US policies toward Colombia, particularly their military accent, are critical in determining whether the war system persists (thanks to the US war subsidies) or if peace is a viable option. This latter could be better served by a US policy that is based on an understanding of the current crisis of the war system and reflecting the readiness of key actors to strike a deal. In this regard, I suggest more money for alternative crops development and much less money for the military, if peace is the desired outcome. This suggestion, if considered, might help in creating a better environment fomenting peace by encouraging local actors to make a historic compromise.

Endnotes

1. I would like to express my appreciation to the two anonymous reviewers whose comments helped in bringing an earlier version of this paper into a sharper focus. I want to also thank Professor Donald Shultz for his comments. Finally, this paper would have not been possible without the generous support of the Institute of Political Studies and International Relations (IEPRI) of the National University of Colombia in Bogota.
2. A few representatives of the three theoretical genres will be mentioned here. The first genre is represented by scholars such as Quincy Wright. *A Study of War* rev. ed. (Chicago, IL: University of Chicago Press, 1965); J. David Singer. *The Correlates of War* (New York: Free Press, 1980); Ted Robert Gurr, *Minorities at Risk* (Washington, DC: United States Institute of Peace Press, 1993); Rudolf Rummel, *Dimensionality of Nations Project* (Ann Arbor, MI: Inter-University Consortium of Political and Social Research, 1976); and James Rosenau, ed., *International Aspects of Civil Strife* (Princeton, NJ: Princeton University Press, 1964). For the second research genre, see, for example, Barrington Moore, Jr., *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World* (Boston, MA: Beacon, 1966); Jefferey Paige, *Agrarian Revolution: Social Movements and Export Agriculture in the Underdeveloped World* (New York: Free Press, 1975); and *Coffee and Power: Revolution and the Rise of Democracy in Central America* (Cambridge, MA: Harvard University Press, 1997); Theda Skocpol, *States and Social Revolutions: A Comparative Analysis of France, Russia and China* (Cambridge: Cambridge University Press, 1979); and Eric Wolf, *Peasant Wars of the Twentieth Century* (New York: Harper and Row, 1969). For examples on the genre on conflict resolution, see Michael Brecher, *Crisis, Conflict and Instability* (New York: Oxford University Press, 1989); Nazli Choucri and Robert North, *Nations in Conflict* (San Francisco, CA: W.H Freeman, 1975); Evan Luard, *Conflict and Peace in the Modern International System* (Albany, NY: State University of New York Press, 1988); Kuman Rupesinghe, *Toward a Policy Framework for Advancing Preventive Diplomacy* (London: International Alert, 1994); Lincoln Bloomfield and Amelia C. Leiss, *Controlling Small Wars* (New York: Alfred Knopf, 1969); Edward Azar, *The Management of Protracted Social Conflict: Theory and Cases* (Hampshire, England: Dartmouth Publishing Company, 1990); Louis Kriesberg, Terrell A. Northrup, Stuart J. Thorson, *Intractable Conflicts and their Transformation* (Syracuse, NY: Syracuse University Press, 1989); I. William Zartman, ed., *Elusive Peace: Negotiating an End to Civil Wars* (Washington, DC: The Brookings Institutions, 1995); Roy Licklider, ed., *Stopping The Killing, How Civil Wars End* (New York: New York University Press, 1993); Barbara F. Walter, "The Critical Barrier to Civil War Settlement," *International Organization* 51, no. 3 (1997), pp. 335-64; David Keen, *The Economic Functions of Violence in Civil Wars*, Adelphi Paper 320, (London: IISS, 1998), and Francois Jean et Jean Christophe Rufin, eds., *Economie des Guerres Civiles* (Paris: Foudacion pour les Etudes de Defense, 1996).
3. See Richard A. Falk and Samuel Kim, *The War System: An Interdisciplinary Approach* (Boulder, CO: Westview, 1980).
4. See Kenneth Waltz, *Theory of International Politics* (New York: McGraw-Hill Publishing Company, 1979). For a good review of the body of literature that explains interstate conflict and conflict resolution in terms of systemic analysis by exploring hegemonic drives, power transitions and changes in balance of power, see John A. Vasquez, *The War Puzzle* (Cambridge: Cambridge University Press, 1993).

5. For a systematic analysis of these variables, see Nazih Richani, *Systems of Violence: The Political Economy of War and Peace in Colombia* (Albany, NY: State University of New York Press, forthcoming).
6. I contend that war systems like any other institutional arrangement will not be created if the costs of doing so exceed the benefits (are not only measured by economic returns) that they subsequently provide. See Jack Knight, *Institutions and Social Conflict* (Cambridge: Cambridge University Press, 1998), p. 43.
7. Nazih Richani, "The Political Economy of Violence: The War System in Colombia" *Journal of Interamerican Studies and World Affairs* 39, no. 2 (Summer 1997), pp. 3, 7-8. This article presents a detailed analysis of the war system and its political economy.
8. There is an emerging genre of studies of protracted conflicts that suffer from economic reductionism, which reduce the causes of civil wars to bare economic gains. Thus, it is important to emphasize that this approach does not apply to Colombia's civil wars among others where a war system settled in. According to the war system approach actors adjusted to this condition as the optimal they can get under a balance of forces that did not allow any side to prevail; but the political-ideological dimensions remain the overriding aspect of the conflict. For good examples of this "reductionist" genre, see Jean et Rufm, eds., *Economie des Guerres Civiles*; and Keen, *Economic Functions Of Violence in Civil Wars*.
9. A low-intensity civil war as defined in this article accepts the conventional definition of civil wars as those when an armed opposition and government conflict generate a minimum of 1,000 battle-related deaths/year. Moreover, the low-intensity war also has an upper threshold of no more than 3,000 battle related deaths/year. Low-intensity conflicts are those that are confined for a sustainable period to remote and lightly populated areas and hence civilian casualties are low. Finally, low-intensity conflicts are those that are not serious enough to affect the economic growth of a civil war stricken country. On all these counts the Colombian civil war qualified as a low-intensity war until the 1990s. The upper threshold indicator is superficially set and needs rigorous cross-national testing for validation. See Melvin Small and David Singer, "Patterns of Warfare 1816-1965" in *The Annals of the Academy of Political and Social Science* 391 (September 1970), pp. 145-55.
10. The prisoners' dilemma is illustrated by the example of two criminals caught for the same crime; each faces the decision of either collaborating with the authorities and, by implicating the other, saving his own skin under the assumption that he might serve less time in prison, or deciding to collaborate with his accomplice by not confessing. Therefore, both could be worse off if they do not collaborate with one another, than by collaborating with the authorities.
11. See Richani, "Political Economy of Violence."
12. Catherine LeGrand, *Frontier Expansion and Peasant Protest in Colombia 1850-1936* (Albuquerque, NM: University of New Mexico, 1986), p. 68.
13. See Leon Zamora, *The Agrarian Question and the Peasant Movement in Colombia* (London: Cambridge University Press, 1986); LeGrand, *Frontier Expansion and Peasant Protest*. See also *El Tiempo*, 8 March 2000; Francisco Thoumi, *Derechos de Propiedad en Colombia: Debilidad, Ilegitimidad y algunas Implicaciones Economicas* (Bogota: CEI, Universidad de los Andes, 1995).
14. Alfonso Lopez Michelsen (ex-president of Colombia), "La Agricultura del Siglo XXI, La Ley de Tierras," *El Tiempo*, 27 May 2001.

15. Poverty in Colombia, World Bank Country Study (Washington, DC: The World Bank, 1994), pp.127-28.
16. For the dilemmas of private property in developing nations, see Hernando De Soto, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else* (New York: Basic Books, 2000).
17. Departamento Nacional de Planeacion, *La Paz: El Desafio para el Desarrollo* (Bogota: Departamento Nacional de Planeacion, 1998), p. 76.
18. Richani, *Systems of Violence*.
19. Richani, "The Political Economy of Violence."
20. Departamento Nacional de Planeacion, *La Paz*, p. 103.
21. Richani, "Political Economy of Violence," and *Systems of Violence*.
22. *Ibid.*
23. Charles Tilly, "War Making and State Making as Organized Crime" in Peter Evans, Dietrich Rueschmeyer and Theda Skocpol, *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985), p. 181.
24. *Ibid.*
25. LeGrand, *Frontier Expansion and Peasant Protest*, p. 11. See Alfredo Molano, *Selva Adentro: Una Historia de la Colonizacion del Guaviare* (Bogota: Al Ancora Editores, 1987); *Aguas Arriba: Entre la Coca Y el Oro* (Bogota: Al Ancora Editores, 1990); and "Violencia y Colonizacion," *Foro*, no. 9 (1989).
26. Richani, "Political Economy of Violence," pp. 37-81
27. Yazid Arteta, FARC Commander interview with author, Bogota, November 1998.
28. Camilo Enchandia Castilla, "Evolucion Reciente del Conflicto Armado en Colombia: La Guerrilla," in Jaime Arrocha, Fernando Cubides and Myriam Jimeno, eds., *Las Violencias: Inclusion Creciente* (Bogota: Centro de Estudios Sociales, 1998), p. 38.
29. Jesus Bejarano, Camilo Echandia, Rodolfo Escobedo and Enrique Querez, eds., *Colombia: Inseguridad, Violencia Y Desempeno Economico en la Areas Rurales* (Bogota: Fondo Financiero de Proyectos de Desarrollo and Universidad Externado de Colombia, 1997), p. 133.
30. Yazid Arteta, FARC Commander, interview with author, Bogota October 1998.
31. Consejeria de Paz, Presidency of the Republic, Bogota, Colombia.
32. *El Espectador*, 6 Noviembre 1998. PAA.
33. My estimates take as a base line the 1989 FARC's estimation of the costs of maintaining a force of about 18,000 fighters divided into 60 fronts necessitating \$56 million. This is in addition to the major military operations that involve 300 and more fighters which since 1996 have averaged 10 operations per year with an average cost of a million each. This brings the total to \$66 million. FARC Pleno de 1989; *Conclusiones Sobre Plan Militar Estrategico de 8 anos*, Organizacion, Escuela Nacional y Finanzas, Mimeo.
34. The military estimate the FARC's income at \$450 million/year while its costs total \$50 million. I think this overestimates the income and underestimates the costs. See *Semana*, no 879, 8 March 1999.
35. Carlos Medina Gallego, *Autodefensas, Paramilitares y Narcotrafico en Colombia Origin, Desarrollo y Consolidacion el Caso Puerto Boyaca* (Bogota: Editorial Documentos Periodisticos, 1990).

36. El Tiempo, 18 May 1999. I also verified these figures with interviews conducted with coca growers in Middle Magdalena in November 1998. It is important to keep in mind that the prices of coca paste could vary from one department to another; in el Guaviare, for example, it is lower than in South Bolivar. In this vein we can explain the increased kidnappings for ransom (“Pescas Milagrosas”) in the last two years as compensation for lost income, which has been exacerbated by the escalating armed conflict.
37. See Robert Jervis, *System Effects Complexity in Political and Social Life* (Princeton, NJ: Princeton University Press, 1999).
38. See Diana Jean Schemo, “Risking Life, Limb and Capital,” *New York Times*, 6 November 1998, pp. C I and 3.
39. Jubencil Duque, Coordinator of Programa Desarrollo y Paz in Middle Magdalena interview with author, Barancabermeja, November, 1998. FARC also presented a pilot program for coca eradication in Caqueta to be financed by the European Union and the United States.
40. Norbev Quevedo Herna’dez, “El Tesoro de las Autodefensas,” *El Espectador*, 26 November 2000.
41. This figure is based on the ELN’s 1995 income extracted from gold miners and its investments in this sector which was about \$23 million out of total income of \$143 million.
42. Data from Colombia Ministry of Defense as cited in *Revista Cambio*, 26 January 2001.
43. During the 1980s and until the early 1990s, the degree of extraction of rents for protection had not yet reached a point of overtaxation of its clients.
44. See “La Contrarevolucion en Uraba,” *Seniana*, (Bogota), 17 May 1988 as quoted in William Ramirez Tobon, *Uraba: Los Inciertos Confines de Una Crisis* (Bogota: Planeta, 1997), p. 127.
45. The ideological right-wing orientation of these sectors was inferred from interviews with representatives of the Federation of Coffee Growers (FEDECAFE), Society of Farmers (SAC) and Federation of Cattle Ranchers. These interviews were conducted by the author in 1996 and 1998 respectively.
46. I. William Zartman “The Unfinished Agenda: Negotiating Internal Conflicts” in Licklider, ed., *Stopping the Killing*, pp. 20-34.
47. In 1971 the defense expenditures amounted to 4.1 percent of the GDP, its highest level since 1958. The defense budgets of 1999 and 2000 are therefore the second highest since 1958. See Francisco Leal Buitrago, *El officio de La Guerra: La Seguridad Nacional en Colombia* (Bogota: Tercer Mundo Editores and IEPRI, 1994), p. 279.
48. See Richani, *Systems of Violence*.
49. Bejarano, et al., *Colombia*, p. 133.
50. These estimates are based on my interviews with peasants from South Bolivar who were cross examined with data presented in *La Paz: El Desafio Para el Desarrollo* (Bogota: Departamento de Nacional de Planeacion, 1998), p. 79. The AUC pay about \$300 to \$400 monthly to their rank and file. AUC fighters receive bonuses of about \$300 for every kill. In salaries alone the paramilitaries pay about \$2.4 million/month and about \$30 million per year.

51. See Nazih Richani, "The Paramilitary Connection," NACCLA XXXIV, no. 2 (September- October 2000), pp. 38-41.
52. Ibid.
53. Interviews with peasants from these regions carried out by author in October and November 1997. After I wrote this paper the Colombian police dismantled a cocaine processing complex in the Middle Magdalena run by AUC with an estimated cost of \$5 million and a production capacity of eight tons of coca per month.
54. This observation is based on various interviews with coca growers and with FARC officials conducted by author in 1998. See also Francisco Thoumi, *Economía Política Y Narcotráfico*, (Bogotá: Terccr Mundo, 1994).
55. As I was finishing this paper, the FARC mounted an effective military campaign against the AUC's strongholds in Córdoba and Urabá. These areas have been under the hegemony of the paramilitaries for over 15 years and some of the AUC leaders have large landholdings in the municipalities that were attacked, such as Montelíbano and Tierra Alta (in the province of Córdoba). It seems that FARC has regained some territory in these strategically located areas. See *Semana*, 4 June 2001.
56. See Richani, *Systems of Violence*, chap. 7.
57. Antonio Gramsci, *Prison Notebook*, vol. 2. (New York: Columbia University Press, 1996).
58. For a good discussion on the "privatization" of the public institutions, see Thoumi, *Economía Política Y Narcotráfico*, chap 2.
59. See *Semana*, 2-9 November 1998, pp.54-58. The causes of Gomez Hurtado's assassination are not yet clear, but one plausible theory is that he was initially involved in the coup plan but changed his mind after failing to win US support and threatened to expose the others who insisted on proceeding with the coup.
60. Brigade 20 was dismantled in 1997, and its leader is under investigation for human rights abuses and atrocities.
61. The effectiveness of levying taxes by the state is an indicator of its overall effectiveness and its capability to govern. See Michelle Benson and Jacek Kugler, "Power Parity and the Severity of Internal Violence," *Journal of Conflict Resolution* 42, no. 2 (April 1998), pp.196-209. In Colombia, the dominant classes and their allies in Congress have been consistently opposed to tax reforms that entail them paying direct taxes and hence denied the state the critical resources it needed to govern.
62. Jorge Cardenas, President of the Federation of Coffee Growers (FEDECAFE), interview with author, Bogotá August, 1995. The presidents of other key sectors such as the Industrial Group (ANDI), Association of Banks (Asobancaria) and Association of Financial Institutions (ANIF) share Cardenas' view. These latter three were interviewed in 1996.
63. See Thoumi, *Economía Política del Narcotráfico*, p. 31.
64. *El Espectador*, 20 November 1998, p.4A.
65. See, *El Tiempo*, April 20, 1999. The negative growth (- 1.2) was released by DANE (government official statistics). In March 1999, the industrial production was -9.2 percent, the lowest in almost two decades. See *El Espectador*, 7 June 1999.
66. It was estimated that the civil war is costing about 3 points of economic growth per year and each point is equal to about \$700 million for a total of \$2.1 billion. These are the

estimates of the Comisión de Racionalización del Gasto Público, as reported in *El Tiempo*, 6 January 1999, p. 1.

67. See Diana Jean Schemo, "Risking Life, Limb and Capital," *New York Times*, 6 November 1998, pp. C1.

68. The political economy of the war system includes the economic returns of the contrabanding of goods, weapons and narcotrafficking. These returns are exerting inflationary pressures on the economy influencing rates of growth and savings. These activities are facilitated by the condition of civil war where actors are fighting for the extraction of these resources.

69. Luis Carlos Villegas Echeverri, President of the Andi, *Andi*, no. 151 (March-April 1998), pp. 4-8.

70. In my interviews with the ex-president of the Andi in 1995 the discourse was inclined toward a military solution. See Richani, "Political Economy of Violence," pp. 63-66.

71. Jorge Visbal, President of Federación Colombiana de Ganaderos (FEDEGAN), interview with author, Bogotá, December, 1998.

72. In the last few years narcotraffickers have bought some of the most fertile lands in about 399 municipalities, i.e. about in the 37 percent of the total. Most of these lands have been transformed for intensive cattle ranching. These investments are inflating land prices and affecting patterns of rural investments, and consequently the whole rural economy, property relations and capital realization. In most cases, the narcotraffickers' investment coincide with the emergence of paramilitary groups. See Alejandro Reves Posada, "Compra de tierras por narcotraficantes," in *Drogas ilícitas en Colombia, su impacto económico, político y social* (Bogotá: PNM-DNE, Ariel ciencia Política. 1997).

73. Luis Carlos Villegas Echeverri, President of the Andi wrote that the political program of the guerrillas and their political propositions give hope, that a great part of their demands can be incorporated within a framework of social and economic free enterprise order and that the demands that are inconsistent with free enterprise can be negotiated. See his interview in *Andi*, p. 8. After writing this observation, representatives of the major economic groups met with FARC leader, Manuel Mandanda, and expressed their support for the peace process.