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 (narcobourgeosie) 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 Cqfetero*. 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 constrains the following scenarios could emerge:

- *Extracting more rents fromnarcotraffickers.*This strategy, if pursued, could strengthen the alliancesbetween the narcotraffickers and paramilitaries, something which started in 1988in Middle Magdalena under Rodriguez Gacha (killed in 1989) and later under otherparamilitary-narcos leaders who extended their operations to Putumayo and Meta.Since 1994, the guerrillas and paramilitary groups coincided in the departmentsof Antioquia, Boyaca, Santander, Huila, Caqueta, Valle, Putumayo, Casanare, andCesar and Choco, among others. The guerrillas are present in about 48 percent ofmunicipalities on the Caribbean coast where there is a concentration oflatifundios, and the paramilitary groups are found in 43.9 percent of those.Such coincidence in the departments and municipalities reflects the degree ofpolarization and the potential for a larger scale civil war.
- *Extracting more rents from cattleranchers and latifundistas.*This strategy also could consolidate therelationship of these groups with the paramilitaries and narcotraffickers, whichin turn could weaken the guerrillas politically and militarily.
- *Extracting more rents frommultinational corporations and other large economic groups.*These sectorsopted to pay protection money to the state, private security multinationals andlocal "private armies." Thus such a strategy might lead them to pay more to thestate 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 developingworld is about four percent of a company's operating costs; in Colombia, it canrun up to 10 percent.[38]
- *Extracting more rents throughnarcotrafficking.*This is a remote option due to the political costs thatthis can bring to the guerrilla hegemonic project at the national, regional andinternational levels. The guerrilla movement is aware that its revolutionarycredentials depend on the type of relationship it has with the narco economy andthere is growing evidence that the guerrillas (FARC and ELN) have taken measuresto curtail the coca production in some areas including Micoahumado (MagdalenaMedio) and Casanare.[39]
- *Extracting more rent from neighboringstates, such as Venezuela, Ecuador, Panama, Peru and Brazil.* Suchpractices could generate a coordinated regional reprisal that could deny theguerrillas the strategic depth they might need to wage war. In the borderregions, Venezuelan and Ecuadoran latifundistas and large cattle ranchers havebeen subject to the insurgents' rent gathering/protection demands creatingserious tensions and skirmishes especially with Venezuela, which in turn couldconsolidate border policing. In this regard,

it is also worth mentioning thatlarge cattle ranchers in Venezuela by late 2000 started contractingparamilitaries.

What are the potentials for the guerrillas at this juncture? First, theelection of the leftist Hugo Chavez in Venezuela has changed the Andean regionpolitical configuration, helping the rebels' cause by increasing their politicalsupport, but not necessarily their rents. Second, FARC has a historicalopportunity to project a favorable image at the national and internationallevels in the territories left under its hegemony after the state withdrawalfrom an area of 42,000 square kilometers (16,000 square miles and twice the sizeof El Salvador) in response to this group's preconditions for peace talks. TheFARC's challenge is to exercise its hegemony through consensus and also topresent a viable program for the planting of alternative crops in place of cocaand other illicit produce within the general frame of the agrarian question. Inaddition, if FARC formulates a political reform program that is acceptable bydifferent social classes and groups, this certainly might increase FARC'spolitical leverage. If FARC is able to capitalize on these potentials andtransform them into political assets, this can offset the probable loss in itseconomic rents and extraction capabilities and help bring about a negotiatedsettlement.

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

Thus, both the FARC and the ELN are faced with an extraction crisis and a warsystem that is becoming increasingly destabilized, presenting to them morethreats than opportunities for expansion. Consequently, the guerrillas' rentextraction potentials are diminishing in relation to the increasing costs of thewar. Such a condition is exacerbated by the decrease in FARC and ELN annualincomes from their 1995-96 levels. This income decrease is attributed to theloss of strategic territories to the paramilitaries and narcotraffickers inPutumayo, south Bolivar, Magdalena Medio, Uraba, and Catatumbo (NorthSantander). The other minor guerrilla groups such as the EPL and ERP are in nobetter 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 andsubsequently Law 48 provided the legal foundations for the creation of civildefense organizations through presidential order. These measures came after theemergence of FARC (1964) and the ELN (1965). Since then, paramilitary groupshave assumed different incarnations in different regions of the country. For ourpurpose, 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 logisticalsupport from the state's military. Although the paramilitaries were banned in1990, their growth continued unchecked and by the late 1990s had become a forceto be reckoned with. In 1986, the Castano group only counted 93 men accordingto the Ministry of Defense, but by 1996 they fielded 2,880, and since then theyhave increased their combat force dramatically - in 1999 they amounted to 5,915and by 2000 their force had jumped to 8,000.[42]Obviously, the advent of the paramilitaries and theirincreasing power in the second part of the 1990s changed the power configurationof the conflict, which until then had been bipolar (guerrillas versus state). A bipolar war system that was created during the 1970s and consolidated in the1980s and early 1990s was shaken by the paramilitaries. A new conflict dynamicwas created whose main characteristics will be analyzed. But first it isimportant to provide some background about the conditions that contributed tothe emergence of paramilitaries and their success in becoming such a sizablemilitary force.

The military expansion of the guerrillas led to the overtaxation of its ownclients (which are mainly middle to large land owners and cattle ranchers) intheir areas of operation. In addition, political abuses occurred, which led tovarious changes.[43]Uraba provided the launching point for theparamilitary groups known as the Peasants Self-Defense of Cordoba and Uraba(ACCU) led by the Castanos clan. During the 1980s Uraba was largely controlledby the guerrillas of the Ejercito Popular - Nacional (EPL) and later by theFARC. By 1988, middle and large property holders, overtaxed by the guerrillasand disappointed by the inability of the state to protect them, decided tosupport paramilitary groups.[44]This shift led to the creation and strengthening ofthe ACCU. Narcotraffickers also formed their own paramilitary groups, as didsome cattle ranchers, latifundistas, and emerald mining Mafia each in itsregions of economic activity. Boyaca, once a bastion of FARC, witnessed asimilar process in the late 1980s which also led to FARC's defeat in this areaand the emergence of paramilitarism. This defeat is attributed to excessivetaxation and political abuse committed by the FARC's front operating inBoyaca.

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

AUC started projecting amore coherent counterinsurgency political project and with increasing militarymight to back it up.

At another level, the paramilitaries' relationship withthe state is one of both dependency and autonomy. Dependent because it relies onthe logistical support that the armed forces can provide. This is evident in thelevels 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 andtraining. Autonomous because they are self-financed through the levying ofprotection taxes from the dominant rural classes and through narcotrafficking,contra banding, money laundering and gun running. The political project of theparamilitaries is to support and defend the existing capitalist economic andsocial order, and that is why I do not consider them to have a competingstate-making project. Nonetheless, they can influence this process and the typeof state that can emerge in terms of its class configuration (giving more weightto large landowners, rural elites and narcotraffickers) and regime type(authoritarian, giving the right-wing ideological orientation of the sectorsthat sponsor the paramilitaries) if they become a major political contender tothe guerrilla hegemonic project.[45]

On the other hand, paramilitaries compete with both state and insurgents forthe extraction of protection money and their military strategy is moreaggressive than the state and is not subject to international pressures andsanctions. The AUC is targeting the peasant support base of the guerrillas byassassinating peasant leaders, opposition figures and unions' organizers as wellas human rights activists. Such tactics and the increasing economic requirementsfor carrying them out have brought the bipolar war system to a crisis thatrequires a structural adjustment to accommodate this new actor, which has notbeen socialized into the rules of the war game. The paramilitaries disturbed oneof the ground rules of the war system, which is the low-intensity warfareunderscored by a comfortable impasse affecting negatively the political economyof both the guerrillas and the state. Each of these forces, for example, startedinvesting more in warfare that in butter. The increasing costs of war for theguerrillas were discussed above and that of the state is discussed in thefollowing section.

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

Paramilitaries and the Escalation of Violence:
Key Indicators

Inthe last four years the escalation of the conflict is transforming thecomfortable impasse into a "mutually hurting stalemate," using William Zartman'sphrase, where the power of

each side is sufficient to keep it from losingbut isnot sufficient to win.[46] Such observation is inferred from five indicators allof which demonstrate a significant increase in the levels of violence (i.e.,transforming the low intensity-war as defined in this article to a higherintensity war), and that more resources are committed to guns rather than butterprecipitating the extraction crisis. (See Table 1)

The first indicator is the increasing number of massacres committed forpolitical purposes which demonstrate that the second part of the 1990s witnessedan 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, thenumber of massacres increased by 22 percent from the previous year reaching 205mass killings in which 1,226 died. (See Figure 1) In Figure 1 we will noticethat since 1996 the number of massacres increased significantly reaching itshighest levels since 1988. Most of these massacres were committed by the AUCagainst the peasant bases of the guerrillas or alleged guerrillas'sympathizers.

The second indicator is the number of homicides. In the 297 municipalities inwhich the homicides rates exceeded the national level rate, 80 percent of thosemunicipalities are concentrated in ten departments: in Antioquia (70),Cundimarca (31), Valle (28), Boyaca (21), Santander (18), Meta (17), Caqueta(14), Caldas (13), Risaralda (12) and Quindio (10). Ninety-three percent ofthese municipalities belong to rural and seven percent to urban areas. In thesemost violent municipalities guerrillas and paramilitaries coincide and theircoincidence 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 thanbutter. The military budget increased from a 1.8 percent of the GDP in 1986 to3.7 percent in 1999, the highest percentage recorded in more than 30 years.[47] The fourth indicatoris the overall cost of war which increased significantly since 1994 and tripledbetween 1996 and 1997, from $1 billion to more than $3 billions. This jump isattributed in part to the significant increase in defense expenditures (from 2.6percent of the GDP in 1995 to 3.5 percent in 1998) and to the increase in thenumber of robberies, extortions and kidnap-ransoms notably after 1993.[48] Finally, the fifth indicator is the increasingnumber of battle-related deaths which increased from more than 10 percent sincetheir highest attained level in 1990, and increased by about 17 percent fromtheir 1994 levels (See Table 1).

These five indicators allow us to note a significant change in the levels ofviolence which increasingly is moving the low-intensity war to a higher level, which validate my argument that a unified AUC and its growing strengths in thepost-1995 period unleashed the escalation of war destabilizing the war system.This new condition could either lead to the collapse of the war systemmaximizing the possibilities of a negotiated settlement, or usher in a"fluctuating stalemate" if the paramilitaries and the state successfullydislodge the guerrillas from some strategic areas, substantially reducing theirextractive 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***
*Number of people killed in Massacres****	700	400	504	847
Military Expenditures %GNP	1.8	1.3	1.8	3.7
*Number of combats between guerrillas and the armed forces***	866	690	1,374	1,252

*Camilo Granada and Leonardo Rojas "LosCostos 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 EnriqueQuerez, eds., *Colombia: Inseguridad, Violencia y Desempeno Economico enlas Aread Rurales* (Bogata: 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: ComisionColombiana de Juristas, 1999)

****In 2000, 1,226 people died in massacres, the highest record since1988.

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

The AUC's strategy is to dislodge the guerrillas from keystrategic economic areas in order first to deny them rents, and second to servetheir strategic objective of reestablishing a state's hegemony more in tune withthe class interests of the AUC's supporters and their ultra-right ideology. Acase in point is South Bolivar, a region rich in gold, coal and coca where AUCdislodged the ELN, FARC and Ejercito Revolucionario Popular (ERP, a dissidentELN group which emerged in 1997) from important areas in the Serrania de SanLucas. This is a strategic area in terms of its economic resources and as acorridor that can connect the paramilitary groups of Cesar and Sucre with thosein Cordoba, Uraba and Santander. This struggle is of enormous significance, andits outcome will determine for some time to come the power correlation in theSerranias 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 thepossibilities of a fluctuating or a mutually hurting stalemate.

The Paramilitaries' Extraction Potential

It is estimated that thecosts of maintaining an army of 8,000 paramilitaries is about $8,000 per fighterwhich includes salary, training, food and equipment. The total amount can run upto $64 millions.[50]Where is this money coming from? Are there limitsbeyond which the AUC sponsors will not finance them? While some social groupsmay have the same class interests as the large landowners, drug traffickers,cattle ranchers and sectors of the urban bourgeoisie, that unity maydisintegrate when decisions have to be made on issues such as extradition to theUS, the confiscation of narcotraffickers properties, agrarian reform and thesubstitution of illicit crops. The economic crisis in the agrarian sector hasaffected both latifundistas and large cattle ranchers, and this suggests thatthey will have fewer resources to commit for an escalating war leaving the AUCto rely more on narcotrafficking, contraband and money laundering to financetheir military buildup and for self-enrichment.[51] Castano admitted in a televised interview that about80 percent of his forces in the Middle Magdalena is financed by thenarcotraffickers.[52] Moreover, there is evidence that such a trend isgaining force in North Santander, Putumayo, Cordoba, Antioquia and Meta,where AUC is gaining ground in its attempt to eliminate the guerrillas' taxationsystem and their regulation of market relations between the peasant's cocagrowers and the narcotraffickers.[53] It is noteworthy that prior to the AUC challenge, theguerrillas made sure that narcotraffickers and their intermediaries paid thepeasants the market price of the coca leafs and paste and also reinforced timelypayments.[54] With the shifting balance of power guerrillapolicing started changing, particularly in areas that fell under the AUC, suchas in parts in each of South Bolivar, Putumayo and North Santander. In this modethe AUC is gaining some strategic advantage by capitalizing on the huge economicreturns that narcotrafficking could bring. In this manner the paramilitarieshave the potential to grow exponentially more than the guerrillas (e.g., in 1996they 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'sfuture democratic development as well as to its international and regionalrelations.

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

The State and the Dominant Classes

The state in Colombia in manyrespects can be seen as "weak" with resource scarcity, limited coercive andregulatory capabilities, and with a meager social network. This description,however, can also be applied to a number of other states that witnessedprotracted civil wars such as Lebanon, Sudan, Angola, Afghanistan and Somalia.In part, the weakness of the state both lead to and reinforce the protraction ofwars.[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 democraticmeans or by coercion. Such chronic crisis was partially due to the failures ofany sector of the dominant class to lead with the support of a consentingcritical mass.[57] Manifestations of this hegemonic crisis are abundantsince the country’s independence in the nineteenth century; it is worthmentioning the war of the Thousands Days (1899-1902), La Violencia (1945-58) andthe War System (1964-present). The first two wars were precipitated by theintra elite’s unmitigated political competition without an institutionalframework acceptable to the elites’ factions, namely the Conservative andLiberal Parties and capable of adjudicating their differences. In these two warsabout 300,000 people perished. The War System phase (its origin lies with theguerrillas’ of the 1960s) was generated only after the elite closed ranks underan exclusive political arrangement that regulated the intra elite competition,the National Front, but without gaining the consent of the dominant groups. Thepolitics of exclusion was coupled with violence and the two became part of adialectic between “limited” democracy and guerrilla warfare resulting in a warsystem in which none could win.

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

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

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

The outcome of the elite divisions was an ill-fated coup attempt againstPresident Samper highlighted by the assassination of Alvaro Gomez Hurtado, themost prominent Conservative leader. The reasons behind the killing of theConservative leader remain speculative, but one plausible explanation is that hebacked down from supporting the plot after the coup attempt's leaders failed toobtain 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 proportionssince 1958 revealing the precariousness of Colombia's democracy. The objectiveof the plotters, which included some military, right-wing intellectuals andpolitical sectors, was to lead the country into an authoritarian route, revokingthe 1991 constitution and reinstituting its predecessor (the constitution of1886).[59]

The rumored coup and the assassination of Alvaro Gomez generated an overallfeeling of insecurity which was exacerbated by intra elite conflict and aweakened Samper's government. The apparent beneficiaries of these conditions were some military sectors, notably the notorious Brigade 20 (armyintelligence), 5 and 14 and their allies: large landowners, cattle ranchers, narco-bourgeoisie and their paramilitaries who took matters into their ownhands.[60]The state's political crisis during Samper's tenurecan explain the rapid growth of the paramilitary groups during the mid-1990s.The governmental crisis reduced the capacity of the state to extract protectionrents (taxes) due to the loss of confidence in its political institutionscreating a legitimacy crisis even with its own traditional clientele. Thisexplains, for example, why the "war tax" that was introduced by Samper'sgovernment failed to raise the money needed to upgrade the armament of themilitary.

The dominant classes represented by large enterprises and core sectors, suchas 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 withit which in turn reveals the state's inability to enforce the law.[61]The cause behind such reticent behavior by a largesector of the dominant class was a "loss of faith in the ability of thegovernment to address the country's main problems, particularly the guerrillas'threat" as the FEDECAFE (Federation of Coffee Growers) president expressed to mein an interview.[62] This behavior can be attributed to a dominant beliefamong these sectors that they can go unpunished for tax evasion and avoidpenalties because of the norm of tax amnesties that the state provides on aregular basis.[63] Hence, the "war-tax" evasion was part of a largerproblem that was only aggravated by the legitimacy crisis of Samper'spresidency.

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

forcombat. This defensive posture and the lack of a coordinated political strategyallowed the consolidation of the war system during the 1980s and 1990s, when themilitary learned to live and benefit from a low-intensity war. Institutionalinterests were consequently developed, which in turn consolidated the warsystem.

But, now with the destabilization of the war system and under the pressure ofescalating conflict generated by the paramilitaries, the military is pushing toreform its structure by creating a professional army of 60,000 professionaltroops 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 millionpesos) and so again the issue of extracting more resources becomes imperative inan 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 conditionsin 1999.[65] The earthquake in the coffee region and the costs(about 2 billions) of rebuilding has further strained government resources. Thegovernment fiscal deficit in 1999 rose to about 5 percent of the GDP from 0.8percent in 1998. Thus, Pastrana's government faced difficult options if it hadchosen to wage war drawing on local resources. Financing the war through raisingtaxes would have discouraged investments and increased unemployment. Inaddition, raising taxes is an unpopular measure (given the rampant problem oftax evasion) that might be resisted by different sectors including those thatsupport Pastrana. Another option was financing the war by selling public sectorenterprises such as TELECOM, but such a policy was and still is unpopular andprevious attempts to privatize were vehemently opposed by their employees andpopular sectors alike. The only remaining option was to seek internationalfinancial support for the war. This explained why President Pastrana embracedthe so-called Plan Colombia put forward by the US, which provided about $800millions (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 resourcesneeded to upgrade the military capabilities of the armed forces. In a certainmode, Plan Colombia and now the so-called Andean Initiative sponsored by theBush's administration (Colombia will receive about $400 millions in military aidin the coming fiscal year) are helping to prolong the livelihood of the warsystem by providing the military institution and its conservative allies with anincentive 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 notaffect their economic and political interests. The war was mainly fought inrural areas and the war economy, including narcotraffiking, supplied the moneyneeded by key economic sectors. But, by the 1990s, this money supply (calculatedbetween $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 turnby the political economy of narcotrafficking which offered new

opportunities forthe guerrillas as discussed in an earlier section. The positive politicaleconomy of the war system enjoyed by the dominant classes during the 1970s and1980s started its diminishing returns in the 1990s.

In light of the above, the large business groups represented by theAssociation of Industrial Groups (Andi), Association of Bankers (Asobancaria),the "Cacaos" (Ardilla Lulle, Sarmiento Angulo, Santo Domingo and the SindicatoAntioqueno), the four largest economic groups in the country, started shiftingtheir positions when the escalation of the civil war and its correspondingpolitical economy started affecting inflation, transaction costs, saving andinterest rates, and dropping the growth of the economy by at least by 3 points.[66]The multiplication of protection rents provided bymultinational security companies, the state, guerrillas, mercenaries,paramilitaries and organized crime, and the economic and personal risks thisimplies for investment are now being translated into a new political stance.[67]These additional protection costs and the negativepressures of the war system's political economy have contributed to this change.[68]

Since 1997, the large business groups have begun seriously to consider howthey can contribute to the peace process. The core questions are how much thesedominant groups are willing to concede and what is the minimum the guerrillasare willing to accept. In a recent publication of the Andi, a group thatincludes most private industrial and business enterprises, its president LuisCarlos Villegas wrote: "The economic, social and international costs of ourarmed conflict are overwhelming our capabilities of coping, and we have reachedthe point where any choice is costly. But more costly is the status quo ofdeath, anarchism, violence and insecurity." He added "the 3 percent of the GDPthat is being consumed by the armed conflict could be used instead for thereincorporating of the 15,000 combatants and the marginal populations of theunderdeveloped areas."[69] This is a new discourse, virtually nonexistentbefore 1995 which represents a positive shift toward a negotiated solution.[70] But not all segments of the dominant class share theAndi's view. The landed oligarchy, cattle ranchers and sectors of agribusiness(e.g. banana growers in Cordoba and large landowners in Bolivar) are theopponents of a peace that could affect their fortunes. The key conception ofthese sectors was best expressed by Jorge Visbal, president of Fedegan, thecattle ranchers organizations, when he said: "We want peace but not at ourexpense. We all have to pay for it, not only the large cattle ranchers and therural landowners. A reform should be comprehensive not only a land reform."Visbal explained that some sectors of the bourgeoisie believe that they can havepeace by simply giving the peasants some land.[71]Visbal's stance reflects the divide existing amongthe different sectors of the dominant classes, primarily between the urban-basedbourgeoisie and the rural-oligarchy, when it comes to a negotiated settlementwith the insurgency that he feared will be at their expense.

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

CONCLUSIONS

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

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

If this analysis is valid, then the competition for protection rent and thedevelopment of extraction strategies become of vital importance for theguerrillas if they are to attain a major national role and avoid passing intoisolation and oblivion in Colombia’s mountains. This article concludes that thepotential of extracting rent has reached its limits and political violence isproducing diminishing returns. Thus, maintaining the momentum of the insurgencywill become increasingly difficult.

In their turn, the state and its “objective” ally, the paramilitaries, arenot immune from the laws of diminishing returns; they too are limited in therents they can extract for state- and war-making and protection. At least somesectors of the dominant classes already feel that their interests may be bestserved by reconciling the two hegemonic projects and state-making processes(bourgeois and guerrillas), even if this carries with it a political andeconomic price.[73]It remains to be seen, however, how the differentactors behave in the coming months. What is becoming clear is that the politicaleconomy which sustained the war system during the 1980s and parts of the 1990sis being consumed by the escalation of the conflict, changing the war system’sdynamics (low intensity to higher) and affecting its life cycle. This isgenerating a systemic crisis and exacerbating the struggle for extraction, whichin turn has brought about a serious escalation in the conflict that willcontinue until a new correlation of forces emerges and a new system isestablished.

Finally, in light of the above, current US policies toward Colombia,particularly their military accent, are critical in determining whether the warsystem 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 anunderstanding of the current crisis of the war system and reflecting thereadiness of key actors to strike a deal. In this regard, I suggest more moneyfor alternative crops development and much less money for the military, if peaceis the desired outcome. This suggestion, if considered, might help in creating abetter environment fomenting peace by encouraging local actors to make ahistoric compromise.

Endnotes

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2. A few representatives of the threetheoretical genres will be mentioned here. The first genre is represented byscholars such as Quincy Wright. A Study of War rev. ed.. (Chicago, IL:University of Chicago Press, 1965); J. David Singer. The Correlates of War (NewYork: Free Press, 1980); Ted Robert Gurr, Minorities at Risk (Washington, DC:United States Institute of Peace Press, 1993); Rudolf Rummel, Dimensionality ofNations Project (Ann Arbor, MI: Inter-University Consortium of Political andSocial Research, 1976); and James Rosenau, ed., International Aspects of CivilStrife (Princeton, NJ: Princeton University Press. 1964). For the secondresearch genre, see, for example, Barrington Moore, Jr., Social Origins ofDictatorship and Democracy: Lord and Peasant in the Making of the Modern World(Boston, MA: Beacon, 1966); Jefferey Paige, Agrarian Revolution: SocialMovements and Export Agriculture in the Underdeveloped World (New York: FreePress, 1975); and Coffee and Power: Revolution and the Rise of Democracy inCentral America (Cambridge, MA:Harvard University Press, 1997); Theda Skopol,States and Social Revolutions: A Comparative Analysis of France, Russia andChina (Cambridge: Cambridge University Press, 1979); and Eric Wolf, Peasant Warsof the Twentieth Century (New York: Harper and Row, 1969). For examples on thegenre on conflict resolution, see Michael Brecher, Crisis, Conflict andInstability (New York: Oxford University Press, 1989); Nazli Choucri and RobertNorth, Nations in Conflict (San Francisco, CA: W.H Freeman, 1975); Evan Luard,Conflict and Peace in the Modern International System (Albany, NY: StateUniversity of New York Press, 1988); Kuman Rupesinghe, Toward a Policy Frameworkfor Advancing Preventive Diplomacy (London: International Alert, 1994); LincolnBloomfield and Amelia C. Leiss, Controlling Small Wars (New York: Alfred Knopf,1969); Edward Azar, The Management of Protracted Social Conflict: Theory andCases (Hampshire, England: Dartmouth Publishing Company, 1990); Louis Kriesberg,Terrell A. Northrup, Stuart J. Thorson, Intractable Conflicts and theirTransformation (Syracuse, NY: Syracuse University Press, 1989); I. WilliamZartman, ed., Elusive Peace: Negotiating an End to Civil Wars (Washington, DC:The Brookings Institutions, 1995); Roy Licklider, ed., Stopping The Killing, HowCivil 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 inCivil Wars, Adelphi Paper 320, (London: IISS,1998), and Francois Jean et Jean Christophe Rufm, eds., Economie des GuerresCiviles (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 ofInternational Politics (New York: McGraw-Hill Publishing Company, 1979). For a good review of the body of literature thatexplains interstate conflict and conflict resolution in terms of systemicanalysis by exploring hegemonic drives, power transitions and changes in balanceof power, see John A. Vasquez, The War Puzzle (Cambridge: Cambridge UniversityPress, 1993).

5. For a systematic analysis of thesevariables, see Nazih Richani, Systems of Violence: The Political Economy of Warand Peace in Colombia (Albany, NY: State University of New York Press,forthcoming).
6. I contend that war systems like anyother institutional arrangement will not be created if the costs of doing soexceed the benefits (are not only measured by economic returns) that theysubsequently provide. See Jack Knight, Institutions and Social Conflict(Cambridge: Cambridge University Press, 1998), p. 43.
7. Nazih Richani, "The PoliticalEconomy of Violence: The War System in Colombia" Journal of InteramericanStudies and World Affairs 39, no. 2 (Summer 1997), pp. 3, 7-8 This articlepresents a detailed analysis of the war system and its political economy.
8. There is an emerging genre ofstudies of protracted conflicts that suffer from economic reductionism, whichreduce the causes of civil wars to bare economic gains. Thus, it is important toemphasize that this approach does not apply to Colombia's civil wars amongothers where a war system settled in. According to the war system approachactors adjusted to this condition as the optimal they can get under a balanceof forces that did not allow any side to prevail; but the political-ideologicaldimensions remain the overriding aspect of the conflict. For good examples ofthis "reductionist" genre, see Jean et Rufm, eds., Economie des GuerresCiviles; and Keen, Economic Functions Of Violence in Civil Wars.
9. A low-intensity civil war as definedin this article accepts the conventional definition of civil wars as those whenan armed opposition and government conflict generate a minimum of 1,000battle-related deaths/year. Moreover, the low-intensity war also has an upperthreshold of no more than 3,000 battle related deaths/year. Low-intensityconflicts are those that are confined for a sustainable period to remote andlightly populated areas and hence civilian casualties are low. Finally,low-intensity conflicts are those that are not serious enough to affect theeconomic growth of a civil war stricken country. On all these counts theColombian civil war qualified as a low-intensity war until the 1990s. The upperthreshold indicator is superficially set and needs rigorous cross-nationaltesting for validation. See Melvin Small and David Singer, "Patterns of Warfare1816-1965" in The Annals of the Academy of Political and Social Science 391(September 1970), pp. 145-55.
10. The prisoners' dilemma isillustrated by the example of two criminals caught for the same crime; eachfaces the decision of either collaborating with the authorities and, byimplicating the other, saving his own skin under the assumption that he mightserve less time in prison, or deciding to collaborate with his accomplice by notconfessing. Therefore, both could be worse offif they do not collaborate with one another, than by collaborating with theauthorities.
11. See Richani, "Political Economy ofViolence."
12. Catherine LeGrand, FrontierExpansion and Peasant Protest in Colombia 1850-1936 (Albuquerque, NM: Universityof New Mexico, 1986), p. 68
13. See Leon Zamosc, The AgrarianQuestion and the Peasant Movement in Colombia (London: Cambridge UniversityPress, 1986); LeGrand, Frontier Expansion and Peasant Protest. See also El Tiempo, 8 March 2000; Francisco Thoumi,Derechos de Propiedad en Colombia: Debilidad, Ilegitimidad y algunasImplicaciones Economicas (Bogota: CEI, Universidad de los Andes, 1995).
14. Alfonso Lopez Michelsen(ex-president of Colombia), "La Agicultura del Siglo XXI , La Ley de Tierras,"El Tiempo, 27 May 2001.

15. Poverty in Colombia, World BankCountry Study (Washington, DC: The World Bank, 1994), pp.127-28.
16. For the dilemmas of private propertyin developing nations, see Hernando De Soto, The Mystery of Capital: WhyCapitalism Triumphs in the West and Fails Everywhere Else (New York: BasicBooks, 2000).
17. Departamento Nacional de Planeacion,La Paz: El Desafio para el Desarrollo (Bogota: Departamento Nacional dePlaneacion, 1998), p. 76.
18. Richani, Systems of Violence.
19. Richani, "The Political Economy ofViolence."
20. Departamento Nacional de Planeacion,La Paz, p. 103.
21. Richani, "Political Economy ofViolence," and Systems of Violence.
22. Ibid.
23. Charles Tilly, "War Making and StateMaking as Organized Crime" in Peter Evans, Dietrich Rueschemever and ThedaSkocpol, Bringing the State Back In (Cambridge: Cambridge University Press,1985), p. 181.
24. Ibid.
25. LeGrand, Frontier Expansion andPeasant Protest, p. 11. See Alfredo Molano, Selva Adentro: Una Historia de laColonizacion del Guaviare (Bogota: Al Ancora Editores, 1987); Aguas Arriba:Entre la Coca Y el Oro (Bogota: Al Ancora Editores, 1990); and "Violencia yColonizacion," Foro, no. 9 (1989).
26. Richani, "Political Economy ofViolence," pp. 37-81
27. Yazid Arteta, FARC Commanderinterview with author, Bogota, November 1998.
28. Camilo Enchandilla Castilla,"Evolucion Reciente del Conflicto Armado en Colombia: La Guerrilla," in JaimeArrocha, Fernando Cubides and Myriam Jimeno, eds., Las Violencias: InclusionCreciente (Bogota: Centro de Estudios Sociales, 1998), p. 38.
29. Jesus Bejarano, Camilo Echandia,Rodolfo Escobedo and Enrique Querez, eds., Colombia: Inseguridad, Violencia YDesempeno Economico en la Areas Rurales (Bogota: Fondo Financiero de Provectosde 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 theRepublic, Bogota, Colombia.
32. El Espectador, 6 Noviembre 1998. PAA.
33. My estimates take as a base line the1989 FARC's estimation of the costs of maintaining a force of about 18,000fighters divided into 60 fronts necessitating $56 million. This is in addition to the major military operationsthat involve 300 and more fighters which since 1996 have averaged 10 operationsper year with an average cost of a million each. This brings the total to $66 million. FARC Pleno de 1989; Conclusiones Sobre Plan MilitarEstrategico de 8 anos, Organizacion, Escuela Nacionaly Finanzas, Mimeo.
34. The military estimate the FARC'sincome at $450 million/year while its costs total $50 million. I think this overestimates the income andunderestimates the costs. See Semana, no 879, 8 March 1999.
35. Carlos Medina Gallego, Autodefensas,Paramilatares y Narcotrafico en Colombia Origin, Desarrollo y Consolidacion elCaso Puerto Boyaca (Bogota: Editorial Documentos Periodisticos, 1990).

36. El Tiempo, 18 May 1999. I also verified these figures with interviewsconducted with coca growers in Middle Magdalena in November 1998. It isimportant to keep in mind that the prices of coca paste could vary from onedepartment to another; in el Guaviare, for example, it is lower than in SouthBolivar. 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 EffectsComplexity in Political and Social Life (Princeton, NJ.: Princeton UniversityPress, 1999).
38. See Diana Jean Schemo, "RiskingLife, Limb and Capital," New York Times, 6 November 1998, pp. C I and 3.
39. Jubencel Duque, Coordinator ofPrograma Desarrollo y Paz in Middle Magdalena interview with author,Barancabermeja, November, 1998. FARC also presented a pilot program for cocairradication in Caqueta to be financed by the European Union and the UnitedStates.
40. Norbev Quevedo Herna'dez, "El Tesoro de las Autodefensas," El Espectador, 26November 2000.
41. This figure is based on an the ELN's1995 income extracted from gold miners and its investments in this sector whichwas about $23 million out of total income of $143 million.
42. Data from Colombia Ministry ofDefense as cited in Revista Cambio, 26 January2001.
43. During the 1980s and until the early1990s, the degree of extraction of rents for protection had not yet reached apoint of overtaxation of its clients.
44. See "La Contrarevolucion en Uraba,"Seniana, (Bogota), 17 May 1988 as quoted in William Ramirez Tobon, Uraba: LosInciertos Confines de Una Crisis (Bogota: Planeta, 1997), p. 127.
45. The ideological right-wingorientation of these sectors was inferred from interviews with representativesof the Federation of Coffee Growers (FEDECAFE), Society of Farmers (SAC) andFederation of Cattle Ranchers. These interviews were conducted by the author in1996 and 1998 respectively.
46. I. William Zartman "The UnfinishedAgenda: Negotiating Internal Conflicts" in Licklider, ed., Stopping the Killing,pp. 20-34.
47. In 1971 the defense expendituresamounted to 4.1 percent of the GDP, its highest level since 1958. The defensebudgets of 1999 and 2000 are therefore the second highest since 1958. SeeFrancisco Leal Buitrago, El officio de La Guerra: La Seguridad Nacional enColombia (Bogota: Tercer Mundo Editores and IEPRI, 1994), p. 279.
48. See Richani, Systems ofViolence.
49. Bejarano, et al., Colombia, p. 133.
50. These estimates are based on myinterviews with peasants from South Bolivar who were cross examined with datapresented in La Paz: El Desafio Para el Desarrollo (Bogota: Departamento deNacional de Planeacion, 1998), p. 79. The AUC pay about $300 to $400 monthly totheir rank and file. AUC fighters receive bonuses of about $300 for everykill. In salaries alone the paramilitaries payabout $2.4 million/month and about $30 million per year.

51. See Nazih Richani, “The ParamilitaryConnection,” NACCLA XXXIV, no. 2 (September- October 2000), pp. 38-41.
52. Ibid.
53. Interviews with peasants from theseregions carried out by author in October and November 1997. After I wrote thispaper the Colombian police dismantled a cocaine processing complex in the MiddleMagdalena run by AUC with an estimated cost of $5 million and a productioncapacity of eight tons of coca per month.
54. This observation is based on variousinterviews with coca growers and with FARC officials conducted by author in1998. See also Francisco Thoumi, Economia Politica Y Narcotrafico, (Bogota:Terccr Mundo. 1994).
55. As I was finishing this paper, theFARC mounted an effective military campaignagainst the AUC’s strongholds in Cordoba and Uraba. These areas have been underthe hegemony of the paramilitaries for over 15 years and some of the AUC leadershave large landholdings in the municipalities that were attacked, such asMontelibano and Tierra Alta (in the province of Cordoba). It seems that FARC hasregained some territory in these strategically located areas. See Semana, 4 June2001.
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 onthe“privatization” of the public institutions, see Thourni, Economia Politica YNarcotrafico, chap 2.
59. See Semana, 2-9 November 1998, pp.54-58. The causes of Gomez Hurtado’s assassination are not yet clear, but oneplausible theory is that he was initially involved in the coup plan but changedhis mind after failing to win US support and threatened to expose the others whoinsisted 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 taxesby the state is an indicator of its overall effectiveness and its capability togovern. See Michelle Benson and Jacek Kugler, “Power Parity and the Severity ofInternal Violence,” Journal of Conflict Resolution 42, no. 2 (April 1998), pp.196-209. In Colombia, the dominant classes and their allies in Congress havebeen consistently opposed to tax reforms that entail them paying direct taxesand hence denied the state the critical resources it needed to govern.
62. Jorge Cardenas, President of theFederation of Coffee Growers (FEDECAFE), interview with author, Bogota 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, Economia Politica delNarcotrafico, p. 31.
64. El Espectador, 20 November 1998, p.4A.
65. See, El Tiempo, April 20, 1999. Thenegative growth (- 1.2) was released by DANE (government official statistics).In March 1999, the industrial production was -9.2 percent, the lowest in almosttwo decades. See El Espectador, 7 June 1999.
66. It was estimated that the civil waris costing about 3 points of economic growth per year and each point is equal toabout $700 million for a total of $2.1 billion. These are the

estimates of theComision de Racionalizacion del Gasto Publico, as reported in El Tiempo, 6January 1999, p. 1.
67. See Diana Jean Schemo, “RiskingLife, Limb and Capital,” New York Times, 6 November 1998, pp. CI.
68. The political economy of the warsystem includes the economic returns of the contrabanding of goods, weapons andnarcotrafficking. These returns are exerting inflationary pressures on theeconomy influencing rates of growth and savings. These activities are facilitated by the condition ofcivil 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 theex-president of the Andi in 1995 the discourse was inclined toward a militarysolution. See Richani, “Political Economy of Violence,” pp. 63-66.
71. Jorge Visbal, President ofFederacion Colombiana de Ganaderos (FEDEGAN), interview with author, Bogota,December, 1998.
72. In the last few yearsnarcotraffickers have bought some of the most fertile lands in about 399municipalities, i.e. about in the 37 percent of the total. Most of these landshave been transformed for intensive cattle ranching. These investments areinflating land prices and affecting patterns of rural investments, andconsequently the whole rural economy, property relations and capitalrealization. In most cases, the narcotraffickers’ investment coincide with theemergence of paramilitary groups. See Alejandro Reves Posada, “Compra de tierraspor narcotaficamcs,” in Drogas ilicitas en Colombia, su impacto economico,politico y social (Bogota: PNM-DNE, Ariel ciencia Politica. 1997).
73. Luis Calos Vellagas Echeverri,President of the Andi wrote that the political program of the guerrillas andtheir political propositions give hope, that a great part of their demands canbe incorporated within a framework of social and economic free enterprise orderand that the demands that are inconsistent with free enterprise can benegotiated. See his interview in Andi, p. 8. After writing this observation,representatives of the major economic groups met with FARC leader, ManuelMandanda, and expressed their support for the peace process.