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# Drugs and Revolution: The Effect of Narcotics Revenue on Rebel Group Goals

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# Drugs and Revolution: The Effect of Narcotics Revenue on Rebel Group Goals

## **Abstract**

*This thesis seeks to answer the broad question: how does drug funding affect rebel group goals? More specifically, it explores why rebel groups reliant upon substantial narcotics-related revenue tend to be non-separatist in nature. The thesis tests three cases against five hypotheses in order gain a better understanding of the mechanisms that produce non-separatist goals among drug-funded rebel groups. This includes an examination the development of narcotics-fueled war economies, the role of state weakness in civil war, the reasons for non-separatist conflict perpetuation, as well as the discipline problems that arise as a result of a rebel group's involvement in the drug trade. The three cases analyzed in the thesis, that of the FARC in Colombia, the Shining Path in Peru, and the Free Aceh Movement in Indonesia, present comprehensive external validation of the paper's theoretical framework. This paper finds that state weakness, the breakdown of discipline within rebel groups, and the tendency of rebels to perpetuate conflict for profit maximization provide strong evidence of the reasons for the non-separatist nature of most drug-funded civil conflicts.*

## **Keywords**

Civil War, Civil Conflict, Drugs, Non-Separatist, Separatist, Narcotic Revenue, Rebel Groups, GAM, Free Aceh Movement, FARC, Shining Path, Sendero Luminoso, Free Aceh Movement, Lootable Resources, Unlootable Resources, War Economies, State Weakness, Colombia, Peru, Indonesia, International Sanctions, Principal-Agent Problems, Discipline Problems, Natural Gas, Social Sciences, Political Science, Alex Weisiger, Weisiger, Alex

## **Disciplines**

Asian Studies | Comparative Politics | Defense and Security Studies | Human Geography | Latin American Studies | Military Studies | Other Political Science | Peace and Conflict Studies | Political Economy

# **Drugs and Revolution:**

## **The Effect of Narcotics Revenue on Rebel Group Goals**

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**Undergraduate Honors Thesis in Political Science**  
**University of Pennsylvania**  
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**April 8, 2011**

*Acknowledgments*

This article has benefited greatly from the critical comments, encouragement and input of two individuals in particular: Dr. Alex Weisiger and Dr. Eileen Doherty-Sil. I would like to thank Dr. Alex Weisiger for giving selflessly of his time to assist in the production of this thesis. He endured numerous revisions and suffered through countless rewrites. Dr. Eileen Doherty-Sil shepherded this thesis from its earliest development to its eventual final form, providing the research guidance and constant encouragement necessary to complete this project. I sincerely appreciate the help of Dr. Weisiger and Dr. “D” and thank them for their kindness, patience, and support.

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## **Drugs and Revolution: The Effect of Narcotics Revenue on Rebel Group Goals**

### ***Abstract***

*This thesis seeks to answer the broad question: how does drug funding affect rebel group goals? More specifically, it explores why rebel groups reliant upon substantial narcotics-related revenue tend to be non-separatist in nature. The thesis tests three cases against five hypotheses in order gain a better understanding of the mechanisms that produce non-separatist goals among drug-funded rebel groups. This includes an examination the development of narcotics-fueled war economies, the role of state weakness in civil war, the reasons for non-separatist conflict perpetuation, as well as the discipline problems that arise as a result of a rebel group's involvement in the drug trade. The three cases analyzed in the thesis, that of the FARC in Colombia, the Shining Path in Peru, and the Free Aceh Movement in Indonesia, present comprehensive external validation of the paper's theoretical framework. This paper finds that state weakness, the breakdown of discipline within rebel groups, and the tendency of rebels to perpetuate conflict for profit maximization provide strong evidence of the reasons for the non-separatist nature of most drug-funded civil conflicts.*

## **I. Introduction**

### **Prologue**

What impact do lootable resources have on civil wars? How does the presence of lootable resources in a civil conflict affect the behavior of rebel groups? Why does rebel access to lootable resources increase the likelihood a civil conflict will be non-separatist in nature (Ross 2004)? Examining rebel group revenue sources helps explain how the availability of different types of funding affects rebel group strategy and goals.

The funding environment for rebel groups underwent drastic changes in the early 1990s. The demise of the Soviet Union led to the immediate withdrawal of substantial financial and other resources that the USSR had funneled to rebel groups (Steinberg 2000). Indeed, the years following the breakup of the USSR saw a number of longstanding conflicts resolve themselves, as support from the Soviet Union disappeared and anti-communist posturing no longer guaranteed funding from the United States (Steinberg 2000). The “new world order” of the post-

Cold War compelled numerous rebel groups to replace superpower funding with new sources of revenue in order to sustain their operations.

Despite the drastic change in the availability of superpower funding in the post-Cold War environment, a number of civil conflicts around the globe underwent curious escalations in their severity. Why did this apparent contradiction occur? Like any other rational organization whose existence depends on sustainable revenue streams and loses a key source of funding, many rebel groups sought to and succeeded in replacing lost income through the exploitation of lootable resources, in particular the cultivation, trafficking, and sale of illicit drugs. Illegal narcotics transformed into a new financial “superpower” for many rebel groups, allowing civil conflicts across the developing world in Columbia, Peru, Afghanistan, Mexico, Lebanon, and Myanmar, to endure and intensify throughout the 1990s and 2000s.

Why do the sources of rebel group funding matter? Put simply, without money, rebel groups cannot sustain participation in civil conflict. Unlike participants in international wars who tend to include militaries funded by state governments, the inherent illegality of rebel groups makes access to funding a critical contributor to their organizational viability. Rebel organizations require revenue at a level that not only sustains their core operations, but also allows them to compete effectively with governmental adversaries supported by tax-collecting bureaucracies. The sheer cost of building and maintaining a rebel army makes rebellion prohibitively expensive in many instances; as a result, understanding both the conditions that allow for a financially viable rebel group to exist and the ways rebel groups think about funding their operations comprises a key element of any explanation of civil war. Access to certain funding sources – or a lack thereof – compels rebel groups to adapt both their internal structure and external strategy in order to match future expectations of revenue.

What are the mechanisms by which rebel group access to drug revenue causes changes to their strategy, goals, and tactics? Does the exploitation of certain revenue streams – illegal drugs in particular – cause rebel organization to alter their goals regarding secession versus complete state takeover in fundamental ways? The type of revenue streams to which rebel groups have access – whether through the extraction of gemstones, taxation of a civilian population, extortion of protection money, international donations, kidnappings for ransom, or activities involving illegal drugs – have considerable effect upon the stated grievances of an organization, the way it recruits its members, its relationship with civilians, its ability to sustain civil conflict, and most relevant to this paper, a rebel group's decision to proclaim separatist or non-separatist goals.

Beginning in the mid-twentieth century, civil wars began to replace international wars as the most common form of large-scale violence (Collier, Hoeffler, Rohner 2008). The reasons for the persistence of civil wars, which tend to exceed international wars in duration by more than ten times, carry important implications for policymakers around the world interested in preventing and ending conflict (Collier, Hoeffler, Rohner 2008). The longevity of civil war, combined with the tendency of these conflicts to wreak havoc on the economy and political stability of the countries and regions where they occur, has led many scholars to argue that prevention of civil conflict stands as the most important security priority of the twenty-first century (Gleditsch 2003). In addition, the substantial degree to which rebel groups fund their violence using funds obtained through the sale, cultivation, and distribution of illegal narcotics, often to developed countries across Europe and North America, makes the issue of rebel funding quite pertinent for policymakers outside of states torn by civil conflict. Understanding the ways the economic opportunity presented by the drug trade combines with domestic political



environment in foreign states may prove necessary in establishing a strategy to obstruct the multi-billion dollar global drug trade.

Above all, this paper asks the question: how does drug funding affect rebel group goals? Why do rebel groups reliant upon substantial narcotics-related revenue tend to be non-separatist in nature? The paper examines the decisions rebel groups make through the lens of how they fund their organization, with the aim of filling a gap in the existing literature on civil war regarding the precise mechanisms that produce this non-separatist tendency among drug-funded rebel groups. The relation between the core organizational strategy of rebel groups and the methods they use to generate revenue as opposed to more typical examinations of the goals, strategies, and tactics of a rebel group, remains an area with surprising little study given its importance to the execution of civil war.

### **Literature Review**

A number of studies since 1990, both qualitative and quantitative in nature, have explored how the presence of natural resources affects the likelihood, severity, and duration of civil conflict. Many of these studies have found a strong statistical correlation between a state's reliance on the export of natural resources, and either the likelihood it will suffer from civil war [Collier and Hoeffler 1998, 2001], or the duration of civil wars once they commence [Fearon 2001] (Ross 2003).

Although many of these studies do not focus on the impact of illicit lootable resources such as illegal drugs, these studies require examination in order to understand the current literature on the relationship between economic resources and civil conflict. While drugs may not come to mind when thinking of natural resources, they do in fact fall within the definition of

“natural,” as many of these substances either occur naturally or are cultivated in conflict zones and often have been for centuries (such as the coca plant in Peru or opium poppies in Burma).

In their 1998 paper, “On Economic Causes of Civil War,” Collier and Hoeffler argue that under certain conditions, civil wars will arise if rebel groups calculate the incentives for rebellion to outweigh the costs of war (Collier and Hoeffler 1998). Collier and Hoeffler find that the effect of natural resources is non-monotonic in its relationship to the likelihood of civil conflict: the presence of natural resources increases the risk of war but only up to a certain threshold (Collier and Hoeffler 1998). In other words, up to a certain limit, the taxable base of the economy provides an attractive target for rebel groups; yet at very high levels of natural resources, governments gain such substantial financial capacity that the risk of war decreases (Collier and Hoeffler 1998). For example, the military of the United Arab Emirates is so well-financed due to its access to petroleum revenue that potential rebels are unlikely to launch a war based on sheer resource asymmetry. The risk of civil war as related to natural resources peaks when primary commodity exports compose around 25% of GDP (Collier, Hoeffler, Rohner 2008).

Several studies have drawn a connection between a state’s per capita income and the likelihood of a civil war occurring [Fearon and Laitin 2003, Collier and Hoeffler 2008]. Fearon and Laitin’s 2003 study found that in 1985 dollars, \$1,000 less in per capita income is associated with 41% greater annual odds of civil war onset, while a country in the bottom decile of income has an 18% chance of a civil war outbreak over a decade, compared to an 11% chance for a country at the median income and a 1% chance for a country at the ninetieth percentile (Fearon and Laitin 2003). Collier and Hoeffler conclude that that conflict-free states included in their 2008 study “are characterized by a per capita income that is more than five times higher than in

countries in which wars broke out” (Collier and Hoeffler 2008). The 2003 study by Fearon and Laitin also finds that ethnic and religious polarization represent statistically significant effects that increase rates of civil war (Fearon and Laitin 2003).

Collier and Hoeffler’s 2004 paper, “Greed and Grievance in Civil War,” expands upon and refines the ideas proposed in their initial 1998 article. This paper utilizes an econometric model of civil wars between 1960-1999 to elucidate the relationship between motive and opportunity in the outbreak of civil wars (Collier and Hoeffler 2004). Unlike previous studies which focus on the “opportunity” to rebel groups that arises from grievances within a civilian population, Collier and Hoeffler’s model emphasizes “atypical opportunities” arising from the availability of revenue streams for rebel groups (Collier and Hoeffler 2004). As Keen writes, “war combines both the breakdown of order and the use of violence, with the emergence of an alternative system of profit, power, and even protection” (Keen 2000).

While Collier and Hoeffler find little explanatory power attached to grievance and the outbreak of civil war, their model focusing on financial opportunities for rebellion (through extortion, exploitation of natural resources, donations from diasporas, and subventions from hostile government) performs quite well across dozens of civil wars (Collier and Hoeffler 2004). As Collier and Hoeffler comment, they attribute the strength of the connection between the availability of financing and the incidence of civil conflict to the fact that such opportunities “[make] rebellion feasible and perhaps even attractive” (Collier and Hoeffler 2004).

Other authors focus on factors affecting the duration of civil wars. James Fearon, in his 2004 article, “Why Do Some Civil Wars Last So Much Longer Than Others,” finds that five factors share statistically strong relationships with civil war duration. Among these five factors, Fearon concludes that conflicts in which a rebel group enjoys access to funding from contraband,

whether it be coca, opium, or diamonds, tend to be quite long-lived compared to the average duration of civil conflict in his study (Fearon 2004). The estimated median and mean civil war durations for the 17 cases coded into Fearon's model involving major rebel group funding from contraband are 28.1 and 48.2, respectively, as compared to 6.0 and 8.8 for the rest (Fearon 2004).

The recent literature related to the occurrence of civil war includes substantial evidence for a correlative, if not causative, relationship between high-value lootable resources and civil of conflict. The below table demonstrates this trend, with the incidence of civil war among producers of Opium and Coca and Alluvial Diamonds more than double the incidence among nonproducers:

	Diamonds	Alluvial Diamonds	Opium and Coca
Producers	.278 (5/18)	.500 (4/8)	.444 (4/9)
Nonproducers	.188 (27/143)	.183 (28/153)	.184 (28/152)

Furthermore, evidence points to the notion that the higher-value the lootable resource, the more its presence correlates with civil conflict. A comparison between the above and below tables demonstrates that the rate of civil war among substantial producers of opium and coca is almost fifty percent higher compared to the rate among primary source (large) producers of the lower value cannabis, while the average rate of civil war among all countries stands at almost double the rate among secondary source (lesser) producing countries.

Primary Source Countries	.300 (3/10)
Secondary Source Countries	.132 (9/68)
All Other Countries	.241 (20/83)

Michael Ross, in his 2003 paper, “Oil, Drugs, and Diamonds: How Do Natural Resources Vary in their Impact on Civil War?” argues that the impact of natural resources on a civil war’s duration or onset depends on whether or not the resource is “lootable” – that is, whether it can be easily appropriated by individuals or small groups of unskilled workers (Ross 2003). Ross finds empirical evidence that the presence or availability of lootable resource, including diamonds and drugs, increases the likelihood and duration of non-separatist civil conflict, while “unlootable” resources, which require large capital investment for profitable extraction, tend to produce separatist conflicts (Ross 2003). The 9 countries (4.7%) out of 190 total countries considered primary source producers of opium or coca, accounted for 15 of the 109 intrastate conflicts (13.7%) recorded in the Uppsala Conflict Data Project (UCDP) for the period 1990-2003 (Cornell 2005). Only Bolivia and Thailand did not experience large scale civil conflict among the nine drug producing states (Afghanistan, Bolivia, Burma, Colombia, Laos, Mexico, Pakistan, Peru and Thailand) (Cornell 2005).

As evident in the table on the next page, of all the civil wars involving lootable resources between 1990 and 2000 included in Ross’ study, only the conflict in Burma can be classified as separatist in nature (Ross 2003). In addition to their lootability, drugs are a resource with very low *obstructability*; that is, drugs can be transported with ease when compared to obstructable resources like oil or timber which rely on complex transport networks to be brought to market (Ross 2003). Thus, the differences that matter among resources for determining rates of civil war are between lootable versus unlootable resources and obstructable versus unobstructable resources, instead of oil versus timber or diamonds versus drugs.

Lootability and Separatism (Ross 2003)

	Separatist	Nonseparatist
Lootable	Burma	Afghanistan Angola (UNITA) <sup>a</sup> Cambodia Colombia <sup>a</sup> DRC <sup>a</sup> Liberia Peru Sierra Leone
Unlootable	Angola (Cabinda) Indonesia (Aceh) Indonesia (West Papua) Papua New Guinea Sudan	Angola (UNITA) <sup>a</sup> Colombia <sup>a</sup> Congo Republic DRC <sup>a</sup>

Note: a. Conflict entails both lootable and unlootable resources.

Ross’s 2003 study, despite its limitation to the 1990-2000 period, concludes that while no obvious difference in the civil war rates among states dependent on the four general categories of natural resources as defined by the World Bank (oil, gas, and other fuel-based minerals; nonfuel minerals, excluding gemstones; food-based agricultural exports; and nonfood agricultural exports, including timber but excluding illegal drugs), there does exist a strong association between civil war and the production of both alluvial diamonds and high-value drugs like coca and opium (Ross 2003). Rebel group access to revenue from narcotics prolongs but does not increase the likelihood of a civil conflict (Ross 2004). In a later 2004 study, Collier and Hoeffler also conclude that primary commodity exports have a “highly significant” effect upon conflict risk, and that oil exports have roughly the same effect on conflict risk as other commodities (Collier and Hoeffler 2004).

A 2004 examination of 14 recent econometric studies and several qualitative studies examining the relationship between civil war and natural resources by Michael Ross confirms and refines many of the hypotheses given in his 2003 paper, contextualizing them within the current literature. Four overarching regularities are found in the literature: first, that oil increases the likelihood of conflict, particularly separatist conflict; second, ‘lootable’ commodities like gemstones and drugs do not make conflict more likely to begin, but they tend to lengthen existing conflicts; third, there is no apparent link between legal agricultural commodities and civil war; and finally, the association between primary commodities – a category that includes both oil and agricultural goods – and the onset of civil war remains broadly weak but strong when primary commodities compose around 25% of GDP, as Collier and Hoeffler conclude (Ross 2004).

On the whole, there are seven key takeaways from the above discussion of the recent literature on the occurrence of civil war, listed below:

- 1) Empirical data indicates a statistical correlation between the presence of lootable resources and non-separatist conflicts.
- 2) Evidence points to the notion that the higher-value the lootable resource (such as coca and opium versus marijuana), the more its presence correlates with civil conflict.
- 3) Lootable resources like gemstones and drugs do not make conflict more likely to begin, but they tend to lengthen existing conflicts
- 4) The effect of natural resources is non-monotonic in its relationship to the likelihood of civil conflict: the presence of natural resources increases the risk of war but only up to a certain threshold, peaking when primary commodity exports reach about 25% of GDP.
- 5) Per capita income shares a strong correlation with the likelihood of civil war regardless of a state’s ethnic composition. States in the lowest income quartile have an eighteen-fold higher chance of a civil war occurring than those states in the highest income quartile.

- 6) Opportunities for financial exploitation tend to correlate with the occurrence of civil war, whether through extortion, exploitation of natural resources, donations from diasporas, subventions from hostile government, et cetera.
- 7) Conflicts in which a rebel group enjoys access to funding from contraband, whether it be coca, opium, or diamonds, tend to last longer compared to the average duration of civil conflict.

### **Theoretical Framework**

Why does the presence of lootable resources zone tend to produce non-separatist conflicts? With this central question in mind, others develop: Do rebel groups transform from separatist to non-separatist over time? Do non-separatist goals always indicate a rebel group's desire to take over a state's central government in its entirety? What circumstances contribute to rebel group involvement in the drug trade in the first place? A number of hypotheses based on the above literature review offer potential answers to these vital questions.

"Where rebellion is materially feasible it will occur," assert Collier and Hoeffler in their "feasibility hypothesis" (Collier, Hoeffler, Rohner 2008). This idea arise in part from the work of Jack Hirshleifer, whose 2001 book, "The Dark Side of the Force: Economic Foundations of Conflict Theory," theorizes that "no profitable opportunity for violence will go unused" (the "Machiavelli Theory") (Hirshleifer 2001). The level of funding required for a full-scale rebellion, Collier, Hoeffler, and Rohner argue, makes it very difficult to regard the decision to launch an armed conflict as a simple escalation of political protest (Collier, Hoeffler, Rohner 2008). In other words, financial considerations underlie a rebel group's formation to a much greater extent than the decision to form a political party, which lacks military capabilities. Thus, based on the level of state capacity in most countries, rebellion remains an unfeasible option because of the state's asymmetric access to financial resources and the use of those resources to support a military (Collier, Hoeffler, Rohner 2008). Furthermore, as a result of the



interdependent relationship between financial resources and military power, rebellions must surpass a certain threshold of funding that allows them to build and maintain a military wing capable of mounting even a minimal campaign against the state government (Collier, Hoeffler, Rohner 2008).

As a corollary to Hirshleifer's "Machiavelli Theory," Grossman argues that the profitability incentive for rebellion only holds true if upon victory, the rebel group can provide its members with material rewards (Collier and Hoeffler 1998). The level of potential profitability from a government takeover can be measured by calculating the potential taxable base of a country; yet because a larger taxable base tends to increase government power over rebel groups, the potential reward and costs of war share a direct relationship, resulting in an ambiguous net effect on the likelihood of civil war (Grossman 1995). Collier and Hoeffler suggest that in secessionist conflicts, the taxable base of the pre-secession state does not figure into rebel group calculations of future rewards; instead, these types of conflicts may be motivated by access to untapped natural resources, or better representation of a minority group in government (Collier and Hoeffler 1998). For rebel groups thinking about entering the drug trade, Grossman's theory demonstrates the allure of narcotics revenue as a means to reap the rewards of rebellion immediately instead of at the resolution of a conflict. Collier and Hoeffler's feasibility hypothesis and Grossman's theory of profitable incentive provide a valuable background for understanding the following hypotheses.

The first potential hypothesis, against which all others must ultimately be measured, is the "null hypothesis." That is, that despite demonstrated statistical correlation, no causative relationship exists between the exploitation of lootable resources and non-separatist conflict. With this null hypothesis in mind as a burden of proof, the following hypotheses outline a

theoretical framework to explain the statistical tendency of rebel groups funded by drugs and other lootable contraband to possess non-separatist goals.

- **Hypothesis 1:** *Non-separatist rebel groups do not organize around lootable resource exploitation; instead, over the course of a conflict, they create war economies using lootable resources because such resources produce widespread economic benefits for the population of the region where they are produced (Ross 2003).*

Separatist conflicts often organize, even if nominally, around gaining access to natural resources. Grievances regarding a state's misallocation of revenue generated by oil, coal, or copper extraction in a particular region, for example, would be much more likely to produce a separatist conflict from the outset because these resources cannot be exploited to benefit a population without large capital investments and access to legal international markets. While non-separatist rebel groups may adopt drugs as a source of revenue during a conflict, separatist groups may commence a conflict believing a separate state provides the only avenue to the financial benefits of a given natural resource. This idea relates to another hypothesis proposed by Ross, that the relationship between non-separatist conflicts and the lootability of resources within a country arises from the fact that lootable resources tend to require little skill for extraction and thus benefit local populations in contrast to unlootable resources which require skilled labor and capital intensive processes that tend to benefit governments over locals, and hence may produce grievances about the distribution of resource wealth (Ross 2004). Rebel groups may also establish war economies dependent on the extraction of illegal lootable resources and conflict perpetuation in order to build a base of support through mutual economic interests.

- **Hypothesis 2:** *State weakness, related to both capacity and territorial control, causes rebel groups to believe they have a decent chance of taking over the entire state. Second, state weakness provides rebel groups an operating base beyond the states control where lootable resources can be produced.*

The conclusion of numerous studies indicating a strong correlation between per capita income and the likelihood of civil war points to another hypothesis for the non-separatist nature of civil conflicts involving lootable resources: state weakness [Fearon and Laitin 2003, Collier and Hoeffler 2004, 2008]. Fearon and Laitin interpret income levels as a proxy for the capacity of a state's government, and thus a government's ability to discourage rebellion (Fearon and Laitin 2003). Rebel groups in a low per capital GDP environment may determine that the state lacks capacity to such a degree that they have a decent chance of taking over the entire entity.

The groups then begin to exploit lootable resources, such as illegal narcotics, that provide a cash flow advantage compared to the state government because of the revenue stream's illegality.

Over time, this non-separatist posture lends itself either to state takeover, or to a type of accommodationist equilibrium, or "chronic insurgency" described in hypothesis four.

- **Hypothesis 3:** *The prospect of international sanctions against a state government involved in the drug trade imparts disproportionate financial benefits on rebel groups engaged in drug trafficking versus states, giving them operational independence to seek a takeover of the central government.*

The fact that rebel groups operate outside of the international system gives them an advantage over state government in their access to funding from illegal natural resources, especially when a state government lacks revenue from a substantial taxable base or the extraction of natural resources. The financial benefits of the drug trade may prove so significant

that they provide a rebel group the chance to build its operation capacity to the point its leaders believe in the potential for the group to take over the state's central government. In rare cases, governments endure international sanctions in order to participate in the drug trade, which lessens or removes the financial benefits imparted upon rebel groups who derive funding from illegal natural resources. The financial asymmetry produced by access to revenue from illegal drug trafficking combined with the international sanctions regime offers one explanation for the tendency of rebel groups who derive funding from narcotics to have non-separatist goals.

- **Hypothesis 4:** *The potential for revenue from the drug trade incentivizes rebel groups to maintain a non-separatist posture in the sense that they seek the perpetuation of conflict in order to maximize their profit.*

Indeed, the potential for international sanctions levied upon governments that encourage or allow the production of illegal natural resources like coca, cannabis, and opium tends to deter states from involving themselves in the drug trade (Ross 2003). The opportunities for profit offered by rebel group participation in the drug trade incentivizes rebel groups to maintain a nominal non-separatist posture in the most literal sense – they desire the simple perpetuation of conflict because it also means the preservation of their livelihood. This hypothesis results in this paper's utilization of a broad definition of non-separatist groups, including both those groups whose goal it is to take over a state's central government, as well as groups whose primary goal it is to perpetuate conflict in order to maximize profits, or otherwise. Some scholars call this type of profit-driven conflict perpetuation “chronic insurgency,” or a civil conflict which lasts for years or even decades yet neither topples a regime nor suffers complete defeat by the state (Kay 1999).

- **Hypothesis 5:** *The presence of contraband exacerbates principal-agent problems in rebel groups by allowing soldiers the opportunity to accumulate personal wealth. Such personal predation creates discipline problems at the expense of a rebel group's central organization, making peace agreements difficult to enforce because financial opportunities provided by conflict are more attractive to combatants than peace (Ross 2004).*

The notion that “profitable opportunities” for violence will not go untapped is of particular relevance to a discussion of civil conflicts funded by drug trafficking, as revenue from the drug trade can give rebel groups a sense of operational autonomy independent of their success on the proverbial battlefield. At the same time, this operational autonomy creates internal problems within rebel groups that may contribute to the non-separatist nature and longevity of civil conflict’s involving illegal drugs.

The discipline problems created by the spread of lootable resource wealth across a rebel organization may cause a group to fall into a default non-separatist posture, more comparable to the position of a warlord versus that of a true political organization. The phenomenon of “armed warlordism” may arise in a civil conflict zone, whereby members of a rebel group exercise *de facto* sovereignty over a geographic area in order to secure commercial instead of political or secessionist interests (Le Billon 2001). The degeneration of a conflict into such “armed warlordism” or “chronic insurgency” often follows a distinct de-escalation of violence as opposing factions reach a sort of accommodation (that sometimes provides financial benefits to the state military and rebel group alike), with financial self-interest motivating soldiers, commanders, and political leadership to sustain profitable conflicts (Le Billon 2001). This sequence of events creates a “no-armed conflict-nor-peace” stalemate that tends to reduce the overall level of violence while extending the “stable conflict” in a manner that prevents

successful political and economic reforms and conflict resolution (Le Billon 2001). On the whole, drug production provides factions within a rebel group monetary support to sustain conflict without the help of the central organization, while providing them financial incentives to do so. Such a situation causes rebel groups to become ever more decentralized in nature, with the central leadership losing its ability to impose battle directives, let alone the terms of a conflict settlement, upon its members. Rebel groups remain nominally non-separatist, but only in the sense that they do not intend to separate from the state; instead, they may simply desire the continuation of profitable conflict. As Michael Ross writes, “wartime resource exploitation [may] become so profitable for rebels that they prefer war to peace” (Ross 2003). Drug money also increases the autonomy of rebel organizations – that is, their ability to withstand substantial government counterinsurgency efforts and to maintain a stable organization independent of their popularity among the civilian population or their battlefield performance.

### **Research Design and Case Selection**

If rebel groups do not initiate conflict based on expected future funding from narcotics, then rebel leadership must at some point make an organizational decision to pursue such funding. Why do rebel groups choose to enter the illegal narcotics industry? More importantly, how does utilization of narcotic-related revenue change rebel group strategies, goals, and tactics? This paper explores these questions with a particular focus on the reason civil conflicts that involve funding from lootable resources – especially illegal narcotics – tend to be non-separatist in nature. It will attempt to answer the question of what mechanisms internal and external to rebel groups produce non-separatist goals, and whether these goals evolve as a rebel group comes to rely on narcotic-related revenue to sustain its operations.

## *Drugs and Revolution*

The analysis will be completed through case studies of civil conflicts in three states: Colombia, Indonesia, and Peru. The Colombian and Peruvian cases, both non-separatist in nature, offer examples of longstanding conflicts with high levels of rebel group funding derived from the cultivation of illegal drugs. Neither the FARC in Colombia nor the Shining Path in Peru launched their rebellions with drug-related revenue; both began to utilize it over time, attempting to relate coca cultivation activities to their underlying historical-ideological message of peasant self-defense (Lujala 2009). The Shining Path presents an excellent dual case, as the national rebel organization derived little revenue from the drug trade despite the reliance of one of its regional offshoots in the Huallaga Valley on narcotic-related revenue. The Free Aceh Movement/Indonesia case offers the opportunity to prove the negative validity of this paper's theoretical framework in a case that involves a separatist group and lacks the presence of lootable resources.

The reasons for the selection of these three cases for analysis stem from the availability of sources as well as the degree to which they represent the broader universe of cases available for study. A limited number of conflicts involve substantial amounts of narcotics-related revenue to the point that a rebel group relies on such funding to sustain its operations. Although the conclusions of this paper apply beyond this narrow group of cases where drug funding represents a central component of armed conflict, such cases present the best opportunity to isolate the specific effects of the drug trade on rebel group goals. The three other major cases of civil conflict involving substantial narcotics-related revenue, Burma, Mexico, and Afghanistan all bear certain research problems that make their applicability to the theoretical framework of this paper quite difficult. Both Mexico and Afghanistan remain active conflict zones; Mexican drug gangs do not appear to hold overt political goals of state takeover, while the Afghanistan

situation is complicated by US intervention. Burmese rebel groups have wavered between separatist and non-separatist goals while their reliance on drug revenue does not approach that of the FARC or Shining Path in the Huallaga Valley. The isolation of Burma and the newness of Mexican civil conflict cause these cases to suffer from a relative dearth of information compared to the three cases selected for analysis.

The FARC represents the archetypal rebel group involved in the drug trade; the centrality of this case to the civil war literature makes a discussion of it all but necessary to advance an argument in this field. Second, the abundance of academic and journalistic sources related to the FARC increase its applicability to this paper's theoretical framework. The negative validity provided by the Free Aceh Movement/Indonesia case demonstrates, albeit only within one case, that a lack of narcotics revenue correlates with separatist (instead of non-separatist) goals. In other words, while civil conflicts involving narcotics funding produce non-separatist rebel groups (FARC and Shining Path), the Aceh conflict, which lacks the independent variable of drug funding, also fails to produce the dependent variable of non-separatist goals. The third and final case, the Shining Path in Peru, offers an additional measure of external validity for the theoretical framework, albeit to a lesser degree than the FARC. Shining Path as a national organization relied on narcotics funding to a much lesser degree than FARC, but its regional offshoot in the Huallaga Valley, which outlasted the national organization by at least two decades, depended upon coca cultivation to sustain its operations. Although this case does not occupy as central a role in supporting this paper's theoretical framework, it offers the chance to conduct an internal comparison of the same rebel group with and without access to substantial drug funding.



This paper defines civil war according to three widely recognized metrics: first, a civil war must result in a minimum of 1,000 battle related deaths over its duration (Fearon 2004). Second, to qualify as a civil war the stronger forces must sustain at least 5% of the number of fatalities suffered by the weaker forces. This metric helps to differentiate massacres or other singular occurrences of violence from genuine ongoing civil wars (Singer and Small 1982). Illegal drugs or substances are defined according to those featured in schedules I, II, III, and IV of the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, and its predecessors, the 1961 Single Convention on Narcotic Drugs and the 1971 Convention on Psychotropic Substances.

Note that this paper utilizes a broad definition of non-separatist groups, including both those groups whose goal it is to take over a state's central government, as well as groups whose primary goal it is to perpetuate conflict in order to maximize profits, or otherwise.

## **II. The FARC in Colombia**

### **Historical Introduction: Emergence of the FARC**

The personal story of Pedro Antonio Marín Marín, better known by his nom de guerre, Manuel Marulanda “Sureshot” Velez, very much parallels that of the Colombian rebel group FARC, or Fuerzas Armadas Revolucionarias de Colombia (Revolutionary Armed Forces of Colombia) which he would one day lead. From his peasant upbringing to his participation in Colombia's 1948 civil war known as *La Violencia*, to his leadership of the *Marquetalia* ‘independent republic’, the personal story of ‘Commandante Velez’ intertwines inextricably with the political history of Colombia and the growth of its largest rebel group which he led for 60 years: the FARC.

Unlike most of its Latin American neighbors, Colombia has a long history of civilian rule with regular free elections and only a few limited episodes of formal military control (Livingstone 2004). Since the beginning of the Colombian Republic in 1826, the ruling elites have divided into two groups: the Liberal and Conservative Parties (Livingstone 2004). As journalist Grace Livingstone writes, “traditional Latin American historiography has portrayed Conservatives as great landowners and military leaders, while Liberals were thought to be merchants or professionals” (Livingstone 2004). Historian David Bushnell echoes this traditional historiography, describing the Liberal-Conservative dichotomy as one of *tienda* (store) and *hacienda* (farm), with the Liberals representing the commercial and professional interests and the Conservatives representing the party of the large landowners and the Catholic Church (Ruiz 2001).

The two party system and its oligarchical nature have created certain political and economic conditions that share a direct relationship with the history and endurance of civil conflict in Colombia. As a result of the narrow oligarchy that controlled both parties throughout most of their history, the government tended to funnel its resources to major metropolitan areas, with rural regions receiving little support or investment from the central government (Ruiz 2001). This system created a power structure that to this day tends to ignore the grinding poverty suffered by a large segment of rural Colombia, excluding all but the elite members of the two ruling parties from the political process. As a study by economists R. Albert Berry and Miguel Urrutia revealed in 1976, the top 3 percent of the landed elite own 71.3 percent of the arable land, while 57 percent of the poorest farmers subsist on 2.8 percent (Ruiz 2001). The study concluded that “inequality was at a high absolute level in Colombia, compared to other countries” (Ruiz 2001).

The degree of wealth and power vested in the state infrastructure, combined with the patron-client nature of political relations within Colombia led to titanic conflict in 1899, after a contested election led to the Conservative Party's takeover of government, a process which touched off a civil war (Ruiz 2001). The outbreak of violence in 1899 marked the beginning of the War of One Thousand Days, the first full-scale lasting armed conflagration caused by the social animosity and competition between the Conservative and Liberal Parties (Ruiz 2001). This war which lasted three years and came at a cost of 100,000 lives, ended after exhaustion led to the rise of moderate elements in both parties and a subsequent peace treaty signed by the Liberal Party and Conservative government (Ruiz 2001). While the Thousand Days War ended in 1902, discontent simmered in Colombia's countryside. Widespread land disputes related to urban-to-rural migration, tension in tenant-landowner relationships, and strikes by banana and oil workers created a tenuous peace in rural Colombia after 1902 (Ruiz 2001). Indeed, it was during this period after the 1899-1903 war that large-scale violence in the countryside became *de rigueur* in Colombia, as did the adoption of an "out of sight, out of mind" attitude that continues to define the attitude of urbanites toward the rural poor (Ruiz 2001).

The continued tension in the countryside led to a situation which galvanized millions of Colombians behind Jorge Eliecer Gaitan, a young Colombian politician and member of the Liberal Party from a poor neighborhood in Bogota who espoused populist policies involving land reform and improved worker's right (Ruiz 2001). On April 9, 1948, in the tense political climate of a new Conservative government after 16 years of Liberal Party rule, a man murdered Jorge Gaitan on a Bogota sidewalk (Ruiz 2001). The shock of the rising political star's death, the immoderate transition to Conservative power, and the simmering resentment among the rural poor instigated a devastating civil war in Colombia, known only by the epithet *La Violencia*

(“the violence”). The chaos and popular despondency following Gaitan’s death triggered the *Bogotazo* riot, which historians often refer to as the greatest riot in modern history, an event whose destructive power was matched only by the civil war it touched off (Ruiz 2001).

The massive riot brought about by Gaitan’s sudden death prompted thousands of his supporters, so-called “Gaitanistas,” to head for the hills and jungles of Colombia to fight the Conservatives (Ruiz 2001). Between 1948 and 1953, 200,000 Colombians lost their lives in this “bi-partisan” war of unspeakable carnage (Livingstone 2004). The war represented more than a violent manifestation of inter-party animosity; *La Violencia* displayed all the markers of a spontaneous social uprising, one in which urbanites killed each other, peasants killed peasants, landlords killed peasants, and peasants killed landlords, sometimes but not always with revolutionary intent (Livingstone 2004). Democratic government would not return to Colombia until a series of military coups led to the creation of the *National Front* government, a power-sharing arrangement between the Liberal and Conservative Parties (Ruiz 2001).

The period of *La Violencia* marked a critical time in the life of Manuel Marulanda “Sureshot” Velez, FARC’s future supreme commandante (Ruiz 2001). The brutal policies implemented by the Conservative government throughout *La Violencia*, as well as a peace-driven crackdown on dissent after the end of armed conflict, prompted the creation of guerilla movements in rural Colombia, groups which became the locus of resistance to the Conservative government for millions of Gaitanistas (Ruiz 2001). Millions of rural people viewed guerilla groups as a credible opposition to crooked government administrations (Ruiz 2001). Manuel “Sureshot” Marulanda Velez renewed his fight with the government after the formation of the National Front, viewing it as an “invitation only” political system that excluded Colombia’s poorest rural citizens (Ruiz 2001). The National Front, while dampening the effect of the

traditional Liberal-Conservative party rivalry, created a ruling class that represented a further consolidation of the already narrow pre-war oligarchy (Ruiz 2001).

The Communist takeover of the Cuban government heightened anxiety within the National Front government regarding the prospect of a communism-fueled popular uprising (Ruiz 2001). In this context Colombian government leaders, encouraged by American military advisors, chose to take action against a small “resistance community” of about 100 families in southern Colombia, which the government declared an “independent republic” (Livingstone 2004). While most groups put down their arms after a government offer of amnesty in 1953, some continued living as bandit in the countryside, organizing for protection or revenge, sometimes with a broader political vision (Livingstone 2004). Communist and Liberal Party guerilla-militias formed in southern Colombia to protect villagers against the counterrevolutionary onslaught of 1950-53, groups which eventually transformed into so-called “resistance communities” (Livingstone 2004). In 1955, the Colombian military launched a campaign against these communities, an action which prompted the migration of these villagers and militias to the southern provinces of Tolima, Meta, and Caqueta (Livingstone 2004). On the morning of June 14, 1964, the Colombian military launched a large and devastating bombardment and later ground invasion of one of the southern “independent republics” known as Marquetalia (Ruiz 2001).

Manuel Marulanda “Sureshot” Velez led the 50 guerilla fighters tasked with defending Marquetalia to a miraculous escape from the town through a secret jungle route, despite encirclement by Colombian armed forces (Ruiz 2001). Five months later, the group of 50 held the landmark conference in the town of Riochiquito where Sureshot and his lieutenants defined the future military-political role of the FARC (Ruiz 2001). As historian Arturo Alape writes,

“with Operation Marquetalia, the directing class of the country created the FARC movement in Colombia” (Ruiz 2001). The broad exclusion of Colombia’s rural underclass from the new coalition government system, which perpetuated the oligarchy that had ruled the country since its founding in 1826, drove Sureshot and his followers to arms. Without question, as Grace Livingstone comments, the “long history of armed peasant struggle that preceded the formation of the FARC explains the deep-rooted support it has in some rural communities and why it has managed to survive so long” (Livingstone 2004).

For the next two decades, the FARC “festered as a marginal nuisance” in the Colombian countryside (Marks 2002). Despite periodic Colombian government crackdowns, FARC operated without substantial state intervention throughout the 1960s and 70s (Rabasa and Chalk 2001). Before 1980, the FARC’s primary objectives, beyond its strategic goals of agrarian reform, included the capture of military equipment, the procurement of food, the capturing of hostages for ransom, and settling scores with informers (Rabasa and Chalk 2001). The geography of Colombia combined with the historic pattern of state control over territory in Colombia combined to impel the government’s somewhat detached attitude during this early period of FARC’s existence. By the close of the 1970s, FARC could claim just under 2,000 members (Marks 2002).

In 1982, the FARC leadership held its Seventh Conference in the Colombian town of Yacopi (Holmes et.al. 2007). The 1982 conference outlined an aggressive growth strategy for FARC that called for the opening of at least one front in each of Colombia’s 33 departments and the buildup of a guerilla military of 28,000 individuals (Rabasa and Chalk 2001). This system would both provide FARC with much-needed revenue, as well as a dependable mass base of support in rural Colombia from which it could recruit and find safe haven (Marks 2002). Despite

its decision to enter the narcotics trade, FARC faced immediate challenges from the dominant Cali and Medellin cartels. Pablo Escobar's Medellin Cartel in particular competed with the FARC for control of land, as the cartel began to buy up massive acreage in the Colombian hinterlands financed by the proceeds of its drug empire (DeAtley 2010). FARC gained broad loyalty among Colombia's coca-growing peasants by replacing drug traffickers strategies of harassment and intimidation with offers to set coca prices above the level set by narcotraffickers, (Cook 2011). In addition, a pattern of urban to rural migration in Colombia driven by economic hardship in cities – known as the “coca rush” – provided a significant population of alienated individuals who made easy recruits for the FARC and the paramilitary groups (Cook 2011).

The Colombian government's US-assisted crackdown on the Medellin and Cali cartels in the mid-1990s presented the FARC with new opportunities to profit from the “downstream” phases of the drug production chain (Livingstone 2004). But the formation of so-called “self-defense forces,” or paramilitary groups with the support of the government and dozens of smaller cartels, challenged FARC's domination of the Colombian countryside (Cook 2011). The emergence of these paramilitary groups, which now exist under an umbrella organization known as the AUC (*Autodefensas Unidas de Colombia* or United Self-Defense Forces of Colombia), combined with FARC's increased operational capacity due to the financial and recruitment benefits of its deepening involvement in the drug trade, led to great intensification in the Colombian civil war (Cook 2011).

By 1998, FARC enjoyed the ability to challenge battalion-size Colombian Army units (Maddaloni 2009). A secret US government report in 1998 assessed the Colombian government as “the most threatened in the area under the Southern Command's responsibility...” (Ruiz 2001). The report further asserted the near parity in battle-ready manpower of FARC and the

Colombian armed forces (Ruiz 2001). The administration of Colombian President Pastrana initiated failed peace negotiations with FARC by ceding the rebel group a safe zone composed of 40% of Colombian territory (Cook 2011). In response to this grave assessment of Colombian state weakness, the United States launched “Plan Colombia,” a comprehensive aid package designed to assist the Colombian government in its fight against drug traffickers, cultivators, and rebel groups (Saskiewicz 2005).

Since its peak membership in 2002 at between 15 and 20,000 members, FARC has declined to about 8,000 active fighters as a result of Plan Colombia’s implementation under former Colombian president Alvaro Uribe (Markey 2011). After his election, President Uribe launched an aggressive program of “Democratic Security” to confront FARC and other armed groups in the aftermath of the Pastrana administration’s failed peace efforts (Maddaloni 2009). Despite the popularity of the security crackdown among the Colombian population, President Uribe suffered from heavy criticism stemming from his denouncement of human rights groups, suspected military cover-ups of civilian deaths, and alleged ties to right-wing paramilitary groups (Vaunters and Smith 2006). But combined with the robust military approach of the Uribe administration, the \$2 billion of US military and economic aid to the Colombian government has proven remarkably effective in weakening FARC (Vaunters and Smith 2006). At the same time, FARC remains a formidable, if weakened force, in parts of rural southern Colombia, with dozens of hostages held in jungle hideouts and continued large-scale participation in the drug trade (Markey 2011).



**FARC Applied to the Theoretical Framework**

The below discussion will trace the more recent history of the FARC in the context of the five hypotheses outlined earlier in an attempt to explain the connection between non-separatist goals and funding from narcotics trafficking.

- **Hypothesis 1:** *Non-separatist rebel groups do not organize around lootable resource exploitation; instead, over the course of a conflict, they create war economies using lootable resources because such resources produce widespread economic benefits for the population of the region where they are produced (Ross 2003).*

As demonstrated in the previous section, the FARC rebellion did not organize around unequal distribution of windfalls from unlootable resources, or lootable resources for that matter. To the contrary, the FARC's origins lie in the history of political violence in Colombia, grievances about oligarchical control of the state government, land disputes, and the historic rural-urban divide. In point of fact, FARC began as, and continues to operate to this day, as a rural-based peasant rights organization.

At the group's landmark First Conference, held in late 1965, the rebel leadership laid out an agrarian reform plan that represented the first major statement of the group's strategic goals (Holmes et.al. 2007). These goals included structural change in the countryside, such as land reform, and expropriations; abolishment of peasant debt; a new system of peasant credit and assistance; agricultural price supports; and cultural and political autonomy for indigenous groups, among other demands (Holmes et.al. 2007). Although FARC's strategic goals have evolved over time, the group's founding aims influenced the trajectory of the organization and the tactical means it employed to reach its revised objectives.

FARC's chief spokesperson, Rodrigo Granda, commented in a March 2008 interview that "The FARC-EP existed long before...drug trafficking in Colombia...[this was a] by-product of the general situation in the country" (Granda 2007). The rebel group continues to deny the centrality of narcotics to its organizational conception or current situation. While facts tend to belie Granda's latter point, history demonstrates the truth of the former: FARC did not organize around grievances related to the distribution of lootable resources. Indeed, the international market for illegal narcotics remained small during throughout the 1960s and 70s compared to its size in the 1980s and beyond (Thoumi 2002). Quite to the contrary, evidence points to FARC's gradual entry into the narcotics market as a calculated and deeply-deliberated decision inextricably linked to its non-separatist aspirations.

In 1982, the FARC leadership held its Seventh Conference in the Colombian town of Yacopi (Holmes et.al. 2007). The conference represents a seminal moment in the establishment of the FARC's formulation of a strategic plan designed to realize its long-term objectives (Holmes et.al. 2007). First, the 1982 conference outlined an aggressive growth strategy for FARC that called for the opening of at least one front in each of Colombia's 33 departments (Rabasa and Chalk 2001). At this meeting in 1982, FARC leaders declared their priority to create a revolutionary army of 28,000 individuals capable of defeating the state's security forces (Marks 2002). This army would allow the FARC to take advantage of the "inevitable" political collision in Colombia to be caused by "political contradictions" and "economic distortions" in Colombian society (Marks 2002). As Thomas Marks writes, the conference's final documents demonstrate that the "FARC has well-developed concepts for accomplishing its professed goal of seizing state-power" (Marks 2002).

In the military realm, the FARC's plan relied on a classic Maoist rebel insurgency model, one which called for consolidation of power in the rural *llanos* region (which composes 95% of Colombian territory) and the eventual encirclement and takeover of major urban areas with the assistance of small urban cadres (Marks 2002). The military strategy included a tripartite approach: first, the establishment of a mass line, or critical rural infrastructure (Marks 2002); second, the construction of a united front around cities with a particular focus on control of strategic corridors (Rabasa and Chalk 2001); and third, large scale military action against Colombian military targets (Marks 2002).

Before it could implement its military goals and growth strategy, the FARC had to address two key logistical concerns: funding and recruitment. In the two decades prior to 1982, FARC encountered persistent difficulties in recruiting and retaining foot soldiers; although the group had undergone continuous growth between 1960 and 1982, FARC found it could not gather the critical mass of membership necessary for a broad-based movement capable of reshaping rural society (Marks 2002). The guerilla leaders found a sustainable solution to both of these logistical concerns through a decision that would redefine the nature of the conflict and allow FARC to undergo exponential growth in the domains of money and human capital: to exploit the expanding narcotics industry in rural Colombia (Marks 2002).

Although the later formal system of drug taxation had not yet been developed at the time of the Seventh Conference in 1982, FARC's leaders understood that the group's entry into the drug trade would operate as a classic protection racket: FARC would impose taxes upon coca cultivators and cocaine refiners in exchange for protection of their farmland and trafficking routes (Marks 2002). Furthermore, through this symbiotic relationship with farmers in the Colombian *llano*, FARC would create a dependable mass base of support from which it could

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recruit and seek safe haven (Marks 2002). Before 1982, FARC’s leadership classified drug cultivation and trafficking as amoral “counter-revolutionary” activities (Rabasa and Chalk 2001). In fact several FARC commanders, such as one in Guaviare, had announced specific directives before 1982 prohibiting the cultivation of coca and marijuana (Rabasa and Chalk 2001). But the growth of coca cultivation in the Colombian countryside under the auspices of ever more powerful criminal cartels – the Medellin and Cali cartels in particular – prompted fears within FARC that the loyalty of their social base could be at risk due to the economic dominance of coca cultivation in the countryside combined with the FARC’s opposing attitude toward such activities (Rabasa and Chalk 2001). Thus, the policy of taxing the drug industry and recruiting peasants in the “downstream” segment of the drug business evolved into a formal policy pronounced in the unpublished “Conclusions” of the FARC Seventh Conference (Rabasa and Chalk 2001). The taxation system, known as the *gramaje*, taxed various steps in the narcotics production process at different rates according to the table below:

Guerilla Taxes on Colombian Cocaine and Heroin Industry 1994-1995	
<u>Activity</u>	<u>Tax Amount</u>
Cultivation	10,000 pesos per hectare per month
Processing	5,000 pesos per kilo produced
Export from Trafficking Zone	20,000 to 30,000 pesos per kilo shipped
Operation of laboratory	Up to 12 million pesos per month
Use of airstrip	10 million pesos per month
Import chemicals into zone	1,000 pesos per liter
Import gasoline into zone	1,000 pesos per 55-gallon drum

From *The Andean Cocaine Industry*, Clawson and Lee, 1998, p. 179

Over the next two decades, FARC would expand its base of support by exploiting peasants hostility toward a US-financed coca eradication campaign and playing up class divisions between coca-growers and cocaine operators (Clawson and Lee 1998).

Despite the economic and social factors impelling its involvement in the drug trade, FARC's 1982 decision to enter the narcotic business did encounter internal opposition from certain corners of the organization. In particular, FARC's political chief, Jacobo Arenas, advocated against direct involvement in the drug trade, fearing that the narcotics business would harm FARC's political message (Maddaloni 2009). Arenas' initial opposition continued throughout the 1980s, causing FARC to refrain from direct participation in the drug trafficking and cultivation and instead levy taxes on narcotic production activities within territories under its control (Maddaloni 2009). In the propagandistic style expected from the political head of a Marxist organization, Arenas branded the "narco-guerrilla" theory part of a CIA-led "world-wide campaign against the revolutionary movement, against democracy, against the social progress of peoples" (Clawson and Lee 1998). The opposition of Arenas' political wing to FARC's involvement in the drug trade demonstrates the weightiness of the rebel group's 1982 decision to begin taxing narcotic cultivation and production. Even those such as Arenas opposed to FARC's direct participation in the drug trade recognized the tremendous opportunity for growth and revenue presented by the narcotics industry, as evidenced by their willingness to levy taxes on narcotics production. The emergence of a group consensus in favor of involvement in the drug trade, either through taxation or direct participation, demonstrates not only the inextricable link in the eyes of FARC's leadership between narcotics revenue and the group's growth strategy, but also the degree to which FARC strategists viewed such funding as essential to their pursuit of government takeover.

The events of the early 1990s offer further evidence of the influence of Jacobo Arenas and FARC's political wing on group's level of involvement in the narcotics business. After Arenas' death in 1990 and the collapse three years later of the Medellin Cartel, FARC deepened its role in the downstream processes of the narcotics business, supplanting itself into the middleman position between coca farmers and the hydrochloride cocaine processing labs operated by cartel bosses (Cilluffo 2000). This deeper level of involvement in the higher-margin downstream processes provided FARC with a revenue boom in the mid and late 1990s which allowed the group to expand its military capabilities and further its non-separatist goals by gaining control of up to 40 percent of Colombia's territory (Cilluffo 2000).

FARC's conscious decision to join in the drug trade cannot be separated from the group's long-term goals, as outlined in its decisive 1982 "Strategic Plan." The narcotics business transformed into the guiding element of FARC's organizational plan; it stands at the center of the guerilla group's recruitment strategy, its strategy for territorial control, its financial viability, and most critically, FARC's ability to carry out its ultimate goal of state-takeover in Colombia. The opportunity to align its own economic interests with that of the population in its rural base impelled FARC into the drug business, and quieted even the most ardent internal opponents to the group's 1982 decision.

The FARC leadership, by making simultaneous policy pronouncements at its Seventh Conference in May 1982 regarding its objective to build a revolutionary army capable of defeating the Colombian security forces and its intention to enter the narcotics trade, created an inextricable link between the drug trade and its fundamental organizational goals. The drug business would help the FARC obtain resources to upgrade their weapons and communication

systems, while recruitment among the coca-growing population only deepened the group's involvement in the narcotics trade (Spencer 2001).

All of this evidence demonstrates that FARC's leadership viewed narcotics-related revenue as a means to their stated end of government takeover in Colombia. The rebel group decided in 1982 to integrate its grievances regarding land reform and the urban-rural divide with an economic and recruitment strategy based upon taxation of (and later participation in) the drug industry. FARC leader Sureshot Velez and his disciples organized the rebel group around political principles related to rural and Marxist revolution; as FARC spokesman Granda commented, revenue derived from drug trafficking represents a "by-product of the general situation in the country," lending strong evidence to the validity of hypothesis one.

➤ **Hypothesis 2:** *State weakness, related to both capacity and territorial control, causes rebel groups to believe they have a decent chance of taking over the entire state. Second, state weakness provides rebel groups an operating base beyond the states control where lootable resources can be produced.*

As US military analyst Thomas Marks writes, the FARC "festered as a marginal nuisance for nearly 2 decades" after the group's establishment (Marks 3). Despite periodic Colombian government crackdowns, such as the 1964 bombardment of Marquetalia, rural guerilla groups in Colombia, of which FARC was only one, operated without substantial state intervention throughout the 1960s and 70s (Rabasa and Chalk 2001). The geography of Colombia combined with the state's historic weak control over its territory impelled the government's detached attitude during this early period of FARC's existence.

Colombia had long been divided into two geographic areas (Marks 2002). The first encompasses about one-third of the state's territory, including mostly high country that lies west

of the Cordillera Oriental and is home to 95 percent of the Colombian population (Marks 2002). Although the second area east of the Andes mountain range (known as the *llanos*) comprises two-thirds of Colombia's territory, only 5 percent of the population resides within this area of vast plains, jungle, and savannah (Marks 2002). The stark geographic and population divisions within Colombia indicate the weakness of Colombia's state in exerting control over vast areas of its territory. Not only did the state lack control in the *llanos* region, but it tended to have little interest in addressing this lack of control. Before 1980 FARC controlled a negligible if any portion of the *llanos* region; however, the state's lack of interest in asserting control over its vast territorial domains reveals the historic response of governments in Bogota to the state's weakness: conciliation, negotiation, and if possible willful ignorance of threats to its power (Rabasa and Chalk 2001). The small size of the FARC in the 1960s and 70s, the fragility of the new National Front government in Bogota, and the historic trend of a lacking state presence in the *llanos* region combined to prevent a substantial escalation of the civil conflict during this early period.

State weakness in the *llanos* region continued to sustain FARC into the 1980s and 1990s. As Thomas Marks writes, FARC "did not become a serious factor due to mobilization of an alienated mass base. Rather it became a serious factor due to the power which came from drugs grown by a marginalized population...[rural peasants] became [major players] because of their role as the base upon which drug cultivation and thus insurgent finances was built" (Marks 2002). Without any doubt, as the FARC's involvement in the narcotics trade deepened in a manner consistent with its strategic plan laid out in 1982, the group's financial, recruitment, and military successes began to mount (Marks 2002). By 2002, FARC enjoyed the membership of 15-20,000 individuals stationed across 60 fronts and mobile companies, a level of manpower and



geographic dispersement which began to approximate its goals set out in 1982 (Marks 2002). Furthermore, coca cultivation expanded almost in step with FARC's increased operational size and capabilities. Throughout the 1980s and 1990s, the number of hectares in Colombia dedicated to growing the coca leaf expanded by 187 percent from 42,400 hectares in 1989 to 122,000 hectares in 2000, with about 300,000 Colombians dependent on this cultivation for their livelihoods by the end of this period (Livingstone 2004).

The financial windfall from the taxation of and direct involvement in drug production combined with the elimination of mega-cartel rivals led to substantial gains in the FARC's quality of force; the rebel group purchased new weapons (often smuggled through the same channels used for drug trafficking) and improved its communication systems (Marks 8). The expansion of its forces and their improvement in quality gave the FARC the operational ability to challenge battalion-size Colombian Army units in the late 1990s (Maddaloni 2009).

The status of the Colombian civil conflict in 1998 demonstrates the strong role the central government's weakness has played in guiding FARC's strategic decisions. The following vignette demonstrates the process by which the weakness of the Colombian state both affected the thinking of FARC's leadership and how it allowed FARC to secure a government-guaranteed safety zone for the rebel group's operations— the two key components of hypothesis two.

The weakness of the Colombian government in the face of FARC's growing strength in the 1990s led Colombian President Pastrana to initiate a peace process in 1998. As a condition for its participation in peace negotiations, FARC demanded the establishment of a safe-zone for its operations free of a government or paramilitary presence (Ruiz 6). Thus, in what many Colombian politicians and defense analysts viewed as an embarrassing demonstration of state

weakness, the Pastrana administration in late 1998 granted FARC control of a massive area of south-central Colombia rich in coca production known as the *zona de despeje* (Thoumi 2002).

In the first planned major meeting of the two parties, President Pastrana scheduled to convene with FARC's commandante, Marulanda Sureshot, on January 7, 1999 at meeting also attended by Daniel Ortega of Nicaragua as a representative of the FARC (Ruiz 2001). Pastrana had staked substantial political capital on the meeting, as he had come under heavy criticism for granting the FARC a demilitarized zone of operation (Ruiz 2001). Sureshot did not show up to the scheduled meeting, embarrassing Pastrana in front of dozens of reporters covering the event (Ruiz 2001). Daniel Ortega spoke on behalf of the FARC, saying "logically, if a revolutionary group is getting stronger, then the possibilities increase that they could overthrow the established order and take power by force" (Ruiz 2001). Other evidence also points to the fact that Marulanda and the FARC viewed the very existence of peace talks as a demonstration of the state's weakness and a capitulation to the rebel group's strength. In a March 1999 interview with *El Tiempo*, Marulanda echoed Ortega, remarking that the FARC's military advances had "brought the struggle to a new stage, in which the Colombian government had been forced to "agree to negotiations," and that FARC would not repeat "past errors" in failing to continue the "struggle until victory" (Rabasa and Chalk 2001).

In the end, as Ortega and Marulanda acknowledged, Pastrana's granting of the *despeje* zone underlined the state's weakness in FARC's eyes, thereby detracting from the likelihood of peace and contributing to the operational strength of FARC. The FARC took advantage of the zone's safety from military attack by using it as a sanctuary from which to rest and refit its forces, move drugs and arms, hold prisoners and hostages, and launch operations, such as a July 1999 multi-pronged attack involving 4,000 FARC fighters (Rabasa and Chalk 2001). The FARC

made a rational calculation in 1999 that so long as the military trends ran in their favor, they might have been able to win a military victory over the entire state (or at least dictate the terms of the peace), thus removing any incentive for the group to reach an immediate settlement with the government (Rabasa and Chalk 2001).

The above evidence points to the strong validity of hypothesis two in the FARC case. The Colombian state lacked capacity to control its territory from its very inception. The Pastrana administration's attempt at a peace process in 1998 and FARC's subsequent rebuff of these overtures reveal both the weakness of the Colombian government and the degree to which this weakness entered FARC's strategic calculations. Furthermore, FARC's control of about 40 percent of Colombian territory in the late 1990s, including the state-granted coca rich *despeje* zone, allowed the rebel group to gain operational autonomy by leveraging Colombian state weakness to boost its narcotics revenue stream.

➤ **Hypothesis 3:** *The prospect of international sanctions against a state government involved in the drug trade imparts disproportionate financial benefits on rebel groups engaged in drug trafficking versus states, giving them operational independence to seek a takeover of the central government.*

The financial windfall from the taxation of and direct involvement in drug production no doubt contributed to FARC's military successes over Colombian government forces throughout the 1990s. The elimination of mega-cartel rivals and the expansion of the number of hectares dedicated to coca cultivation led to substantial gains in the FARC's quality of force; the rebel group purchased new weapons (often smuggled through the same channels used for drug trafficking) and improved its communication systems (Marks 2002). The expansion of its forces and their improvement in quality gave the FARC the ability to challenge battalion-size

Colombian Army units in the late 1990s (Maddaloni 2009). The increased size and quality of FARC forces led to the launch of mobile warfare in 1996, which included surprise attacks (often successful) against a Colombian military that in its disposition and dispersal “resembled...the U.S. Army during the Indian Wars rather than an organization geared up for mobile warfare” (Marks 2002). A secret US government report leaked to the *Washington Post* from the Defense Intelligence Agency (DIA) 1998 confirms the dire situation of the Colombian government in late 1990s:

“Of the 120,000 [Colombian] armed forces members only 20,000 are equipped and prepared for combat... Standard military doctrine holds that a regular army needs a 10 to 1 advantage in size to defeat a well-equipped and steadfast insurgency...the guerillas have been fighting the government for the past three decades but have never before evinced the strength now attributed to them. According to US and Colombian officials, the rebel groups control more than 40 percent of Colombia...About two-thirds of FARC units...are involved in drug trafficking, according to US and Colombian intelligence sources, providing...the group with tens of millions of dollars to finance [its] operations...Colombia is the most threatened in the area under the Southern Command’s responsibility...” (Ruiz 2001)

As evidenced in the US intelligence estimate above, the Colombian military did not possess anywhere close to the 10:1 manpower advantage required of a regular army to defeat an insurgency; to the contrary, the ranks of the FARC swelled during this period to near parity with the 20,000 Colombian soldiers “prepared for combat.”

Evidence suggests the validity of the notion that the government’s lack of participation in the drug business “*imparts disproportionate financial benefits on rebel groups*” (i.e. the FARC).

Without a doubt, FARC's access to drug revenue, as described in its initial 1982 strategic plan (see the section below "Hypothesis 1"), gave the rebel group access to human and material resources that enabled it to exploit Colombia's state weakness. Beyond revenue, FARC's involvement in drug cultivation in the *llanos* region created for the rebel group a rural base of support, premised on aligned economic interests vis-à-vis the drug trade, which the government has never been able to build. At the same time, the growth of the Medellin and Cali cartels in the late 1980s and early 1990s had a destabilizing effect on the Colombian government, fueling high rates of crime and rampant corruption which undermined the government's legitimacy (Rabasa and Chalk 2001). Thus, it appears that in the case of FARC, the rebel group has been able to exploit drug funding without losing legitimacy among its base of support; indeed, it designed its war economy to provide a base of popular support among coca-growing peasants. At the same time, the Colombian government's involvement in the drug business appears to have a delegitimizing effect, such as the substantial loss of international and domestic legitimacy after drug syndicates helped finance the 1994 election campaign of President Ernesto Samper (Rabasa and Chalk 2001). Indeed, the Pastrana administration worked hard to reverse the Clinton Administration's decertification of the country as a partner in the "War on Drugs." On the whole, evidence points to the validity of hypothesis three in the FARC case.

- **Hypothesis 4:** *The potential for revenue from the drug trade incentivizes rebel groups to maintain a non-separatist posture in the sense that they seek the perpetuation of conflict in order to maximize their profit.*

As mentioned in the "Research Design" section of this paper, this paper utilizes a broad definition of non-separatist groups, including both those groups whose goal it is to take over a

state's central government, as well as groups whose primary goal it is to perpetuate conflict in order to maximize profits, or otherwise.

There is no doubt that the narcotics business has at times informed the military strategy of FARC. For example, the goal of consolidating its control of prime coca-growing areas in the southern and eastern parts of Colombia dictated FARC's initial plans for military expansion in the 1980s (Rabasa and Chalk 2001). Once FARC gained control of these areas, the 1982 strategic plan affirmed, the rebel group could expand its operations to the entire country, with a particular focus on controlling "strategic corridors" around seaports and large cities (Rabasa and Chalk 2001). The control of these corridors would serve two complementary purposes: to increase the ease with which drugs and other supplies could be trafficked, and to allow the FARC to cut cities off from vital supply and communication lines to the countryside (Rabasa and Chalk 2001). Throughout the 1980s and early 1990s, the FARC did expand its presence in the richest coca producing regions of Caqueta, Meta, and the Magdalena Valley (Maddaloni 2009).

At the same time that FARC's business interests impact its military strategy, it is difficult to say with confidence that FARC continues its fight solely in order to maximize or sustain drug trafficking generated profits. To the extent that FARC has created a narco-economy that both supports and depends upon its war effort, the profit motive continues to fuel conflict. Interviews and public statements by FARC leaders continue to indicate the strong ideological orientation of the rebel group (Granda 2007). FARC spokesman Rodrigo Granda asserted in a 2008 interview that "there is no way the FARC-EP is a drug trafficker," although he acknowledged that the group's involvement in the narcotics industry as a natural "by-products of the general situation in the country," saying in that FARC has "no authority to force people to abandon so-called illicit crops without giving them an alternative" (Granda 2007). The FARC's 1982 decision to enter

the narcotics business and its reliance on both drug money and a base of rural coca farmers supports the notion of conflict perpetuation for profit maximization.

- **Hypothesis 5:** *The presence of contraband exacerbates principal-agent problems in rebel groups by allowing soldiers the opportunity to accumulate personal wealth. Such personal predation creates discipline problems at the expense of a rebel group's central organization, making peace agreements difficult to enforce because financial opportunities provided by conflict are more attractive to combatants than peace (Ross 2004).*

As discussed previously, the collapse of the Medellin and Cali cartels in the mid-1990s caused the fragmentation of the drug trafficking business in Colombia, and presented FARC with new opportunities to involve itself in the higher profit downstream processes of drug production and distribution (DeAtley 2010). The general trend of atomization within the Colombian drug trade also occurred within FARC; as the rebel group expanded its geographic footprint, drug trafficking became an important part of territorial control, and thus required business plans tailored to each particular combat front (DeAtley 2010). FARC's internal structure loosened during the 1990s, with autonomy for individual fronts existing within a "framework of distributed control" (DeAtley 2010). In other words, while there exists an overarching ideology and mission, regional and local leaders enjoy wide latitude regarding conformation to these organizational dictates; furthermore, regional commanders possess even greater autonomy in the operational realm than the ideological one (DeAtley 2010). The nature of the narcotics trade and the manner in which FARC manages its finances within each front (by designing a "business plan" specific to each region) all but necessitates the regional flexibility granted to local commanders in terms of day-to-day operations. Thus, the decentralized nature of FARC's non-military elements creates the base upon which internal corruption and indiscipline can thrive.

Analysts have long commented that FARC does not speak with one voice – some combatants appear more ready to disarm and turn to politics than other, with a small group of leaders fascinated by the power and money brought by the drug trade refuse to disarm (van Engeland Rudolph 1988). Recent events point to increased corruption within FARC’s ranks. A December 2010 article featured in *El Tiempo* (Colombia’s highest circulation newspaper) discussed the defection of 6 high ranking FARC officials with substantial amounts of money earned through the narcotics trade, including one guerilla lieutenant known as “Cachirri” who served as finance chief in the town of Mapiripan and made off with 2.2m pesos. Others stole in excess of 100 million pesos, such as one FARC commander with the nom de guerre “The Lieutenant” who embezzled 600 million pesos (El Tiempo 2010). The article goes on to cite a 2009 email written to the FARC secretariat by Mono Jojoy, the former top military commander of FARC killed by Colombian military forces in September 2010, which states “the economic crisis currently affecting us is the sole product of the lack of discipline and commitment among commanders” (El Tiempo 2010).

Another instance of internal disciplinary issues occurred in 2008 when a subordinate killed senior FARC commander Ivan Rios, the youngest member of FARC’s seven member secretariat (BBC 2008). As reflected in Mono Jojoy’s later 2009 email, concerns developed after Rios’ death that mid-level commanders within FARC sought to gain control of various revenue streams (including of course narco-trafficking) from their superiors, thereby causing an internal breakdown of discipline. Other analysts point to the fact that the increased tempo of fighting as a result of massive US military aid inflows to Colombia have caused both a leadership shortage (because of killings and assimilation) and an increased rate of turnover within FARC’s ranks (Saskiewicz 2005). These two factors have a compounding effect on the organizational cohesion



of FARC: the loss of key leaders harms FARC's political orientation, providing its new members with few ideological zealots from which to learn the insurgency's political goals (Saskiewicz 2005). Lacking discipline has in the past affected peace negotiations; for example, in 1999 members of a FARC Front killed three American indigenous rights activist, an action that harmed the rebel group's embryonic peace negotiations with the Pastrana administration and led to a harsh internal punishment against the perpetrators (Torres 2008).

The evidence outlined above demonstrates the principal-agent problems that have emerged within FARC in part because of the group's involvement in the drug trade. The rebel group's geographic dispersement, its desire to maintain an "autarchic" character, and its reliance on drug-related revenue, combine to produce a situation that requires organizational decentralization. This decentralized structure has led to weakness in discipline, often involving internal corruption related to the appropriation of organizational resources for personal use. Finally, the breakdown in discipline, although difficult to measure in its breadth across FARC's many fronts, has in the past affected peace negotiations contrary to the wishes of the rebel group's central leadership. Thus, evidence indicates the validity of hypothesis five in the case of the FARC.

### **Conclusion**

Understanding the reasons for FARC's adoption of a strategy involving revenue from illegal narcotics sheds new light on the group's non-separatist aims. The FARC-Colombia case provides strong supporting evidence for all five hypotheses.

As for hypothesis one, FARC did not initially organize around exploitation of the illegal narcotics market; to the contrary, the group prohibited participation in or taxation of the drug trade by its members until the group's landmark seventh conference in 1982. Furthermore,

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FARC made a conscious decision to involve itself in the drug business as a means to gain revenue and recruits by aligning its economic interests with those in its rural territorial base.

In support of hypothesis two, the historic weakness of the Colombian state in the *llanos* region (about 95% of its territory) provided FARC with the opportunity to organize a rebellion, and the ability to sustain it through drug cultivation beyond the government's direct purview. The Pastrana administration's gift of a massive safe zone (*zona de despeje*) to FARC in 1998 as a precondition for peace talks, and the rebel group's subsequent rebuff of these overtures, reveal both the weakness of the Colombian government and the degree to which this weakness entered FARC's strategic calculations.

The financial windfall from the taxation of and direct involvement in drug production no doubt contributed to FARC's military successes over Colombian government forces throughout the 1990s, as suggested by hypothesis three. FARC's access to drug revenue, as described in its initial 1982 strategic plan (see the section below "Hypothesis 1"), gave the rebel group access to human and material resources that enabled it to exploit Colombia's state weakness. The Clinton Administration's decertification of Colombia as a partner in the War on Drugs caused substantial demonstrates the delegitimizing effects of even the perception of a government's connection to the narcotics trade. Beyond revenue, FARC's involvement in drug cultivation in the *llanos* region created for the rebel group a rural base of support, premised on aligned economic interests vis-à-vis the drug trade, which the government has never been able to build.

Hypothesis four remains difficult to prove, as doing so requires clear documentation of internal FARC elements proclaiming the primacy of profit over ideology as motivating the perpetuation in the conflict, an act sure to be unpopular with the central organization's political

bureau. Nonetheless, to the extent that FARC has created a narco-economy that both supports and depends upon its war effort, the profit motive continues to fuel conflict.

Finally, evidence does suggest that the narcotics trade has caused discipline problems within FARC, especially in recent years. Recent high-profile defections of FARC commanders involving large sums of narcotics-generated money reflect this trend. In addition, the wide operational latitude regional FARC leaders enjoy has created a highly decentralized organization with unique vulnerabilities to profit motives and graft.

### **III. The Free Aceh Movement in Indonesia**

#### **Historical Introduction: Emergence of the GAM**

The separatist conflict in the Indonesian province of Aceh began in 1976 with the founding of the GAM, or Free Aceh Movement (Gerakan Aceh Merdeka). Although Hasan di Tiro, a descendant of an Acehnese family infamous for its anti-colonial fervor, founded the Free Aceh Movement in 1976, the rebel group remained a small operation throughout the 1980s and 90s, not causing significant armed conflict on the scale of a civil war until 1998.

The concept of an Acehnese nation arose in its modern form in rough concurrence with GAM's establishment in the 1970's as a reaction to the activities of the Indonesian state.\* With a population of 4.5 million people, Aceh is located on the northern tip of Indonesia's largest island, Sumatra. Despite the power and influence of the Acehnese sultanate in the seventeenth through nineteenth centuries, the sultanate never maintained strong central control over its area of influence in a manner that approached the outlines of a modern nation-state. After a protracted thirty year war against the forces of the Dutch, Acehnese Sultan Muhammad Daud surrendered his territory to the invading colonialists in 1903.

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\* Unless otherwise noted, information in this introductory section comes from Edward Aspinall's 2002 and 2007 articles or Michelle Ann Miller's 2009 book (see bibliography for details), unless otherwise noted.

After enduring several years of Japanese occupation during the Second World War, Indonesia underwent a four year struggle for independence with the Dutch that successfully concluded in 1949. The Acehnese leadership and people tended to identify with the cause of Indonesian independence, and nobody made a substantial case in the 1940s for Acehnese independence. The secular roots of the Indonesian republic, which contrasted with the traditional strain of Islam practiced in Aceh and other parts of Indonesia, caused considerable tensions with the central government in the early 1950s. This friction triggered a large-scale armed rebellion in the 1950s, led by a group known as Darul Islam, which advocated the establishment of an Islamic state in Indonesia and included members from across the Indonesian archipelago.

Leaders of the Darul Islam rebellion accused the Indonesian government of employing the colonial state apparatus of the Dutch in order to assert the government's power across the new state. Acehnese members of Darul Islam aired additional concerns regarding the state's encroaching power after Aceh's incorporation into the larger province of North Sumatra in August 1950. In order to put an end to the rebellion, the central government reached a settlement with the Acehnese faction of Darul Islam by agreeing to grant Aceh a "special status" within the Indonesian state, permitting the region a certain level of autonomy while acknowledging the role of Islamic law in Aceh.

As Aspinall writes, through the Indonesian state's declaration of Aceh as a "special region," the government "normalized and celebrated Acehnese ethnic identity and embedded within it a notion that the Acehnese were deserving of special status and treatment." Furthermore, the designation of Aceh as a "special province" created definite state-sanctioned geographic bounds to modern Aceh, thereby territorializing Acehnese identity to a historically

unprecedented extent. The simultaneous territorialization of Acehnese identity and the development of a sense of entitlement to special treatment by the Indonesian government among the Acehnese, represented important ideological precedents for the Free Aceh Movement a quarter century later.

Throughout the 1960s and 70s, the Indonesian government took on an ever more authoritarian character, a situation that inflamed the Acehnese who had come to believe in a certain level of autonomy for themselves in the aftermath of the Darul Islam rebellion. Following the 1950s settlement with Acehnese rebel leaders, the Indonesian central government relied upon a cadre of Acehnese technocrats loyal to the central government to implement its policies. This group of technocrats, which tended to exclude members of Darul Islam, triggered the growth of an Acehnese counter elite organized around the kinship and other networks of the Darul Islam rebellion. This group, which Aspinall terms “ethnic political entrepreneurs,” formed the locus of the future Free Aceh Movement (GAM), emphasizing in their rhetoric Acehnese mistreatment and exploitation by Javanese Indonesians.

After its founding in 1976, the Free Aceh Movement (GAM) remained a small group with about one hundred members and did not develop into a military actor for about a decade. During the early 1970s, multinational corporations began large-scale mineral extraction activities in Aceh, in particular the Arun natural gas field. These large projects produced resentment among some Acehnese that the natural resources of their province were being exploited to benefit “Java” (i.e. the central government), causing GAM to mention resource exploitation in its 1976 founding document (Ross 2007).

The growth of GAM in the late 1980s caused the Indonesian government to launch an aggressive counterinsurgency campaign against the separatist group, a step that led to the

establishment of a “Military Operations Area” (*Daerah Operasi Militer*, DOM) across all of Aceh. This military zone, or DOM, forced most of GAM’s operations outside of Indonesia, and lasted until the fall of the three decade long presidency of Suharto in 1998. Although the end of DOM included the evacuation of all “non-organic” (non-Acehnese) Indonesian soldiers from Aceh in 1998, the repressive nature of the DOM regime had long before sowed the seeds of resentment that allowed for GAM’s revival later that year.

The withdrawal of non-organic Indonesian security forces from Aceh in 1998, combined with the state’s lack of a clear policy toward the restive province, caused a power vacuum to develop in Aceh. The existing Acehnese antipathy toward the central government mixed with widespread grievances about the DOM, allowing anti-government elements to gain a substantial political foothold in Aceh after Suharto’s resignation. Acehnese anger towards the central Indonesian government began to manifest itself as support for GAM. The return to Aceh of about 400 GAM rebels from Malaysia and the granting of a general amnesty to 562 GAM members imprisoned in Indonesian jails in late 1998 helped contribute to GAM’s revitalization after the end of DOM.

In late 1998 violence intensified in Aceh, as the number of GAM rallies, attacks on Indonesian government facilities, and assassinations of Indonesian security forces all increased. Moreover, the decision by Indonesia’s President Habibie to grant East Timor a referendum on independence in order to solve another of Indonesia’s long-standing civil conflicts galvanized support among the Acehnese public for a separatist solution. The East Timor situation led to the creation of SIRA (Sentral Informasi Referendum Aceh) a “Congress of Students and Youth of Away Acehnese” in order to “free the Acehnese people from external and internal colonization and oppression, and to fight for the realization of civil society.” This group, although more urban

than GAM and generally opposed to violence, provided an important base of grassroots support for GAM throughout the conflict's duration.

Between 1998 and 2004, the level of violence in Aceh rose to unprecedented levels, transforming into Indonesia's most significant domestic problem. Acehnese society united against the repression of the Indonesian government, across class, age, and political lines. By 2001 GAM controlled about 70 percent of Aceh; two to three civilians died per day at the hands of Indonesian security forces, while GAM murdered suspected spies, non-Acehnese, and government officials. In 2002, the tide turned in favor of Indonesian security forces; indeed by the rebels' own admission, Indonesian security forces had reduced the rebel group's control over Aceh to 30-40 percent of its territory. Although peace talks took place on several occasions, they were hampered by disagreements about the need for an international mediator, as well as ever-persistent violence on the ground.

The destructive 2004 tsunami in Indonesia changed the dynamic of the Aceh conflict in fundamental ways. The disaster prompted GAM's leadership to declare a unilateral cease fire, in order to allow the cleanup of bodies and the maximum level of aid to reach the devastated province. The tsunami provided the opportunity for both GAM and the Indonesian government to reassess their positions vis-à-vis the Aceh conflict. The nature of the global reaction to the tsunami led to a strong international presence in Aceh, including personnel from foreign militaries and international aid organizations. In many ways, the international attention focused on Aceh in the aftermath of the tsunami forced the government's hand in caving to one of GAM's basic demands: an international mediator for peace negotiations. GAM had long desired increased international recognition of its struggle against the Indonesian government, and viewed an international mediation forum as a means to get the attention of a wider global audience.

While the Indonesian government opposed the “internationalization” of what it viewed as a domestic security problem, the increased attention toward Aceh after the tsunami made participation in an internationally-mediated negotiation forum with GAM more easily acceptable. On August 15, 2005, GAM and the Indonesian government signed an agreement known as the Helsinki Memorandum of Understanding (MoU) that required the rebel group to cease armed hostilities and disarm in exchange for the gradual withdrawal of government security forces in Aceh.

The Indonesian government enshrined the content of the agreement into domestic law through the passage of law No. 11 of 2006 on the Governing of Aceh (LoGA) in July 2006 (Miller 2009). The law attempts to institutionalize Acehnese autonomy within the confines of Indonesian central government through revenue sharing (70% of natural gas revenue returns to Aceh’s provincial government) and provisions allowing for direct Acehnese local elections. The LoGA provides Aceh with far more autonomy than Indonesia’s other provinces, and a double portion of a national economic development block grant program in relation to other provinces. Above all other arrangements, the LoGA allows GAM and SIRA to reap political benefits due to provisions guaranteeing the right to field independent party candidates in local elections and to organize Aceh-based political parties. In 2006, GAM’s successor party won the first gubernatorial elections in Aceh by an unexpectedly wide margin.

### ***GAM Applied to the Theoretical Framework***

The below discussion will explore the internal dynamics of GAM and the Indonesian security forces in the context of the theoretical framework of this paper in an attempt to prove the theoretical framework’s negative validity when applied to a separatist conflict that does not involve substantial funding from lootable resources.



- **Hypothesis 1:** *Non-separatist rebel groups do not organize around lootable resource exploitation; instead, over the course of a conflict, they create war economies using lootable resources because such resources produce widespread economic benefits for the population of the region where they are produced (Ross 2003).*

As a result of its focus on non-separatist rebel groups, hypothesis one does not provide substantial explanative information related to the GAM-Indonesia civil conflict. At the same time, several points related to the founding of the Free Aceh Movement deserve mention.

GAM's founding document, labeled an Acehnese "Declaration of Independence," charges the Indonesian government with pilfering Acehnese "property" for the benefit of the "foreign regime of Jakarta" (di Tiro 1976). The document does not make explicit reference to the natural gas facility in the province (which would have been a new facility at the time Hasan di Tiro wrote the "Declaration of Independence") nor does it criticize the multinational corporations involved in gas extraction (di Tiro 1976). Despite this lack of criticism in its founding document, one of GAM's first acts of violence occurred when a group of rebel fighters attacked one of Aceh's natural gas production facilities (Ross 2005).

Michael Ross theorizes that if a resource "is relatively unlootable, it is more likely to generate revenues for skilled workers (who are less likely to be from the region), the extraction firm, and the government – and hence to produce grievances about the distribution of resource wealth" (2003). The circumstances of the Aceh conflict appear to support this corollary to hypothesis one, as GAM often complained that resource revenue of Acehnese origin benefitted "foreign" elements, going so far as to speculate that an independent Aceh would achieve wealth on the level of Brunei (Ross 2005).

The focus of the Free Aceh Movement on independence and the redistribution of mineral resource revenue, as outlined in the group's founding document, helps to explain the absence of narcotic-related revenue in the conflict. Michael Ross writes of four ways the natural gas facility in Aceh produced resentment among the Acehnese population: first, its very construction displaced hundreds of families from their homes (Ross 2002). Second, the influx of non-Acehnese workers sparked an anti-immigrant backlash, which combined with and galvanized general anti-government feelings (Ross 2002). Third, the natural gas plant discharged chemicals which led to health problems among certain segments of the Acehnese population (Ross 2002). Fourth, the facility required a heavy presence of government security forces, while the plant's revenue generated corruption among Acehnese officials (Ross 2002). The importance of these natural gas-related grievances combined with outstanding Acehnese antipathy toward the Indonesian government to sharpen GAM's focus on gaining access to natural gas revenue as opposed to other sources. Furthermore, the Islamic clerical community in Aceh (known as the *ulama*), second only to GAM in its influence over the population, constrained the rebel group's ability to engage in "amoral" activity such as drug trafficking.

GAM's primary funding sources further indicate the way Aceh's dominant religion, Islam, influenced the rebel group's activities. In particular, GAM levied a "state tax" on all elements of Acehnese society, a system based on the Islamic "*infaq*," or war tax (Schulze 2004). Beyond taxation of the population, GAM also received substantial donations from expatriate Acehnese populations around the world, while it derived a limited portion of its income from criminal activities such as kidnapping for ransom (Schulze 2004). Although analysts have suspected GAM's involvement in the Acehnese marijuana trade, such participation remains unverified; in

addition, even if the group did participate in the marijuana trade, such revenue appears to have represented a negligible portion of the rebel group's overall budget (Schulze 2004).

Thus, the nature of GAM's funding sources, combined with the group's original focus on independence and unlootable resource revenue created a situation that disincentivized participation in the illegal narcotics trade. The Free Aceh Movement enjoyed the support of a wide swath of the Acehnese population based on its organizational goals and a common enmity toward the Indonesian government; the rebel group did not need to create a system (like that of the FARC) that tied conflict to economic betterment in order to build a base of popular support and perpetuate conflict.

➤ **Hypothesis 2:** *State weakness, related to both capacity and territorial control, causes rebel groups to believe they have a decent chance of taking over the entire state. Second, state weakness provides rebel groups an operating base beyond the states control where lootable resources can be produced.*

The greatest weakness of the Indonesian government was the poor professionalism and lack of discipline within the ranks of its military forces (Schulze 2004). The rivalry between Indonesia's civilian leadership and its military further harmed the state's ability to act in a coherent manner against the GAM rebels (Panontongan 2005). Indeed for much of the conflict, Indonesia's elected government found itself unable to control the conduct and activities of its own military units (Panontongan 2005). This lack of central command produced problems of widespread military predation in Aceh and complicated peace talks with GAM, points discussed in relation to hypotheses three, four, and five.

Despite the deficiencies of central control within the Indonesian government, the state maintained well-entrenched control of the vast majority of its territory throughout the civil

conflict in Aceh. The illegitimacy of the Indonesian state among the Acehnese population, and the government's temporary loss of control of 70 percent of the province's territory in the early 2000's, did not hamper the larger Indonesian state's capacity or autonomy to act against rebels. Severe internal problems notwithstanding, the Indonesian government remained strong throughout the Acehnese civil conflict. The Indonesian government's relative strength did not impact GAM's goals or its funding sources; the Free Aceh Movement never harbored any desire to take over the entire Indonesian state inspired by the central government's weakness. Moreover, the goal of overthrowing the Indonesian central government would have contradicted GAM's *raison d'être* – Acehnese independence.

As discussed under hypothesis one, GAM's primary goal of independence and secondary aim of securing an increased proportion of natural gas revenue for Aceh, as well as the influence of the Islamic *ulama* in the province, precluded the rebel group's involvement in the narcotics trade. Thus, GAM eschewed the narcotics business despite its control at one point of over 70 percent of Acehnese provincial territory.

➤ **Hypothesis 3:** *The prospect of international sanctions against a state government involved in the drug trade imparts disproportionate financial benefits on rebel groups engaged in drug trafficking versus states, giving them operational independence to seek a takeover of the central government.*

The Acehnese civil conflict presents an intriguing reversal of the typical pattern of narcotics-related predation. The conflict in Aceh enabled the Indonesian military to resume its business activity in Aceh after the end of the DOM (“Military Operations Area”) in 1998. During the DOM period, the Indonesian Armed Forces (abbreviated with the acronym TNI) involved themselves in virtually every sector of the Acehnese economy, from small-scale

fishing, to logging, to natural gas extraction, and even arms sales to GAM rebels (Miller 2009). In addition, evidence indicates past direct military and police involvement in the cultivation and trafficking of marijuana in Aceh and Sumatra (Miller 2009). The TNI resumed and expanded most of its DOM-era business activities after its reoccupation of Aceh in late 1998. The military provided the natural gas facilities in Aceh with protection throughout the DOM-era and the post-1998 conflict; companies such as ExxonMobil and PT Arun received security services in exchange for a fee paid to the TNI (McCulloch 2003). As one analyst writes, “the local military command (Aceh wide) [had] come to rely on the financial and logistic ‘support’ of the [natural gas companies]” (McCulloch 2003).

The secretive and non-official nature of the TNI’s involvement the drug trade, the fact the drug most commonly trafficked in Aceh was marijuana, and the local nature of its consumption, prevented negative international ramifications stemming from the TNI’s involvement in the Acehese drug trade. As mentioned earlier, GAM derived most of its funding from foreign donations and a “state tax” on all elements of Acehese society. Evidence in this case points to disproportionate economic benefits imparted on the military as a result of armed conflict, not on the rebel group. This situation resulted from the institutionalized predation of the Indonesian Armed Forces combined with the nature of GAM’s revenue, which shared a direct relation with the group’s military success (i.e. the breadth of its territorial control). As discussed in relation to hypothesis one, GAM’s choice of funding source represented a direct outgrowth of its separatist goals – the loyalty of the Acehese population, the success of the system of taxation, and the Islamic influence in Aceh, prevented GAM’s entry into the drug business. Thus, the evidence in this case does not support hypothesis three.

- **Hypothesis 4:** *The potential for revenue from the drug trade incentivizes rebel groups to maintain a non-separatist posture in the sense that they seek the perpetuation of conflict in order to maximize their profit.*

GAM derived the majority of its revenue from two sources: a “state tax” on all elements of Acehese society and donations from expatriate Acehese populations (Schulze 2004). Criminal activity ranked a distant third as a revenue source for GAM, and evidence seems to indicate that most of this revenue arose from a limited number of kidnappings for ransom (Schulze 2004). The Free Aceh Movement’s dependence on a domestic tax regime and foreign donations created a war economy that did not provide incentives for conflict perpetuation. To the contrary, the Indonesian government’s control of natural gas revenue, the complexity of profitably exporting natural gas reserves, and GAM’s desire to gain control of revenue generated by Aceh’s natural gas together encouraged a quicker end to the conflict. That is, GAM would enjoy a windfall from peace: a separate Acehese nation would provide a formalized tax base and allow GAM to take full control of natural gas revenue.

Throughout the Acehese civil conflict, GAM maintained the clear political goal of independence based upon its 1976 founding document. Evidence does not suggest that the rebel group earned revenue during conflict at levels it could not have maintained during peacetime. In other words, peacetime would likely have earned GAM more revenue than wartime. Proof of this arises from GAM’s peaceful demobilization in the aftermath of the Helsinki MoU: in December 2005, GAM’s former military commander Muzakkir Manaf pronounced the demobilization of GAM’s military wing (Miller 2009). The lack of profit motivation for conflict perpetuation may have increased GAM’s willingness to negotiate a peaceful settlement to the civil war. Long before the 2004 tsunami or the Helsinki MoU, GAM entered into peace

negotiations in 2000 with the administration of Indonesian President Abdurrahman Wahid and subsequent Indonesian administration (Miller 2009). Although GAM's leadership initially rebuffed the government's offer to negotiate, the formation of a GAM breakaway group known as MP-GAM, which supported peace talks, compelled GAM's leader Hasan di Tiro to enter negotiations (Miller 2009). As Miller writes, "If not for GAM's own commitment towards a peaceful settlement," after the tsunami, "the rebels could have used the cessation of hostilities...to recruit new members and fortify their shadow civil administration" (Miller 2009).

On the whole, the Free Aceh Movement faced both internal and external pressure to negotiate for peace, and lacked economic incentives for conflict perpetuation. The smoothness of the group's eventual military demobilization further underlines this point.

➤ **Hypothesis 5:** *The presence of contraband exacerbates principal-agent problems in rebel groups by allowing soldiers the opportunity to accumulate personal wealth. Such personal predation creates discipline problems at the expense of a rebel group's central organization, making peace agreements difficult to enforce because financial opportunities provided by conflict are more attractive to combatants than peace (Ross 2004).*

The presence of illegal narcotics in the Aceh conflict zone was quite limited. As mentioned under hypothesis three, evidence indicated direct military and police involvement in the cultivation and trafficking of marijuana in Aceh and Sumatra (Miller 2009). The military also involved itself in virtually every sector of the Acehnese economy, from small-scale fishing, to logging, to natural gas extraction, and even arms sales to GAM rebels (Miller 2009). Although military corruption did not lead to international sanctions against the Indonesian military or government, these business interests caused substantial principal-agent problems for the Indonesian government. On repeated occasions, the Indonesia's elected civilian leaders found

themselves unable to control the activities or behavior of their own armed forces (TNI). This situation made conducting a peace process quite difficult for Indonesia's political establishment, and the government faced an uphill battle convincing the military to honor the Helsinki MoU (Miller 2009).

The Aceh civil conflict presents an example of a conflict where the typical pattern of principal-agent problems in profit-motivated rebel groups was reversed; instead the military participated in widespread corruption and predation, a situation which slowed the peace process (Miller 2009). As noted under hypothesis four, the smoothness of GAM's military demobilization in the aftermath of the Helsinki MoU confirms the rebel group's strong internal discipline and central control. The most significant breakaway group from GAM, the MP-GAM, agitated for peace negotiations to a greater extent than GAM's central leadership, evidencing the fallaciousness in the Aceh case of hypothesis five's contention that "*financial opportunities provided by conflict are more attractive to combatants than peace.*"

### **Conclusion**

The Aceh case presents strong evidence of the negative validity of this paper's entire theoretical framework in relation to a separatist conflict that does not involve substantial funding from lootable resources.

The nature of GAM's funding sources, combined with the group's original focus on independence and unlootable resource revenue, created a situation that disincentivized participation in the illegal narcotics trade. The Free Aceh Movement enjoyed the support of a wide swath of the Acehnese population based on its organizational goals and common enmity toward the Indonesian government; the rebel group did not need to create a system (like that of



the FARC) that tied conflict to economic betterment in order to build a base of support or perpetuate conflict.

The Indonesian government's relative strength did not impact GAM's goals or its funding sources; the Free Aceh Movement never harbored any desire to take over the entire Indonesian state inspired by the central government's weakness. Moreover, the goal of overthrowing the Indonesian central government would have contradicted GAM's *raison d'être* – Acehnese independence.

The Free Aceh Movement faced both internal and external pressure to negotiate for peace, and lacked economic incentives for conflict perpetuation. To the contrary, the Indonesian government's control of natural gas revenue, the complexity of profitably exporting natural gas reserves, and GAM's desire to gain control of revenue generated by unlootable natural gas together encouraged a quicker end to the conflict. The Aceh civil conflict presents an example of a conflict where the typical pattern of principal-agent problems in profit-motivated rebel groups was reversed; instead the military participated in widespread corruption and predation, a situation which slowed the peace process from the government's end (Miller 2009). Finally, the smoothness of GAM's military demobilization in the aftermath of the Helsinki MoU confirms the rebel group's strong internal discipline and central control.

#### **IV. The Shining Path in Peru**

##### **Historical Background: Peru and the Sendero Luminoso (Shining Path)**

Shining Path as a national organization relied on narcotics funding to a much lesser degree than FARC; but its regional offshoot in the Huallaga Valley, which has outlasted the national organization by at least two decades, depended upon coca cultivation to sustain its operations. As mentioned in the earlier discussion of case selection, the Shining Path does not

occupy as central a role in supporting this paper's theoretical framework as the FARC; however, Shining Path offers the chance to conduct an internal comparison of the same rebel group with and without access to substantial drug funding, a situation which produces noteworthy results.

The Shining Path, known in Spanish as the Sendero Luminoso, began in the 1960s as a Maoist revolutionary group opposed to Peru's political system and led by philosophy professor Abimael Guzman (Gregory 2009). Although the group existed throughout the 1960s and 1970s, it did not execute armed activities until 1980, just as Peru entered a new period of democratization after several years of military rule. Although the group advocated its own version of transparent democratic government, it opposed Peru's budding democratic government, desiring to overthrow the Peruvian government and replace it with a communist revolutionary command (Gregory 2009).

The group capitalized on a combination of Peru's poor economic growth in the 1970s and the government's historic lack of presence in much of the country's highland and jungle regions in order to build a base of support (Weinstein 2007). A Peruvian military-orchestrated effort at agrarian land reform failed to make a dent in the inequality of land distribution (Weinstein 2007). The southern highland region lacked even the most basic government services, while college educated Peruvians suffered from an unemployment rate double that of the general population (Weinstein 2007). The annual growth rate in GDP per capita collapsed from an average of 2.5 percent in the 1960s to less than 1.0 percent during the 1980s (Weinstein 2007).

Despite the reform-minded nature of the outgoing military regime and its well-known sympathy for peasant grievances, Sendero Luminoso exploited Peru's general economic malaise and the government's limited capacity in certain regions to grow into a full-scale rebel organization. "The open political climate," Jeremy Weinstein writes, "had little or no impact on

the rural highlands where Sendero was based” (2007). Peru’s major political organizations never constructed robust networks of support in the highland and jungle regions, a point which Abimael Guzman used for propagandistic purposes (Weinstein 2007).

Fierce commitment to Marxist ideology characterized the national Shining Path organization throughout its existence (Weinstein 2007). Guzman viewed himself as the “Fourth Sword of Marxism,” and reflected his ideological commitment in both the structure and recruitment strategy of the Shining Path (Weinstein 2007). A Central Committee under Guzman set the group’s national policy, while regional committees with substantial autonomy relied on small indoctrinated cadres to coordinate recruitment and growth throughout Peru (Weinstein 2007). Sendero’s recruiting strategy put several obstacles in the way of becoming a full-fledged member of the rebel group, impediments designed to ensure individual ideological commitment of new recruits (Weinstein 2007). The Central Committee mandated procedures that required new members to pass a number of rigorous exams designed to test commitment to and knowledge of Sendero’s ideology (Weinstein 2007). These tests allowed the group to adopt its decentralized structure without sacrificing ideological commitment within its lower ranks (Weinstein 2007).

In 1982, the Peruvian government launched its first major military offensive against the Sendero Luminoso, a counterinsurgency operation in the rebel group’s home province of Ayacucho (Weinstein 2007). While the military aspect of the civil conflict ebbed and flowed throughout the 1980s, Shining Path continued to expand its presence in Peruvian cities, towns, and rural areas. The group’s reliance on so called “open committees,” which integrated civilian leadership into Sendero’s regional committees, allowed it to gain power without substantial reliance on violent coercion (Weinstein 2007). Furthermore, the incorporation of peasant

civilians into the decision-making ranks of the Shining Path eased the extraction of civilian-held resources needed to fund the rebel group's political and military efforts (Weinstein 2007). In general, the Shining Path did not provide its communities with security in exchange for their loyalty; instead, based on its academic roots, Sendero provided basic services including education (which included a heavy dose of Marxist political indoctrination) and sought to recruit local contacts in order to propagate the group's message. As a result of the group's tendency to enjoy deep local roots in the communities it controlled, Sendero did not require resources from local civilians on a regular basis, although it did at times establish a "revolutionary tax" in certain areas (Weinstein 2007).

The military wing of Sendero tended to target violent acts quite carefully against the most hated individuals in a community (thieves, rapists, crooks, adulterers, etc.) and against government officials as a means of executing "popular justice" (Weinstein 2007). This strategy allowed Sendero to gain the loyalty of local communities, while creating an environment of terror that deterred opposition to the group despite the irregular presence of armed guerillas (Weinstein 2007).

The decentralized nature of Sendero's geographic command structure allowed certain regional committees to stray from the group's ideological commitments and basic military strategy. In particular, the Regional Committee of Alto Huallaga, or CRH (Comite Regional del Alto Huallaga), developed as a rebel group all but independent of the organization's Central Committee. The Huallaga Valley, especially its northern portion (known as the Upper Huallaga Valley, or UHV), hosted wide scale cultivation of coca leaf, the base ingredient of cocaine (Weinstein 2007). The CRH began its involvement in the drug trade in style similar to FARC: it taxed production and other drug-trafficking related activities (Weinstein 2007). But over time,

the group deepened its participation in the drug business by displacing traffickers, cultivating coca on abandoned land, and operating centralized markets for outside buyers of coca leaf (Weinstein 2007). In the Huallaga Valley, Sendero displaced much reviled drug traffickers who coerced and exploited peasant labor, instead providing peasants with guaranteed buyers and price through the operation of drug marketplaces (Weinstein 2007). Despite the persistent concerns of the Central Committee regarding even the perception of a connection between Sendero and drug traffickers, the decentralized nature of the rebel group allowed to CRH to continue its drug operations unabated. Over time, the local organization in the UHV transformed into one which relied on its ability to provide peasants with protection from drug traffickers and short-term economic gains in exchange for their loyalty to the rebel group (Weinstein 2007). Thus, the CRH took on a much different character than its parent organization, one which relied much less on ideology than common economic interests to gain support.

In 1988, Guzman and the Central Committee resolved to expand Sendero's rural mobilization strategy to Peru's cities, a decision which reflected the group's belief in its ability to overtake the central government (Weinstein 2007). By the 1990s, Shining Path's military successes in both the cities and highland regions demonstrated the group's closeness to victory (Weinstein 2007). The government found its capacity greatly diminished as a result of the economic slowdown in the 1980s, and many believed it to be on the brink of collapse (Weinstein 2007). But two important events reversed this course: the arrest of Abimael Guzman, and the "self-coup" by Peruvian President Alberto Fujimoro. Notwithstanding the government's general administrative weakness, successive presidential administrations had invested substantial resources in the intelligence unit of the national police. This investment paid off in 1992 when

the arrest of Guzman mushroomed into a broad crackdown on Sendero's leadership, one from which the rebel group would not recover.

The high-profile arrests of the Shining Path's central leadership created both morale and logistical problems for the rebel group (Weinstein 2007). Those rebel leaders who escaped the government dragnet proved unable to sustain the organization, and Sendero Luminoso collapsed by the mid-1990s (Weinstein 2007). Yet in one area of the country, the group remains operational: the Huallaga Valley. The regular flow of drug funding, Sendero's creation of a regional narcotics-based war economy that depends upon conflict perpetuation for its survival, and the government's very limited presence in the Huallaga Valley together have allowed the CRH to persist well-beyond its parent organization.

### ***Sendero Luminoso and the CRH Applied to the Theoretical Framework***

The Shining Path presents a fascinating example of a drug-funded non-separatist group because of its fragmented nature. While most of the organization did not receive or rely upon narcotic-related revenue to fund its efforts against the Peruvian government, a small segment of Sendero, which in the estimation of many analysts evolved into its own independent rebel group, encouraged and depended on drug money. Furthermore, this regional offshoot out-survived its parent organization by at least two decades, a development attributed by many to the nature of its financing.

The below discussion will explore the internal dynamics of the Shining Path in the context of the five hypotheses proposed by this paper in an attempt to prove the theoretical framework's positive validity.

- **Hypothesis 1:** *Non-separatist rebel groups do not organize around lootable resource exploitation; instead, over the course of a conflict, they create war economies using lootable*

*resources because such resources produce widespread economic benefits for the population of the region where they are produced (Ross 2003).*

Like the FARC, the Shining Path began as an organization based on Marxist ideology. But to an even greater extent than FARC, Sendero Luminoso's roots in education fashioned an organization with a high level of discipline and dogged ideological devotion. Sendero Luminoso's general expansion strategy did not necessitate widespread taxation of civilian resources (Weinstein 2007). Instead, the group relied upon the tenacity of its cadres and the strength of its message to gain support among Peru's population (Weinstein 2007). At times, this ideology-based strategy created problems for Sendero in areas where the rebel group lacked local contacts because its often white and urban cadres lacked an obvious shared political identity with highland peasants (many of whom were native Quechua Indians) (Weinstein 2007). Thus recruitment strategies in the high Andean areas sometimes relied on fear and coercion instead of ideological belief, a trend which hastened the desertion of peasants from the rebel group after the government's arrest of Abimael Guzman in 1992 (Weinstein 2007).

Unlike the ideology-based approach of the national Sendero group, the Huallaga Valley's Shining Path organization relied on the provision of short-term material rewards in exchange for the loyalty of peasants (Weinstein 2007). CRH made promises of higher coca prices and protection from drug traffickers a central component of its propaganda (Weinstein 2007). The group operated as an intermediary between growers and traffickers, a sort of armed collective bargaining organization (Kay 1999). Militants employed in the CRH's armed ranks received compensation of \$250 to \$500 per month, an amount well in excess of Peru's average salary and several times higher than the salaries paid to teachers, the vocation of many who joined Sendero (Kay 1999). Revenue derived from the narcotics business permitted the CRH to purchase heavy

weaponry unavailable to other segments of the organization, a key element that helps to explain the group's long-term survival (Kay 1999). Above all, the CRH managed to maintain the loyalty of its supporters despite the national Sendero organization's breakdown in leadership. This appears to have occurred because CRH succeeded in creating a war economy reliant on lootable resources that dispersed economic benefits among a wide swath of the population and also depended on conflict perpetuation.

➤ **Hypothesis 2:** *State weakness, related to both capacity and territorial control, causes rebel groups to believe they have a decent chance of taking over the entire state. Second, state weakness provides rebel groups an operating base beyond the state's control where lootable resources can be produced.*

The economic downturn that affected Peru in the 1970s and 80s damaged the state capacity to a great extent. As the tax base of the country contracted, rivalry between Peru's army and police forces increased because of competition over a dwindling security budget (Palmer 1992). This internal conflict hindered police and military cooperation in operations against Sendero, a situation underlined the mismanagement of the Peruvian state and empowered the Shining Path. The historic lack of state presence in much Peru's highland and jungle regions also contributed to the ease with which Sendero's cadres infiltrated rural communities and overthrew government officials (Weinstein 2007). Peru's political parties never established a strong presence in these areas; the lack of civic associations and identification with the central government created ripe conditions for Sendero infiltration (Kay 1999). Peasants in these regions found themselves all but ignored by the Peruvian government, especially as resources became scarce with economic depression (Weinstein 2007). In areas like the Upper Huallaga Valley, where the Shining Path would overtake and expand the region's drug economy,



government infrastructure barely existed; in fact the only road to the region was one lane wide and constructed in 1937 (Weinstein 2007). The guerillas relied on their light footprint and relationship with the local population in order to exploit the government's lacking capacity (Weinstein 2007). As a further indication of the state's weak capacity in rural regions, the government only began to undermine Sendero in the 1990s by forming community-based civil defense council, unable to implant its authority from outside highland and jungle regions (Kay 1999). The state's weak capacity allowed Sendero Luminoso 1988 expansion of its rural-based strategy into Peru's largest cities, while affording regional offshoots like the CRH the ability to create mini-drug states unrestrained by central government authority.

➤ **Hypothesis 3:** *The prospect of international sanctions against a state government involved in the drug trade imparts disproportionate financial benefits on rebel groups engaged in drug trafficking versus states, giving them operational independence to seek a takeover of the central government.*

As discussed above under hypothesis two, the Peruvian government did not consider participation in the drug trade. Analysts disagree about the degree to which the influx of drug money from the Huallaga Valley region contributed to the national Shining Path organization. Some argue that drug money enabled Sendero to project a stronger national presence and expand its war into Peru's cities in 1988 (Kay 1999); others assert that the CRH retained most of its drug-related income, allowing it to invest in heavy weaponry and expand its presence in the Huallaga Valley (Weinstein 2007). The evidence does indicate that the CRH gained substantial advantages over the government in the Huallaga Valley. In particular, as the state's capacity dwindled because of economic depression and a contracting tax base, high coca prices in the 1980s supported CRH's military operations (Weinstein 2007). At the same time, the rapid

collapse of the national Sendero Luminoso organization in the mid-1990s after the arrest of its central leadership suggests that the group as a whole did not enjoy disproportionate financial benefits or operational independence compared to the Peruvian state. Thus, evidence for the validity of hypothesis three related to the national Shining Path organization remains mixed and inconclusive; however, strong evidence exists for hypothesis three in relation to the CRH.

➤ **Hypothesis 4:** *The prospect of international sanctions against governments involved in drug trafficking incentivizes rebel groups to maintain a non-separatist posture in the sense that they seek the perpetuation of conflict in order to maximize profit.*

The Shining Path/CRH case provides very strong support for the notion that rebel groups maintain a non-separatist posture in the sense that they seek the perpetuation of conflict in order to maximize profit. The strong evidence for this phenomenon arises from the collapse of the ideology-based national Shining Path organization and the survival of its drug-funded offshoot, the Regional Committee of Alto Huallaga. The documented marginalization of ideological goals within the CRH's ranks compared to the profit motive of the drug trade provides further evidence of CRH's perpetuation of conflict in order to maximize its revenue, albeit without any separatist intentions. The Peruvian state, which relied heavily on US aid to combat drug cultivation within its borders, does not appear to have considered the drug trade a possible means through which to boost its capacity (Palmer 1992). As Bruce Kay argues, CRH represents an example of a "chronic insurgency," one which lasts for years or even decades yet neither topples a regime nor suffers complete defeat by the state (Kay 1999). The mutual economic interests of the rebel group ranks and the civilian population of the Huallaga Valley, who both rely upon coca leaf-generated revenue, help explain the reasons for non-separatist conflict in Peru.

- **Hypothesis 5:** *The presence of contraband exacerbates principal-agent problems in rebel groups by allowing soldiers the opportunity to accumulate personal wealth. Such personal predation creates discipline problems at the expense of a rebel group's central organization, making peace agreements difficult to enforce because financial opportunities provided by conflict are more attractive to combatants than peace (Ross 2004).*

The breakdown of discipline in the CRH versus the other regional committees of the Shining Path that did not rely upon drug-related revenue demonstrates the validity of hypothesis five, which predicts the existence of principal-agent problems when a rebel group involves itself in the drug trade. As Weinstein writes, “membership in Sendero-Huallaga was prestigious not because it was a sign of political and ideological commitment, but instead because it provided access to profits from the coca business” (2007). Widespread violations of the code of conduct decreed by Sendero’s Central Committee occurred before and after the collapse of the national Sendero organization in the mid-1990s (Weinstein 2007). Indeed, defection for personal gain was the group’s *modus operandi*, with high rates of desertion in the CRH compared to other regional Sendero committees (Weinstein 2007). The decentralized nature of the Sendero Luminoso organization allowed CRH to operate outside the central leadership’s control, and prevented constraints to its profit-motivated behavior. In addition, the overwhelming power of the CRH’s military wing compared to its political branch confirms the group’s focus on short-term economic goals versus Shining Path’s long-term ideological vision (Weinstein 2007). The documented power of profit motives for maintaining the CRH’s membership, the group’s internal breakdown of discipline, and its survival beyond the national Sendero organization, all indicate the degree to which internal fragmentation perpetuated conflict (and the non-separatist goals undergirding it) by increasing financial opportunities provided by war.

**Conclusion**

The fragmented nature of the Shining Path's funding between the national organization and its regional offshoot in the Huallaga Valley creates a unique internal comparative case regarding the effects of drug funding on rebel group goals. Despite government crackdowns and the collapse of its parent organization, the CRH continues to function at a low intensity throughout the Huallaga Valley (Kay 1999). In December 2006, Shining Path killed five police officers and two workers from the National Coca Company (Gregory 2009). While the group remains too weak to launch a major offensive to take over the country, its base of narcotics revenue and appeal among the disaffected rural population remain threats to the Peruvian state (Gregory 2009).

CRH's reliance on short-term rewards as a recruitment incentive, its perpetuation of conflict for profit maximization despite the failure of its national parent organization, and its breakdown in discipline all indicate the strong effects drug funding has on rebel group goals. Sendero Luminoso and the CRH exploited the state's weakness in the context of a secular economic decline in order to expand its war effort. The group's non-separatist goals allowed its regional offshoot in the Huallaga Valley to become a "chronic insurgency" focused on conflict perpetuation for profit maximization. Like the FARC in Colombia, the Shining Path lacks the capacity to seize state power, but remains capable of mobilizing mass support, controlling territories, generating revenue, and unleashing social energies that shape the state's political landscape (Kay 1999).

## **V. Conclusion of Thesis**

This thesis seeks to answer the broad question: how does drug funding affect rebel group goals? More specifically, it attempts to explore why rebel groups reliant upon substantial narcotics-related revenue tend to be non-separatist in nature.

The thesis features a theoretical framework to investigate these questions, measuring three cases against five hypotheses through an in-depth qualitative approach. Hypothesis one predicts that non-separatist rebel groups create war economies using lootable resources because such resources produce widespread economic benefits for the population of the region where they are produced. Hypothesis two asserts that state weakness both incentivizes non-separatist rebel group goals and provides an operating base beyond state control to produce drugs. Hypothesis three supports the notion that the drug trade gives rebel groups the financial benefits that allow them the operational independence to seek a takeover of the central government. Hypothesis four contends that rebel groups maintain a non-separatist posture in the sense that they seek the perpetuation of conflict in order to maximize profit. Hypothesis five predicts that principal-agent and discipline problems arise because of a rebel group's involvement in the drug trade.

The application of these three cases to this paper's theoretical framework produces several important conclusions. First, as hypothesis one suggests, non-separatist groups create war economies involving lootable resources in order to produce widespread economic benefits for the population of areas under their control. Evidence of this exists within the FARC case, where the rebel group made a conscious decision to exploit the drug trade as a means to build a base of popular support and to gain revenue in furtherance of its non-separatist goals. In Peru, the CRH made a similar calculation, despite the concerns of Sendero Luminoso's national leaders, a

decision which allowed the regional group to survive well beyond the leadership collapse of its parent organization. In Indonesia, GAM's focus on independence and access to natural gas revenue, combined with constraints placed on it by the influence of the Islamic *ulama*, prevented its entry into the narcotics business. The tendency non-separatist groups to create war economies of mutual economic interest between a rebels and the civilian population helps support hypothesis four, which argues that rebel groups maintain a non-separatist posture in the sense that they seek the perpetuation of conflict in order to maximize profit.

Strong evidence within the FARC and Shining Path cases points to the role of a state's weakness in motivating non-separatist goals and allowing rebel groups to establish zones of control where lootable resources can be produced. The FARC capitalized on the Colombian state's weakness in the rural *llanos* region in order to expand its influence among the population and in geographic terms, using the *llanos* region to produce drugs and as a military safe haven. In the late 1990s, FARC rebuffed the state's offer to enter peace negotiations because its leadership seems to have believed in the real possibility of state takeover. In Peru, the historic lack of state presence in much the country's highland and jungle regions contributed to the ease with which Sendero's cadres infiltrated rural communities and overthrew government officials. The CRH used the Peruvian state's absence from the Huallaga Valley in order to take over and expand a drug based economy. The state's weak capacity allowed Sendero Luminoso to orchestrate its 1988 expansion into Peru's urban areas in what it viewed as the next to final stage in its Maoist strategy to overthrow the Peruvian government.

Hypothesis three supports the notion that the drug trade gives rebel groups financial benefits that allow them the operational independence to seek a takeover of the central government. The strongest evidence for hypothesis three exists within the FARC case, where

rebel group gained access to military equipment and training that rivaled that of the Colombian government in the late 1990s. In Peru evidence also exists to support hypothesis three, in that CRH's reliance on high coca prices immunized it against the economic slump which eroded the Peruvian state's capacity in the 1980s. In the Indonesia case, GAM suffered a clear financial disadvantage because of its relatively small tax base compared to the central government and its inability to access natural gas revenues.

Hypothesis four contends that rebel groups maintain a non-separatist posture in the sense that they seek the perpetuation of conflict in order to maximize profit. Evidence gathered from the FARC and Shining Path cases supports the notion that rebel groups seek conflict perpetuation for profit maximization. Both insurgencies depend on drug revenue for their survival, while the ideological fervor that defined these rebel groups in their early history seems to have fizzled. The CRH's survival well beyond its non-drug trade involved parent organization further indicates the non-separatist profit motivation for conflict perpetuation. The tendency of non-separatist civil conflicts involving substantial drug-related revenue to produce "chronic insurgencies" represents a key finding of this paper. Although rebel groups may shrink to only a fraction of the membership they once enjoyed, their mutual economic interests with even a narrow of the population permits them to perpetuate conflict and their non-separatist goals for substantial periods of time.

The last hypothesis of this paper's theoretical framework, hypothesis five, revolves around the principal-agent and discipline problems produced within a rebel group by the presence of narcotics revenue. Over the past decade, FARC has experienced a clear marginalization of its ideological roots in favor of a business focused posture. In addition, several high-profile defections involving the theft of large sums of drug-related money indicate a

discipline problem within the rebel organization. The discrepancy between the levels of discipline within the national Shining Path organization and the Huallaga Valley's drug-funded CRH Sendero offshoot offers the most compelling evidence of the way drug money produces discipline problems. Both the FARC and CRH appear either uninterested in peace or unable to impose an agreement on their lower ranks because of the operational independence provided by access to drug money. In contrast to CRH and FARC, the GAM maintained a high level of central control and behavioral discipline throughout the civil conflict in Indonesia, a situation confirmed by the smoothness of its demobilization after the signing of a 2005 peace treaty.

On the whole there are five key findings of this thesis, ranked in order of validity according to the three cases featured above:

1. Evidence within the FARC and Shining Path cases points to the role of a state's weakness in motivating non-separatist goals and allowing rebel groups to establish zones of control where lootable resources can be produced.
2. Non-separatist groups, such as the FARC and Shining Path, make conscious decisions to create war economies involving lootable resources in order to produce widespread economic benefits for the population of areas under their control.
3. Strong support arises from the FARC and Shining Path cases for the notion that rebel groups seek conflict perpetuation for profit maximization, and may degenerate into "chronic insurgencies."
4. Both CRH and FARC exhibit principal-agent and discipline problems stemming from their involvement in the drug trade, while GAM maintained strong behavior discipline and central control throughout the duration of the Aceh conflict



This paper tests a theoretical framework based on the existing civil war literature against three cases in order to reveal the mechanisms, both internal and external, that produce the correlation between non-separatist rebel group goals and the presence of drug-related funding. Analysis of these micro level mechanisms represents a critical step in gaining a better understanding of how drug money affects rebel group goals and status vis-à-vis state governments. The pattern of “chronic insurgencies” emerging in drug-fueled non-separatist conflict deserves additional study and attention, from both policymakers and scholars alike. Such conflicts persist for long periods of time, destabilizing states and regions despite their generally low level of intensity.

In addition, the evidence in this paper suggests that legalization of illegal substances in both drug-producing and consuming states would not alter the intensity or duration of non-separatist conflicts. Rebel organizations decide to utilize funding from lootable resources in order to build bases of support who share economic interests with their group. Efforts to build such bases of support through mutual economic interest would likely continue regardless of the legality of drugs, as the capacity of lootable resources to provide widespread economic benefits to a population and a rebel group makes their exploitation difficult to avoid. Although drug funding may give rebel groups temporary financial advantages over a central government, a pattern of outside intervention to states on the brink of collapse emerges in this paper. Second, it appears that over the long-term, drug money does not match the diverse tax base of an entire state in its ability to support large-scale armed hostilities.

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