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Before the Senate Caucus on International Narcotics Control

Adapting U.S. Counternarcotics Efforts in Colombia

September 12, 2017

SD-226

Chairman Grassley, Co-Chairman Feinstein and Members of the Caucus:

Thank you for the invitation today to discuss the ongoing implementation of the peace process between the Colombian government and the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia* – FARC), and its impact on transnational organized crime and regional security threats. I speak in a personal capacity and not as a representative of any of the organizations with which I am affiliated.

Introduction

For decades, Colombia has faced extraordinary challenges as ground zero in the hemispheric fight against transnational organized crime. However, determined Colombian leadership, with support and cooperation from the United States, made dramatic gains in the struggle against criminal insurgencies. Under Plan Colombia, both governments have worked together for more than 15 years, at a cost of billions of dollars, to fight back against the hybrid narco-guerrilla threat that once brought Colombia to the brink of collapse.

The 2016 peace accord with the FARC insurgents, Colombia's largest transnational criminal organization and a designated terrorist organization, brings new challenges and opportunities for the fight against organized crime. The road forward requires continued vigilance and cooperation from the United States and political will by the Colombian government to overcome the decades of violence by guerrillas, paramilitary groups and notorious cocaine cartels.

Since multiple organized criminal groups remain active in Colombian territory, the US-Colombian alliance and cooperation against organized crime are as important as ever; however, changing political realities and the evolution of organized criminal groups in Colombia require an honest assessment of the continued threat, as well as Colombia's ability and political will to adapt to the new realities.

For years, the FARC was Colombia's largest and most dominant transnational criminal organization. However, many others, who have shown the ability to evolve and adapt in the face of adversity, have carved out significant roles in the hemisphere's illicit criminal networks and stand ready to exploit any vacuum left by the FARC's shrinking role. These groups pose a serious threat to Colombia's democratic institutions, as they seek to continue their criminal activities and seize the space once dominated by the FARC.

But the role of the FARC remains problematic, particularly due to its leadership's opacity regarding the likely billions of dollars in hidden assets derived from drug trafficking, kidnapping, and extortion; its alliance with criminalized states like Venezuela that have shown a deep disdain for democracy, the rule of law, and partnership with the United States; and its lack of commitment to eradicating coca cultivation and cocaine production.

After years of turbulent negotiation, the government signed and ratified a controversial final accord with the FARC in late 2016, despite serious concerns about the accord's implications for human rights, justice, and Colombian democratic institutions. The

agreement provided the framework for the demobilization and reintegration of some 7,000 FARC guerrillas, as well as plans for the FARC's legal participation in the political process.

Serious concerns remain about the FARC's compliance with the accord, including the requirements to surrender weapons, declare assets, submit to transitional justice, and verifiably end relations with the criminal activities of FARC dissidents.

In part due to extensive concessions the government made during the negotiations, coca production has skyrocketed to record levels in recent years, and Colombia remains a source and transit point for drugs and a base for criminal networks. The U.S. government estimates that Colombia produced a historically high 188,000 hectares (477,520 acres) of coca, the raw material for making cocaine, in 2016. This is a 20 percent increase over the previous year and an 80 percent increase over the average annual production estimate from 2008 to 2015. The growth in coca production is largely in areas that were under FARC control.¹

These figures, combined with the nascent movement's potential access to clandestine illicit financial resources, raise serious doubts about whether the accord truly marks the end of the FARC's criminal threat and whether the hidden resources will find their way into the FARC's political activities, facilitating a new wave of corruption and political subversion.

My testimony focuses on the shift in the financial structures of the FARC, in light of recent events during the implementation process of the signed peace accord.

FARC Funds and Money Laundering

A 2012 study by the Colombian government estimated the FARC's assets at \$10.5 billion.² While other estimates vary widely, serious estimates of the FARC's hidden assets generally range from \$3 billion to \$5 billion.

Yet the group's leaders claim to have no significant remaining assets, saying that most of their illicit income was spent to sustain their organization, a claim President Santos has seemingly accepted at face value, while most other experts remain highly skeptical.³ This issue has come to a head in recent weeks, as the FARC has been fiercely criticized by Colombian Attorney General Néstor Martínez, who stated that the list of assets the FARC

¹ Mike LaSusa, "US Estimates Highest-Ever Colombia Coca Production." *InSight Crime*, March 14, 2017, accessed at: <http://www.insightcrime.org/news-analysis/us-estimates-highest-ever-colombia-coca-production>

² "The FARC's Finances: Unfunny Money." *The Economist*, April 14, 2016, <http://www.economist.com/news/americas/21697008-government-may-never-get-its-hands-guerrillas-ill-gotten-gains-unfunny-money>

³ Matthew Bristow, "Colombia Hunts 300 FARC Dissidents Doing 'Pure Organized Crime.'" *Bloomberg*, January 26, 2017, <https://www.bloomberg.com/politics/articles/2017-01-26/colombia-hunts-300-farc-dissidents-doing-pure-organized-crime>.

provided in August 2017, totaling \$324 million, is a far-from-adequate accounting of their holdings.⁴

The FARC's lack of full and honest financial accountability is significant because it augurs ill for the group's intentions and transparency in other aspects of the peace process. In fact, the FARC only consented to provide a full accounting of their financial assets after the first version of the peace accord was defeated via a national referendum.⁵

In July, Attorney General Martínez reported that a team from his office was conducting a meta-analysis of banking transactions and other evidence gathered from police and military sources, designed to identify the location and value of FARC assets.⁶ Martínez stated that the FARC assets the team identified inside Colombia totaled billions of pesos (hundreds of millions of dollars), earned from years of drug and gold trafficking, and included real estate and business operations throughout the country. He called for an end to the "legend of Franciscan poverty" that has been perpetrated by the FARC, referring to the common refrain of the leadership that the guerrilla army no longer controls significant financial assets.⁷

The FARC's ongoing lack of transparency was evident when, in response to pressure from the Attorney General's office and elsewhere, in mid-August the group handed over a 135-page document to the UN Mission and the Colombian government. The document was purported to be a comprehensive account of FARC assets, which, under the terms of the peace accord, are to be used exclusively for victim reparations.⁸

The Attorney General found that, rather than detailing real estate holdings, businesses, and other financial assets that could be forfeited to pay reparations, the FARC has mostly listed "assets" in their inventory that are largely worthless, including a list of the household brooms, kitchen utensils, and rubber boots used by the guerrilla ranks. The list also included an inventory of the weapons the group had turned in, the value of roads they claimed to have built, and some gold and tangible goods.⁹

In response to Attorney General Martínez's critique of the inventory, the Colombian government has announced the formation of a new commission to verify the assets from

⁴ "Duras Críticas del Fiscal a Listado de Bienes Entregado por las FARC." *Noticias Caracol*, August 23, 2017. <https://noticias.caracoltv.com/el-acuerdo-final-paz-en-colombia/duras-criticas-del-fiscal-listado-de-bienes-entregado-por-las-farc>

⁵ Alba Tobella, "FARC's Elusive Finances Undercut Support for Colombia Peace." *The Washington Post*, June 13, 2017.

⁶ "Plata de FARC Para Reparar Víctimas Podría Terminar Financiando Sus Actividades Políticas: Fiscal." *Noticias Caracol*, June 14, 2017. <http://noticias.caracoltv.com/el-acuerdo-final-paz-en-colombia/plata-de-farc-para-reparar-victimas-podria-terminar-financiando-sus-actividades-politicas-fiscal>

⁷ "Fiscal Asegura Que las FARC Tienen Varios Billiones en Bienes." *Revista Semana*, June 5, 2017.

⁸ Adriaan Alsema, "FARC Surrendered List of Assets, but Nobody Knows Their Value." *Colombia Reports*, August 17, 2017. <https://colombiareports.com/farc-surrendered-list-assets-nobody-knows-value/>

⁹ Adriaan Alsema, "Colombia's Prosecutor General Slams FARC Over Surrendered Assets." *Colombia Reports*, August 24, 2017. <https://colombiareports.com/colombias-prosecutor-general-slams-farc-surrendered-assets/>

the FARC document and confiscate them.¹⁰ Unfortunately, many of those assets have already been laundered into the world financial system.

It is my assessment, based on extensive field research over four years and the review of documents acquired during the course of the research that, in addition to the resources the Colombian attorney general has found inside Colombia, significant FARC financial resources are being held outside Colombia and the legend of Franciscan poverty is a false narrative.

IBI Consultants has been able to partially trace more than \$2 billion in suspicious transactions, largely involving FARC funds, as they move through a network of FARC allies in Central America and then into offshore havens. There are likely other networks that have not yet been discovered. The infrastructure in place could also allow the FARC to continue to generate funds through illicit activities and launder them.

This arrangement serves as a safeguard against the former guerrilla group losing control of its multi-billion dollar portfolio. The research further suggests that the FARC has already begun to use these foreign-held assets to jumpstart a new political party, one the insurgents hope will propel them to become a durable political force and gain rapid electoral victories; such victories would pose severe challenges to democracy and the rule of law, similar to their radical populist state sponsors led by Venezuela.

This model of foreign holding structures, combined with creative repatriation tactics, depends on the use of financial institutions controlled by criminalized states, which operate under the umbrella of the radical populist authoritarian governments of the Bolivarian bloc. This bloc, led by Venezuela, includes Bolivia, Ecuador, Suriname, Nicaragua, and El Salvador.¹¹

The FARC is an integral part of the highly criminalized Bolivarian bloc of nations, where the states use the FARC and other criminal groups as instruments of state power and see themselves as an alliance against the imperialistic control of the United States in Latin America. This trust-based alliance is built on decades of mutually-beneficial political, military, and economic alliances, and the shared view that the United States is the primary enemy of Latin America.

¹⁰ Andrés Octavio Cardona, "Gobierno Creará Comisión de Verificación Para los Bienes de las FARC Tras Críticas de la Fiscalía." *La República*, August 23, 2017. <https://www.larepublica.co/asuntos-legales/inventario-de-las-farc-no-se-ajusta-a-la-ley-fiscalia-general-de-la-nacion-2539917>. See also "Duras Críticas del Fiscal a Listado de Bienes Entregado por las FARC." *Noticias Caracol*, August 23, 2017. <https://noticias.caracoltv.com/el-acuerdo-final-paz-en-colombia/duras-criticas-del-fiscal-listado-de-bienes-entregado-por-las-farc>

¹¹ See Douglas Farah, "Convergence in Criminalized States: The New Paradigm." In H. Matfess and M. Miklaucic (eds.), *Beyond Convergence: World Without Order*. National Defense University Center for Complex Operations: Washington DC, October 2016.

The primary money laundering structure for the FARC (as well as the Maduro regime and other criminal groups) is the Venezuelan state oil company PDVSA, sanctioned by the U.S. government on multiple occasions.

In 2015, for example, while designating the Banca Privada d'Andorra, a financial institution of "primary money laundering concern," the U.S. Treasury Department noted that among the bank's clients was PDVSA, which used the bank to set up shell companies and "complex financial products to siphon funds off from PDVSA. BPA processed approximately \$2 billion in the money-laundering scheme" during a two-year period.¹²

The key elements of the FARC's foreign financial infrastructure are:

1. **ALBA Petr6leos**, the subsidiary of the Venezuelan state oil company PDVSA in El Salvador. ALBA Petr6leos serves as a critical part of a multi-national money laundering operation, constructed and operated by members of the Bolivarian alliance. ALBA Petr6leos' management is entrusted exclusively to the inner circle of the governing Frente Farabundo Mart6 Para la Liberaci6n Nacional (FMLN) party in El Salvador. The main individual involved is the FMLN's de facto leader, Jos6 Luis Merino, also known by his *nom de guerre* Ramiro V6squez, a long-time FARC ally and the recently (November 2016) named Vice Minister of Foreign Affairs for International Investments. Merino has been working closely with the FARC since at least 1994 and was a key weapons supplier to the Colombian rebels for more than two decades. He has also worked in creating front companies for the FARC outside of Colombia.¹³ On June 19, 2017 a bipartisan group from the House of Representatives wrote to Treasury Secretary Steven T. Mnuchin requesting his department investigate the "U.S.-linked banking activities" of Merino "who's reported long-standing associations with transnational organized criminal networks are the subject of U.S. criminal investigations for cocaine trafficking and money laundering." The letter correctly noted that Merino was reported to have "acquired hundreds of millions of dollars in unexplained wealth while helping the FARC guerrillas, corrupt elements of the Venezuelan government and other criminal groups move funds to safe harbor."¹⁴
2. **Albanisa**, the PDVSA subsidiary in Nicaragua. Albanisa is controlled by the inner circle of the governing Frente Sandinista de Liberaci6n Nacional (FSLN) and its leader,

¹² "FinCEN Names Banca Privada d'Andorra a foreign financial institution of primary money laundering concern," U.S. Department of Treasury, March 10, 2015, accessed at: <https://www.ice.gov/news/releases/fincen-names-banca-privada-d%E2%80%99andorra-foreign-financial-institution-primary-money>

¹³ The most compelling evidence of Merino's arms trafficking and business association with the FARC came in documents captured from the camp of senior FARC commander Raul Reyes, killed by Colombian troops in Ecuador on May 1, 2008. For a full analysis of those documents see: "The FARC Files: Venezuela, Ecuador and the Secret Archives of 'Ra6l Reyes,'" An IISS Strategic Dossier, International Institute for Strategic Studies, May 2011. See also Jose de Cordoba, "Chavez Ally May Have Aided Colombian Guerrillas: Emails Seem to Tie El Salvador Figure to Weapons Deal." *The Wall Street Journal*, August 28, 2008, available at <http://www.wsj.com/articles/SB121988527305078325>.

¹⁴ Letter from Hon. Jeff Duncan, chairman of the Subcommittee on the Western Hemisphere Committee on Foreign Relations and Hon. Albio Sires, ranking member, et al to the Secretary of the Treasury, June 19, 2017.

President Daniel Ortega. Ortega's family, including his wife and vice president, Rosario Murillo, and his sons, Laureano and Rafael, are also active in Albanisa and its subsidiaries in Nicaragua. Like the FMLN and Merino, the FSLN and Ortega are longtime allies of the FARC and have provided political and logistical support to the rebels for several decades.

3. **A network of dissident FARC commanders**, who were “expelled” from the FARC after reportedly refusing to accept the peace agreement with the government. These commanders continue to traffic in both illegal gold and cocaine, and reportedly maintain back-channel ties to the FARC as well as their Central American allies.

The Bolivarian “Criminalized States” and the FARC

The FARC's behavior during the negotiations and implementation of the peace agreement, and in particular its strategies to maintain control of its financial empire, can be understood through an analysis of its regional alliance with the Bolivarian bloc of nations, and in particular the lessons learned from the peace processes of its allies in Central America, El Salvador and Nicaragua.

Over the past 25 years, these international ties have allowed the FARC to engage in mutually profitable businesses (like cocaine and illegal gold) across national borders, and to access international money laundering structures to hide its wealth. It is worth taking some time to understand the framework of nations that constitute the Bolivarian Alliance, and to understand their close and symbiotic economic and political relationship with the FARC.

The members of the Bolivarian Alliance for the Peoples of Our America (ALBA), led by Venezuela, espouse as doctrine the replacement of representative democracy with “participatory and protagonist” democracy, modeled on the Cuban system, and “permanent confrontation” between the Latin American and Caribbean peoples and “imperialism” embodied by the United States.¹⁵

The leaders have a radical populist caudillo corollary: the leaders of these governments perceive themselves to be the embodiment of the collective will of the people. Therefore, their legitimacy cannot be challenged or their rule ended without violating that collective will. By extension, any opposition—in the political and judicial arenas, the media or civil society—must be eradicated. The bloc's economic model is “21st Century Socialism” and the abolition of the “neoliberal” free market model. The ALBA model embraces the FARC, Hezbollah, the Iranian theocracy and Russia as its natural allies against the United States

¹⁵ ALBA (Alianza Bolivariana Para los Pueblos de Nuestra América in Spanish) was founded in 2004 by Cuba and Venezuela, and currently has 11 members, including: Venezuela, Cuba, Nicaragua, Ecuador, Bolivia, Suriname, and several small Caribbean island nations. In keeping with its strong anti-U.S. stance, its two foreign observer nations are Iran and Syria. See Joel Hirst, “A Guide to ALBA,” *Americas Quarterly*, Council of the Americas, available at <<http://www.americasquarterly.org/hirst/article>>.

and the use of transnational organized crime as a legitimate instrument of state policy to support the revolution.

It is important to note that state criminalization is not used to define a traditional left/ right divide, but rather to illustrate one that pits radical populist leaders with a desire to cling to power in perpetuity against more traditional liberal democratic principles of free and fair elections, rule of law, and the willingness to leave power when elections are lost.

Numerous socialist governments in Latin America function within the liberal democratic norms (e.g., Uruguay, Brazil, and Chile), operating under the rule of law and eschewing the siren song of unlimited terms in office and unbridled power grabs.

In the criminalized state model, by contrast, senior officials, acting on behalf of the state, are the crucial links or bridges between different worlds that do not otherwise overlap. This removes all risk from the equation for the illicit actor, and with the removal of risk, new horizons open. This is a crucial point in the new convergence model. TOC groups, terrorist organizations, and legitimate businessmen all crave stability, predictability, and risk minimization. When the state is a partner in an enterprise, whether licit or illicit, the primary benefit is the creation of an ideal business environment that enhances all three elements.

The clearest example is the support of Venezuela, both under Chávez and current President Nicolás Maduro, for the FARC, Hezbollah, Iran, ETA, and major drug trafficking organizations as a matter of state policy. FARC documents captured by the Colombian military in 2008 show that the Chávez government, with the direct participation of the president, loaned the FARC \$300 million for new weapons and other equipment, money the FARC agreed to repay in cocaine shipments. In addition, the documents show, the discussions of the loan and other vital strategic support, including weapons shipments and the creation of front groups, took place in Fuerte Tiuna, the headquarters of both the military and intelligence structures in Caracas.¹⁶ It would be difficult to have more direct evidence of direct state sponsorship than this.

The Central America Connection

The ALBA businesses, which operate in Central America, are subsidiaries of the Venezuelan oil company PDVSA. PDVSA's ownership of the companies is illegal, given that Venezuelan law prevents a foreign company from investing in a state enterprise.

According to their founding documents, these companies were established as vehicles for social development financed by subsidized Venezuelan oil. PDVSA agreed to sell the

¹⁶ For an extensive look at the support of the FARC by Chávez, and a full explanation of captured FARC documents following the death of FARC Commander Raúl Reyes, see James L. Smith, "The FARC Files: Venezuela, Ecuador and the Secret Archive of 'Raul Reyes,'" International Institute for Strategic Studies, May 10, 2011. See also Douglas Farah, "Transnational Organized Crime, Terrorism, and Criminalized States in Latin America: An Emerging Tier-One National Security Priority." US. Army War College Strategic Studies Institute, August 2012. Accessed at <http://ssi.armywarcollege.edu/pdffiles/pub1117.pdf>.

companies oil at reduced rates, based on the premise that Albanisa and ALBA Petr6leos could then use their profits to invest in the development of education, health care, and other social goods— courtesy of the Venezuelan government. But these companies appear to have strayed far from this stated goal.¹⁷

Probes by Nicaraguan investigative journalists into Albanisa found that as much as \$4 billion was redirected for “privatization” from what was intended for social and development programs in Nicaragua.¹⁸ In reality, this money often ended up supporting political campaigns and enriching officials; almost none of it went to the officially designated purpose.¹⁹

The pattern is similar in El Salvador, where over a 5-year period (2012-2016) ALBA Petr6leos on paper generated \$1.2 billion in profits but lent more than 90 percent of that money to other companies that its leaders controlled outside of El Salvador. One investigation in El Salvador uncovered more than \$300 million from ALBA Petr6leos funneled to companies in Panama through shell companies controlled by Merino’s inner circle and disguised as loans from ALBA Petr6leos and its subsidiaries.²⁰ Another recent investigation found that ALBA Petr6leos’ network is controlled by a series of front men who respond to Merino and who sit on overlapping boards of directors, in order to control the flow of funds from El Salvador to overseas companies.²¹

ALBA Petr6leos and Albanisa have set up sprawling and nearly identical networks of companies dealing in everything from solar panels to think tanks, airlines to agriculture businesses, and financial institutions to petroleum refining. In both countries, the legally required public filings on these companies have largely disappeared from the official registry in recent years. In both cases, interlocking networks of party stalwarts, senior government officials and PDVSA officials run the subsidiary agencies. And in both cases, most of the projects the oil companies claim to fund do not appear to exist except on paper.

Both conglomerates have notable financial irregularities in their revenue and expenditures, and both experienced continued inexplicable and irrational economic growth.²² Sources

¹⁷ Carlos Fernando Chamorro, “Nicaragua tiene derecho a saber m6s de Albanisa.” *El Faro*, April 12, 2016, <https://www.elfaro.net/es/201604/opinion/18400/Nicaragua-tiene-derecho-a-saber-m%C3%A1s-deAlbanisa.htm>.

¹⁸ Carlos Fernando Chamorro, “Nicaragua y el costo de la corrupci6n.” *Animal Pol6tico*, May 11, 2017, <http://www.animalpolitico.com/blogueros-blog-invitado/2017/05/11/nicaragua-costo-la-corrupcion/>.

¹⁹ Octavio Enr6quez, “Albanisa: el nuevo emporio.” *Confidencial*, September 6, 2015, <https://confidencial.com.ni/archivos/articulo/21956/albanisa-el-nuevo-emporio>.

²⁰ Efren Lemus, “Alba tiene ocho offshore en Panam6 y as6 reduce impuestos en El Salvador.” *El Faro*, April 11, 2016, https://elfaro.net/es/201604/el_salvador/18388/Alba-tiene-ocho-offshore-enPanam%C3%A1-y-as%C3%AD-reduce-impuestos-en-El-Salvador.htm.

²¹ Mois6s Alvarado, “La red de testaferros del viceministro Merino.” *Revista Septimo Sentido, La Prensa Gr6fica*, August 29, 2017, accessed at: <http://7s.laprensagrafica.com/la-red-testaferros-del-viceministro-merino/>

²² Douglas Farah, “Convergence in Criminalized States: The New Paradigm.” In H. Matfess and M. Miklaucic (eds.), *Beyond Convergence: World Without Order*. National Defense University Center for Complex Operations: Washington DC, October 2016. 184–89.

within these subsidiaries claim these irregularities are the proceeds of money laundering and a financial support cycle involving corrupt Venezuelan officials and drug trafficking organizations, including the FARC.

The biggest anomaly is the true origin of the funds for these multi-billion dollar enterprises. In a rational economic world, the drastic cutbacks in Venezuelan cheap oil sales, brought on by falling production and internal economic collapse, coupled with the fact that the price of oil remains below \$50 a barrel, would lead to a significant drop in the budgets of Albanisa and ALBA Petr6leos, as it has in the other Petrocaribe nations.

Barclay's Bank, in March 2015, estimated that Venezuelan oil going to Petrocaribe, including El Salvador and Nicaragua, had dropped by 50 percent from 2012 through 2014, from a total of 400,000 barrels per day (BPD) to 200,000 BPD. The bank expected the oil flow to be further reduced in 2015, from 200,000 BPD to 80,000, which was accurate.²³ According to leaked internal PDVSA documents, production in 2017 continued to drop precipitously, after another major dip from 2015 levels in 2016.²⁴ This means that the Central American structures were at best receiving less than 15 percent of the oil they started with (and likely not even that), and were selling it at less than 50 percent of the projected price.

However, both Central American oil companies underwent remarkable and inexplicable economic booms. During that period, ALBA Petr6leos' revenues grew by 30 percent to 50 percent a year.

In Nicaragua, Ortega has publicly stated that Albanisa generates some \$400 to \$500 million that does not pass through any sort of government or private accountability, but basically operates as his own personal slush fund. The total budget of the Nicaraguan state is about \$2.5 billion a year. This means that a sum totaling between 16 and 20 percent of the national budget is spent at the sole discretion of the president, with no accountability or oversight, and with few actual oil shipments to explain the origin of the funds.²⁵ In El Salvador, if Merino's public statements that ALBA Petr6leos generated \$1 billion in 2014 were accurate, it would represent about 15 percent a year of the nation's total budget of \$4.4 billion flowing outside of any accountability.

This type of economically irrational behavior is generally seen when illicit money is being laundered into financial systems in order to justify its origin. In instances where the initial investments of the money can be traced, the businesses seldom generate profits and many are not operational. Rather, the projects exist on paper, hundreds of millions of dollars are

²³ Alejandro Arreaza and Alejandro Grisanti, "Venezuela: Reducing Generosity." Barclay's Emerging Market Research, March 25, 2015.

²⁴ Alexandra Ulmer and Brian Ellsworth, "Exclusive: Venezuela PDVSA Sees 2017 Oil Output Stuck Near Historic Lows - Document." *Reuters*, January 13, 2017. <http://www.reuters.com/article/us-venezuela-pdvsa-idUSKBN14X0GW>

²⁵ For the most complete look at Albanisa, the Nicaraguan company run by Ortega and his family, see Carlos F. Chamorro and Carlos Salinas Maldonado, "Las cuentas secretas de Albanisa." *Confidencial (Nicaragua)*, March 5, 2011, available at <http://www.confidencial.com.ni/articulo/3388/las-cuentas-secretas-dealbanisa>.

legitimized as investments in the fictitious projects, and the money can enter the financial stream to be repurposed for other uses.

This is where the role of the criminalized state is fundamental. Both the Ortega structure and the Merino organization have documented, longstanding ties to the FARC dating to the early 1990s; for several decades, both served as more traditional super fixers for the organization. However, it is their control of state levers that has catapulted these networks into the ranks of important criminal structures and centers of convergence for TOC groups, terrorist organizations, and criminalized states.

Now that these organizations operate with end-to-end state protection, they have access not only to government protection, but also to immunity from any form of public scrutiny or accountability for their actions.

Given the decades of trust among Ortega, Merino and the FARC secretariat, this infrastructure is ideal for moving FARC assets to safe harbor abroad. There is significant anecdotal evidence that the vast, economically irrational funds washing through ALBA Petróleos, Albanisa, and its scores of subsidiary companies scattered from El Salvador to Gibraltar and from Panama to Nevada, are at least in significant part the FARC economic resources now being laundered into the world's financial system.

As is the case with ALBA-controlled businesses throughout Central America, mounting evidence indicates that Nicaragua's Albanisa structures are systemically going out of business after fulfilling their purpose as money laundering vehicles. For example, the Albanisa-controlled Nicaragua Airways only flew for 4 months after a multi-million-dollar investment; the \$360 million investment in a new cellular telephone network ended up covering only Managua rather than all of Central America and is shutting down; and multiple other projects have been shelved after "investments" of hundreds of millions of dollars which failed to generate profits or create real companies. In total, more than 60 Albanisa projects in Nicaragua have been shelved over the past year.²⁶

In El Salvador's ALBA Petróleos structure, VECA airlines, real estate holdings, oil shipping companies and others have followed a similar pattern. After years of receiving investments of tens of millions of dollars, the companies are suddenly declaring themselves insolvent and going out of business. The working hypothesis of IBI Consultants is that this is due to the successful placement of much of the FARC money into the legal financial system, making the front companies unnecessary because the money can now be accessed as legal funds through new, legal corporate structures. As noted above, much of the money has simply been transferred to front companies in Panama and elsewhere (all of which are controlled by the same network), rather than actually being lost.

In the era of the peace accords, the FARC's new model of operation makes its financial assets more important than ever. The FARC's new, legal political party's express purpose is

²⁶ Iván Olivares, "Línea Aérea del ALBA Voló Solo Cuatro Meses." *El Salvador*, November 21, 2016. <http://www.elsalvador.com/articulo/nacional/linea-aerea-del-alba-volo-solo-cuatro-meses-132649>

to build a “broad front” coalition against the parties that questioned or opposed the peace agreement.²⁷ It is important to note that a similar “broad front” strategy was used by all of the current leaders of the Bolivarian Movement across the continent to great effect. This well-trodden path led to the success of Hugo Chávez in Venezuela; Evo Morales in Bolivia; Rafael Correa in Ecuador; Daniel Ortega in Nicaragua; and Mauricio Funes in El Salvador, as well as his successor Salvador Sánchez Cerén.

In every case, the more moderate members of the coalition that comprised the “broad front” were driven out by party hardliners within the first two years, leaving the most radical segments of the coalition to take complete control of the party structure and apparatus. This is particularly true when hardline Communist Party (Partido Comunista – PC) members are part of the initial coalition. The clearest example of this process is the FMLN, where the Communist Party, the smallest and least significant military force within the FMLN organization during the war, now wields almost absolute political and economic power within the party. Merino is the leader of the Communist Party.

Ongoing Relations with Dissident FARC DTOs

Another complication of the peace process is so-called FARC dissidents. History has shown that a certain level of noncompliance from elements of the FARC was to be expected in implementing the peace agreement. When Colombia reached a peace agreement with paramilitary groups in 2006, numerous difficulties with compliance followed, as subgroups chose to remain involved in their criminal activities rather than demobilize. Similarly, it now appears that hundreds of active FARC dissidents have chosen not to abide by the peace accord.²⁸

While the vast majority of the FARC’s dissidents were expected to be absorbed into the ELN, the BACRIM, or one of the other criminal organizations in the region, it now appears that a significant group of FARC dissidents plans to remain independent from existing criminal groups, carrying on their original political mission, insurgency, and criminal activities. Multiple incidents provide evidence of their continued activity, including coordinated attacks against the military and the recent kidnapping of a United Nations observer from the Office on Drugs and Crime.²⁹

In December 2016, a group of five combat-hardened FARC leaders declared they would not disarm and demobilize, as required by the recently signed peace agreement. In response,

²⁷ “FARC–EP Presenta su Nuevo Partido Política.” *Cuba Debate*, December 15, 2016.

<http://www.cubadebate.cu/noticias/2016/12/15/farc-ep-presenta-su-nuevo-partidopolitico/#.WF1kpZl6GQE>

²⁸ Matthew Bristow, “Colombia Hunts 300 FARC Dissidents Doing ‘Pure Organized Crime.’” *Bloomberg*, January 26, 2017. <https://www.bloomberg.com/politics/articles/2017-01-26/colombia-hunts-300-farc-dissidents-doing-pure-organized-crime>.

²⁹ “Cuatro Militares Heridos en un Ataque de Presuntos Disidentes de las Farc.” *El Herald*, April 8, 2017. <https://www.elheraldo.co/colombia/cuatro-militares-heridos-en-un-ataque-de-presuntos-disidentes-de-las-farc-346221>; See also “Colombian FARC Dissidents Take U.N. Official Hostage.” *Reuters*, May 4, 2017. <http://www.reuters.com/article/us-colombia-kidnapping-idUSKBN1801LF>

the FARC general secretariat claimed to have expelled the five commanders and their followers from the guerrilla movement.³⁰ According to Colombian police, some 300 FARC combatants accompanied the dissident commanders into the jungle. The dissident group carried out its first attack on Colombian military forces in April 2017, killing one soldier and wounding four others.³¹

A closer examination of these “dissident” commanders reveals deep ties to the cocaine trade, illegal gold mining, and international relationships. The group is distinguished as a high-level, operational group that controlled a significant portion of the FARC’s financial assets. Cocaine trafficking and illegal gold mining yield hundreds of millions of dollars a year in profits, and some of the most lucrative elements of that financial structure were in the hands of these dissident leaders.

My research indicates that the so-called “dissident” fronts of the FARC likely remain in a secret partnership with both the political leadership of the organization and their old regional allies. Such a partnership would allow the FARC to continually generate financial resources from activities in the illicit economy, all while maintaining the necessary political distance from the arms of the group that are carrying out such operations.

According to experts with long-standing relationships with Colombia’s security forces, the leadership of the military and intelligence services remains deeply skeptical of the true separation of the dissident group from the rest of the FARC—partly because of the leaders involved in the movement and the FARC secretariat’s muted reaction to the group’s declaration of rebellion. Many experts believe that, if the group were truly a dissident faction, the FARC secretariat would have taken much stronger action to prevent the loss of the FARC’s economic structure, which is vital to its future political plans.³²

Prominent among the dissidents is Miguel Santanilla Botache (nom de guerre Gentil Duarte), a 36-year-old FARC veteran who was a member of the high command and participated in the peace talks in Havana. Santanilla Botache commanded the FARC’s 1st Front in the Guaviare Department, the historic base of FARC cocaine production. He had been a member of elite FARC units that kidnapped and extorted ranchers and businessmen in his areas of operation. He also was in charge of the guerrilla group’s high-value hostages and was known for his cruelty toward captives.³³ An internal Colombian military assessment of Santanilla Botache said “neutralizing” him would “destabilize the FARC’s

³⁰ “Fuerzas militares podrían usar bombardeos contra disidencia de las FARC.” *El Tiempo*, December 15, 2016, <http://www.eltiempo.com/justicia/cortes/disidentes-de-las-farc-tendrian-alianza-con-clan-usuga-38834>

³¹ Andrew V. Pestano, “Colombian Soldier Killed, 4 Injured in Dissident FARC Attack,” *United Press International*, April 9, 2017, http://www.upi.com/Top_News/World-News/2017/04/09/Colombian-soldier-killed-4-injured-in-dissident-FARC-attack/ 6101491757182/

³² Senior military and police intelligence officials, in discussion with the author, Bogotá, Colombia, December 12–15, 2016.

³³ “Fuerzas militares podrían usar bombardeos contra disidencia de las FARC.” See previous citation.

financial apparatus” derived from kidnappings and drug trafficking of the Eastern Bloc (Bloque Oriental).³⁴

Another notable figure among the dissidents is Géner García Molina (nom de guerre Jhon 40), a senior commander and special forces leader who is widely viewed by Colombian intelligence as one of the FARC leaders most directly involved in high-volume cocaine trafficking activities through Venezuela.³⁵ Military and police intelligence describe García Molina as a FARC leader who held ostentatious parties and other activities generally more associated with drug traffickers than guerrillas. The FARC had been unwilling to discipline him for this behavior, despite repeated threats to do so, because of the economic power he derived from cocaine smuggling.³⁶

In addition, García Molina was the key tie to Mexican and Central American drug trafficking organizations, particularly those tied to the Bolivarian movement in Nicaragua and El Salvador. Because of all these ties and his hands-on administration of the cocaine business, the governments of Colombia and the United States both viewed him as a high-value target.³⁷ An internal Colombian military assessment of García Molina said he exercised “leadership in planning financial actions to benefit the Eastern Bloc and external drug trafficking networks.”³⁸

A third major figure in the dissident faction is Ernesto Orjuela Tovar (nom de guerre Giovanni 42), who was commander of the FARC’s 16th Front and one of the key organizers of the FARC’s civilian support, as well as significant drug trafficking activities. An internal Colombian military assessment of Orjuela Tovar said he “directly handles and moves money from drug trafficking across the Colombia-Venezuela border.”³⁹ The Guaviare dissident group is not the only FARC faction refusing to demobilize, but it is by far the most important and influential—and perhaps the one that retains the closest clandestine ties to the leadership of the nascent FARC political movement.

The subject of whether the dissident commanders have truly separated from the FARC is under debate within Colombian military and intelligence circles, and over time the relationship should become clear. What remains clear is the continual involvement of dissident groups in illicit trafficking, and in some cases earning record profits. With cocaine production in Colombia soaring and the transit through El Salvador on the rise, it seems unlikely that illicit economic activities – linked to both cocaine trafficking and illegal gold mining – has been or will be abandoned.

³⁴ “Perfiles Fugados FARC: Fuga de las FARC, Expulsiones del EMC (Estado mayor en conjunto), Crisis Interna.” Colombian Army, confidential file, December 14, 2016, in possession of author.

³⁵ “Farc dicen que cinco de sus jefes en Guaviare están en disidencia.” *El Tiempo*, December 13, 2016, <http://www.eltiempo.com/politica/proceso-de-paz/cinco-jefes-de-farc-en-guaviareestan-en-disidencia-41238>.

³⁶ Senior military and police intelligence officials, in discussion with author.

³⁷ Confidential source, in discussion with author, Colombia and Central America, December 2016–January 2017.

³⁸ Colombian Army, “Perfiles Fugados FARC.” See previous citation.

³⁹ *Ibid.*

In addition to continuing trafficking activities since being formally expelled from the FARC, news reports confirm that dissident groups have engaged in violence against government forces. In July of this year, six individuals, including military leaders and civilians, were wounded in an attack by dissidents in the Guaviare department.⁴⁰ Colombia's Inspector General in July 2017 confirmed that the FARC dissident groups continue to recruit child soldiers, and their ranks have swelled to at least 500.⁴¹

Although the FARC's illicit financial network arguably poses the greatest threat to the peace process, persisting issues related to the weapons forfeiture program also call into question the FARC's willingness to fully demobilize.

In April 2017, as the FARC were entering demobilization camps throughout the country, the Colombian military discovered a major weapons cache in the Putamayo province, near the former location of the 48th FARC front.⁴² In subsequent months, the United Nations mission, in collaboration with the FARC, identified 779 similar weapons caches across the country; as of the end of July, less than half of the weapons caches had been located and retrieved, raising concern that they could fall in the hands of dissidents or other criminal groups operating in former FARC territory.⁴³ During one of the retrieval operations, in the Cauca province, Colombian National Police and demobilized guerrillas were attacked by an unidentified armed group.⁴⁴

When the FARC disarmament was declared finalized on August 15th, huge numbers of these weapons remain at large, and are now at great risk of falling into the wrong hands.⁴⁵ As Colombia looks to ensure its national security, and to secure the former FARC territories, identifying and retrieving these weapons caches will be a critical step; however, given the FARC's reticence towards providing complete information about their weapons holdings to the UN Mission, this task becomes significantly more complicated.

⁴⁰ "Seis Heridos en Ataque de Presuntos Disidentes de las FARC en Colombia." *Ultima Hora*, July 9, 2017. <http://ultimahoradigital.com/2017/07/seis-heridos-en-ataque-de-presuntos-disidentes-de-las-farc-en-colombia/>

⁴¹ Taran Volckhausen, "Colombia's Dissident Rebels Continue Recruiting Child Soldiers: Inspector General." *Colombia Reports*, July 19, 2017. <https://colombiareports.com/colombias-dissident-rebels-continue-recruiting-child-soldiers-inspector-general/>

⁴² Jamie Vaughan Johnson, "Military Finds FARC Weapons Cache, Raising Suspicion of Foul Play in Colombia Peace Process." *Colombia Reports*, April 20, 2017. <https://colombiareports.com/military-finds-farc-weapons-cache-raising-suspicion-foul-play-colombia-peace-process/>

⁴³ Adriaan Alsema, "UN Has Retrieved 304 of 779 FARC Weapons Caches So Far, Running into Security Issues." *Colombia Reports*, July 27, 2017. <https://colombiareports.com/un-retrieved-304-779-farc-weapons-caches-far-running-security-issues/>

⁴⁴ Adriaan Alsema, "FARC Disarmament Mission Attacked in Southwest Colombia: Police." *Colombia Reports*, August 7, 2017. <https://colombiareports.com/farc-disarmament-mission-attacked-southwest-colombia-police/>

⁴⁵ Mimi Yagoub, "Colombia's FARC Finalize Disarmament Today. What's Next?" *InSight Crime*, August 15, 2017. [/news-analysis/colombia-farc-disarmament-ends-today-whatnext](http://news-analysis/colombia-farc-disarmament-ends-today-whatnext)

Conclusions and Recommendations

The full criminalization of the Bolivarian states is providing new opportunities for the FARC to move, hide, and invest its vast financial resources. This partnership between complicit governments arose in large part from a shared antipathy towards the United States. The adaptability of these groups can be seen in the movement away from the oil export structures, long used to launder funds, to the current strategy of relying on real estate, construction, formal banking structures and a much broader portfolio of investments. This diversification is possible because the states themselves in the Bolivarian structure (Venezuela, El Salvador, Nicaragua, Bolivia and Ecuador) are complicit in the use and support of transnational organized crime groups to achieve their political ends.

While the challenge of stopping the FARC's criminal financial movements is significant, it is far from insurmountable. Our research shows it is possible to put together a significant amount of open source information on FARC-related middlemen and businesses with relatively little time and restricted resources. This effort could be greatly expanded and used by those with the relevant capacities and authorities to develop, in a relatively short time, a fairly detailed understanding of the financial structures and money movements of the FARC and their allies in Venezuela and Central America.

It is clear the FARC understands that it is imperative to move its money into the formal financial sector very quickly, a move which will make it ever more difficult to trace or prove the illicit origin of the funds. Using the information available, a dedicated US-Colombian partnership could take significant steps to keep the FARC from successfully accessing billions of dollars in illicit funds and shirking their promises of reparations and fair play that they promised to the Colombian people.

To this end the U.S. government should:

- Work with the governments of Colombia, Panama, the European Union and other allies to seriously track the FARC's financial resources now being held outside Colombia, to ensure full compliance with the peace process;
- Fund and support efforts by the U.S. Treasury Department and law enforcement agencies to pursue and sanction the Central American and Venezuelan criminal networks allied with the FARC to dismantle a network that poses a serious challenge not only to U.S. security interests but to survival of the rule of law and democracy in much of Latin America. This should include a thorough investigation into the financial transactions of ALBA Petr6leos, Albanisa, and their related entities for potential money laundering activities;
- Maintain the designation of the FARC as a terrorist entity until it fully complies with the peace agreement, including the requirement of full transparency and accountability in the financial dealings of the organization; effective collaboration in the eradication of coca; and complete separation from all criminal activity, including in alliance with FARC "dissident" groups.

- Maintain or increase funding for the Colombian military and National Police to ensure they have the resources, including airlift capacity, to meet the challenges of new and expanding criminal/military groups with and without the support of the FARC secretariat;
- Continue to work closely with the Colombian government to reestablish legitimate state governance in areas where the state has long been absent and where the FARC and other criminal groups are far more powerful and relevant than the central government;

Thank you.