



Source: The Guardian

Colombia: Prospects for Peace and the Challenges Ahead

Following months of anticipation, the government and Revolutionary Armed Forces of Colombia (FARC) negotiators failed to meet the 23 March deadline they had set themselves to reach a peace agreement. Although the delay was unsurprising given the parties' previous disagreements, it represents a disappointment for President Juan Manuel Santos's administration, which has recently announced the start of formal talks with another rebel group, the National Liberation Front (ELN). Despite the latest peace efforts, the country's security environment is going through a period of deterioration as criminal paramilitary organisations intensify their operations.

Key Observations

- Despite strong international support for the peace negotiations between the government and FARC, domestic approval of the process continues to decline, especially given the continuous delays in reaching an agreement.
- The government is under increasing public pressure to deliver on its promise of comprehensive peace with rebel groups, particularly following the announcement of a dialogue with ELN. The outcome of these negotiations is also expected to shape investor interest in the country, as it will impact the operating costs of extractive industries.
- As prospects for the disarmament of rebel groups increase, organised criminal groups are seeking to take over control of traditional conflict areas, altering the security environment and leading to an increase in violence.

Background of the peace process

In November 2012, the Santos administration announced the start of a formal peace process with FARC leaders in Havana, Cuba. The agreed ambitious agenda includes six key points: land reform to push for the development of rural areas; the terms and conditions for the political participation of FARC members; a definitive ceasefire and the withdrawal of weapons; eradication of illicit drug cultivation; reparations for the victims of the conflict; and the implementation and verification of the comprehensive agreement. At the start of the negotiations, President Santos announced that he expected a peace agreement to be signed within one year. However, it was not long until the two parties – and the public – realised that the complexity of the agenda topics would require prolonged and controversial discussions.

This process is considered to be the most successful peace negotiation attempt to date. In three and a half years of talks, the government and FARC have been able to reach a series of partial agreements:

- Land reform (May 2013) - The government agreed to cooperate with FARC to draft new legislation on land property rights, the protection of reserve zones and development programmes.
- Rebels' political participation (November 2013) - This deal has been particularly contentious as it would only grant rights to guerrilla members not accused of major crimes, but the legal definition of such crimes remains ambiguous.

- End of FARC's illicit drug cultivation (May 2014) - This deal was followed by a joint initiative to clear minefields across the country; an unprecedented announcement that increased hopes for a comprehensive peace deal.
- Conditions for disarmament (September 2015) - The parties agreed on the conditions for FARC to lay down their arms and the penalties that both rebels and military personnel will face for criminal activities and human rights' violations based on confessions under the auspices of a truth commission.

International support meets domestic scepticism

The process has received strong international support from the beginning. In January 2016, the UN Security Council approved the creation of a political mission, in conjunction with the Community of Latin American and Caribbean States (CELAC), to verify an eventual bilateral ceasefire between the government and FARC, as well as the process for the disarmament of guerrillas. US Secretary of State John Kerry also met the FARC delegation during his visit to Cuba in March. Despite significant international engagement in the process, domestic support for the peace talks has declined over the past two years mainly as a result of the delay in negotiations, the repeated violation of ceasefires by FARC and an aggressive opposition campaign led by former president Alvaro Uribe, who claims an armed military offensive is the only way to secure the end of rebel activity.



Public concerns

In 2014, President Santos won re-election in a runoff by a narrow margin. His campaign was largely based on his promise to achieve a peace agreement with FARC and the prospect for economic growth as a result of that. However, while public approval of the negotiations stood at almost 60 percent in 2012, it is currently estimated to be below 40 percent. Those opposing the process claim that many victims and politicians will not dare to speak against FARC amid fears of becoming targets of violence, highlighting corruption as a prevailing problem within the police and judiciary.

In order to ease concerns, in September 2015, the government and FARC established 23 March as the deadline to sign a peace agreement. However, as the date approached, tensions between the negotiators signalled that they would be unlikely to meet the deadline. FARC members cited the terms for the group to become a political organisation and the mechanisms to implement the agreement as the chief obstacles. Santos's statement following the failure to fulfil his promise, while emphasising his commitment to achieving peace, triggered further scepticism around the process after he was unable to provide a new deadline for an agreement.

Dialogue with the ELN

Despite missing the deadline with FARC, on 30 March the government announced the start of a parallel peace dialogue with the National Liberation Army (ELN), the second-largest rebel group after FARC, following two years of exploratory talks. Like FARC, ELN was formed in 1964, inspired by the ideology behind the Cuban Revolution and with a strong emphasis on the guerrillas' control over Colombia's natural resources. Today ELN is estimated to have some 2,500 members, with its presence concentrated in the mining and oil-rich areas in the country, including Arauca, Norte de Santander, Casanare, Choco, Cauca and Nariño. ELN has largely financed its operations through the cultivation of coca and illegal mining; in the past few years, ELN has also kidnapped scores of multinational oil and mining company workers and has increased its attacks on oil and gas infrastructure as a sign of its opposition to the presence of foreign



companies in the country's energy industry.

ELN leaders had demanded to be party to the peace process since the government and FARC first announced the start of talks in 2012. President Santos, however, had previously vowed not to engage in talks with another party until an agreement had been signed with FARC. The recent decision to open a dialogue with ELN was largely founded on increasing concerns over the rebel group's presence in territory traditionally controlled by FARC. A number of local activist groups have even accused ELN of actively recruiting lower-ranking FARC members who refuse to join in the peace agreement with the government amid unappealing prospects of successful integration into society.

Prospects

The first details of the peace process with ELN indicate that the talks will mainly take place in Ecuador, with Venezuela, Chile, Brazil and Cuba serving as satellite locations. The agenda will be similar to that used in the talks with FARC, including the same controversial topics such as victims' reparations and the withdrawal of weapons. One aspect that is expected to differ in the negotiations with ELN is the group's request to include representatives of civil society in the discussions in order to work on a programme to fight social exclusion and extreme poverty in rural areas.

An exact date for the commencement of talks has yet to be established, although officials have cited the end of May as a possibility. Santos has urged ELN to liberate the unconfirmed number of hostages it still holds captive as a condition for the start of the negotiations; however, the group shows no willingness to do so and instead uses the victims as leverage for the negotiations. This puts the government in a difficult position as public mistrust in the process remains widespread as a result of the delay in the negotiations with FARC.

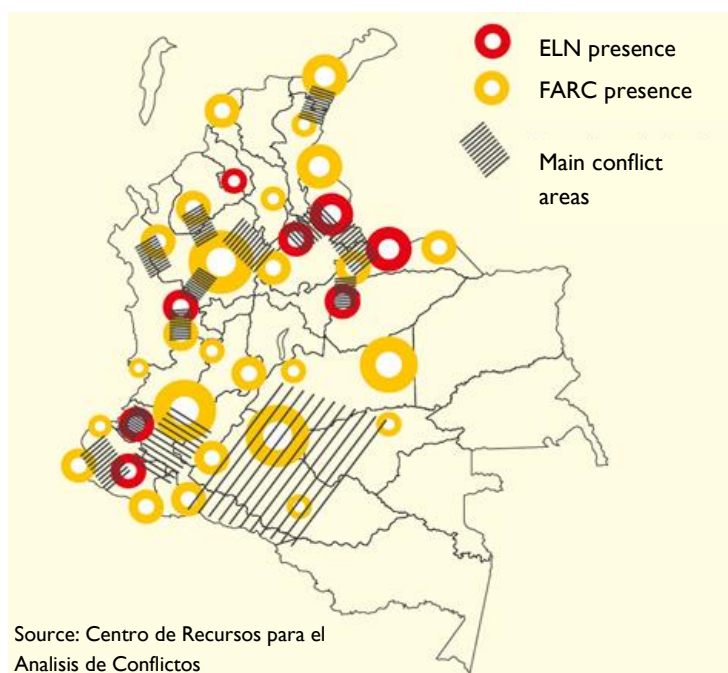
The threat by organised criminal groups

The security environment in Colombia's major cities, including Bogota, Medellin and Cali, has significantly improved in comparison with the high level of criminality in the decades of the 1980s and 1990s. However, while international and media attention has remained focused on the developments of the peace talks with FARC in recent years, the strong, increasing presence of organised criminal groups continues to threaten the security context. Following the dissolution of the right-wing paramilitary group United Self-Defence Forces of Colombia (AUC), many of the group's former members joined Los Urabeños, one of several criminal groups that continue to operate and control drug-trafficking in north and west Colombia.

Changing dynamics

Recent clashes between left-wing guerrillas and Los Urabeños have raised concern over the changing economic, criminal and territorial dynamics as a result of a peace agreement between the government and rebel groups. The first major indication that organised criminal groups are seeking to gain control over traditionally rebel-held areas was on 30 March when Los Urabeños assassinated 12 public security personnel and ordered a 72-hour economic shutdown of various cities in northern Colombia, including Medellin, causing chaos and raising alarm over the return of paramilitary tactics not seen in Colombia's third largest city in several years. On 11 April, a rare violent encounter between members of both ELN and FARC and Los Urabeños in El Bagre, Antioquia province, left three civilians injured and led to the intervention of the army. Of particular concern, local human rights organisations have recently expressed significant concern over the internal displacement of approximately 3,000 people in western regions, particularly Choco province, as a result of the renewed violent campaign by both right- and left-wing, criminal groups against each other in the area.

Although the agendas for talks with FARC and ELN include reparations for the civilian victims of the decades-long conflict, with a particular focus on the more than six million internally displaced persons, the latest clashes suggest that reaching peace with rebel



groups will not necessarily lead to an improved security environment in the more troubled areas of the country, with organised crime remaining a major security concern.

Significance for the business operating environment

Foreign investors have closely followed the development of the peace process with FARC since the beginning of the talks in 2012. Key players in the oil and gas, mining, insurance and banking industries, among others, hope to be able to enter the Colombian market at a lower opportunity cost, which is expected to result from a safer operating environment. A peace deal with FARC and ELN would likely bolster President Santos's market-friendly economic policies, spurring Colombia's economic growth and investor appetite.

Certainly, a significant reduction in rebel activity against extractive industries is expected to lessen the operating cost of companies in the country. A definite ceasefire between the government and rebel groups would also send a positive message to the international community that would position Colombia as an attractive recipient of foreign investment. In 2015, in an attempt to quantify the benefit of signing an agreement with FARC and appease critics of the process, Santos claimed that a deal with the rebels would lead to an additional 1.5 to 2 percent in annual GDP growth; however, in recent months Santos has avoided making such specific assumptions, particularly in the face of the most recent failure to meet the deadline for an agreement with FARC.

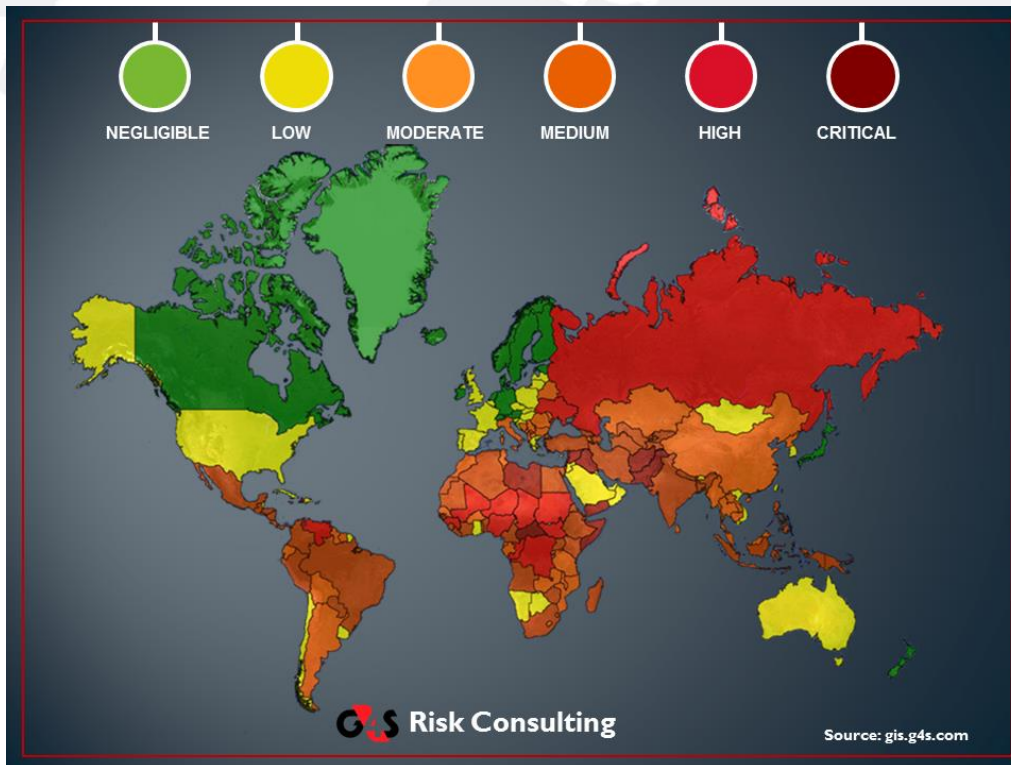
Despite the positive business outlook credited to the peace process, the deteriorating security environment as a result of increased organised criminal activity means that any entity in the country will still face operational risks. Under these conditions, the nature and predictability of the threat will change, maintaining the need to invest in heightened security measures. Rebel groups have largely focused their criminal operations, including bomb attacks, kidnapping and extortion schemes, on targets in the energy, military and police sectors as a statement against the government status quo. In contrast, the modus operandi of organised criminal groups seeks to maximise influence and turf control, indiscriminately targeting civilian, foreign and domestic interests. These prospects leave Santos and subsequent governments with the still significant challenge of investing in long-term security strategies, even if comprehensive peace is eventually agreed – and implemented – with the guerrilla groups.



Source: Emerging Equity

Scenarios

- **Best case:** Government signs peace agreements with FARC and ELN in 2016, approved by a national referendum and implemented under the supervision of a UN mission, with all rebel fronts joining the truce. Security forces are able to focus their resources on the fight against organised crime.
- **Worst case:** Peace talks between the government and rebel groups break down amid an inability to reach agreement on the terms for the implementation of the deal. Guerrilla groups re-arm and clashes between rebels and organised criminal groups intensify, leading to a significant deterioration of the political, security and economic environment in the country.
- **Most likely:** Government signs peace agreements with FARC and ELN, albeit with further delays and strong political opposition. Santos is forced to campaign intensively for the agreement to be approved by a referendum. Splinter fronts from both guerrilla groups refuse to join the truce and continue to lead rebel operations, while some members leave the guerrilla movement to join organised criminal organisations, perpetuating the government's need for a military security strategy in conflict regions.



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