

# **Colombian Logistics Operations**

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**Panama City Review  
June 12, 2003**

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# Agenda

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- **Current Security Conditions in Colombia**
- **Why are our ships a risk?**
- **History of Events**
- **Why restrict Export Liner sales?**
- **Why restrict TLO business?**
- **Recommendations**

## Current Security Conditions

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### ▪ AUC

- Divided over negotiations with government to disarm
- Divided over participation in drug traffic
- The groups that decide to continue fighting and continue in drug business will need more financing, as they will lose financing from centralized AUC – this will come from drugs
- As a result we expect increased pressure both in Turbo and Santa Marta to put drugs on our ships

## Current Security Conditions

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### ▪ **Santa Marta - Port**

- Port is incapable of providing secure environment
- Security at gate is very lax
- Too many sub-contractors allow suspect individuals to work at port facility
- Most drugs are introduced at the port, the rest by the shippers

### ▪ **Santa Marta – Growers**

- All Plantain growers in Atlantic Coast are AUC owned
- Most other commodities from the interior are bought by brokers-exporters from small independent farms – no control over who they are
- There are a few banana growers that have formed co-ops to export as a group, most are small and unproductive
- Wind damage to banana farms from last year is fully recovered

## **Why are our ships a bigger risk?**

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- **We provide a direct point-to-point service – a container is identified from origin to destination (our banana containers are distributed at random)**
- **We provide faster service – Drugs spend less time in transit**
- **No other banana company offers liner service from Colombia, people looking for a fast, direct route to Europe have no other choice**
- **We own and control the entire process: farms, containers, loading, shipping and discharge, where a common carrier only operates the ships, so the authorities look to us as responsible for all operations**
- **We make a very inviting target as a Multinational consumer product company**

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# History of Events

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## ▪ **3,000 Kgs in Plantain Container**

- Investigation still ongoing by Belgian and Colombian Anti-Narcotics Police
- Sold against instructions from Banadex Security based on known information
- Security Supervisor compromised and almost killed by AUC
- 6 Banadex employees kidnapped
- 1 ex-employee (was employed at time of shipment) killed and body dumped with sign saying "Narcotrafficker"
- Forced to appear before head of AUC

## ▪ **Illegal Arms Traffic**

- Pirate ship discharged at TLO without approval from GM
- 3,000 AK-47 and 5 Million ammunition
- 5 Countries involved and investigating
- Full first page press coverage by US, Central America and Colombian press
- Investigation still ongoing by Interpol and Colombian authorities
- All our phones are currently tapped by DAS

# History of Events

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## ▪ 2002 Cases

- Santa Marta was highest incidence port for drug shipments into EU
- 14 cases registered – 9 in Chiquita ships
- All 9 were liner service – 8 Santa Marta and 1 Turbo
- Colombian Anti-narcotics police believe we are inviting drug trafficking by offering liner service

## ▪ Lost Equipment

- 14 containers and chassis confiscated by Anti-narcotics police
- Of the 14, 2 are still unrecovered since 99, the others took almost 3 years to recover
- 3 Chassis are still confiscated

## ▪ Potential litigation

- Barge and tugboat shuttle between Panama and Turbo
- Commitment made by TLO to discharge
- Commitment made by CLC to use space for Chiquita containers
- Operators known to manage smuggling operation (mostly household goods)
- Once decision was made to not offer discharge service, they threaten lawsuit due to a US\$1.5 MM investment on tugboat and barge
- Case is still pending

# History of Events

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## ▪ Other incidents

- Production manager arrested and jailed for 6 months
- Shippers calling and pressuring Banadex GM, Security and Port personnel to authorize cargo as per instructions from CLC, placing people at risk
- Calls to Manrique Ugalde from unknown person about plantain shipments, one week after 3,000 Kg incident, we don't know how they found his name and number
- Increased speedboat traffic in Uraba Gulf, approaching our ships for drug trafficking
- Forced to change 4 container yards in Santa Marta over 2 year period due to drug traffic on containers
- Anti-Narcotic Police making us responsible for sub-sub-contractor in Santa Marta port hiring a convicted drug trafficker
- Manrique and Fuad refuse to be Legal Representatives due to concerns for their safety and their personal legal responsibilities for decisions made by others outside of the Division and in violation of existing procedures



## Why restrict Export liner sales

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- Just establishing contact with a potential exporter who is in the wrong business represents a personal risk to our employees.
- An investigation does not always yield concrete evidence.
- Our investigation may trigger an official police investigation, which will upset the wrong kind of people.
- Inspections at the port create the problem, when drugs are detected, of having to inform the authorities, compromising the security of our employees.
- Investigations may show that a customer is reliable, but the majority of the drugs are introduced at the port.
- Authorities in Colombia are arbitrary and will arrest the first employee they find, even if not responsible or even connected with the operation.
- Even 1 case of drugs is unacceptable.
- Risk of ships being arrested.
- Negative publicity will impact Chiquita's image in the market.
- Santa Marta Division is already on the verge of being closed down due to security issues, drug problems will provide the last drop in the bucket to force the closing.
- Colombian Antinarcotics Police have stated that they will not tolerate any more drug cases in our ships, we're already on the verge of having someone arrested.
- Existing procedures have been and will continue to be violated in order to meet sales goals.
- CLC does not have qualified staff to manage procedures.

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## **Why restrict TLO business?**

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- **Risk of smuggling, mostly arms and currency**
- **Risk of shutting down our Customs Free Zone (Zona Aduanera), which would shut down our entire banana production**
- **There are no commercial lines calling on Turbo, so any ship coming in to discharge is suspect of being "pirate ship"**
- **Even 1 case of smuggling is unacceptable**
- **Negative publicity will affect our image and relations with police and Colombian government**
- **Negative publicity will affect our ability to retain existing profitable banana loading business**

## **Recommendations**

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- **No export sales in Turbo**
- **Stop all Export Sales in Santa Marta except 2 existing banana companies**
- **Review 8 existing shippers to evaluate if any of them can continue to ship**
- **Do not open TLO to operate ships from anyone other than the major banana companies**
- **Concentrate CLC sales on Imports**
- **Do a complete review of CLC operations to determine opportunities to improve**

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