Multinational Corporations, Rentier Capitalism, and the War System in Colombia

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ABSTRACT

This article focuses on the role of multinational corporations in the Colombian conflict, particularly how they contributed to the escalation of land conflicts and to the violent transformation of the rural economy into one based on rentier capital. It also explores how these companies helped in fomenting and financing the war system, an element that could partly explain the protracted persistence of the Colombian conflict.

A war system is a pattern of violent interaction among different actors sustained over a period of time. War systems are thus embedded in every civil war. War systems' emergence, consolidation, and duration depend partly on the evolution of the correlation of forces among the warring actors and on the political economies that each of the belligerent forces constructs during the course of the conflict.

If the political, economic, and military assets that any actor obtains during the conflict exceed what it had before the conflict, this is considered a positive political economy. Positive political economies could translate into incentives to continue the war until the particular actor prevails. War systems are not rational constructs, nor are they perpetuated by one actor's behavior. War systems are as much products of unwanted consequences of actors' behavior or of actors' attempts to outsmart their opponents as they are products of structural constraints, such as a balance of power or limited resources at actors' disposal (government or its armed opponents), or international conditions that inhibit a rebel group from pursuing a winning strategy. Agency and structure are integral parts of the war system model. Agency is defined in terms of how an organization, such as a rebel group, the military, or segments of classes (landowners, cattle ranchers, or owners of banks) articulate their political interests.

War systems, then, are dynamic. They influence their units (and act as an independent variable), and their stability depends on the outcome of units' behaviors and changes in their regional and international environment.[1]

War System or "Resource Curse"?

In the last decade, a strand in conflict theory emerged, arguing that the availability of natural resources increases the incentives for both "rebelling and looting." The larger the "lootable" wealth—say, oil, gold, emeralds, diamonds, cobalt, coca production—the more likely that political entrepreneurs will emerge to challenge governments, given the payoff prospects. In this scheme, as long as the expected payoff is higher than the risks, the incentives for rebelling are high. Collier and Hoeffler (1998) argue that the effects of primary commodity dependence are non-linear and peak when such exports reach about 30 percent of the gross domestic product. Consequently, such a country has a 33 percent risk of conflict. When such primary commodity exports are only 10 percent of GDP, in contrast, the risk falls to 11 percent (Collier et al. 2003).

The common criticism of this approach is that it does not explain whether the availability of the "lootable wealth" is the main cause of violent conflicts, or whether the causes of civil wars lie in the way these resources are distributed among social classes, regions, and ethnic or religious groups. Nor does it clarify whether civil war outbreaks depend on the magnitude of micro- or macro-socioeconomic and cultural disruptions that are associated with the discovery of natural resources and its corollary, the "Dutch disease."[2] Or are civil wars simply caused and perpetuated by "low state distributive, regulative and adjudicative capacities"? Most likely the cause of civil wars is a combination of these factors, and varies with the specific cases under study (Collier and Hoffler 1998; Cilliers and Dietrich 2000; Berdal and Malone 2000).

Notwithstanding that Colombia's GDP is not even close to the 30 percent dependence on primary commodity export—that is, the "danger benchmark" set by Collier and Hoeffeler; oil, coal, gold, emeralds account for just under 5 percent of the GDP—the country suffered from a 40-year protracted civil war (Economist Intelligence Unit 2001, 28).[3] This article addresses three key relevant aspects of the Colombian case, two of which are underplayed by the mentioned "resource literature" (2001, 15). One is how multinational corporations, or MCs, disrupted the subsistence peasant economy, exacerbating violent conflict particularly over the access to land, which, in turn, consolidated the country's war system. The second aspect is how these companies triggered rent predation in some of the war system's main actors: state, guerrillas, and paramilitaries, thereby helping (directly and indirectly) to finance and maintain the war system without affecting MCs' profit margins to the point of discouraging them from further investment. The third aspect is how the MCs helped to internationalize the conflict, which, in turn, exacerbated the war system condition. The conjunction of these three factors, this study argues, led to the consolidation of the war system, given that MCs not only generated violence but also financed opposing forces: guerrillas on one side, the state and paramilitaries on the other. Wittingly or unwittingly, MCs helped to maintain a balance of forces (a comfortable impasse) that allowed the perpetuation of the war system, which explains the long duration of the civil war (Richani 2002).[4]

Max Weber (1995) contended that war remains an activity with economic orientation. In this vein, markets of violence—like all other markets—present opportunities for the formation, accumulation, redistribution, and investment of capital. The agents of these processes can be divided into three main clusters. Private security companies, military industries, and insurance businesses are representative of those that largely depend on the markets that violence creates for capital accumulation and investment. Criminal organizations, rebel groups, and states use violence or its threat mainly to redistribute capital. Extractive multinational corporations find in markets of violence a favorable opportunity to obtain better contracts for investment when states' authority has either partly or totally collapsed.

Common wisdom suggests that an environment of violence is detrimental to capital investment, especially of foreign capital. But evidence in the Colombian and other cases challenges that common wisdom (Carment 2002). In the 1990s, foreign direct investment in Colombia actually grew at an annual average of 55 percent, well above the average growth of the 1980s. Today, four hundred multinational corporations in Colombia generate an annual income of about $15 billion, which constitutes about 15 percent of the country's GNP. These figures provide a sense of the significance of these companies and their impact on the national economy and also serve as an indicator of Colombia's integration into the global market.

Of these four hundred companies, the most important are distributed among the extractive, security, and financial and service sectors. The last two sectors are outside the scope of this article. It is worth keeping in mind that these investments were made in the 1990s, when the indexes of political and criminal violence were much higher than those recorded in the 1980s (Coinvertir 2002). In part, these higher rates of foreign investments were recorded because of the privatization of public enterprises, the sale of several financial institutions to foreign banks, and the elimination of restrictions on foreign direct investments completed between 1990 and 1991. But these foreign investments were also motivated by the potential favorable concessions they could extract from a beleaguered state badly in need of extra income to sustain its war against a growing armed insurgency.

Such prospects were realized with the success of multinational oil corporations in extracting more favorable contracts from the Colombian government, reducing the royalties they paid to the government. In 2002, for example, these companies' royalties were reduced from the 20 percent flat rate to a flexible one that depended on the volume of production and the international prices of oil and gas. The government's 50 percent profit share after deducting royalties and costs was also reduced (Carment 2002).[5] This success was preceded, however, the year before by another, when the oil MCs successfully phased out the $1.50 per barrel "war tax" that they paid to the state. The MCs based their argument for cancelling the war tax on the increasing security costs they were incurring in areas of conflict, which affected their profits and inhibited future investment plans.

In reality, however, violence did not affect MCs' profit margins much, as data reveal. In 2002, for example, among the top 25 most profitable companies in Colombia were British Petroleum (BP), Texaco, Occidental Oil, Drummond, and Carbones Cerejón, in addition to Colgate Palmolive and General Motors (*Semana* 2003a). In terms of their profits, Colgate Palmolive ranked third, BP sixth, Texaco seventh, Occidental eighth, Carbones Cerejón twelfth, Drummond eighteenth, and GM twenty-first (*Semana* 2003a).

This article discusses two types of foreign companies that flourished during Colombia's 40-year civil war. The first are the MCs working in the extractive sectors, oil, coal, and gold. These represent the businesses that found an investment opportunity in the civil war but did not depend exclusively on the market of violence for capital formation and accumulation. The primary issues for these companies were land conflicts and the Dutch disease, financing the war system's actors, and the internationalization of the conflict and war system maintenance. The second group is the private security corporations, for which the market of violence is the main resource for capital formation and accumulation. Most of these companies cater to the other multinational companies, the Colombian state, and the United States. These two groups of companies represent an intersection of interests between local and international agents.

Extractive Multinational Corporations: Dutch Disease and Land Conflicts

It is neither novel nor unexpected to assert that the multinational investments and operations in some areas of a country such as Colombia unleashed significant socioeconomic political and cultural changes. Nor is it novel to suggest that these changes were disruptive to the modes of life and production that existed before the advent of these companies. What is important to tackle is how and why multinational corporations in Colombian departments, such as Casanare, Arauca, and Bolívar, also became agents of violence.

In Colombia, the conflict over land has been one of the most enduring legacies of colonial times (Richani 2002, chapter 3). It has passed through different phases and significant changes in terms of the social classes involved, the political articulations of the conflicts, and the regional and international contexts of their occurrence. With the advent of oil exploration and the beginning of its commercial extraction in the 1920s, the peasant economy in areas of oil exploitation witnessed the pressures of a changing political economy (Velásquez Vargas 1992). For one thing, wages in the rising oil industry were manifold times the earnings of a subsistence peasant. This contrast came at a time when the peasant economy was increasingly suffering from shrinking world market demands for traditional cash crops, such as potatoes, cotton, and sugarcane. Later, additional pressure came from the increasing imports of cheaper and better-quality products, chiefly after the economic *apertura* in the 1990s. The encroachment on the peasant economy was not limited to the market pressures inherent in "rentier economies" but also included uprooting peasants from their lands in areas of exploration and areas ceded by the state to the oil companies.[6]

Today, the total area under exploration and production is estimated at 200,000 square kilometers. This constitutes only 9 percent of the total sedimentary area that is still open for contracting, which is estimated at 1,036,400 square kilometers (U.S. Department of Commerce 2002). Such explorations and concessions created an important source of conflict between these companies and the peasants, which is likely to increase with the increase in contracting and exploration. Thousands of families lost their lands and their source of livelihood to these companies over the last five decades, and many more will likely lose theirs in the near and long term unless this trend is adjusted to the needs of the local communities and their subsistence economy (Richani 2002, chapter 5).

The Dutch disease's symptoms were manifest at the macro and micro local levels. At the macroeconomic level, the agricultural and industrial sectors witnessed a decline in terms of their contributions to the GNP, indicating deagriculturalization and deindustrialization processes. As a consequence, the most affected sectors were the tradables, which depended on export, and the least affected were the nontradables, the service and construction sectors. Between 1990 and 1999, the agricultural and industrial sectors combined lost 13 percentage points in terms of their contribution to GDP, reaching 14 percent (agriculture lost 5 points) and 24 percent (industry lost 8 points), respectively (World Bank 2001; Puyana and Thorp 1998). This descent was caused by another Dutch disease symptom: the appreciation of the local currency, precipitated by the influx of extractive industry dollars, which negatively affected the competitiveness of Colombian products in local and international markets. The neoliberal economic policies that Colombia adopted in the early 1990s exacerbated this descent, particularly because these policies eliminated the protections and subsidies that local productions had enjoyed in previous decades.

One could plausibly argue that the decline of the industrial and agricultural sectors is consistent with patterns of development in the industrial world. This would lead to the conclusion that the Dutch disease is not that bad after all. One of the caveats of this argument is that in the industrial world the service sector was capable of absorbing most of the "freed labor" from the industrial and agrarian sectors, while in Colombia the service sector was not as well developed to absorb the extra supply of labor. This situation led to unemployment, underemployment, expansion of the informal economy, and increasing poverty. Unemployment rates in the urban areas increased from 7.2 percent in 1991 to 7.9 percent in 1995 and reached 14 percent in 2001. In rural areas, unemployment rates increased from 4.2 percent in 1991 to 5.7 percent in 1995 (Granada and Rojas 1995, 45). Consequently, the incidence of poverty increased in rural areas, reaching as high as 82.6 percent of the rural population living below the poverty line with an income of less than two dollars a day (Fajardo 2002).

Underemployment reached a high of 34 percent of the workforce. The average annual growth of the rural economy declined from 2.9 percent recorded between 1980 and 1990 to a negative economic growth of -2.6 between 1990 and 1999 (World Bank 2001, 294). Similarly, the industrial sector, which witnessed growth averaging 5.0 percent between 1980 and 1990, saw a decline to an average 2.3 percent between 1990 and 1999. The decline in traded goods (manufacturing and agriculture) has caused a permanent loss of jobs for unskilled labor, whereas the output expansion in nontraded goods sectors (financial and other services), as described by the Colombian economist José Antonio Ocampo, generated greater demand for skilled labor (Ocampo et al. 2003). Consequently, unskilled labor, the dominant majority in the Colombian labor force, gravitated between unemployment and underemployment. This trend generated an oversupply of unskilled labor, precipitating a decline in real terms of minimum wages from 41,025 pesos in 1990 to 39,298 pesos in 2002. At least part of this "extra labor" migrated to rural areas, including those where the extractive companies operated.

At the local level, the interplay of the Dutch disease and the weakened rural economy took a violent turn, exacerbating the civil war. By drawing on evidence from the locations where British Petroleum has concentrated its operations, in the three municipalities of Yopal, Aguazul, and Tauramena in the department of Casanare, four important symptoms associated with the Dutch disease are identified at the local level: increase in the price of labor in the oil sector, contributing to "deagriculturalization"; oversupply of labor; erosion in the social fabric; and an increase in levels of violence.[7]

In Casanare, the rapid construction of projects and a sudden huge cash flow of $100 million in oil royalties into a peasant "noncash economy" have radically transformed the socioeconomic structures in many of the department's communities (McPhail 2000). These rapid changes and their consequences overwhelmed the institutional capacity of the government of Casanare for planning, managing finances, and most important, negotiating social conflicts. Neither the local nor the central governments had the time to adjust or the skills to cope.

Wages in the oil industry are, on average, three times greater than the average earnings of a subsistence peasant or a rural wage laborer and sharecropper. While a rural wage worker receives about $4 to $4.50 per day without any food or transportation subsidy, an oil worker gets about $6.50 per day, supplemented with transportation and food subsidies, which puts the salary at about $13 per day. The wages in the oil sector are comparable with those paid in the urban centers to employees in the communication and financial sectors (Dureau and Flórez 2000).

The comparatively higher wages in the oil sector created a peculiar phenomenon typical to rentier economies in economically depressed regions: a pool of migrant workers, some of whom came from other departments and cities. The oversupply of labor led to part-time and seasonal employment. These migrant and temporal workers are called *malleros*. The *malleros* complement their jobs in the oil sector with other sources of employment when their oil contracts expire. Consequently, about 30 percent of the male oil workers have also worked in other oil-related sectors in their spare time. One-fourth of the labor force obtained employment in the construction sector, less than 10 percent worked in the agricultural sector, and about 70 percent in the commercial sector (Dureau and Flórez 2000, 223).

The paradox that labor confronts is that employment in the oil sector is the most lucrative yet the most unstable in the local job market. In Tauramena and Aguazul, between 30 percent and 40 percent of the men of 15 years old or more work less than one-fourth of the year. But during that period, an oil worker could average an income of $1,170, almost the same amount of wages that a minimum-wage worker could earn per year in urban centers ($1,200). Since the *malleros* do not rely only on their oil contracts, their annual income is considerably higher than minimum-salaried workers in other sectors. Thus *malleros* have a strong economic incentive to maintain this phenomenon.

The social consequences of the compartmentalization of the labor force between full-timers and seasonal workers, their heterogeneous social backgrounds, the insecurity of employment, and the type of political culture of those who are attracted to this type of life clashed with the traditional peasant values that previously had strengthened the region's social fabric. The rapid population growth of Yopal, Aguazul, and Tauramena was precipitated by incessant waves of migrant workers from adjacent regions as well as from cities as far away as Bogotá.

Tauramena witnessed a 150 percent increase in its population in a span of three years (1993–96). Yopal and Aguazul witnessed an average annual increase of more than 10 percent. Yopal's population increased from 16,351 in 1985 to 43,159 in 1996, and Aguazul's population rose from 5,060 to 10,943 in the same period (Dureau and Flórez 2000, 17). The rentier econonomy also led to a significant increase in the cost of living, which made Yopal among the most expensive cities in the country (Dureau and Flórez 2000; Avellaneda 1998).[8]

These sudden economic and demographic changes generated tensions that were violently expressed, as the dramatic increase in homicide rates indicate. In 1988, the homicide rate in Casanare was 48 per 100,000 people. It continuously increased until it reached 112 per 100,000 in 2001, while the national average was 63.7 per 100,000 (Richani 2002; Avellaneda 1998, 44). In explaining the increase, several factors must be discussed alongside the oil economy.

The deagriculturalization of Casanare was evident in terms of the changes in the respective sectors' contributions to the department's GDP. Before the advent of BP, the agricultural sector constituted 51 percent of the GDP and oil production 12.5 percent (Casanare 2002). In the 1990s, with the expansion of the oil industry, the income from oil amounted to 44 percent of Casanare's GDP, and agriculture sharply declined to only 9 percent. This rapid economic distortion, generated by BP, coincided with a process of land concentration in the form of extensive cattle ranching and large-scale ownership. Large parcels of land were acquired mostly by wealthy narcotics traffickers and the "emerald mafia" of Víctor Carranza (Vicepresidencia 2002, 302).[9] These lands were used mostly for money laundering and speculation (rentier). In 1984, for example, large landholdings exceeding 100 hectares owned about 75 percent of the agricultural land; in 1988, large landownership acquired 85.5 percent of the land, while small landowners' acquisitions of less than 10 hectares retreated from 1.3 percent to 0.9 percent of the cultivated land during the same period (Vicepresidencia 2002, 58). This rapid concentration of property in a span of four years aggravated conflict over land, and peasants obviously were on the losing end. Meanwhile, between 1984 and 1988 coca production and prices witnessed a boom, and therefore an influx of narcodollars available to launder, which found their way to Casanare (Thoumi 1994, chapter 4; García Rocha 2000; Reyes Posada 1997).

The concentration of land and the inflationary pressures of the rentier economy precipitated by the Dutch disease also led some small landed and subsistence peasants to shift from traditional cash crops to more profitable poppy plantations, particularly in the municipalities close to Boyacá, where climate and soil conditions were adequate (Vicepresidencia 2002, 301). This process was facilitated by the protection provided to these peasants by the guerrillas, particularly in the municipalities where they had a presence (Bejarano 1997, 98, chapter 3). Therefore it is no surprise to note that the 18,000-combatant Fuerzas Armadas Revolucionarias de Colombia (FARC) increased its military presence in Casanare from 10 municipalities to 18, and the Ejército de Liberación Nacional (ELN), with 5,000 to 8,000 fighters, doubled its presence from 6 municipalities to 12 between 1990 and 1995, attracting recruits and social support among the peasants (Bejarano 1997, 132).[10] Of course, the increased guerrilla presence triggered an increase in the number of paramilitary groups contracted by large landowners, cattle ranchers, and the narcobourgeoisie, which exacerbated the conflict in the department, making it the second most violent in the country after Arauca (Vicepresidencia 2002, 301).[11] At the same time, these conditions presented an important protection rent extraction opportunity for the actors of the war system; namely, guerrillas, paramilitaries, narcotraffickers, and the state.

Arauca and the Dutch Disease

The Dutch disease also infected Arauca, a department adjacent to Casanare and the hub of Occidental Oil since 1984. As with BP in Casanare, the average wage in the oil sector here was three or more times higher than the average income of a sharecropper or a subsistence peasant, generating inflationary pressures on the local labor market and the peasant economy. Despite the similar effects, however, the Dutch disease played out quite differently in Arauca because of two factors: the class structure of the peasantry and the availability of untitled lands.

In Arauca, landless peasants (*colonos*) constitute about 60 percent of the department's population, whereas their percentage in Casanare is considerably lower (Forero 2002; González 2003).[12] Consequently, *colonos* in Arauca, along with subsistence peasants, reacted to the economic pressures by expanding the frontier of land colonization (Beneti Vargas 2001).[13] A significant portion of newly colonized land was dedicated to coca plantations. Coca became a new cash crop, supporting traditional crops of plantain, yuca, cacao, rice, and sugarcane (Richani 2002, chapters 4, 5).[14] These two factors explain why illicit plantations became more salient in Arauca than Casanare. It is estimated that about 12,000 hectares are now under coca cultivation. Most are in the municipalities where subsistence economy and colonization dominate, such as Fortul, Arauquita, and Saravena (*El Tiempo* 2001; *Semana* 2003b)[15] These same municipalities are also strongholds of the FARC and the ELN.

Consequently, levels of violence in Arauca took an upswing. The period between 1989 and 1994 saw 1,115 persons killed for political reasons, the highest number in the country (Bejarano 1997, 116).[16] Most of the victims were *colonos*, small peasants, and indigenous people who were subject to forceful evictions and assassinations propelled by the rising economic importance of the region and the consequent valorization of its lands (Richani 2002, chapter 3). By 2001, the homicide rate amounted to 106.93 per 100,000, well above the national average of 63.7 per 100,000 (Richani 2002, 1).

In Arauca, as in Casanare and also in Bolívar, the ELN and the FARC significantly increased their forces during the 1980s and 1990s, expanding an insurgency that had been active since the 1960s to capitalize on the grievances created by the increasing crises of the rural economy, the rising rentier economy, and the socioeconomic effects of the Dutch disease. In municipalities where the extractive multinational corporations operated, these grievances were accentuated, providing better grounds for the armed insurgency to increase its recruitment. In Arauca, the FARC in 1980 had only one front with fewer than 200 combatants, and the ELN only a few dozen fighters. By the late 1990s, the FARC had about 1,000 fighters and the ELN between 500 and 1,000 fighters there. An increase in recruitment was noted in the municipalities where land conflicts were accentuated, such as Arauca City (the departmental capital), Tame, Fortul, Arauquita, and Saravena (Reyes Posada 2000, 207; *El Tiempo* 2003a).[17] In the late 1990s, the right-wing paramilitary group Autodefensas Unidas de Colombia (AUC) deployed a force of 800 combatants in Arauca, challenging the guerrillas' hegemony (Richani 2002, chapter 4; León 2003).

Coal, Gold, and MCs

Another important multinational corporation involved in the war economy and its war system is Conquistador Mines' subsidiary Corona Goldfields. This company expressed interest in exploiting the gold mines in the town of Simiti in south Bolívar. This area produces 42 percent of Colombia's gold. The Hiquera-Palacios family and about 35,000 poor miners who had worked the mines for more than 30 years disputed the ownership of the mines. The paramilitaries of Carlos Castaño started penetrating the region in 1997, when they killed 19 people in areas around Simiti. On April 25 of that year, paramilitaries occupied Rio Viejo and declared their intention to "cleanse the area and hand it over to multinational corporations because they will provide jobs and improve the region" (Right Action 2002). By 1998, paramilitaries had forced about ten thousand people out of south Bolívar.

The miners accused multinational corporations of being behind this operation (Interviews with miners 1998). Since 1998, paramilitaries have killed 259 people in south Bolívar, burned 689 homes, and sacked 7 villages (Ramírez 1998, 2002). According to the president of the Colombian Mine Workers' Union (SINTRAMINERCOL), Francisco Ramírez, Corona Goldfields, a Canadian company, is trying to acquire property in south Bolívar through a front company, Minera San Lucas. Another company, Sur America Gold, is also interested in south Bolívar gold (Ramírez 2002). A third Canadian Company, BMR, owns a seven-thousand-hectare gold and silver mine in the same region (Ramírez 2002). The coincidence of increasing interests of multinational corporations in south Bolívar and the paramilitary incursions has created a new dynamic in the conflict at the local level and has led to unprecedented escalation of the conflict.

Multinational coal-mining corporations also have an impact on local communities and on the increased levels of violence in their area of operations. This is noted, for example, in the coal mines controlled by U.S.-based Exxon and a consortium consisting of three multinationals, Swiss-based Glencore and London-based Billiton and Anglo-American. Over the history of the mining concessions, local communities have been forcibly relocated, with inadequate or no compensation. The latest episode was in the village of Tabaco in the Guajira, where peasants were being pressured to relocate without compensation that could allow them to continue their subsistence agriculture. The security guards of these companies and their subsidiaries were accused of intimidating the one thousand miners. In these same areas, the paramilitaries succeeded in establishing some control, which, in turn, allowed these companies to employ aggressive tactics to intimidate miners and their union. There is no information about the protection rent (if any) that these companies pay to paramilitaries. Nevertheless, three union members who work at the U.S.-based Drummond coal company were murdered by the AUC in 2001.

The United States has a renewed interest in fossil fuels, prompted by the George W. Bush administration's energy plan, which calls for 1,300 to 1,900 new electrical generating stations in the United States over the next 20 years. Most of these new generating stations will be run on fossil fuels. This energy plan could raise the demand for Colombia's coal, which is already the world's fourth-largest source of this material. The energy plan calls for more investments in Colombia's coal sector. The Cerrejón Norte, Colombia's main coal mine, is operated as a joint venture between the government and U.S.-based Exxon Corporation, a unit of ExxonMobil. In 2000, it produced 18.4 million tons of coal, half of Colombia's total output. Half of this went to Exxon, which sold 17 percent of it to two southeastern U.S. electric utilities (*Drillbits & Tailing* 2001). Exxon's Colombia operation constitutes more that half of its global production and might increase in light of Bush's energy plan (*Drillbits & Tailing* 2001). The increasing coal exploitation and its disruptions also invited the attention of the insurgency, which started targeting the transported coal by blowing up trains.

The Colombian army, notorious for its human rights violations, is in charge of maintaining security of the coal-mining operations, which made it extremely dangerous for mine union members to negotiate better contracts seeking the improvement of their labor conditions. The paramilitary groups also, as noted, started increasing their presence in the areas surrounding the coal mines, particularly in the 1990s. Again in this case a discernible pattern emerges, tying it with the other cases discussed: an increase in the extractive multinational corporations' investments is associated with an increase in the levels of violence, and the latter does not affect the former.

There is no evidence to support the thesis that the guerrilla operations in this area are motivated by protection rent extraction. Instead, the guerrillas' activism against Exxon is more probably motivated by the FARC and ELN's political stance against the "plundering of national resources" attributed to the multinational corporations and facilitated by the state's policies. To the state, coal production is the third most important source of its foreign export income after oil and coffee. That is why the state attributes vital importance to the continuity of the Exxon operation. The paramilitaries, with their complex relationship with the military, might be in a better position to extract rent protection through subcontracting and by influencing the composition of the labor force by pressuring the firing or hiring of workers who sympathize with them.

Multinational Corporations: Rent Predation and War System Financing

Thus the extractive multinational corporations were instrumental in shaping a rentier economy that also exacerbated the crises of the rural economy, fueling the war system. Another dimension central to this inquiry is how the MCs financed the opposing parties of the war system, leading to its consolidation and helping to prolong the conflict.

The MCs and the Guerrillas

The extractive MCs, in an attempt to consolidate their presence and to protect their long-term investment plans, followed a two-pronged strategy in contributing to war system maintenance and dynamics. On the one hand, the oil companies were instrumental in the formation in the 1980s of right-wing paramilitary groups, such as the one in Puerto Boyacá in the Middle Magdalena. This paramilitary group ushered in a new phase in the civil war as a new actor, financed and supported by forces that included Texas Petroleum Company, narcotraffickers, conservative political forces, large landowners, and cattle ranchers (Medina Gallego 1990, 173). It is noteworthy that Puerto Boyacá, a strategic town on the Magdalena River, was considered, until the late 1970s, a stronghold of the Communist Party and its then–military arm, the FARC (Medina Gallego 1990).

On the other hand, the oil companies' strategy was one of accommodation and coexistence with the guerrillas by satisfying their demands for social investments in the areas where these companies operated. The guerrillas' demands included building vocational schools, paving roads, supporting clinics, and subcontracting projects to guerrilla-owned enterprises, or taxing 5 percent of subcontracts' value offered to other enterprises (Richani 2002, chapter 5; Hodgson 2002). These seemingly contradictory strategies employed by foreign companies were obviously motivated by economic interests and appear to have worked, as their investments not only continued but increased over the last two decades. In 1990, foreign direct investments were only \$500 million; by 1998 they amounted to \$3.038 million (World Bank 2001, 314). Most of these investments were in the oil and coal sectors.

Despite the anti–foreign capital stance of the FARC and the ELN and their call to renegotiate contracts and concessions granted by the Colombian state to these multinationals over the years, both guerrilla groups have managed to extract significant protection rents from these companies and to obtain oil royalty payments from local government officials by gaining contracts with them.

There are four main modalities of rent extraction. One is the "direct tax" that these companies pay the guerrillas as a price for not harming their installations and personnel. The second is the "community tax," which forces these companies to invest in community projects, such as vocational schools; scholarly equipment, such as computers; children's playgrounds; and paved roads. The "community tax" is usually negotiated between the targeted community representatives (some of whom may be associated with the guerrillas) and the multinational companies.

The third modality is subcontracts to front companies owned by the guerrillas to carry out certain projects. According to a government official, during the last two decades, Occidental Oil has provided \$1.3 billion in royalties, from which about \$390 million reached the coffers of the guerrillas through the subcontracting mechanism. The ELN obtained about \$200 million and the remaining \$190 million was extracted by the FARC (*El Tiempo* 2003b; *Semana* 2003b). The guerrillas' companies provide an important source of employment in areas where jobs are scarce.

The fourth and most lucrative form of rent extraction is the "retention tax," the kidnapping for ransom of these companies' high-ranking employees. For example, it is estimated that this contributes about 40 percent of the FARC's annual income (*Semana* 2001). According to a study by Hiscox Group, a subsidiary of Lloyd's, between 1995 and 2000, the Colombian guerrillas received about $632 million in ransom for freeing kidnapped foreigners (*Semana* 2001). Most of those kidnapped were employees of multinational corporations.

Ironically, the multinational "contributions" helped to resurrect the ELN, the second most important insurgent group in Colombia, after its debilitating 1973 defeat in Anori (Antioquia). The resurrection was mainly because of the ransom paid by the German engineering firm Mannesman Anlagenbau A.G. for the release of three kidnapped employees. Mannesman was subcontracted by Occidental Oil to build a pipeline from Caño Limón, Arauca, to the Caribbean coast. The company paid the ELN an estimated US$2 million for its hostages and another $18 million to allow it to execute the $169 million project (*Pax Christi* 2001, 23). These funds helped the ELN to rebuild its fighting capability and increase its fronts from 3 in 1983 to 11 in 1986; that is, it almost quadrupled in only three years. Oil and security multinational companies may have provided between 40 percent and 60 percent of the guerrillas' income over the last two decades (Richani 1997, 2002). This income is significantly higher than what the FARC gains from taxing the narcotrafficking industry (keeping in mind that portions of what narcotraffickers and coca merchants pay in taxes come in the form of weapons; it is a kind of barter system).

Thus the MCs wittingly or unwittingly created unforeseen consequences by providing the guerrillas most of their income, which helped the guerrillas recruit, expand, and upgrade their armaments. These monies helped to establish a military balance between the guerrillas and the state, satisfying two major conditions for the consolidation of the war system: a military impasse and enough economic resources to sustain a positive political economy for the guerrillas, making the impasse comfortable.

The ratio of war fatalities for the 1986–99 period can serve as a proxy indicator for the military balance between the guerrillas and the state. This ratio has shown a notable stability: it fluctuated slightly from 1:1.52 in favor of the state in 1986 to 1:1.59 in 1999 (Richani 2002, 46). This indicates a military impasse, which could explain the protraction of the conflict and the existence of a war system condition. This balance of forces, along with the resources the guerrillas extracted—mainly from the MCs—allowed the establishment of a positive political economy under which the military costs and political risks of war were lower than the expected political payoff; thus the impasse was a comfortable one.

MNCs and the "Predatory State"

Colombia's state behavior was no less predatory than that of its opponents. This behavior had two main, interwoven characteristics. Since the early 1990s, the state had led the country into a rentier model of economic development. In the rentier model, as Karl suggests, the predatory aspect of the state is determined largely by the origins of its chief revenues and especially the character of the leading sectors from which it extracts revenues (Karl 1997, 237). In Colombia the leading sectors are the service sector, the primary commodity exports, and coffee. Combined, these sectors fomented a model that has exacerbated the Dutch disease, reinforcing deagriculturalization and deindustrialization processes, as the indicators demonstrate. That is to say, the developmental model was discarded in favor of the predatory (Evans 1995).[18]

In consequence, between 1992 and 2001, 17.9 percent of foreign direct investments (FDI) were in natural resources and 60.9 percent were in services (ECLAC 2003). In 2000, the service sector reached 57.1 percent of the GDP, whereas in 1990 its share was 51 percent; that is to say, this sector increased, on average, 0.6 points per year from the start of the liberalization of the economy (*World Development Report* 1992, 2003).[19]

Despite the service sector's growth, the state predation has increasingly relied on the revenues it extracts from hydrocarbon exports, which it obtains from its contracts of association with the MCs. Even though oil exports provide one-third of the country's export revenues, they provided nearly $3.2 billion in revenues for the central government in 1999, equal to approximately one-fourth of the central government's estimated total revenues (OXY 2003). Given that Colombia is not a "petrostate," this dependence is relatively high.

The state also predated by privatizing the public sectors and conceding infrastructure projects to MCs. We might expect the downsizing of the state expenditure given the privatizing trend, but ironically, the Colombian state actually expanded from 30 percent to 38 percent of the GDP in the late 1990s (Ocampo 2002). This expansion is partly attributable to the increase in the military budget, which in 2003 reached a historic level of about 5 percent of the GDP, roughly equivalent to the country's revenues from its primary commodity exports (NDP 2003).[20] The predation of the state also manifested itself at a more direct level by subcontracting its armed forces to the MCs, provided that the latter financed the units that were responsible for their protection. Under such arrangements, the oil companies paid the military directly, in amounts of several thousand dollars.[21] For example, Occidental Oil Company (OXY) pays the Colombian state and its armed forces more than US$20 million per year for security (Newton 1997; *El Tiempo* 1997a). OXY covers the "nonlethal" costs of the military personnel that protect its installations. The relationship OXY has formed with the military includes information and intelligence gathering and developing counterinsurgency strategies.

The methods of direct payment from the companies to the army have been controversial. Oil companies such as British Petroleum, Total, Occidental, and Triton have favored this method to avoid overhead expenses, bureaucratic red tape, and scrutiny. These companies have security departments staffed mostly by former military officers or former security agency employees. These departments are supposed to coordinate and share with the military in "intelligence gathering," which is mostly counterinsurgency in nature. Through these departments, the engagement of the multinationals with the war system becomes more organic (Richani 2002, chapter 3).

Until 2000, the Colombian tax code included a war tax to be paid by foreign oil companies operating in Colombia. The tax required oil companies to pay $1.25 per barrel of oil produced. Over its years of operation in the Caño Limón field, Occidental paid millions of dollars to Colombian security forces for protection. In 1997 alone, the extractive MCs paid $100 million and Ecopetrol, the state oil company, provided another $250 million resulting from the state's war tax (*El Tiempo* 1997b). This $350 million constituted about 8.14 percent of what the government spent that year on defense.

Thus the income the government obtained from protection, taxes, and profits from the extractive sector was vital to finance its war with the insurgency, and the insurgency's increasing menace made the state even more predatory and more dependent on the extractive sector. Paradoxically, moreover, the MCs, by financing "directly and indirectly" the insurgency, also made the state more dependent on their business, reinforcing predation as a model of economic development. More important to our focus, however, is that MCs helped to create a military impasse, an impasse that the state has been unable to break and that is permitting the perpetuation of the war system.

MCs and Paramilitaries

Other cases of multinational corporations' involvement in the war system are British Petroleum, the French company Total, and the U.S. company Triton, which are associated with the building and maintenance of the pipelines that run from the oil fields of Cusiana and Cupiaqua in the Department of Casanare to Covenas on the Caribbean coast. BP is one of the main multinational corporations operating in Colombia. Its main installations, oil fields and pipelines, are in areas of conflict extending from Casanare through the Middle Magdalena to Covenas. The paramilitaries of Víctor Carranza and Carlos Castaño, the AUC, control an important sector through which the pipelines pass. For the last few years, the prime objective of both Carranza's and Castaño's forces has been to establish and consolidate a buffer zone that could diminish the guerrillas' influence in the area surrounding the pipelines. The most obvious goal of this strategy is to push the guerrillas from villages located along the pipeline areas and deny the guerrillas the extraction of protection rent they obtain from oil companies.

This paramilitary strategy coincided with the coming of two new actors on the scene: BP's security contractors, Defense Systems Limited, a British-based security company; and Silver Shadow, an Israeli company (Richani 2002, chapter 5). Defense Systems and Silver Shadow (owned by Asaf Nadel, Israel's ex–military attaché to Colombia) devised a security strategy to protect a 115-kilometer stretch between the villages of Segovia and Remedios in Antioquia (Richani 2002). Their plan included military and "psychological and intelligence operations" in these villages against the guerrillas' social base. This activity, at a time when massacres were committed by paramilitaries in both places, raised important questions about the nature of the relationship among BP, its security companies, the army, and the AUC. The army keeps a brigade and two battalions in the area, and a number of its officers were implicated in massacres perpetrated against "guerrilla sympathizers" in collaboration with paramilitaries (Richani 2002).

In Arauca, the AUC advanced a similar strategy beginning in the late 1990s. In 2002 alone, the AUC was implicated in the assassination of two local congressmen and reportedly responsible for 70 percent of the 420 political killings in nearby Arauca City, capital of the department (Marx 2002). The AUC's objectives coincide with those of the government of President Alvaro Uribe, which declared the department a special security zone where political liberties and freedoms are restricted, thereby providing the state's coercive apparatus a greater margin to deal with the guerrillas and their civilian base.

The AUC's military advances do not constitute a threat either to Occidental Oil or to the U.S. troops stationed in Saravena because the AUC's declared policy is to "cleanse the areas of guerrillas and their sympathizers." With this stated objective, the AUC is only fighting the common foe of the state, Occidental, and the U.S. government.

The AUC in Arauca also is attempting to capitalize on the royalties that Occidental pays to the local municipalities of Arauca, Arauquita, and Saravena. Combined, these royalties amounted to $400 in 2002 (Ecopetrol 2003). For a long time, the ELN tapped into these royalties to finance its forces and also to sponsor public projects in an effort to consolidate its power base in the department. In the late 1990s, the FARC did the same. By that time, however, the hegemony had been broken by the AUC, and more recently by the Uribe government, which froze access to these royalties. Thus, gaining political control or access to these royalties is vital to the strategic objectives of the main contending actors of the war system.

The AUC has estimated that it generates about $60 million a year from tapping into gas pipeline royalties alone, without accounting for the subcontracts that it obtains through front companies from the oil and coal MCs (*Semana* 2002). The AUC also extracts unknown amounts of protection rents and subcontracts from the state's oil company, Ecopetrol (Ecopetrol 2002). It is plausible that what the AUC gains from the oil protection rents and subcontracting could reach as high as 20 to 30 percent of its total income.[22]

At the political level, the AUC, in sharp contrast to the guerrillas, does support the foreign capital investments, and has no ideological or political position against the MCs in Colombia. This allows for an affinity between the AUC and foreign companies, particularly those investing in areas of conflict. This affinity has encouraged pragmatism by the multinationals and has opened avenues for wheeling and dealing. In 2001, for example, Colombian labor unions filed a lawsuit in the United States against Coca Cola for the alleged hiring of paramilitaries to assassinate union members (Ramírez 2002). This brings to six the number of multinational corporations with alleged links to the paramilitaries (Drummond, BP, Occidental Oil, Coca Cola, Silver Shadow, and Defense Systems Ltd.).

MCs and U.S. Policy: Subsidizing the War System

Multinational firms have vested interests in ensuring that Colombia's government is secure, given the open hostility expressed by the rebel movements toward foreign investment, particularly those firms in the extractive sector. Multinational firms also provide the Colombian government diplomatic support for its position against the guerrillas, as was clearly manifested by the lobbying campaigns of Occidental Oil and BP in the U.S Congress to increase the military assistance to Colombia (Cilliers and Dietrich 2000; Reno 2000, 220).[23] In this mode, MCs have become an integral part of war system dynamics and the main financier of its different warring actors.

The U.S. policy toward Colombia witnessed two remarkable changes in the last decade, departing from the traditional "back burner" policy, which considered Colombia a low strategic priority. Plan Colombia, introduced by the Clinton administration, raised Colombia to the third most important recipient of U.S. military aid after Israel and Egypt.

The focus of Plan Colombia remained the war on drugs, and the U.S. war materiel obtained through the plan was employed in the war against narcotrafficking and fumigation. In departments such as Putumayo, however, where the plan was concentrated and where the FARC had a strong support base and military presence, the plan remained unclear on how to disentangle the antidrug war from the potential involvement in counterinsurgency operations. The FARC objected to the fumigation policy as a means to address the coca problem. The FARC called for a viable crop substitution program negotiated with coca growers and demanded manual eradication rather aerial fumigation, which was causing severe ecological damage as well as serious health hazards. Thus, obviously, Plan Colombia was on a collision course with the FARC.

Oil MCs operating in Colombia and Ecuador were supportive of Plan Colombia because an increase in the U.S. military presence could offer them better protection against guerrilla attacks, particularly in the south, by strengthening security along the Colombia-Ecuador border, where Occidental and other oil companies operate. Oil MCs spent about $25 million lobbying Congress between 1995 and 2000 to further their interests in Colombia.

Occidental alone, which is reported to have close links to the George W. Bush administration, "has long lobbied for the United States to be more involved in the conflict." It spent $1.5 million on presidential and congressional elections between 1995 and 2000 and another $8.7 million "lobbying American officials on Latin America policy, largely regarding Colombia" between 1996 and 2000 (Forero 2002). Other oil and energy companies, such ExxonMobil, BP-Amoco, Unocal, Texaco, and Phillips Petroleum, spent about $13 million during the same period, mostly to court U.S. policy toward Colombia (Forero 2002). These were the years when Plan Colombia was still in the cooking phase.

Since 1999, the number of contracts with U.S., Canadian, and British oil companies notably increased. Companies such as Occidental, BP-Amoco, Chevron-Texaco, Shell, Exxon, Canadian Oxy, Talisman, and Alberta Energy all gained new contracts in Colombia. It is reported that former President Andrés Pastrana (1998–2002) met in 1999 with oil and electric company executives and then-governor George W. Bush in Houston. Pastrana promised major concessions for oil and gas companies, some of which belonged to Bush campaign contributor Reliant Energy (Mondragon 2002).

Occidental played a leading role in supporting Plan Colombia in Congress. Its vice president Lawrence Meriage was among the very few nongovernmental witnesses to testify during the House hearings. He demanded that Plan Colombia be executed on the Colombia-Venezuela border, where Occidental has a contract in Arauca, and in Catatumbo, where BP-Amoco has a contract, and not solely in the Putumayo, as the plan intended (Mondragon 2002). He argued,

> We understand that the package [Plan Colombia] put forward by the Administration targets aid for counternarcotics activities in the southern part of the country in the Putumayo region near the Ecuadorian border. We have two concerns relating to this approach. It does not address the explosion of coca cultivation that is occurring in other parts of the country, particularly the northern regions where the bulk of existing and prospective oil development takes place. Moreover, a massive concentration of force in the Putumayo region could ultimately lead narcoguerrilla forces [a reference to FARC] to move operations further south into Ecuador. Occidental also has operations in Ecuador some 40 kilometers from the Colombian border. Recent kidnappings near our area of operation in Ecuador have been attributed to the FARC. . . .
>
> I would urge you to consider support of counternarcotics operations in the northern regions as well as the south. This will help augment security for oil development operations, which, as noted earlier, are fundamental to the success of "Plan Colombia." (Meriage 2000)

The $1.3 billion of mostly military aid envisaged in Plan Colombia, which took effect in 2000, represents a watershed in the level of the U.S. military involvement in the conflict, unprecedented in the 39 years of the war. But soon, under the Bush administration, the U.S. involvement took another turn, which allowed it to subsume the war on drugs with the war on terrorism. In July 2002 the restrictions on the use of the antidrug resources against the insurgency were removed. Moreover, Occidental achieved its goal, well stated by Meriage, of expanding the radius and scope of the U.S. intervention in Colombia by including the north of the country in addition to the south. The initial prize was a US$98 million package designed to arm and train, by U.S. Special Forces (60 to 100 officers), two additional Colombian battalions for the protection of Occidental's five-hundred-mile Caño Limón pipeline. This became effective in fiscal year 2003. This pipeline transports one hundred thousand barrels a day. It is therefore plausible to argue that the U.S. intervention could move deeper to protect Exxon's coal mining in the Guajira. This possibility is high, given the importance of coal to the new U.S. energy plan, as to the Colombian state. Coal may soon become the second most important cash revenue for Colombia after oil, surpassing coffee.

Thus, since the Clinton administration, U.S. foreign policy toward Colombia has moved toward more involvement in the internal conflict. The Bush government completed the shift by merging the war on drugs with counterinsurgency, opening the door for a more substantial intervention than the one envisaged in Plan Colombia. This U.S. policy shift has created a new dynamic in the war system, reducing the possibilities of a peaceful solution because it has changed the incentive structure.

The conservative sectors of the dominant classes, which stand to lose the most from a negotiated solution under a military impasse, considered that the reinvigorated U.S. military role in the conflict could divert them from making meaningful economic and political reforms. Simply stated, these sectors perceived Plan Colombia as a last-ditch effort to defend their class interests. Before Plan Colombia, in contrast, the general mood of the dominant classes was in favor of a negotiated settlement (Richani 2002, chapter 6).

The irony is that the current level of U.S. military aid to a deficient military structure is subsidizing the war system with little, if any, possible impact on the stalemated military balance. Although the state has made good use of its reinforced air power (Black Hawk helicopters and surveillance planes provided by Plan Colombia), this tactical advantage has been offset by the guerrillas' changing military strategies.[24]

The deficient military structure in Colombia is most evident in the ratio of administrative to operational personnel, which is one of the highest in the world, 8 to 1. In sharp contrast, in the U.S. military the ratio is 3 to 1. Consequently, more than 72.8 percent of Colombia's military budget is spent on salaries, pensions, benefits, and other administrative costs, and only 15.8 percent on enhancing combat capabilities (Giha et al. 1999, 163–80).[25] Therefore U.S. military aid, even if earmarked, is allowing the state to release funds from the government budget basically to service the military bureaucracy. In this mode, without a significant change in the structure of the Colombian military, the U.S. money is subsidizing and helping to maintain the war system.

PSMCs and the War System

If the MCs operating in the extraction of raw materials found in violence a business opportunity to obtain better contracts from a beleaguered state such as Colombia, security multinationals find in the market of violence their main fount of capital formation and accumulation. This explains the increasing attractiveness of Colombia and other violence-ridden countries to these companies. According to the research group International Consortium of Investigative Journalists, there are 90 private military companies that have operated in 110 countries worldwide (International Consortium of Investigative Journalists 2002a, 1–2). These companies provide services that previously were the prerogative of states; they offer specialized skills in technological warfare, including communication, intelligence, aerial surveillance, fumigation, logistical support, battlefield planning, and training.

The growing private security multinational corporations (PSMCs) constitute part of a new global trend that is redefining the structural relationship between the traditional providers of security (that is, states) and owners of capital. Before the nation-state system, security provision was in private hands (owners of wealth and land), and kings relied on their relationships and alliances with the nobility to raise and finance armies, which were not permanent. In the sixteenth century, political, military, technical, and economic imperatives led to a fundamental change that incrementally assigned the state with the provision of security while the owners of capital retained a say in the use of force, allocation of resources, and taxation (via parliament, such as in England in the seventeenth century). Under this arrangement, the archetypical state in Europe became a protector of the processes of wealth creation and capital accumulation while retaining its monopoly over security provision (Bates 2001).

In the last two decades, private entrepreneurs, the PSMCs, began altering the relationship between the states' provision of security and capital. In the United States, for example, until 1970 there were still more public than private police. The ratio was 1.4:1. By the mid-1990s, there were three times as many private as public police. General Motors has a force of 4,200 private police alone. In Britain, the number of private guards rose from 80,000 in 1971 to 300,000 by 1997, roughly twice the number of public police. Similar trends have been observed in Canada and Austria, where the ratio is 1:2 (*Economist* 1997; Downing 1992).

In Colombia, PSMCs, along with local private security providers, have added another dimension to the political economy of the war system and have exacerbated the legitimacy crisis of a state that has never managed to establish its monopoly over the use of force since its independence in 1810 (Richani 2002, chapter 3). In the Colombian context, the global trend of privatized security puts the state at a great disadvantage, competing with local and international entrepreneurs who are eager and more capable to provide more effective security than the state can. Thus it is not surprising that in Colombia there is more private security than armed forces, and the trend is growing: there are more than 130,000 private security guards and 100,000 members in the police force (Salamanca Garay 2003; *El Espectador* 2002).[26]

In Colombia, PSMCs were hired both by governments (Colombia's and the U.S.) and by multinational corporations. These PSMCs became handy and allowed governments such the United States to avoid public scrutiny when it came to counterinsurgency or its drug policy in Colombia. The U.S. State Department currently contracts several security companies to go to war zones that are too risky or to which it cannot commit conventional forces. U.S.-based security companies, such as International Charter, Incorporated, of Oregon (ICI), Dyncorp, and Vinnel Corporation were contracted to perform security-related missions in countries such as Liberia, Sierra Leone, Haiti, and Colombia (Singer 2003a, b). The strong links between the U.S. government and private military companies that contract with it have raised serious questions about the "revolving door policy between government and the private sector" (International Consortium of Investigative Journalists 2002b). These companies are becoming important foreign policy instruments and an important component of the international political economy of war. Revenues from the global international security market, moreover, were projected to rise from \$55.6 billion in 1990 to \$100 billion in 2003 (International Consortium of Investigative Journalists 2002b; Singer 2003a).

According to a recent report released by the U.S. State Department, there are 17 primary contracting companies working in Colombia, initially receiving some \$3.5 billion. The largest contracts have gone to companies like Lockheed Martin, Dyncorp, and Northrop Grumman, but lesser-known firms like the Rendon Group (providing public relations support for the Ministry of Defense) and Science Applications International (assisting in imagery analysis) are also there (cited in Van Dongen 2003). These monies actually exceed what Colombia spends on defense.

Military Professional Resources Incorporated (MPRI), run by six retired U.S. generals, has a \$6-million-a-year contract with the Defense Department to train and conduct operations in Colombia, including protecting fumigation planes from enemy fire. The MPRI plan blurs the lines between the drug war and the civil war: its operational guidelines would have all Colombian infantry units switching back and forth between counterdrug and counterguerrilla operations. Currently, MPRI has at least ten retired U.S. military officers in Bogotá to assist in designing and executing its security contracts.

Dyncorp is the largest firm operating in Colombia, hired by the U.S. State Department's International Narcotics and Law Enforcement Bureau seven years ago under a reported \$600 million contract to support coca eradication programs in Colombia, Peru, and Bolivia (Singer 2003a). It is estimated that Dyncorp maintains 335 employees in Colombia, only one-third of whom are U.S. citizens. The rest are mercenaries from other Latin American countries. Dyncorp subcontracts its security work to smaller companies, such as Eagle Aviation Services and Technology, which also flew secret gun-running missions in Nicaragua during the Contra War.

Dyncorp, according to reports, is engaged in aerial reconnaissance and combat advisory roles for the military, and was involved in combat with the insurgent groups (Singer 2003a, 208). More troubling is that Dyncorp uses OV-10s, military planes originally designed for reconnaissance and light attack in counterinsurgency wars, in activities well beyond what the U.S. Congress approved as the plane's mandate (Singer 2003a). Dyncorp has also made good use of its Huey gunship helicopters and has engaged the FARC in some firefights (Singer 2003a).

AirScan, a Florida-based PSMC, is contracted by Occidental Oil to protect its pipelines from guerrilla attack. AirScan pilots, in collaboration with the Colombian military, carry out counterinsurgency operations, one of which, in 1998, led to the deaths of about 18 civilians, 9 of them children, in the village of Santo Domingo near the pipelines. Now, with the advent of U.S. Special Forces in Arauca to protect Occidental, a myriad of international, local, private, state agents has emerged. This follows a global pattern also witnessed in Angola, Congo, Sri Lanka, and elsewhere. This pattern is inherent in a new international political economy of violence, in which states and private actors are more intertwined under the aegis of capital (Bates 2001, chapters 3, 4).

The insurance multinationals are another important security player in the war system. These are the agents that negotiate ransom payments and capitalize on higher insurance premiums. Multinational personnel or Colombian businesspeople who are insured become primary targets of kidnapping, which, in turn, raises premiums and increases the incentives for kidnapping. It is a mutually reinforcing process; the kidnappers and the insurers are optimizing their benefits. Companies such as Kroll Inc. (U.S.) and Control Risks Group (Britain), Hiscox Group of Lloyd's (Britain), and IAG (U.S.) have joined the lucrative war economy.

This activity gives rise to the question, so what if the security companies are capitalizing on war economy? The answer entails two main observations. The increasing role of these companies in a conflict situation like the one in Colombia is allowing them a wider margin of action that is escaping public scrutiny in the United States and Colombia. Singer articulates the problematic of the PSMCs by writing that U.S.-based PSMCs' "extensive involvement in the war in Colombia and its neighboring states has been entirely without congressional notification, oversight or approval" (Singer 2003a, 209). These firms' involvement, he adds, threatens to radicalize hardliners both in the Colombian army and on the rebel side (Singer 2003a, 209). More important, however, is that this "privatization of war" is enhancing the rentier economy in the sense that public security and protection are now subject to the logic of the market; that is, profit. This logic could assume a life of its own, with vested interests in the perpetuation of the war system in Colombia and, by the same token, elsewhere.

CONCLUSIONS

The investments of multinational corporations operating in the extractive and security sectors in Colombia represent two groups with different positions in the cycle of capital, yet both found in the market of violence an opportunity to invest and accumulate capital. Each of these two groups contributed to the war economy and the war system's maintenance and dynamics.

The extractive companies contributed to the war system by exacerbating conflicts over land and by deepening the crises of the rural economy by injecting the Dutch disease, which put inflationary pressure on wages, accelerated deagriculturalization and deindustrialization processes, and contributed to the erosion of the traditional social fabric. MCs created in their areas of operations a rentier-based economy, which accelerated the decomposition of the subsistence peasant economy, as demonstrated in the cases of Casanare, Arauca, and south Bolívar.

This process was expressed violently when it intersected with the influx of narcodollars invested in land, as in Casanare. There, the function and value of land were transformed into speculation and the extraction of oil, rather than production; that is, rentier capitalism. This transformation of the subsistence economy was resisted by subsistence and small peasants, as well as *colonos* (Gaido 2002). Resistance was evident in peasants' mobilization in the municipalities of Arauca (Arauca City, Tame, Fortul, Arauquita, and Saravena) and in Yopal in the department of Casanare (Reyes Posada 1997). Rentier capital penetration also assumed a violent form in Guajira and south Bolívar, where the lands of poor peasants, *colonos*, indigenous people, and miners became valuable commercial commodities for resource extraction; oil, coal, and gold, respectively. Small miners and peasants in Bolívar, along with labor unions and indigenous communities, such as Tabaco, resisted the advancement of rentier capital by mobilization and organization (Ramírez 1998, 2002).

MCs also contributed to the creation and maintenance of the war system (that is, the protraction of the civil war) by extending their protection payments to the state, guerrillas, paramilitary groups, and PSMCs (Richani 2002, chapter 3). These monies, for example, were instrumental in allowing the guerrillas to establish a military impasse with the government, with a resulting positive political economy, which made this impasse comfortable. For the state, MCs enhanced its predatory character, which was manifest in the state's increasing dependence on primary commodity exports. MCs also provided the state an economic opportunity to subcontract its armed forces to these companies.

The multinational corporations, moreover, were instrumental in internationalizing Colombia's war system. Their impact on local social structures, land conflicts, and modes of production notwithstanding, the MCs increasingly importuned the United States to act more aggressively to protect their investments, as illustrated by Plan Colombia and, more recently, by the $98 million provided by the United States to finance, train, and arm Colombian forces to protect Occidental Oil operations in Arauca. For that objective about 60 officers of the U.S. Special Forces are stationed in Arauca. Along with this new base in Arauca, the U.S. maintains its Tres Esquinas (south) base in the department of Caqueta, close to the oil wells of the Putumayo and Ecuador, where Occidental has good stakes. In this mode, Occidental transferred the costs of securing its business to the U.S. taxpayer and safeguarded its profit margin. That $98 million is roughly what the company used to pay under the defunct war tax.

On a broader level, U.S. military aid has helped to subsidize and perpetuate the war system by changing the incentive structure of the dominant classes. Before Plan Colombia, these sectors were more willing to commit to a negotiated settlement. Given the Colombian military structure, furthermore, the U.S military aid is unlikely to make a dent in the military impasse.

In light of these interlocking factors, how can we understand President Alvaro Uribe's government's declaration of municipalities in Arauca, Sucre, and Bolívar as "rehabilitation zones," with exceptional military rules restricting political liberties? These areas are important particularly because of their current (and potential) rent extraction from oil, gold, and coal, which is carried out by the MCs. Given the current budget deficit and the increasing military expenditures, these areas are more important than ever to the immediate predatory needs of the state and its long-term predatory mode of development, rentier capitalism. The budget deficit and the increasing military expenditures are making the state even more vulnerable and more accommodating to the demands of foreign capital. In this sense, one of the unintended consequences of the war system is a bonanza for the latter.

NOTES

1. The genesis and consequent consolidation of the war system in Colombia and the crisis of the war system in the late 1990s are discussed in Richani 1997, 2001, and 2002.

2. *Dutch disease* is a term generated in Holland in the wake of its gas discovery in the North Sea, which led to an influx of hard currency and an inflation that raised the price of the country's products, making them less competitive in global markets and increasing imports. This contributed to a process of deindustrialization, the disease's main symptom.

3. Even if we factor in the international remittances attributed to the illicit drug economy, the primary commodity's contribution to the GDP will still be about 6 or 7 percent. The illegal drug transfers ranged between $1.9 billion and $596 million between 1992 and 1998. Even if we add the 0.9 percent of the GDP that the country obtains from gold, that is still under 8 percent of the GDP. In a few words, the "resource theory" has poor explanatory power in the Colombian case.

4. A comfortable impasse is created when the actors' political risks are minimal if they maintain a condition of war, whereas the costs or risks of peace may be higher than the costs of war.

5. Multinational corporations, particularly those in mineral extraction, are likely to remain invested or increase their investments in conflict states.

6. A rentier economy is one that relies on the extraction of raw materials and land speculations. In the context of this study, the term refers to the transformation of land function from subsistence agricultural production to extraction and speculation.

7. BP started its operation in Casanare in 1986, whereas Occidental Oil (OXY) started its in 1984 in the neighboring department of Arauca.

8. Rent that used to be $25 increased to between $75 and $1,125. In 1988 Yopal had four hotels; by 1994 there were 54. Sexual workers also increased in number from about 69 to 500 in 1994.

9. Mafioso Víctor Carranza, the "emerald czar," made his fortune in the mines of Boyacá Department and expanded his land acquisitions in the plains along the natural corridor between Boyacá and the departments of Meta and Casanare. Municipalities such as Barranca de Upia, Monterrey, Paratebueno, and Aguazul became an important theater for land acquisitions by Carranza and narcotraffickers such as Gonzalo Rodríguez Gacha, Víctor Filiciano, and Matiz Benítez.

10. The FARC has had a presence in the eastern Andes since the 1960s. In the 1980s and 1990s this presence expanded toward the plains of Casanare. Municipalities such as Yopal, Hato Corozal, Aguazul, Monterrey, Muchia, and Pore are located on the lower plain between Casanare and Boyacá.

11. The term *narcobourgeoisie* is used in this paper to denote an emerging social faction within the dominant classes in Colombia with its own characteristics: humble class origins, economic position in the illicit production process, and political objectives. Regarding the third element, for example, the narcobourgeoisie opposes extradition of its members to the United States and land reforms where its members possess lands; it views the guerrillas as its prime enemy. In this mode, the narcobourgeoisie merits a special analytical category in the politics of identity.

12. According to González 2003, the social composition of Arauca is 60 percent *colonos*, 30 percent migrants from the plains of Meta or as far as the Caribbean coast, and 10 percent indigenous. In national terms, the areas cultivated by peasants in Arauca are 0.82 percent and in Casanare 0.12 percent of the country's total estimated 2,732,349 hectares.

13. It is important to define the distinction between subsistence peasants and *colonos*. The first may have title to the land; the latter do not. In terms of property size, a *colono* may have a larger lot than a subsistence peasant; this is the case in Arauca. The average size of a subsistence peasant land parcel is 26.5 hectares, whereas the average *colono*-occupied land parcel is 97.3 hectares.

14. The average return from a coca crop exceeds the traditional crop cash returns by at least five times.

15. The estimates of coca plantations range between 6,000 and 12,000 hectares. Consequently the number of families of *colonos* and small peasants that support themselves directly from the coca plantations ranges between 800 and 1,600 (that is, about 5,000 to 10,000 individuals). According to one estimate, only 800 families are involved in coca plantations, and the size of their properties ranges between 2 and 4 hectares. This, in turn, indicates the peasant economy class structure. This information is based on an interview with Luis Teodoro González, Director de Pastoral Social, Diocesis de Arauca, 2003. Father

González is a member of a commission that was set up in February 2003 to address the demands of the *cocaleros* in Arauca.

16. Arauca had the highest average rate of assassinations (100,000) in the country between 1987 and 1995, followed by Casanare.

17. The municipality of Tame is characterized by the coexistence of two modes of production: cattle ranching on the plains and a subsistence peasant economy in the higher lands. Tame witnessed conflict over land and, before the advent of the paramilitaries, land acquisitions by large landowners. With the paramilitary incursions, most of the peasants abandoned their lands and moved to the capital. In the last two years, they substituted traditional crops, such as rice and plantains, with coca plants.

18. Evans suggests that states lie on a spectrum from predatory to developmental. A predatory state is one in which the market dominates and productive investments are minimal.

19. In 1965, the service sector was only 47 percent of the GDP.

20. The 5 percent figure is based on rough calculations of military expenditures made available to the author by the National Planning Department, August 2003.

21. According to an informant, OXY pays the soldiers that protect its installations about $85,000 annually. These monies are provided to the families of soldiers killed in action or injured, plus other assistance. How these funds are used and dispensed is not clear, but there is an agreement in which Ecopetrol, Occidental, and the Ministry of Defense participate.

22. According to AUC leader Carlos Castaño, the group draws about 70 percent of its annual income from the drug economy and extracts the remainder from agribusinesses, cattle ranchers, large landowners, and contracting and protection rents from MCs (Castaño 2000).

23. This case is not atypical. In Angola, for example, oil multinationals established special links with the government of the MPLA, a relationship that served the government's strategic goals in fighting the insurgency sponsored by UNITA, providing, in addition to petrodollars, access to foreign credits, foreign aid, export guaranty schemes, and diplomatic support for the investment strategies of individual firms (Reno 2000).

24. This analysis is based on an interview with a FARC informant, Bogotá, August 2003. The ratio of fatalities in 2001 and 2002 improved to the state's benefit, but it is premature to conclude that this constitutes a trend that could affect the strategic balance of power.

25. Since Giha's study was published, the military structure slightly changed, and now the ratio could range between 7 and 6 to 1 (Dávila 2003).

26. In 2002, the private security companies' gross annual income was 3.5 billion Colombian pesos, equivalent to about US$1.3 billion calculated on the basis of 2,700 pesos to the dollar. This figure is superior to the $800 million that the government spent on its 120,000 armed forces personnel.

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