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**Fueling War:  
The Impact of Canadian Oil Investment on the Conflict in Colombia**

By:

Scott Pearce

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**Fueling War**  
**The Impact of Canadian Oil Investment on the Conflict in Colombia**

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**Abstract:**

This paper explores the contentious relationship between foreign investment and political violence in Colombia. In particular, it examines the impact of Canadian oil investment on the armed conflict. In the past two years, there has been a veritable flood of Canadian oil companies to Colombia, many of which are involved in oil exploration and development in regions of the country where conflict is most intense. Indeed, there appears to be a strong correlation between regions of mineral wealth and regions of political conflict. Are Canadian oil companies contributing to the escalation of political violence? Is it possible for even well intentioned companies to conduct themselves ethically in the midst of a war?

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## Introduction

The genesis of this paper began two years ago when I was working in northwestern Colombia with an international human rights organization. My job was to physically accompany community leaders and local human rights defenders who had been threatened by armed groups in the area—most commonly the military or right-wing paramilitary.<sup>1</sup> I spent a great deal of time in the rural communities that were caught at the centre of the armed conflict, and I was struck by the villagers' analysis of the situation: many argued that the government was waging war against the local population in order to clear the way for foreign investment. Foreign investors, it was charged, were providing the incentive, if not the means, to forcibly displace communities in order to gain access to their land and natural resources.<sup>2</sup> Thus, for many people, foreign investment represented a threat to their personal security. This conclusion sharply contradicts the Canadian government's position, which is that foreign investment is enormously beneficial to Colombians. In a recent report, the parliamentary Standing Committee on Foreign Affairs and International Trade argues: "International investment and trade will be very important to Colombia if it is to address its serious problems of poverty and strengthen its democracy overall..."<sup>3</sup>

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<sup>1</sup> The theory behind *protective accompaniment* is that a highly visible international presence serves to deter acts of political violence.

<sup>2</sup> The community of Cacarica in Chocó department says: "[We are] up against the determination of a few powerful people who prevent us from fully benefiting from our land." The economic agenda of their aggressors, they argue, is clear: the area is ripe for coca production, African palm production, oil exploration, timber harvesting, and the construction of an inter-oceanic canal. See: Vida y Dignidad CAVIDA - Comunidad de Autodeterminación, "S.O.S. Cacarica" Paper presented at the conference Grassroots to Globalization: Colombia Non-Violent Resistance from the Bottom Up, (DePaul University, April 2002).

<sup>3</sup> Standing Committee on Foreign Affairs and International Trade, *Conflict, Human Rights and*

This paper will explore the contentious relationship between foreign investment and political violence in Colombia. In particular, it will examine the impact of Canadian oil investment on the armed conflict. In the past two years, there has been a veritable flood of Canadian oil companies to Colombia, many of which are involved in oil exploration and development in regions of the country where conflict is most intense. Indeed, there appears to be a strong correlation between regions of mineral wealth and regions of political conflict. Are Canadian oil companies contributing to the escalation of political violence? Is it possible for even well intentioned companies to conduct themselves ethically in the midst of a war?

These are provocative questions. However, my point of departure is one of concern, not of condemnation. There are no legal injunctions to prevent Canadian companies from operating in Colombia, and there has been no general call from within Colombia for an economic boycott of the country, as occurred in South Africa in the 1980s. As Kai Alderson, Vice-President for Social Research at the ethical investment firm Real Assets Investment Management, puts it, there is no "unified voice for divestment" within Colombia.<sup>4</sup> Thus, Canadian oil companies cannot be criticized *a priori* simply for being present in the country. The question that this paper will explore is whether they are complicit in any way with human rights violations relating to the armed conflict.

The structure of this paper is as follows. First, I will look at the economics of civil war from a theoretical perspective. The focus will be on new research into the financing of rebellion and the role of international investment in zones of conflict. Second, I will trace the origins and evolution of the civil war in Colombia. Third, I will examine the impact of Canadian oil investment on the conflict in Colombia. And

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*Democracy in Colombia: A Canadian Agenda* (Ottawa: May 2002), 11.

<sup>4</sup> Kai Alderson, Vice-President, Social Research, Real Assets Investment Management (Telephone interview, July 3, 2002).

finally, I will ask what are the possibilities for ethical oil investment in Colombia.

Before I continue, I would like to note that, due to the length constraints of the MRP [Major Research Paper assignment for the Master's programme in Political Science], I could not address two important issues related to my topic. The first refers to the impacts of oil development on the environment and social conditions in local communities, including the working conditions of employees.<sup>5</sup> The second refers to the international economic pressures that weigh upon Colombia: the events described in this paper—the influx of foreign oil investment and the escalation of the armed conflict—have taken place within the larger context of corporate-led globalization. While the MRP offers a brief critique of one of its main tenets, i.e., that developing countries can prosper by allowing unrestricted access to foreign investment, it does not deal with the broader macro-economic issues.

## The Economics of Civil War

At a public address in March, the Minister of Foreign Affairs, Bill Graham, made the observation that the security concerns with which Canadians have been grappling since September 11 are concerns “that other countries faced with longstanding civil conflict have long had to deal with.”<sup>6</sup> The proliferation of civil wars is an issue that seems far removed from

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<sup>5</sup> As the Colombian environmental organization Censat Agua Viva states, “the question is not simply whether to have or not to have petroleum [development], but how to create the institutions which will favour development—in the areas of business, science, labour, administration—in support of the common good.” See: Convocatoria--Segundo Panel Internacional: Energía Para Sociedades Sustentables (Bogotá, Colombia: July 25-27 2002), 2.

<sup>6</sup> Bill Graham, *Notes for an Address by the Honourable Bill Graham, Minister of Foreign Affairs, to the Société des Relations Internationales de Québec* (March 25 2002 [cited March 31 2002]); available from [http://webapps.dfaits-maeci.gc.ca/minpub/Publication.asp?FileSpec=/Min\\_Pub\\_Docs/105033.htm](http://webapps.dfaits-maeci.gc.ca/minpub/Publication.asp?FileSpec=/Min_Pub_Docs/105033.htm).

Canada, and many of these wars have long since ceased to be “newsworthy.” However, civil war is one of the greatest security threats in the world today. As Paul Collier, Director of the Development Research Group at the World Bank, states, “Civil war affects most of the world’s poorest countries. It is now far more common than international conflict: of the 27 major armed conflicts listed by the Stockholm International Peace Research Institute for 1999, all but two were internal.”<sup>7</sup>

### 2.1 Greed-Based Theories of Rebellion

Through his work at the World Bank, Paul Collier has been at the forefront of a new school of research that looks at the economic agendas underlying modern-day civil wars. In the widely cited paper “Greed and Grievance in Civil War,” Collier and Anke Hoeffler investigate the causes of civil war using a new data set of wars occurring between 1960 and 1999.<sup>8</sup> They contrast a “greed” theory, which focuses on the *ability to finance* rebellion, with a “grievance” theory, focusing on “ethnic and religious divisions, political repression, and inequality.” By processing data through an econometric model that predicts the outbreak of civil conflict, they conclude that the “greed” theory is a demonstrably superior tool for understanding civil conflict.<sup>9</sup> Collier and Hoeffler argue that while many countries may have groups with “a sufficiently strong sense of grievance to wish to launch a rebellion... rebellions will only occur where they are viable.”<sup>10</sup> And viability, they find, is largely determined by the ability of rebel groups to gain control over natural resources such as oil and minerals.

Collier and Hoeffler observe that there is a high correlation between countries dependent on primary commodity exports and the incidence of civil war. “A likely explanation,” they argue, “is

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<sup>7</sup> Paul Collier and Anke Hoeffler, *Greed and Grievance in Civil War* (Washington D.C.: World Bank, 2001), 2.

<sup>8</sup> *Ibid.*, abstract.

<sup>9</sup> *Ibid.*

<sup>10</sup> *Ibid.*, 3.

the scope these activities provide for extortion by rebel organizations.”<sup>11</sup>

Primary commodity exports are especially vulnerable to looting and taxation because their production relies heavily on assets that are long-lasting and immobile. Once a mine-shaft has been sunk, it is worth exploiting it even if much of the anticipated profits are lost to rebels.<sup>12</sup>

The link between primary commodity exports and civil war is so strong, says Collier, that, “Rebellions either have the objective of natural resource predation, or are critically dependent upon natural resource predation in order to pursue other objectives.”<sup>13</sup> A commonly cited example of this relationship is the case of Angola. From 1992 until 2002, the rebel group UNITA (National Union for the Total Independence of Angola) controlled roughly 70 percent of the country’s diamond production. This “allowed it to continue the war while creating the conditions for local traders, middlemen, and regional commanders to accumulate considerable fortunes.”<sup>14</sup>

However, Collier’s research falls short on two levels. First, the notion that a constraints-based or “greed” theory of rebellion is a superior tool for analyzing civil war is misguided. A focus on the economic viability of rebellion may help to explain the longevity of civil war in a given country, but it cannot explain the causes of that war. Collier contrasts what he calls a grievance-based theory of rebellion with a greed-based theory of rebellion as if they were two

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<sup>11</sup> Ibid., 2.

<sup>12</sup> Paul Collier, *Economic Causes of Civil Conflict and their Implications for Policy* (Washington D.C.: World Bank - Development Research Group, June 15, 2000), 9.

<sup>13</sup> Ibid., 21.

<sup>14</sup> Mats Berdal and David M. Malone, "Introduction," in *Greed and Grievance: Economic Agendas in Civil Wars*, ed. Mats Berdal and David M. Malone (Boulder: Lynne Rienner Publishers, 2000), 5.

competing analytical frameworks, when in fact both perspectives are needed to complete the picture: it is important to analyze both the *motivation* underlying rebellion and the *means* used to carry out that rebellion. Moreover, the narrow scope of Collier’s analysis fails to offer much that is useful for policymakers. Are certain countries simply destined to civil war because their economy is dependent on primary resources? Without an appreciation for the root causes of civil war there is little hope of achieving a resolution of these conflicts.

The second criticism I have of Collier’s approach is his overwhelming emphasis on only one side of the conflict, the insurgency. There is only passing consideration given to the role that the state, or elites, play in civil war. Just as violence is employed by rebel groups to achieve certain objectives, so too is it used by elites. In a recent study of the relationship between land distribution and political conflict, Jean Daudelin concludes, “Land-related violence has been primarily the fact of the powerful.” And he continues, “Conflict-awareness, in other words, should consider elites and governments as much as peasants and landless men and women as potential agents of violence.”<sup>15</sup>

Other researchers looking at the economic agendas underlying civil war have borrowed from Collier, but they expanded their focus to include the violence of “elites and governments.” The common thread uniting current research on civil war is the pivotal importance of natural resource extraction and, more broadly speaking, the idea that political violence can fulfill clear economic functions. While civil war has been portrayed as an anarchic breakdown of the social order, violent conflict can provide real advantages to certain groups. As David Keen has suggested, “War may be the pursuit of economics, rather than politics, by other means.”<sup>16</sup> A summary of the

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<sup>15</sup> Jean Daudelin, *Land and Violence in Post-Conflict Situations (conference draft)* (Ottawa: North-South Institute for the World Bank, April 2002), 9.

<sup>16</sup> Don Hubert (Action Mondiale des Peuples) attributed this quote to David Keen at the Economics

1999 London conference “Economic Agendas in Civil Wars” includes the observation that “Violence has many functions in civil wars, including the undermining of laws and administrative procedures, and the repression of political activity of rival groups which could threaten the economic advantage of some actors.”<sup>17</sup> And David Keen notes further that, “Conflict may lead to the partial or near total depopulation of land, allowing new groups to stake a claim to land, water, and mineral resources.”<sup>18</sup> As we shall see, internal displacement is a particularly acute problem in Colombia.

The research which I have discussed so far focuses on *intrastate conflict*, or conflict within national borders; now I would like to turn to the relationship between resources and *interstate conflict*.<sup>19</sup> As Thad Dunning and Leslie Wirpsa state in their paper, “Andean Gulf?: Oil and the Political Economy of Conflict in Colombia and Beyond”:

[An] explicit policy link in advanced industrial countries, particularly the United States, between economic security and military strategy has led to the doctrine that military intervention may increasingly be used to protect the international flow of strategic resources like oil.<sup>20</sup>

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of War workshop at the 2000 Peacebuilding Consultations in Ottawa. March 1, 2000.

<sup>17</sup> Adekeye Adebajo, *Economic Agendas in Civil Wars: A Conference Summary* (1999 [cited March 5 2002]); available from [www.dfait-maeci.gc.ca/peacebuilding/econ\\_agenda-e.asp](http://www.dfait-maeci.gc.ca/peacebuilding/econ_agenda-e.asp).

<sup>18</sup> David Keen, "Incentives and Disincentives for Violence," in *Greed and Grievance: Economic Agendas in Civil Wars*, ed. Mats Berdal and David M. Malone (Boulder: Lynne Rienner Publishers, 2000), 29.

<sup>19</sup> Thad Dunning and Leslie Wirpsa, "Andean Gulf?: Oil and the Political Economy of Conflict in Colombia and Beyond," *Publication forthcoming* (2002): 2.

<sup>20</sup> *Ibid.*

In an article published in *Foreign Affairs*, Michael T. Klare makes the argument that, with the Cold War over, gaining access to strategic resources has “assumed a central position in American security planning.”<sup>21</sup> According to Klare, we now have to think in terms of “a new geography of conflict, a reconfigured cartography in which resource flows rather than political and ideological divisions constitute the major fault lines.”<sup>22</sup> This is certainly the case for Colombia, where U.S. military policy is closely guided by its oil interests in the region.

## 2.2 Transnational Corporations and Conflict

Another recurring theme in the current research on civil war is an interest in the behaviour of transnational corporations. Mats Berdal and David Malone argue that in order to understand the political economy of civil war “the *role of the international private sector*, particularly that of extractive industries (petroleum, mining) is key [*italics in original*].”<sup>23</sup> Similarly, in his summary of the 1999 London conference on “Economic Agendas in Civil Wars,” Adebajo observes that the “important role of private sector actors was highlighted repeatedly.”<sup>24</sup> So what role do transnational companies play in civil wars? Although this is perhaps an overly broad question, it is possible to identify certain tendencies. As Berdal and Malone point out:

Whereas leading firms have mostly adopted a studiously ‘neutral’ stance on civil strife, disclaiming any political agenda at all, their actions on the ground and in global markets inevitably tend to favour some parties over others. The situation of Shell Oil Company in southeastern Nigeria and De

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<sup>21</sup> Michael T. Klare, "The New Geography of Conflict," *Foreign Affairs* Vol.80, No.3 (May/June 2001): 50.

<sup>22</sup> *Ibid.*: 52.

<sup>23</sup> Berdal and Malone, "Introduction," 12-13.

<sup>24</sup> Adebajo, *Economic Agendas in Civil Wars: A Conference Summary*.

Beers vis-à-vis Angola makes this clear.<sup>25</sup>

Clearly, violent conflict can pose serious risks for international companies—which are often the target of sabotage, extortion, and kidnapping—and these risks prevent many companies from entering conflict areas in the first place. However, those companies that do choose to invest in conflict areas often receive high returns on their investments.

In a survey of Shell Oil operations in Nigeria, J.G. Frynas concluded that “political instability can be conducive to business.”<sup>26</sup> Frynas found that the combination of political instability, which scared off potential rivals, and a cozy relationship with the government, allowed Shell to maintain its strong market position in Nigeria. He notes further that, “High profits in Nigeria may be related to high political risks for the oil companies. In times of political instability, the government may be eager to increase the profit margin for oil companies in order to maintain the level of the companies’ investments.”<sup>27</sup> What is key to the success of foreign investment, says Frynas, is that political instability not be accompanied by *policy* instability.<sup>28</sup> Companies such as Shell can adapt to and even profit from political instability, as long as the government provides institutional stability.

From Frynas’s study, though, we gain no understanding of the role that transnational companies play within the political conflict itself. As David Keen and others have suggested, political

violence can fulfill certain economic functions, such as silencing the opponents of “economic development” projects or displacing communities in order to gain access to their land. But, there is very little empirical information on the relationship between private sector activity and violent conflict because it is often too dangerous to carry out research in the field. Information that does leak out about the conduct of companies operating in conflict zones is usually provided by local human rights activists, at great personal risk. As the International Peace Academy notes, “the motivations and strategies of private sector actors in conflict zones generally remain a ‘black box’ for outsiders...”<sup>29</sup>

At this point, I would like to turn to the 2000 “Harker report” which investigated the role of Talisman Energy in the conflict in Sudan. This is the best available study of a Canadian oil company operating in a conflict zone, and one of the few that manages to penetrate the “black box” of corporate secrecy. It is also a useful case to look at because of the many parallels that can be drawn with Colombia.

### 2.3 *The Case of Talisman Energy in Sudan*

In October of 1999, then Minister of Foreign Affairs Lloyd Axworthy sent John Harker, a senior foreign policy advisor on Africa, to Sudan to investigate “the alleged link between oil development and human rights violations, particularly with respect to the forced removal of populations around oilfields and oil related

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<sup>25</sup> Berdal and Malone, "Introduction," 12-13.

<sup>26</sup> Jędrzej George Frynas, "Political Instability and Business: Focus on Shell in Nigeria," *Third World Quarterly* Vol.19, No.3 (1998): 457.

<sup>27</sup> *Ibid.*: 468.

<sup>28</sup> *Ibid.*: 459.

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<sup>29</sup> International Peace Academy, *Private Sector Actors in Zones of Conflict: Research Challenges and Policy Responses - A report of the Fafo Institute for Applied Social Science Programme for International Cooperation and Conflict Resolution and the International Peace Academy Project on 'Economic Agendas in Civil Wars'* (New York: April 19, 2001), 2.

development.”<sup>30</sup> Three months later Harker published a hard-hitting report, entitled “Human Security in Sudan,” which documented the complicity of Talisman with the Islamic government of Sudan in its war against the non-Muslim civilian population of southern Sudan. Not only were profits from oil development devoted to building up the government’s war machinery, but Talisman airstrips were regularly used by government troops to launch military offensives against the local population.<sup>31</sup>

The evidence suggests that Talisman was intentionally aiding the government in order to protect its oil investments. In his report, Harker writes that “[UN Special Rapporteur] Leonardo Franco gave attention to claims that ‘long-term efforts by the various governments of the Sudan to protect oil production have included a policy of forcible population displacement in order to clear oil-producing areas and transportation routes of southern civilians, who were suspected of supporting sabotage actions by the SPLA [Sudan People’s Liberation Army].”<sup>32</sup> And Harker argues, “It is difficult to avoid Leonardo Franco’s conclusion that a ‘swath of scorched earth/cleared territory’ is being created around the oilfields.”<sup>33</sup> For their part, many southern Sudanese object to oil development because the oil is “being extracted under the authority of a government which has no legitimacy.”<sup>34</sup>

Following the release of the “Harker report,” there was tremendous public pressure on Axworthy to sanction Talisman, but a strong lobbying campaign by the company and “a lack of support from his cabinet colleagues”<sup>35</sup> weakened his resolve. As a result, writes Madelaine Drohan of the *Globe and Mail*, “Mr.

Axworthy’s response... was to promise more studies of a situation that has been studied to death.”<sup>36</sup> But Talisman did not escape free of penalty. As a result of the negative publicity it received the value of Talisman shares took a dramatic drop—anywhere from 9% to 35% according to the *National Post*.<sup>37</sup> Moreover, Talisman is currently being sued in a U.S. court under the Alien Torts Claim act for its complicity with human rights abuses in Sudan.

The Talisman case clearly demonstrates the dangers that arise when a Canadian oil company that is trying to “protect” its operations in the midst of a conflictive environment teams up with a government that is prepared to use any means to “protect” that investment.

## **The Origins and Evolution of the War in Colombia**

### *3.1 La Violencia and the Birth of the Guerrillas*

The starting point for any investigation of recent Colombian history is a period of intense civil war in the mid-20<sup>th</sup> century known simply as La Violencia, “the Violence.” In 1948, Luis Carlos Gaitán, a populist Liberal presidential candidate who advocated land reform, was assassinated. The intellectual authorship of his murder has been the subject of much debate, but what is certain is that his radical politics represented a threat to both the Conservative party and a large segment of his own Liberal party. Whatever the source of the plot, the assassination of Gaitán was the spark which ignited widespread fighting between Liberal and Conservative supporters, particularly in the countryside where party loyalties were strongest felt. Over the next ten

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<sup>30</sup> John Harker, *Human Security in Sudan: The Report of a Canadian Assessment Mission* (Ottawa: Prepared for the Minister of Foreign Affairs, January 2000), 1.

<sup>31</sup> *Ibid.*, 14.

<sup>32</sup> *Ibid.*, 12.

<sup>33</sup> *Ibid.*, 11.

<sup>34</sup> *Ibid.*, 13.

<sup>35</sup> Madelaine Drohan, “Why Axworthy stopped talking tough: corporate lobbying and some hard realities caused him to soften his tone,” *Globe and Mail*, February 15 2000.

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<sup>36</sup> *Ibid.*

<sup>37</sup> of the Standing Committee on Foreign Affairs and International Trade Sub-Committee on Human Rights and International Development, *Transcript from Meeting 16 on Human Rights in Colombia* (November 21, 2001 [cited June 15, 2002]); available from [www.parl.gc.ca/InComDoc/37/1/SRID/Meetings/Evidence/sridev16-e.htm](http://www.parl.gc.ca/InComDoc/37/1/SRID/Meetings/Evidence/sridev16-e.htm).

years La Violencia left an estimated 200,000 people dead.<sup>38</sup>

In Colombia, La Violencia operates as a kind of “founding myth,”<sup>39</sup> and many of the current problems which plague the country are traced back to that era. The agreement reached in 1958 between Liberal and Conservative party elites, to alternate power for a period of 16 years, brought peace to the country, but popular voices were silenced in the process. And some of the peasant self-defense groups that formed during La Violencia were reborn in 1964 as the Revolutionary Armed Forces of Colombia (FARC) in order to defend peasants’ access to arable land. The FARC is now the largest guerrilla group in Colombia, and the oldest guerrilla group in the hemisphere. The formation of the FARC was followed by the creation of other insurgent groups in the 1960s and 70s, such as the National Liberation Army (ELN) and the April 19 Movement (M-19). All of them were fighting for what they defined as a democratic opening of the political system and the rights of the poor.

Surprisingly, increasing political conflict has been accompanied by a high degree of institutional stability within Colombia. Rodrigo Uprimny Yepes, a professor of law at the National University of Colombia, notes that “if one compares Colombian history with that of other Latin American countries, two uniquely Colombian characteristics leap into view: institutional stability and violence.”<sup>40</sup> In fact, Uprimny Yepes argues that political violence is to a large degree the result of an institutional stability founded on the exclusion of various societal interests: “for all its civility and surprising and even boring institutional stability,

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<sup>38</sup> Nazih Richani, *Systems of Violence: The Political Economy of War and Peace in Colombia* (Albany: State University of New York Press, 2002), 2.

<sup>39</sup> Rodrigo Uprimny Yepes, “Violence, Power, and Collective Action: A Comparison between Bolivia and Colombia,” in *Violence in Colombia 1990-2000: Waging War and Negotiating Peace*, ed. Charles Berquist, Ricardo Peñaranda, and Gonzalo Sánchez G. (Wilmington, Delaware: Scholarly Resources Inc., 2001), 46.

<sup>40</sup> Yepes, 49

Colombian democracy has been based on what Alexander Wilde called ‘conversations between gentlemen,’ in other words a democracy very close to an aristocracy...”<sup>41</sup> The emergence of populist initiatives which threaten the Colombian establishment have been dealt with swiftly. From the assassination of Gaitán in 1948 to the campaign of terror waged against the left-wing Patriotic Union (UP) in the 1980s and early 1990s,<sup>42</sup> attempts to bring about social change through political channels have almost always been met with violence.

This violence has not been limited to the political arena, however. A theme that runs throughout Colombian history is the link between economic expansion and political violence. This is an important observation because while there is a newfound interest in the economic incentives driving conflict, there is very little that is novel about this phenomenon. In fact, much can be learned about the present situation in Colombia by looking back at recent history. In an article entitled “Violence and Economic Development: 1945-1950 and 1985-1988,” Medófilo Medina underlines the economic agendas that drove La Violencia:

After 1948 the association between violence and economic expansion appeared in a new guise. Whereas between 1946 and 1949 the government’s antiunion offensive had helped assure high profits, after the 1948 assassination of Gaitán, threats and exile promoted different forms of capital accumulation. For the coffee-growing areas, Jaime Arocha and, especially, Carlos Miguel Ortiz Sarmiento have documented convincingly the

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<sup>41</sup> Yepes, 43

<sup>42</sup> Nazih Richani writes: “it is estimated that more than three thousand Union Patriótica (UP) members were killed since the mid-1980s. The UP was set up in 1985 during the Betancur government as a legal leftist political movement.” See: Richani, *Systems of Violence: The Political Economy of War and Peace in Colombia*, 186.

way in which a reshuffling of land ownership took place. Professionals, merchants from the county seats, storekeepers, and estate foremen were able to dominate coffee commerce and become strong links in the 'business of the Violence.'<sup>43</sup>

Throughout Colombia's history the question of land distribution has been a source of conflict.

In a report written for the World Bank, Klaus Deininger notes that "the rural employment growth [in Colombia] since the 1950s has been dismally low, significantly below the standard even of Latin American countries" and that "this appears to have increased peasants' inclination to support, or at least live with exceptionally high levels of rural violence that increasingly constitute a drag on the whole economy."<sup>44</sup> The connection that Deininger draws between low rural employment growth and rural violence is interesting, yet he appears to characterize peasant support for violence as self-defeating. While I am no advocate of violence, it has to be acknowledged that, at least historically, peasant-violence in Colombia has been used to secure access to arable land. The impetus to form the FARC, writes Alfredo Molano, a leading Colombian historian, came about when several peasant groups realized "that unless they were armed, the land and the work they had put into improving the land would tend to fall into the

hands of the large landowners."<sup>45</sup> Molano continues:

[In the 1950s] armed self-defense movements were founded that organized themselves into the so-called Independent Republics of Marquetalia—El Pato, Rioquiquito, and Guayabero—and that later evolved into the Fuerzas Armadas Revolucionarias de Colombia (FARC). The activities of these groups not only were military in nature but also were economic, and thus the groups colonized vast regions. Their accomplishment has been called armed colonization...<sup>46</sup>

During the 1960s and 1970s the number and size of guerrilla groups grew slowly, and they never came close to rallying the kind of critical mass needed to win a revolution like that in Nicaragua. In the 1980s, however, a number of factors combined to bring about the escalation of the conflict. During this time Colombia became a major drug trafficking point and then a major producer of cocaine. "Taxes" imposed by the guerrillas on peasant coca-growers, together with finances gained from kidnapping and extortion, provided a source of revenue that allowed these groups to expand. But the drug trade was also linked to the birth of a new armed actor—the paramilitary.

### 3.2 Paramilitarism and the Colombian State

"The formal trajectory of paramilitary groups," writes Nazih Richani, dates back to 1965 and

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<sup>43</sup> Medófilo Medina, "Violence and Economic Development: 1945-1950 and 1985-1988," in *Violence in Colombia: The Contemporary Crisis in Historical Perspective*, ed. Charles Bergquist, Ricardo Peñaranda, and Gonzalo Sánchez (Wilmington, Delaware: Scholarly Resources, 1992), 160.

<sup>44</sup> Klaus Deininger, *Making Negotiated Land Reform Work: Initial experience from Colombia, Brazil, and South Africa* (World Bank, June 1998 [cited August 10, 2002]); available from <http://wbln0018.worldbank.org/Networks/ESSD/icdb.nsf/D4856F112E805DF4852566C9007C27A6/E73A118F18A1F49B852567ED0066EAFB>.

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<sup>45</sup> Alfredo Molano, "Violence and Land Colonization," in *Violence in Colombia: The Contemporary Crisis in Historical Perspective*, ed. Charles Bergquist, Ricardo Peñaranda, and Gonzalo Sánchez (Wilmington, Delaware: Scholarly Resources, 1992), 198.

<sup>46</sup> Alfredo Molano adds: "In the zones where the FARC had no influence in the 1960s, the process of dismantling peasant colonization and transferring land to large landowning interests proceeded without interference." See: *Ibid.*, 198-206.

1968 when legislation was passed which “provided the legal foundation of civil defense organizations through presidential order.”<sup>47</sup> Yet it was in the 1980s when the conditions were set for paramilitary groups to explode in number and strength. These right-wing militias were originally formed through an alliance of drug traffickers, large-landowners, and local business elites, with training and much of the coordination provided by the Colombian military.<sup>48</sup> For the military, the paramilitary became a convenient way to continue fighting a “dirty war” while improving their human rights image. Alfredo Molano notes that in the 1980s, before the paramilitary became a major force, the Colombian military was responsible for some 70% of the attacks against civilians, whereas now that figure is attributed to the paramilitary.<sup>49</sup> And for the various funders of paramilitarism, these groups represented a solution to the problem of guerrilla extortion and kidnapping—the first paramilitary group in the 1980s was named “Death to Kidnappers.”<sup>50</sup> But the paramilitary were more than simply “self-defense militias.” They were effectively mercenaries used to silence political opponents and preserve the economic position of their patrons. Following various reports of paramilitary abuses, President Virgilio Barco

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<sup>47</sup> Richani, *Systems of Violence: The Political Economy of War and Peace in Colombia*, 104.

<sup>48</sup> Nazih Richani writes: “...following a 1995 meeting of a 13 member paramilitary junta a document was produced in which the United Self-Defence Forces of Colombia (AUC) acknowledged the receipt of logistical and material support of the armed forces, and that the large landowners, cattle ranchers, and some business groups help in financing its project.” See: *Ibid.*, 194.

<sup>49</sup> Molano, “Violence and Land Colonization,” 98. According to Human Rights Watch the primary targets of the paramilitary are not guerrilla combatants, but civilians “who are perceived to be sympathetic to the guerrillas or their ideology—including teachers, community leaders, trade unionists, human rights defenders, and religious workers...” See: Human Rights Watch, *War Without Quarter: Colombia and International Humanitarian Law* (New York: October 1998), 24.

<sup>50</sup> Javier Giraldo, *Colombia: the genocidal democracy* (Monroe, Maine: Common Courage Press, 1996), 83-85.

officially declared the civilian militias illegal in 1989, but they continued to grow in strength with the clandestine support of the army.<sup>51</sup>

In response to Mao’s famous dictum, that guerrillas must move amongst the people as a fish swims in the sea, the main thrust of the paramilitary strategy has been to attack what it defines as the guerrillas’ social base.<sup>52</sup> According to Human Rights Watch, the primary targets of the paramilitary are not guerrilla combatants but civilians “who are perceived to be sympathetic to the guerrillas or their ideology—including teachers, community leaders, trade unionists, human rights defenders, and religious workers...”<sup>53</sup> In the countryside, this practice of targeting guerrilla supporters has reached extreme proportions, with whole

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<sup>51</sup> In this paper I will treat the paramilitary as a unitary actor even though there are regional variations. In the 1980s there were multiple paramilitary groups. For example: Autodefensas Campesinas de Córdoba y Urabá, Autodefensas de los Llanos Orientales, and Autodefensas del Magdalena Medio. In 1994, the various local paramilitary groups came together under one umbrella organization the AUC (Autodefensas Unidas de Colombia, United Self-Defence Forces of Colombia). See: Human Rights Watch, *War Without Quarter: Colombia and International Humanitarian Law*. More recently there are reports that the AUC has splintered into several independent factions; however, it is too soon to determine the importance of this change. See: Yadira Ferrer, “Colombia: Paramilitaries Splinter, Rights Workers Worried,” *Inter Press Service* July 24, 2002.

<sup>52</sup> Justicia y Paz representative (the interviewee requested anonymity), (Chicago: In-person interview, April 7, 2002). Carlos Castaño, the chief spokesperson for the paramilitary umbrella group the AUC (United Self-Defence Forces of Colombia), stated in an interview: “In this war much of the civil population dies. Do you know why? Because two-thirds of the effective forces of the guerrillas do not have weapons and are acting as part of the civil population.” See: Fernando Cubides C., “From Private to Public Violence: The Paramilitaries,” in *Violence in Colombia 1990-2000: Waging War and Negotiating Peace*, ed. Charles Berquist, Ricardo Peñaranda, and Gonzalo Sánchez G. (Bogotá: Scholarly Resources Inc., 2001), 141.

<sup>53</sup> Human Rights Watch, *War Without Quarter: Colombia and International Humanitarian Law*, 104.

villages being forcibly displaced through a combination of threats and massacres.

Jorge Salazar argues that the paramilitary's motivation is often more economic than political. Salazar is a former researcher with the Popular Training Institute (IPC) of Medellín, an organization that documents the political violence in Colombia.<sup>54</sup> He underlines that while displacement is commonly recognized as a tactic of counter-insurgency, "there are numerous examples of large-scale displacement in areas of the country where the guerrillas have little or no presence."<sup>55</sup> Human Rights Watch reports that displacement is linked to "powerful business interests, who ally with paramilitaries to force poor farmers from their land, then occupy it or buy it for paltry sums."<sup>56</sup> The problem of internal displacement now represents a humanitarian crisis of staggering proportions: in 2000 alone, there was an estimated 319,000 people pushed off their land.<sup>57</sup>

As international criticism of paramilitary human rights abuses has grown, so too have the Colombian government's efforts to publicly distance itself from the paramilitary. Nevertheless, the Colombian military's role in founding the paramilitary is undisputed,<sup>58</sup> and reputable sources continue to document a close link between the two groups. The United

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<sup>54</sup> Due to death threats and kidnappings on the part of the paramilitary, Jorge Salazar and other researchers with the Popular Training Institute have had to flee the country, and the human rights work carried out by the Institute has been greatly reduced.

<sup>55</sup> Jorge Salazar, Former director of the human rights section of the Instituto Popular de Capacitación (Toronto: In-person interview, September 29 2002).

<sup>56</sup> Human Rights Watch, *War Without Quarter: Colombia and International Humanitarian Law*, 205.

<sup>57</sup> This statistic was compiled by the Colombian Commission of Jurists. See: Human Rights Watch, *The 'Sixth Division': Military-Paramilitary Ties and U.S. Policy in Colombia* (New York: September 2001), 12.

<sup>58</sup> Human Rights Watch writes, it is "a basic historical fact that is unchallenged in Colombia: paramilitary groups can be traced directly back to a Colombian Army effort to recruit, train, and arm civilians to fight guerrillas." See: *Ibid.*, 78.

Nations Commission on Human Rights's 2001 Colombia report has this to say:

During 2001, the Office continued to observe that paramilitary activity was strengthening and spreading throughout much of the country's territory. The Office noted the limited effectiveness of the measures taken against paramilitary groups to curb their activities, contain their advance and respond to their aggressions, as well as the fickle commitment on the part of the State in this struggle. The members of the paramilitary groups continued to be the main parties responsible for the increase in human rights violations. They also greatly contributed to the deterioration in the conflict through their systematic use of violence and terror against the civilian population in zones under their control and in areas affected by their raids. Toleration, support and complicity on the part of public servants, as well as non-fulfillment of their duty to safeguard rights, with respect to several acts by these groups, mean that the State continues to bear responsibility.<sup>59</sup>

### 3.3 *The U.S. Role in Colombia*

Finally, no discussion of the conflict in Colombia would be complete without addressing the role of the United States. At least since 1953, when Colombia sent troops to serve under U.S. command during the Korean War (the only country in Latin America to do so), Colombia

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<sup>59</sup> This was the conclusion of the 2001 report on Colombia of the UN Commission on Human Rights. Cited in: Standing Committee on Foreign Affairs and International Trade, *Conflict, Human Rights and Democracy in Colombia: A Canadian Agenda*, 15.

and the United States have had a very tight relationship. In the 1960s, Colombia was a major beneficiary of John F. Kennedy's *Alliance for Progress* aid program for Latin America. Some observers even argue that Kennedy's military advisors to Colombia laid the groundwork for the counterinsurgency model of arming civilian militias—a model which has evolved into the paramilitary of today.<sup>60</sup>

As retired-Colonel William W. Mendel stated, "Colombia has immense geostrategic importance to the United States,"<sup>61</sup> and it is therefore unsurprising that the U.S. viewed with great concern the growing strength of the Colombian guerrillas in the 1990s. This triggered a dramatic increase in U.S. military aid and "since 1998, Colombia has received more United States security assistance than any country outside the Middle East."<sup>62</sup> The biggest jump in military funding came in 2000, when President Clinton signed a "mostly military antidrug aid package of \$1.3 billion"<sup>63</sup> as part of Plan Colombia. The aim of the U.S.-led Plan Colombia and its successor, the Andean Regional Initiative, was to undermine the guerrillas by depriving them of their main funding source, taxes levied on coca and poppy cultivation.<sup>64</sup> More recently the Bush administration has given Colombia the go ahead to use Plan Colombia military aid, previously

earmarked for counter-narcotics, to fight the guerrillas directly.<sup>65</sup>

However, U.S. policy towards Colombia is not just concerned with eradicating drug crops or even defeating the guerrillas—it is driven, in large part, by the need to expand and protect strategic oil supplies. When Senator Paul Coverdell introduced legislation for Plan Colombia in 2000, he remarked: "A decade ago the United States went to war with a powerful enemy partly to stabilize a major oil-producing region... The oil picture in Latin America is strikingly similar to that of the Middle East, except that Colombia provides us more oil today than Kuwait did then."<sup>66</sup> Since September 11, the United States has become increasingly insecure about its dependence on Middle Eastern oil and there is a renewed interest in securing oil supplies from Andean countries. In January 2002, the U.S. Ambassador to Colombia, Ann Patterson, spoke in favour of a bill to devote \$98 million in military aid to protect a strategic oil pipeline: "[It] is something we have to do... It is important for the future of the country [Colombia], for our petroleum supplies and for the confidence of our investors."<sup>67</sup> As Colombia increasingly becomes identified with the U.S. national interest, U.S. military intervention is likely to grow and with it the escalation of the armed conflict.

At the present time, the war in Colombia continues without respite. In February, the long and slow peace process that President Andrés Pastrana initiated with the FARC guerrillas ground to an abrupt halt. The kidnapping of a Colombian senator by the FARC was seen by the government as grounds to suspend the negotiations, which had been characterized by distrust and lack of commitment on all sides. Yet while the war rages on, foreign investment continues to flood into Colombia: the website of the Canadian Embassy in Bogotá reports that the

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<sup>60</sup> The former Minister of Foreign Affairs (1970-74), Alfredo Vásquez Carrizosa, writes, "During the Kennedy administration, Washington took great pains to transform our regular armies into counterinsurgency brigades, accepting the new strategy of the death squads." See: Noam Chomsky, "Introduction: The Culture of Fear," in *Colombia: The Genocidal Democracy* (Monroe, Maine: Common Courage Press, 1996), 10.

<sup>61</sup> Colonel William W. (US Army Mendel, Retired), "Colombia's Threats to Regional Security," *Military Review* (May-June 2001): 2.

<sup>62</sup> Michael Shifter, "A Shaken Agenda: Bush and Latin America," *Current History* (February 2002).

<sup>63</sup> *Ibid.*

<sup>64</sup> Mendel, "Colombia's Threats to Regional Security," 4.

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<sup>65</sup> Joseph Contreras, "A 'Little Vietnam'?", *Newsweek* June 24, 2002, 35.

<sup>66</sup> Dunning and Wirpsa, "Andean Gulf?: Oil and the Political Economy of Conflict in Colombia and Beyond," 7-8.

<sup>67</sup> *Ibid.*: 6.

Colombian government has created “a very favourable climate for investment and this has attracted significant Canadian resources.”<sup>68</sup> In the following section I will look at one facet of Canadian investment towards Colombia, oil investment, and its impact on the conflict.

## **The Impact of Canadian Oil Investment on the Conflict in Colombia**

The question of how Canadian oil development impacts the conflict in Colombia has not received the attention it deserves. In a recent letter to the parliamentary Sub-Committee on Human Rights and International Development, the North-South Institute stated, “According to the Colombian Final Report of our project, political violence, to the astonishment and incredulity of many, is linked with the advance of development projects and exploitation of natural resource projects...”<sup>69</sup> And in a study on “The Presence of Canadian Petroleum Companies in Colombia,” researchers Gonzalo Castaño Valderrama and Luis Maria Neves Camacho found that, “an avalanche of new contracts and new Canadian companies”<sup>70</sup> entered Colombia in 2000, “at a moment when the internal conflict has intensified... and where resistance to their projects is significant.”<sup>71</sup>

In light of these observations and the findings of the Harker report, there is clearly a need to scrutinize the activities of Canadian oil companies in Colombia. My argument is not that oil is the cause of war in Colombia. Rather, oil, and more broadly speaking natural resource

extraction, is one of the factors contributing to the escalation of the war. In this sense the situation of Colombia is analogous to that of Sudan; as John Harker states, “the durable civil war in Sudan is not fundamentally about oil, but oil has become a key factor.”<sup>72</sup>

### *4.1 The Colombian Oil Industry*

The rapid rise of the petroleum sector in Colombia has been brought about, in large part, due to foreign direct investment. Colombia did not become a net-oil producer until the mid-1980s, following the discovery of the Caño Limón deposit by U.S. owned Occidental Petroleum.<sup>73</sup> “British Petroleum’s subsequent discovery of the Cusiana-Cupiagua field,” note Thad Dunning and Leslie Wirpsa, “helped Colombia’s daily production grow from around 100 thousand barrels per day in the early 1980s to top 800 thousand bpd in 1999.”<sup>74</sup> In a very short period of time Colombia became “one of the major oil producers in the Western hemisphere.”<sup>75</sup> This has had a significant impact on the shape of the Colombian economy. In 2000, petroleum accounted for 35% of total export earnings, making it the number one (legal) export in the country.<sup>76</sup>

But, while current petroleum production is high, it is the future potential of the industry that excites investors. LatinOil.Com, a website designed to promote investment in the Colombian oil sector, states that “only 30% of the sedimentary areas have reasonable geological knowledge, while the remaining 70%

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<sup>68</sup> Canadian Embassy - Bogotá, *A Guide for Canadian Exports and Investors* (2002 [cited April 1 2002]); available from [www.dfait-maeci.gc.ca/bogota/frame-e.htm?trade-e.htm](http://www.dfait-maeci.gc.ca/bogota/frame-e.htm?trade-e.htm).

<sup>69</sup> North-South Institute, Letter to the Sub-Committee on Human Rights and International Development (Ottawa: March 18 2002), 3.

<sup>70</sup> Gonzalo Castaño Valderrama and Luisa Maria Neves Camacho, *Empresas Petroleras Canadienses en Colombia - The Presence of Canadian Petroleum Companies in Colombia (Final report elaborated for the Canadian Labor Congress, Development and Peace, and Rights and Democracy)* (Bogotá: Censat Agua Viva - Amigos de la Tierra Colombia, 2001).

<sup>71</sup> *Ibid.*

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<sup>72</sup> Harker, *Human Security in Sudan: The Report of a Canadian Assessment Mission*, 14.

<sup>73</sup> Dunning and Wirpsa, “Andean Gulf?: Oil and the Political Economy of Conflict in Colombia and Beyond,” 5.

<sup>74</sup> *Ibid.*

<sup>75</sup> Michael T. Klare, *Quest for Oil Drives Aid to Colombia* (AlterNet.Org, May 4, 2000 [cited June 3, 2002]); available from [www.alternet.org/print.html?StoryID=9111](http://www.alternet.org/print.html?StoryID=9111).

<sup>76</sup> World Bank, *Colombia at a Glance* (2001 [cited 2002 March 31]); available from [www.worldbank.org/data/countrydata/aag/col\\_aag.pdf](http://www.worldbank.org/data/countrydata/aag/col_aag.pdf).

is either little known or unexplored.”<sup>77</sup> The possibility of making a major discovery has prompted a boom in oil exploration, in spite of the one major complication: half of Colombia's potential oil reserves lie under guerrilla-controlled territory.<sup>78</sup>

Although the first Canadian petroleum company to enter Colombia was Petrosantander in 1955,<sup>79</sup> the story of Canadian oil in Colombia really begins in 2000. In February of that year, Canadian Petroleum Company (now Nexen) in conjunction with its Colombian partners made what was touted by the Colombian media as “the discovery of the decade”.<sup>80</sup> The discovery of the lucrative Guandó deposit occurred at a time when Colombia was negotiating a new round of contracts, and Canadian oil companies benefited tremendously from the goodwill generated by the discovery. Of the 32 “association contracts” awarded in 2000, 10 were allocated to Canadian companies, many of which were entering Colombia for the first time.<sup>81</sup> Thus, in 2000, six new Canadian oil companies entered Colombia: Quadra Resources, Mera, Millenium, Burlington Resources, Gulf Sands, and Talisman (still reeling from the Harker report); they joined the seven Canadian companies that were already established there: Petrosantander, Petronorte, Alberta Energy (now EnCana), Canadian (now Nexen), Doreal, Kappa, and Can West.<sup>82</sup>

<sup>77</sup> LatinOil.Com, *Colombia: Hydrocarbons Potential* ([cited June 3, 2002]); available from [www.latinoil.com/overview/index.htm](http://www.latinoil.com/overview/index.htm).

<sup>78</sup> Kai Alderson, *Promoting Canadian Corporate Citizenship Abroad* (Vancouver: Canadian Business for Social Responsibility in partnership with the Canadian Centre for Foreign Policy Development, 2000), 5.

<sup>79</sup> Castaño Valderrama and Camacho, *Empresas Petroleras Canadienses en Colombia - The Presence of Canadian Petroleum Companies in Colombia (Final report elaborated for the Canadian Labor Congress, Development and Peace, and Rights and Democracy)*, 8.

<sup>80</sup> *Ibid.*, 11.

<sup>81</sup> *Ibid.*

<sup>82</sup> *Ibid.*, 6. The Canadian Embassy in Bogotá currently has knowledge of ten Canadian oil companies operating in Colombia: Nexen, Talisman, Petrominerales Colombia Ltd, Quadra Resources, Mera Petroleum,

Meanwhile, what marked a resounding success for the Canadian oil industry was greeted with wariness on the part of some Colombians. Castaño Valderrama and Neves Camacho write, “Canadian companies have entered Colombia at a moment when the internal conflict has intensified particularly in traditional, indigenous-occupied areas, and where resistance to their projects is significant...”<sup>83</sup> I will begin my investigation by looking at one area of traditionally strong resistance, the guerrillas.

#### 4.2 Oil Investment and the Guerrillas

In this section, I want to ask two questions. First, is oil a catalyst for political conflict? And second, does oil development enrich the guerrillas?<sup>84</sup> On the first question the answer is an unqualified yes. The guerrillas, particularly the National Liberation Army (ELN), have strongly opposed the increase of foreign investment within the oil sector, a process that they see as robbing Colombians of their rightful patrimony.<sup>85</sup> This has prompted numerous

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Millennium, Petrosantander, Petronorte, Enbridge and TransCanada Pipelines. See: Nigel Neale, Third Secretary (Commercial) at the Canadian Embassy in Bogotá (Email communication with author, August 5, 2002).

<sup>83</sup> Castaño Valderrama and Camacho, *Empresas Petroleras Canadienses en Colombia - The Presence of Canadian Petroleum Companies in Colombia (Final report elaborated for the Canadian Labor Congress, Development and Peace, and Rights and Democracy)*.

<sup>84</sup> In this paper I will treat the various insurgent groups under one common heading, “the guerrilla.” An examination of the political and strategic differences between groups such as the FARC and the ELN will have to be left to another paper.

<sup>85</sup> The second largest guerrilla group, the National Liberation Army (ELN), states that it opposes an economic policy which favours the interests of “transnationals” and that Colombia’s natural resources should be exploited in accordance with “our interests and needs.” Ejército de Liberación Nacional, *The Country We Want* (April 4, 2000 [cited April 4 2002]); available from [http://www.web.net/elN/ELN/we\\_want.html](http://www.web.net/elN/ELN/we_want.html).

attacks against the oil infrastructure, costing the Colombian government an estimated \$500 million in lost revenue in 2001.<sup>86</sup> As the human rights organization Rights and Democracy explains, “Guerrillas, trying to force the State to articulate a new national public energy policy, frequently blow up pipelines causing not only losses for State coffers and foreign companies, but also irreparable ecological damage as a result of spills.”<sup>87</sup> Thus, the mere presence of Canadian oil companies in Colombia may attract guerrilla attacks.

The problem is that local communities often have little opportunity to oppose oil development that may ultimately put them in danger. Asad Ismi, author of the report “Profiting from Repression: Canadian Investment in and Trade with Colombia,” says that “people don’t want pipelines, because their land will become a source of conflict.”<sup>88</sup> Guerrilla attacks on pipelines and other oil facilities not only cause tremendous environmental damage, but they can also impose serious human costs. For example, in October 1998, the ELN bombed the OCENSA pipeline and 48 people were killed in the fire that followed.<sup>89</sup> At the time of the bombing two Canadian companies, Enbridge and TransCanada Pipelines, collectively owned 24.7% of OCENSA.<sup>90</sup> (More attention will be paid to the OCENSA pipeline and its effect on neighbouring communities later in this paper.)

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<sup>86</sup> Maureen Lorenzetti, “Oxy Decries Senate Colombian Pipeline Security Plan,” *Oil & Gas Journal* June 17, 2002, 34.

<sup>87</sup> Rights and Democracy with the cooperation of the Assembly of First Nations (Canada) Rights and Democracy, *Mission to Colombia to Investigate the Situation of Indigenous Peoples* (Montreal: 2001), 17.

<sup>88</sup> Asad Ismi, author of *Profiting from Repression: Canadian Investment in and Trade With Colombia* (Toronto: In-person interview, June 24, 2002).

<sup>89</sup> Rights and Democracy, *Mission to Colombia to Investigate the Situation of Indigenous Peoples*, 8.

<sup>90</sup> Enbridge Inc., *Submission to the Sub-committee on Human Rights of the Standing Committee on Foreign Affairs and International Trade* (December 5, 2001), 6-7.

On the second question—does oil development enrich the guerrillas?—the answer is once again affirmative. While oil-related extortion or kidnapping is not the major source of financing, it is not insignificant. Dunning and Wirpsa point out that the revival, in the mid-1980s, of the National Liberation Army (ELN) was linked to “\$4 million in extortion payments, reportedly received from a German contractor, Mannesman, involved in the construction of the Caño Limón-Coveñas pipeline.”<sup>91</sup> Similarly, Lawrence Merriage, an executive with Occidental, has testified that their contractors in Colombia pay the so-called “war tax” to the rebels and that: “[local workers] in our installations find themselves obliged to pay for their ‘protection’ or put at risk the security of themselves and their families.”<sup>92</sup> Although it is impossible to confirm whether Canadian oil companies in Colombia are effected by this type of extortion, it is highly probable, given that the guerrillas control large parts of the country where oil development is occurring.

The potential for profiting from oil development has created some curious contradictions among the guerrillas. In some cases, guerrilla groups which have traditionally opposed new oil projects are now pressuring local communities to accept them, so as not to be deprived of a lucrative funding source.<sup>93</sup> One such example

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<sup>91</sup> Dunning and Wirpsa, “Andean Gulf?: Oil and the Political Economy of Conflict in Colombia and Beyond,” 11. Nazih Richani writes: “The ELN was practically defeated in 1973... However, the ELN recovered, from less than 500 guerrillas in 1979, and by 1998 had more than 5,000 combatants. This growth was facilitated by the resolution of the rural/urban political dispute and the organization’s extraction of rent payments from oil companies in its areas of influence. The construction of the pipelines of Caño Limon-Covenas provided a lifeline for the movement.” See: Richani, *Systems of Violence: The Political Economy of War and Peace in Colombia*, 85.

<sup>92</sup> This testimony was offered before the Sub-Committee of the United States House of Representatives in February 2000. See: Dunning and Wirpsa, “Andean Gulf?: Oil and the Political Economy of Conflict in Colombia and Beyond,” 11.

<sup>93</sup> Nazih Richani writes: “The FARC decided in its seventh conference [1982] to double its fronts and to

was recorded by Rights and Democracy during a fact-finding mission to Colombia in 2001.

On a previous occasion when OZIP [Zonal Organization of Indigenous peoples of Putumayo] was negotiating with ECOPETROL (the Colombian State Petroleum Company) over the development of the San Juan Petroleum Block, the organization was warned by FARC guerrillas that if indigenous peoples opposed exploitation, OZIP would be responsible for paying the guerrilla the US \$80,000 tax they had imposed on the company. This threat had a debilitating effect on the community's negotiating position.<sup>94</sup>

OZIP then told Rights and Democracy that they were concerned about the arrival of a Canadian company, Alberta Energy (now EnCana), into the area, and the long-term consequences that this might have for their communities.<sup>95</sup> Can Canadian oil companies guarantee that their investment will not impose similar pressures on local communities?

The fact that Canadian oil companies are not deterred by reports of guerrilla extortion from investing in Colombia supports Collier's conclusion that due to the "long-lasting and immobile" nature of primary commodities, these industries will not tend to pull out "even if much of the anticipated profits are lost to rebels."<sup>96</sup>

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move closer to middle-sized cities, and strategic areas of natural resources (oil, gold, emeralds, and coal). The objective was to create a strong economic infrastructure for FARC." See: Richani, *Systems of Violence: The Political Economy of War and Peace in Colombia*, 76.

<sup>94</sup> Rights and Democracy, *Mission to Colombia to Investigate the Situation of Indigenous Peoples*, 18.

<sup>95</sup> Ibid.

<sup>96</sup> Collier, *Economic Causes of Civil Conflict and their Implications for Policy*, 9.

However, it also important to recognize the limits of Collier's greed-based theory of rebellion. Colombian guerrilla groups emerged in the 1960s, almost two decades before the boom in narcotics and petroleum exports. We can attribute some of the guerrillas' success to their ability to tap into primary exports, but this is only a partial explanation. Any attempt to dismiss the Colombian guerrillas as "armed bandits" obscures their social base of support and their historic role as an agent fighting for land reform and democracy.

#### 4.3 Making Colombia "Safe" for Investment

The link between foreign investment and political violence becomes even clearer when we look at the activities of the Colombian military and paramilitary groups. For the Colombian government the procurement of foreign investment has become an absolute priority. As Rights and Democracy states, "Seriously affected by the current economic crisis and the costs of the war, recent governments have facilitated a multitude of easy-term concessions for, and association contracts with, private companies, both national and multinational, for the extraction of natural resources, especially oil."<sup>97</sup> Since one of the principal obstacles to foreign investment is the climate of extreme insecurity in Colombia, the Colombian government has gone to great lengths to make sure that this investment is "secure". In her book *Progress, Poverty and Exclusion: Economic History of Latin America in the 20<sup>th</sup> Century*, Rosemary Thorp states,

...from the mid-1980s it was clear that the new primary exports for Colombia were to be oil and coal, which required foreign participation. This raised the issues of local violence in new ways, since foreign companies needed to know they could depend on

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<sup>97</sup> Rights and Democracy, *Mission to Colombia to Investigate the Situation of Indigenous Peoples*, 17.

some level of local security for personnel and pipelines.<sup>98</sup>

or protect powerful economic interests.<sup>100</sup>

The Colombian government currently devotes more than half of its military resources to the protection of the country's economic infrastructure, primarily oil installations and pipelines.<sup>99</sup>

In a 1998 bulletin Amnesty International argued that there is a high risk that military personnel in charge of guarding foreign oil investment are also involved in committing human rights abuses:

...the role of the Colombian security forces in the implementation of a counterinsurgency strategy characterized by the systematic violation of human rights imposes a special moral obligation on national and international companies to ensure that, however unwittingly, they should not condone or encourage such actions. This is particularly the case given that in Colombia human rights violations are frequently committed to secure

The "security" which the Colombian military and paramilitary provide international companies is not merely defensive; it is frequently offensive in nature. In the logic of the Colombian conflict impediments to foreign investment become military targets, and this is particularly true for the labour movement. As Ismi outlines in his report on Canadian investment in Colombia,

To attract foreign investment, the Colombian state has resorted to large-scale privatization of key sectors of the economy. *This selling of the country to foreign companies has been especially resisted by unions in the oil and telecommunications sectors. Therefore, state repression of trade unionism has been most severe in these sectors (italics in original).*<sup>101</sup>

Colombia accounts for over half of the trade unionists murdered worldwide. In 2001, a total of 160 unionists were murdered and 79 disappeared (this figure includes workers from all sectors), and the majority of these crimes are blamed on the paramilitary.<sup>102</sup> Not surprisingly, privatization has advanced with few impediments, and foreign investors have won major concessions from the government.

Are Canadian oil companies complicit with the repression of labour unions in Colombia? The question of complicity will be examined in the following section, but we can certainly say that they have benefited from this repression. One

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<sup>98</sup> Rosemary Thorp, *Progress, Poverty and Exclusion: An Economic History of Latin America in the 20th Century*, Inter-American Development Bank Publication Series (Baltimore: John Hopkins University Press, 1998), 258.

<sup>99</sup> Thad Dunning and Leslie Wirpsa write, "In 1996, General Harold Bedoya, the army commander at the time, estimated that half of Colombia's troops were engaged full-time in protecting oil and mining installations. Five years later, Brig. Gen Carlos Lemus, the commander of the 18<sup>th</sup> Brigade in Arauca proposed as the recipient of the U.S. \$98 million in pipeline protection, told a reporter that, even without that aid, a full two-thirds of Colombian troops are occupied with pipeline protection and surveillance." See: Dunning and Wirpsa, "Andean Gulf?: Oil and the Political Economy of Conflict in Colombia and Beyond," 13.

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<sup>100</sup> Quoted by Asad Ismi, *Profiting from Repression: Canadian Investment in and Trade with Colombia* (Toronto: Americas Update, November 2000), 13.

<sup>101</sup> *Ibid.*, 4.

<sup>102</sup> Alta Comisionada de las Naciones Unidas para los Derechos Humanos, *Informe de la Alta Comisionada de las Naciones Unidas para los Derechos Humanos sobre la situación de los derechos humanos en Colombia; Comisión de Derechos Humano 58.º (advance edited version)* (March 13 2002), 65.

benefit is that the government has been able to advance neoliberal reforms that greatly favour foreign oil companies. Castaño Valderrama and Neves Camacho explain:

One of the most relevant aspects of the [Pastrana government's]... petroleum politics is the regulation of royalties, which until now was the only component in the association contracts that had not changed since 1974... The only thing that had been respected until today was the 20% royalty. However, with the National Development Plan of the current government, this percentage was modified for future discoveries. Thus, with the new royalty scales, 85% of the 165 discovered petroleum fields would barely generate a 5% royalty.<sup>103</sup>

Foreign oil companies benefit in other ways as well from military and paramilitary violence, not the least of which is access to land. As I mentioned earlier in this paper, the massive displacement of peasant communities is frequently part of an effort to control resource wealth. This relationship is well exhibited by looking at the case of Chocó department in 1996. Human Rights Watch reports, "In the course of three months, paramilitary massacres, selective killings, and threats paired with direct combat and the Colombian army's Operation Genesis caused between 15,000 and 17,000 people to flee."<sup>104</sup> The communities of the Cacarica river basin, which were among those displaced, say that they are "up against the determination of a few powerful people who

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<sup>103</sup> Castaño Valderrama and Camacho, *Empresas Petroleras Canadienses en Colombia - The Presence of Canadian Petroleum Companies in Colombia (Final report elaborated for the Canadian Labor Congress, Development and Peace, and Rights and Democracy)*, 6.

<sup>104</sup> Human Rights Watch, *War Without Quarter: Colombia and International Humanitarian Law*, 208.

prevent us from fully benefiting from our land." The economic agenda of their aggressors, they argue, is clear: the area is ripe for coca production, African palm production, oil exploration, timber harvesting, and the construction of an inter-oceanic canal.<sup>105</sup> Following Operation Genesis the military commander for the region, General Rito Alejo del Río Rojas,<sup>106</sup> reportedly told a visitor: "the region is now safe and you can invest."<sup>107</sup>

What then can we say about the impact of Canadian investment on the conflict in Colombia? Canadian oil investment, like all other oil investment in Colombia, is tied into what Dunning and Wirpsa refer to as the "economization" of violence in Colombia. This occurs on two levels. First, oil development becomes a catalyst for conflict. Where you find oil you will find armed groups fighting for territorial control. Castaño Valderrama and Neves Camacho ask, "Why is [Canadian] investment permitted if it is known that whenever petroleum deposits are found all armed actors inevitably flock to those areas?"<sup>108</sup> As with all of the fighting which goes on in Colombia, the civilian population is caught in the middle, and they are the ones who pay the

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<sup>105</sup> CAVIDA - Comunidad de Autodeterminación, "S.O.S. Cacarica", 3.

<sup>106</sup> General Rito Alejo del Río was arrested in July 2001 on charges that he colluded with paramilitaries between 1995 and 1997. See: Juan Forero, "Change and Fear in Colombia Rights Panel," *The New York Times*, November 19 2001. However, it is highly unlikely that he will ever be charged. The French Press Agency reported in December 2002, "In the last three months, two prosecutors and three members of the federal investigations bureau participating in the prosecution of former general Rito Alejo del Río have fled the country, hounded by right-wing paramilitaries." See: "Some 200 federal prosecutors threatened in Colombia in 2000-01," *Agence France Presse*, December 22 2002.

<sup>107</sup> Ismi, *Profiting from Repression: Canadian Investment in and Trade with Colombia*, 2.

<sup>108</sup> Castaño Valderrama and Camacho, *Empresas Petroleras Canadienses en Colombia - The Presence of Canadian Petroleum Companies in Colombia (Final report elaborated for the Canadian Labor Congress, Development and Peace, and Rights and Democracy)*, 8.

heaviest price. Second, Canadian oil development pays rents to all sides in the conflict. Whether it is through ransom, theft,<sup>109</sup> bribe payments, or government taxes, oil profits are being used to further fuel the war.

#### 4.4 The OCENSA Case

The OCENSA pipeline, which transports close to 60% of Colombia's oil production,<sup>110</sup> is a useful case to examine in some detail. It is a glaring example of what "protecting" Canadian oil investment often means in practice. As Amnesty International explains in its 1998 bulletin:

OCENSA/DSC's [Defence Systems Colombia, OCENSA's private security firm] security relies heavily on paid informants whose purpose is to covertly gather 'intelligence information' on the activities of the local population in the communities through which the pipeline passes and to identify possible 'subversives' within those communities. What is even more disturbing is that this intelligence information is then reportedly passed by OCENSA to the Colombian military who, together with their paramilitary allies, have frequently targeted those considered subversive for extra-judicial execution and 'disappearance' ...<sup>111</sup>

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<sup>109</sup> Thad Dunning and Leslie Wirpsa write: "Paramilitaries have also built a cottage industry stealing gasoline by drilling holes in pipelines transporting fuel, costing state oil company Ecopetrol \$5 million per month. Reports indicate that in the Middle Magdalena valley, paramilitary groups routinely perforate pipelines with valves up to a dozen times a night and sell the gasoline on they sly to service stations." See: Dunning and Wirpsa, "Andean Gulf?: Oil and the Political Economy of Conflict in Colombia and Beyond," 12.

<sup>110</sup> Ismi, *Profiting from Repression: Canadian Investment in and Trade with Colombia*, 11.

<sup>111</sup> *Ibid.*, 13.

The Amnesty International bulletin also criticized OCENSA/DSC for purchasing military equipment from the Colombian army's 14<sup>th</sup> Brigade "which has an atrocious record of human rights violations."<sup>112</sup>

At the time this Amnesty International bulletin was released, two Canadian companies, Enbridge and TransCanada Pipelines, each owned 17.5% of the OCENSA consortium.<sup>113</sup> In 2000, TransCanada Pipelines divested its share, and Enbridge increased its interest to the current 24.7% level<sup>114</sup>—making it the largest foreign partner and the operator of the pipeline.<sup>115</sup> When questioned in 2001 about OCENSA's human rights record, Jim Rennie, Enbridge's manager of public affairs, flatly denied any wrongdoing. Enbridge's relations with communities along the pipeline "have always been positive," Rennie said, and "OCENSA is confident in the professionalism of those soldiers assigned to the lawful protection of the pipeline."<sup>116</sup> Kai Alderson, Vice-President for Social Research at Real Assets Investment Management, is in conversation with Enbridge and reports that the company has taken concrete, tangible measures to ensure that its investment is not linked in any way to human rights violations.<sup>117</sup> However, Enbridge has not made its efforts public, making it impossible to evaluate the effectiveness of these measures.

The question remains then, can even an enlightened oil company guarantee that its

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<sup>112</sup> *Ibid.*, 12.

<sup>113</sup> *Ibid.*

<sup>114</sup> Enbridge Inc., *Submission to the Sub-committee on Human Rights of the Standing Committee on Foreign Affairs and International Trade*, 6-7.

<sup>115</sup> Enbridge writes: "*We continue to serve as the operator of this pipeline.* The other OCENSA consortium participants/owners are Ecopetrol, the wholly owned Colombia state oil company (35.3%), British Petroleum Colombia Pipelines Ltd. (15.2%), TOTAL Pipeline Colombia (15.2%) and Triton Pipeline Colombia Inc. (9.6%) [italics added]." See: *Ibid.*

<sup>116</sup> Enzo Di Matteo, "Canucks Kiss up to Colombia's Paramilitaries," *Now* May 3-9, 2001.

<sup>117</sup> Alderson, Vice-President, Social Research, Real Assets Investment Management.

investment will not feed further violence? Currently 200 families are seeking compensation from OCENSA for building two pipelines that allegedly destroyed their land.<sup>118</sup> Since bringing their case to the courts, the claimants have begun to receive death threats from the paramilitary. As a result, one of the peasant claimants has fled the area, and one of the lawyers may soon follow.<sup>119</sup> While it is doubtful that Enbridge is directly connected to these threats, the issue is that oil investment is so highly sought by the government and various private interests that opposition to that investment is often silenced at gunpoint.

### **Ethical Investment in Colombia**

In this section I would like to examine the possibilities for ethical oil investment in Colombia. The section will be organized as follows. First, I will argue that Canadian oil companies are directly profiting from repression in Colombia. Second, I will examine the question of complicity. In what situation might a Canadian oil company be held legally responsible for a human rights violation connected to oil development? Third, I will look at possible mechanisms for the monitoring and enforcement of Canadian oil companies in Colombia. And finally, I will ask whether ethical oil investment is a realizable goal in Colombia at the present time?

#### *5.1 Profiting from Repression*

Colombia is something of an anomaly in that its longstanding armed conflict has been accompanied, for the most part, by a strong and stable economy. Nazih Richani points out that it was one of the very few countries in Latin America which has had “almost uninterrupted positive economic growth since the mid-

1940s.”<sup>120</sup> In recent years, Colombia has been hit by a severe economic depression, due in part to the escalation of the conflict, but it is still considered a good place to invest. The governments of Ernesto Samper (1994-98) and Andrés Pastrana (1998-2002) have made a concerted effort to open up the economy to foreign investment, and the country is rich in oil and mineral resources. Moreover, as Stéphanie Allard of the Canadian Embassy in Bogotá notes, “Since 1999, Colombia, Chile, Uruguay and Costa Rica are the only countries in Latin America to have received an investment credit rating from international credit rating agencies, such as Moody’s and Standard & Poor’s.”<sup>121</sup> This has prompted the Export Development Corporation of Canada to extend a number of lines of credit to Colombia because it “feels Colombia is a good risk.”<sup>122</sup> But what *risk* does Canadian investment pose to the security of Colombians? Companies make decisions according to their fiscal bottom-line but, as we have seen, the bottom-line for Colombians who challenge foreign investment is often death. A striking example of this reality is provided by the Urra dam case.

In 1992, the Export Development Corporation of Canada gave an \$18.2 million (U.S.) loan to help fund a major hydroelectric project in northern Colombia, the Urra dam. The dam had a devastating impact on the lives of the Embera Katio indigenous people living in the area and in November of 1999, Kimy Pernia Domico, an Embera Katio leader, traveled to Ottawa to testify before the parliamentary Sub-Committee on Human Rights and International Development. He explained how the dam had driven many fish species upon which his people depended for food to near extinction, bringing malnutrition and death.<sup>123</sup> The community’s

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<sup>118</sup> Grace Livingstone, U.K. Colombia Solidarity Campaign (Email communication with author, May 25, 2002).

<sup>119</sup> Grace Livingstone, U.K. Colombia Solidarity Campaign (Email communication to Murray Lumley of the Christian Peacemaker Teams: June 14, 2002).

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<sup>120</sup> Richani, *Systems of Violence: The Political Economy of War and Peace in Colombia*, 1.

<sup>121</sup> Sub-Committee on Human Rights and International Development, *Transcript from Meeting 16 on Human Rights in Colombia*.

<sup>122</sup> Ibid.

<sup>123</sup> Embera Katio leader Submission of Kimy Pernia Domico, to the Canadian Parliamentary Hearings on the Export Development Act conducted by the Standing Committee on Foreign Affairs and

subsequent resistance to the dam was met with repression and terror. At the SCHRID hearing, Pernia testified:

Let me be clear; saying these things to you today puts my life in danger. Already, four Embera leaders have been killed by paramilitary forces for challenging the negative impacts of the Urrea Megaproject... Anyone who dares to speak out about Urrea is accused of being involved with the guerrilla and with that pretext, they have declared both our communities and leaders to be a military target.<sup>124</sup>

On June 2, 2001, Embera Katio leader Kimy Pernia was abducted by paramilitary gunmen. His whereabouts remain unknown.

This paper has demonstrated that while Colombia may provide an attractive environment for Canadian investors, foreign investment is backed-up by a repressive military-paramilitary apparatus. The military and paramilitary not only protect companies from guerrilla attack, but they aggressively target opponents of foreign investment in order to create an attractive environment for foreign investors. For example, the targeting of union leaders has significantly weakened the ability of Colombian labour movement to resist privatization. Similarly, the massive displacement occurring in the countryside has opened up new areas for resource extraction. Yet Canadian oil companies continue to assert that they are in no way complicit with human rights abuses in Colombia. In a report released in May 2002, the Standing Committee on Foreign Affairs and International Trade agreed with this assertion and found that “the Canadian business community active [in Colombia] takes its corporate social responsibilities very

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International Trade in Ottawa on November 16, 1999,, ([cited July 16, 2002]); available from [www.web.net/%Eicchr1a/Colombia/Testimony-KimyPernia-Nov99.htm](http://www.web.net/%Eicchr1a/Colombia/Testimony-KimyPernia-Nov99.htm).

<sup>124</sup> Ibid.

seriously.”<sup>125</sup> Which begs the question: How do we define complicity? What proximity must companies have to a human rights abuse in order to be held accountable?

## 5.2 Defining “Complicity”

The International Council on Human Rights Policy raised the question of complicity in a report published in January 2002 entitled *Beyond Voluntarism: Human rights and the developing international legal obligations of companies*. The report stresses that the definition of complicity is at the centre of much international debate and that there are basically four situations in which a company may be accused of complicity with human rights abuses:

- When it actively assists, directly or indirectly, in human rights violations committed by others
- When it is in a joint venture (or similar formal partnership) with a government, and could reasonably foresee (or subsequently obtains knowledge) that the government is likely to commit abuses in carrying out its part of the agreement
- When it benefits from human rights violations, even if it does not positively assist or cause the perpetrator to commit the violations
- When it is silent or inactive in the face of human rights violations<sup>126</sup>

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<sup>125</sup> Standing Committee on Foreign Affairs and International Trade, *Conflict, Human Rights and Democracy in Colombia: A Canadian Agenda*, 12.

<sup>126</sup> International Council on Human Rights Policy, *Executive Summary- Beyond Voluntarism: Human rights and the developing international legal obligations of companies* (Versoix, Switzerland: January 2002), 8.

“Legal complicity,” says the International Council on Human Rights Policy, “is clear in the first situation, and possibly—depending on the facts and the law applied—in the second and third situations.”<sup>127</sup> It concludes, “It is unlikely that companies could be held legally accountable in the fourth situation...”<sup>128</sup>

What does this mean for Canadian oil companies working in Colombia? Putting aside for the moment the ethical question of complicity, Canadian oil companies may soon find themselves the target of legal suits for complicity with state-sanctioned violence. As of yet, there is no evidence of Canadian oil companies having “actively assisted” in human rights violations in Colombia (as occurred with Talisman in Sudan); however, there are several cases that may fall into the second or third category. For example, Canadian companies could be held accountable when state-backed paramilitaries conveniently target labour unions or local communities who oppose foreign oil investment. Companies, such as Enbridge, may proudly state that they “conduct business in full accordance with the constitution of Colombia,”<sup>129</sup> yet this fact will offer little protection if it is found that they are “benefiting” from human rights violations, or are involved in “partnerships” with a government which is directly responsible for these violations. I will further explore the question of legal accountability below.

### 5.3 Holding Canadian Companies Accountable

In response to international criticism of human rights abuses committed by transnational corporations, there has been an exponential growth of corporate “codes of conduct.” For example, in 1997, Nexen took the lead in developing an International Code of Ethics for Canadian Business. The International Code “outlines standard conduct for the areas of community participation, environmental

protection, business conduct and employee’s health and safety.”<sup>130</sup> Similarly, a group of extractive industry companies in co-operation with the UK and US governments have drafted the Voluntary Principles on Security and Human Rights, which are intended to guide “the management of security operations by business.”<sup>131</sup> There are also OECD Guidelines for Multinational Enterprises, and a new United Nations Global Compact initiative that “requires companies to commit themselves to nine principles relating to human rights, protection of the environment and labour rights.”<sup>132</sup>

What all of these codes of conduct have in common is that they are *voluntary* initiatives. Yet, not only NGOs, but also government and company spokespeople have pointed out that these codes have little meaning unless there is some mechanism to monitor compliance. David Kilgour, the Secretary of State for Latin America and Africa, states, “Today there is increased recognition of the need for effective monitoring and verification systems that can involve third parties, such as NGOs...”<sup>133</sup> And Randy Gossen, Vice-President of Safety, Environment and Social Responsibility at Nexen, says, “Ultimately, what we are striving towards is some form of external verification that would include NGOs, even government representation, fully third-party verification that

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<sup>130</sup> *International Code of Ethics for Canadian Business* ([cited June 10, 2002]); available from [www.talisman\\_energy.com/socialresponsibility/governance/international.html](http://www.talisman_energy.com/socialresponsibility/governance/international.html).

<sup>131</sup> OECD Secretariat, *Multinational Enterprises in Situations of Violent Conflict and Widespread Human Rights Abuses (prepared for the Committee on International Investment and Multinational Enterprises)* (Organization for Economic Co-operation and Development, May 2002), 23.

<sup>132</sup> International Council on Human Rights Policy, *Executive Summary- Beyond Voluntarism: Human rights and the developing international legal obligations of companies*, 6.

<sup>133</sup> David Kilgour, *Globalization, For Who’s Benefit?: Address to the First Canadian Open Business Forum on Building Corporate Social/Environmental Responsibility* (Transcript provided by Nigel Neale, Third Secretary (Commercial), Canadian Embassy in Bogotá, March 8, 2001).

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<sup>127</sup> Ibid.

<sup>128</sup> Ibid.

<sup>129</sup> Enbridge Inc., *Submission to the Sub-committee on Human Rights of the Standing Committee on Foreign Affairs and International Trade*, 8.

what we say about implementing this code is actually happening.”<sup>134</sup> External monitoring will not only catch those who are committing abuses, but it will also give greater legitimacy to those firms who are truly committed to corporate social responsibility.<sup>135</sup>

But monitoring, on its own, is not enough. For monitoring to be meaningful it must be accompanied by legislation holding companies accountable for their actions. The question then is under what legislation or in what jurisdiction might companies be brought to justice? Ideally crimes committed in Colombia would be tried in Colombia; however, the Colombian state is directly implicated in many of the human rights violations taking place, and impunity is a serious problem in the country. The 2001 report of the United Nations High Commissioner for Human Rights states that the administration of justice in Colombia continues to suffer from “profound weaknesses and deficiencies which help maintain high levels of impunity...”<sup>136</sup> In the

future, international legislation may provide a means to hold companies accountable—the U.N. Sub-Commission on the Promotion and Protection of Human Rights has recently prepared a draft report, *Fundamental Human Rights Principles for Business Enterprises*, “which foresees placing direct obligations on companies”<sup>137</sup>—but this means little to companies doing business in Colombia today. Meanwhile in Canada, there is a Special Economic Measures Act (SEMA) in place which has the potential to sanction companies that commit human rights violations abroad. Nevertheless, as Kai Alderson points out, “the consensus in the government is that the SEMA cannot be used unilaterally” even though this position “contradicts testimony given by DFAIT lawyers to the Commons committee considering the legislation before it passed.”<sup>138</sup> Ironically, the United States may be the jurisdiction in which Canadian companies are ultimately tried for human rights violations committed abroad.

This possibility was made apparent in November of 2001 when a class-action suit was launched against Canadian-based Talisman Energy in the United States. The Presbyterian Church of Sudan, on behalf of a group of Southern Sudanese plaintiffs and with the help of the American Anti-Slavery Group, filed the complaint in a New York court. They charge that “Talisman has supported the Islamic government in Khartoum in the latter’s ‘brutal

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<sup>134</sup> Standing Committee on Foreign Affairs and International Trade, *Conflict, Human Rights and Democracy in Colombia: A Canadian Agenda*, 9.

<sup>135</sup> Alderson, *Promoting Canadian Corporate Citizenship Abroad*, 3.

<sup>136</sup> Alta Comisionada de las Naciones Unidas para los Derechos Humanos, *Informe de la Alta Comisionada de las Naciones Unidas para los Derechos Humanos sobre la situación de los derechos humanos en Colombia; Comisión de Derechos Humanos 58.º (advance edited version)*. The translation is my own. The original text in Spanish reads. “D. 243. ‘La administración de justicia siguió adoleciendo de profundas debilidades y deficiencias que contribuyen a mantener los altos índices de impunidad en relación con las principales violaciones de derechos humanos e infracciones al derecho internacional humanitario.’ On the question of impunity, Francisco Ramirez, president of the Colombian Federation of Mine Workers (SINTRAMINERCOL) says that they laid a suit against the coal giant Drummond “in the United States as a last resort because there is no punishment in Colombia against those who commit crimes against union leaders.” See: Steven Greenhouse, “Alabama Coal

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Giant is Sued Over 3 Killings in Colombia,” *The New York Times* March 22, 2002.

<sup>137</sup> International Council on Human Rights Policy, *Executive Summary- Beyond Voluntarism: Human rights and the developing international legal obligations of companies*, 3.

<sup>138</sup> Kai Alderson writes, “the SEMA [Special Economic Measures Act] could be used if there was a UN-embargo against a country, but it is not interpreted to be a piece of legislation which could target individual companies.” Alderson continues that the current government consensus, that the SEMA cannot be used unilaterally, “contradicts testimony given by DFAIT lawyers to the Commons committee considering the legislation before it passed.” See: Kai Alderson, Vice-President, Social Research, Real Assets Investment Management (Email communication with author, August 6, 2002).

ethnic cleansing campaign against a civilian population' in Southern Sudan,"<sup>139</sup> and they are asking for "\$1 billion in relief under the 200-year old Alien Torts Claim Act."<sup>140</sup> The Alien Tort Claims Act "enables foreigners to sue individuals and companies in the United States for serious human rights abuses committed abroad."<sup>141</sup> The success of the suit against Talisman is by no means assured, but it could benefit from a breakthrough made in another Alien Torts Claim Act case, this one being tried in California.

In June 2002, a superior court judge in California refused to dismiss a lawsuit launched by a group of Burmese workers against Unocal oil company, "clearing the way for the case to go to trial on September 26."<sup>142</sup> Terry Collingsworth, executive director of the International Labor Rights Fund, filed one of the two original suits on behalf of the Burmese workers. He underlines the historic importance of this decision: "It is the first trial of a company being charged with human rights violations abroad. I think this precedent will be very important for the other [pending] cases as well."<sup>143</sup> The Unocal case could also advance the definition of complicity because the California Superior Court judge ruled that the company could not be held directly liable for the claims of human rights abuses in Burma, but that instead the trial would focus on "vicarious liability."<sup>144</sup> As Collingsworth explains:

A direct liability theory is that Unocal held the gun or ordered somebody to hold the gun. Our primary theory has always been that, no, we agree with you, Unocal, that these soldiers did it. But what you did was you knowingly went into a

partnership with those soldiers willing to tolerate and accept the benefits of their human rights violations so that you could make a huge profit on this pipeline. To me, there is no moral distinction.<sup>145</sup>

The International Labor Rights Fund is also using the Alien Torts Claim Act to pursue lawsuits against Drummond Coal and Coca-Cola for links to paramilitary violence in Colombia.

#### 5.4 What Can the Canadian Government Do?

In January of 2000, the Harker report revealed in dramatic terms how Talisman's presence in Sudan was "exacerbating conflict."<sup>146</sup> In response, observes Gary Kenny, a human rights researcher for KAIROS, the Canadian government "sheepishly claimed it had no legal recourse."<sup>147</sup> Now more than two years and half years have passed and, as Kenny points out, the government "still has not lifted a finger to construct the legislative machinery it says it lacks."<sup>148</sup> This blatant inaction makes a mockery of the Canadian government's claim to be pursuing a foreign policy based on higher ideals. The "projection of Canadian values and cultures"<sup>149</sup> is the third pillar of Canadian foreign policy, with Canadian values defined as "respect for human rights, democracy, the rule of law, and the environment."<sup>150</sup> The Canadian government has an obligation, at the very least, to put in place laws to ensure that Canadian companies which violate human rights abroad are brought to justice at home. In a report entitled "Promoting Canadian Corporate Citizenship Abroad," Kai Alderson makes the case for new legislation: "One possibility is to

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<sup>139</sup> Jim Lobe, "Canadian Oil Firm Sued in U.S. Court Over Sudan Dealings," *Inter Press Service* Nov. 9, 2001.

<sup>140</sup> *Ibid.*

<sup>141</sup> *Ibid.*

<sup>142</sup> Jennifer Barret, "The Party is Over," *Newsweek (Newsweek Web Exclusive)* June 19, 2002.

<sup>143</sup> *Ibid.*

<sup>144</sup> *Ibid.*

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<sup>145</sup> *Ibid.*

<sup>146</sup> Gary Kenny, "Canada's Silence on Sudan is a Vote for Oppression," *The Globe and Mail* May 1, 2002.

<sup>147</sup> *Ibid.*

<sup>148</sup> *Ibid.*

<sup>149</sup> *Canada in the World - Canadian Foreign Policy Review 1995* ([cited June 10, 2002]); available from [http://www.dfait-maeci.gc.ca/foreign\\_policy/cnd-world/menu-en.asp](http://www.dfait-maeci.gc.ca/foreign_policy/cnd-world/menu-en.asp).

<sup>150</sup> *Ibid.*

revise the *Special Economic Measures Act*. Alternatively, new legislation could be drafted. In either case the threat embodied in the legislation must be *credible*, not because it will be used often but because this will make voluntary approaches to compliance more effective.<sup>151</sup>

In Colombia, as is the case in many countries, the Canadian government has an added responsibility to oversee the conduct of Canadian companies because it actively promoted Canadian investment in the first place. The website of the Canadian Embassy in Bogotá extols the benefits of investing in Colombia, and it offers a wide range of services to prospective Canadian companies: “We can help assess your potential in the market... We can provide you a list of qualified contacts in the market... We will meet with you personally to discuss the most recent developments in the market and your future needs.”<sup>152</sup> While the Canadian Embassy in Bogotá has taken the positive step of helping to organize two forums on human rights and foreign investment in Colombia—the first in November of 1999 and the second in February of 2002—there are no measures in place to ensure that Canadian investment meets basic human rights standards. When I asked one official at the Embassy how they monitor Canadian oil companies, his response was surprisingly candid: “All we can do at the Embassy is pass on our suggestions. Other than that it’s up to the individual companies.”<sup>153</sup>

### 5.5 *Is Ethical Investment Possible in Colombia?*

Until there is a way to monitor Canadian oil investment in Colombia and punish those companies that do overstep the line, there is no way to *guarantee* that ethical investment is taking place. As this paper has made clear, there is a high risk that Canadian oil companies are currently exacerbating the conflict in Colombia.

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<sup>151</sup> Alderson, *Promoting Canadian Corporate Citizenship Abroad*, 6.

<sup>152</sup> Canadian Embassy - Bogotá, *A Guide for Canadian Exports and Investors*.

<sup>153</sup> Telephone interview, July 26, 2002.

But is it possible for individual oil companies to escape this cycle of violence? Could an oil company with a commitment to corporate social responsibility do business in Colombia and not contribute to human rights violations?

Up until this point in the paper I have discussed ethical investment as investment which is not linked to political violence in any way. This is in keeping with the central question of this paper which is *the impact of Canadian oil investment on the conflict in Colombia*. However, the link between foreign investment and armed conflict cannot be understood without taking into consideration the socio-economic impacts of this investment. Francisco Ramirez, president of the National Federation of Mine Workers (Sintraminercol), puts it succinctly, “If the profits stay with the local community, no one will mess with you.”<sup>154</sup> In an interview, Ramirez offered the example of a Canadian mining company, Placer Dome, which was interested in opening goldmines in the area of Southern Bolivar. The first step that Placer Dome took was to negotiate the terms of investment with the local community, many of whom were artisanal goldminers. The agreement in principle which they struck consisted of the company keeping 70% of the profits and the community keeping 30%—a generous distribution of profits by Colombian standards.<sup>155</sup> The guerrillas in the area were initially against the development, but later concluded that since the contract was favourable and it had support from the community, they would not oppose it.<sup>156</sup>

This case suggests that the cycle of violence surrounding resource-extraction projects is not inevitable, but that it is dependent on the actual terms of investment. Unfortunately, the Colombian government denied Placer Dome the

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<sup>154</sup> This statement was originally made in Spanish : “Si las ganancias quedan con la comunidad, nadie jode.” See: Francisco Ramirez, President of Sintraminercol (Toronto: In-person interview, July 17, 2002).

<sup>155</sup> Ramirez emphasized that this was only an agreement in principle. At the time that the deal fell through, Placer Dome had not signed anything in writing with the local community. See: *Ibid*.

<sup>156</sup> *Ibid*.

rights to mine in Southern Bolivar; instead granting the contract to another Canadian mining company, Corona Goldfielders (later changed to Conquistador Mines), which has since been accused of turning a blind eye to paramilitary attacks occurring in the area.<sup>157</sup>

One Canadian oil company which has made a public commitment to working with local communities is Nexen. Randy Gossen, vice-president in charge of safety, environment, and social responsibility for Nexen, testified before the Subcommittee on Human Rights and International Development:

The first key operating principle [behind our community affairs programme] is basically a recognition that communities do have a legitimate right to participate in decision-making for issues that affect them. That's got to be fundamental. Unless you're prepared to commit yourselves to that principle, my advice is to stay out altogether.<sup>158</sup>

Drawing on this commitment to engage with communities, Nexen is involved in local development projects to improve education and health.<sup>159</sup>

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<sup>157</sup> Asad Ismi writes: "At about the same time that Corona expressed interest in the mine, paramilitaries started appearing in Simiti, stating their intention to 'recover' the area. During March 1997, these death squads killed 19 people in towns around Simiti. On April 25, paramilitaries entered the town of Rio Viejo and announced their intention to 'cleanse' the area and 'hand it over to multinational corporations because they will provide jobs and improve the region.'" See: Ismi, *Profiting from Repression: Canadian Investment in and Trade with Colombia*, 24.

<sup>158</sup> Sub-Committee on Human Rights and International Development, *Transcript from Meeting 16 on Human Rights in Colombia*.

<sup>159</sup> Rick Jensen, General Manager for Colombia, Nexen Petroleum (Telephone interview, July 16, 2002).

Rick Jensen, the General Manager of Nexen's operations in Colombia, adds that security measures are also developed from a corporate social responsibility perspective. The Universal Declaration of Human Rights is included in all of the security contracts that Nexen signs with the Ministry of Mines and Energy, and Jensen emphasizes that the military are there for "strictly defensive operations."<sup>160</sup> Moreover, he notes that Nexen meets with military officials routinely to impress upon them their human rights concerns.<sup>161</sup> It is this type of activity which has earned Nexen the reputation as a leader in the area of corporate social responsibility.<sup>162</sup>

Does Nexen's behaviour demonstrate that, yes, Canadian oil companies can practice ethical investment in Colombia? Through its community affairs program and its cautious approach to security, Nexen has charted a path for other companies to follow. Moreover, as Jensen notes, there are not many oil companies in Colombia that talk about human rights,<sup>163</sup> and Nexen should be applauded for its efforts in this regard. But, as this paper has shown, it is extremely difficult for oil companies to separate their operations from the conflict surrounding them. For example, local communities may face

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<sup>160</sup> Randy Gossen (Vice-President, Safety, Environment and Social Responsibility, Nexen Inc.) says: "the individuals who are assigned to provide the security for our infrastructure are only working on that, they're not working on anything else—that's their day job and their night job. We don't want to get into a situation where we have military guarding our activities, and then doing something else as well." See: Sub-Committee on Human Rights and International Development, *Transcript from Meeting 16 on Human Rights in Colombia*.

<sup>161</sup> Jensen, General Manager for Colombia, Nexen Petroleum.

<sup>162</sup> In her testimony before the Sub-Committee on Human Rights and International Development, Stéphanie Allard, First Secretary at the Canadian Embassy in Bogotá described Nexen as a "leader amongst our leaders" of social responsible companies. See: Sub-Committee on Human Rights and International Development, *Transcript from Meeting 16 on Human Rights in Colombia*.

<sup>163</sup> Jensen, General Manager for Colombia, Nexen Petroleum.

pressure from armed groups to accept oil development even when it is not in their interest.<sup>164</sup> And while it might be possible to create a little island of good practice, it is questionable how much control Canadian oil companies can exert in those instances where they work in partnership with Ecopetrol or other companies.

Furthermore, if we look at oil development from a regional standpoint, we can see that U.S. military aid to Colombia is closely tied to that country's potential as an oil supplier. Oil has become a pretext for increased military intervention and an escalation of the war. When I posed the question to Francisco Ramirez, "Is it possible to practice ethical investment in Colombia?" he responded:

Yes, you can. But we think that as long as Plan Colombia is in effect this will be very difficult. This is why... it is better right now that [Canadian oil companies] wait and do not invest, because not only will they make the situation worse, but their companies and their officials could be accused of complicity with war crimes.<sup>165</sup>

In other words, because of its tendency to exacerbate conflict in Colombia at this time, Canadian oil investment should be discouraged.

### 5.6 Who Benefits From Oil?

An analysis of the ethics of oil investment in Colombia must also ask, How are oil profits distributed? In other words, Who benefits from oil? In this last sub-section I will try to provide a

partial answer to this question, even though it is one which merits a research paper of its own.

There is a large body of literature on the potential negative impacts of oil on a country's development—the so called "resource curse". Oil can produce "instant wealth,"<sup>166</sup> yet the effect that this boom has on the rest of the economy can be very damaging. Rosemary Thorp addresses this question in her book *Economic Management and Economic Development in Peru and Colombia*. The book, published in 1991, compares the Colombian coffee economy, which existed before the oil boom, with the Peruvian economy which is based on oil and mineral exports. Through most of the 20<sup>th</sup> century, Colombia was able to maintain a slow, but steady rate of growth, while Peru's development was crippled by its dependence on primary resource exports. One of Thorp's main conclusions is that primary export booms "discourage, rather than promote, economic diversification."<sup>167</sup>

[The] expected pattern of economic growth may be summarized as a concentration of investment in export sectors, a strong exchange rate supported both by export earnings and by the capital inflow which they encourage, and relatively low tariffs which fail to compensate local import-competing industry for the economy's high import capacity. In so far as surplus is generated in excess of the investment needs of export sectors, it tends to be invested abroad (especially when foreign firms are significant among

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<sup>164</sup> Castaño Valderrama and Camacho, *Empresas Petroleras Canadienses en Colombia - The Presence of Canadian Petroleum Companies in Colombia (Final report elaborated for the Canadian Labor Congress, Development and Peace, and Rights and Democracy)*.

<sup>165</sup> Francisco Ramirez, President of Sintraminercol (Email communication with author, August 8, 2002).

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<sup>166</sup> Michael Watts, *Petro-Violence: Some Thoughts on Community, Extraction, and Political Ecology* (Berkeley: Institute of International Studies, University of California, Berkeley, 1998), 7.

<sup>167</sup> Rosemary Thorp, *Economic Management and Economic Development in Peru and Colombia* (Pittsburgh: University of Pittsburgh, 1991), 23.

export producers) or spent on capitalists' consumption.<sup>168</sup>

Peruvian development, writes Thorp, was also characterized by an "absurdly low taxation" <sup>169</sup> of multinational companies engaged in copper and oil extraction, leaving the country like a "beggar on a pile of gold."<sup>170</sup>

Moreover the economic difficulties faced by Peru are not unique to that country. In his classic work, *Economic Development of Latin America: Historical Background and Contemporary Problems*, Celso Furtado presented a classification of the different types of export economies in Latin American. Using Bolivia as an example, Furtado argued that mineral export economies (which include petroleum exporters) tend to be dominated by foreign corporations which operate as "a separate economic system" and provide very little benefit to the domestic economy. The potential for mineral exports to serve as "a dynamic factor became evident only when the State intervened, obliging mining companies to acquire a part of their inputs locally and collecting, in the form of tax revenue, a significant share of the flow of income traditionally remitted abroad."<sup>171</sup> This observation is particularly relevant to my analysis of the benefits of oil development to Colombia because under Andrés Pastrana (1998-2002) oil taxes were dramatically reduced.

The government of Pastrana made an abrupt change in oil policy as part of the 2000 Negotiating Round, in which a series of new contracts were granted to foreign oil companies. It was at this time that the average tax on oil plunged from 20% to a negligible 5%!<sup>172</sup>

Francisco Ramirez points out that the government tried to camouflage this fact by emphasizing that the tax rate on larger wells had actually increased (the tax rate varies depending on the size of the oil well, with larger wells being charged a steeper tax). What they neglected to publicize was that the majority of wells in Colombia produce 200,000 barrels per day or less, which puts them in the 5% tax category.<sup>173</sup> In most cases, foreign oil companies retain 95% of the oil revenue generated!<sup>174</sup>

The legislation which reduced Colombian oil taxes has greatly benefited Canadian oil companies, and evidence suggests that the Canadian government had a hand in its drafting. Starting in 1997, the Canadian International Development Agency (CIDA) launched the Environment, Hydrocarbons, and Mining Project with Colombia—a five-year, \$11.3 million program to provide "advice, training and institutional strengthening in the environment, hydrocarbons and mining sectors."<sup>175</sup> The project's stated goal is to create "a more favorable environment for economic and social development in Colombia."<sup>176</sup> The first aspect of the project to generate criticism was its involvement in the reform of Colombian mining legislation. The North-South Institute argues that through the Environment, Hydrocarbons and Mining Project, CIDA has "been instrumental in catalyzing—and providing technical and financial support for—the new revision of Colombia's mining code enacted in 2001." This is a code which indigenous groups within Colombia have attacked for "taking away Indigenous rights that were recognized in the

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<sup>168</sup> Ibid.

<sup>169</sup> Ibid., 35.

<sup>170</sup> Ibid., 23.

<sup>171</sup> Celso Furtado, *Economic Development of Latin America: Historical Background and Contemporary Problems (Second Edition)* (Cambridge: Cambridge University Press, 1978), 100-04.

<sup>172</sup> Castaño Valderrama and Camacho, *Empresas Petroleras Canadienses en Colombia - The Presence of Canadian Petroleum Companies in Colombia (Final report elaborated for the Canadian Labor*

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*Congress, Development and Peace, and Rights and Democracy*), 6.

<sup>173</sup> Ramirez, President of Sintraminercol.

<sup>174</sup> Ibid.

<sup>175</sup> Canadian Energy Research Institute (CERI) and the Canadian International Development Agency (CIDA), *Canada - Colombia Environment, Hydrocarbons, and Mining Project* (May 8, 2002 [cited August 5, 2002]); available from <http://www.ceri.ca/cida.htm>.

<sup>176</sup> Ibid.

previous mining code.”<sup>177</sup> The precise nature of the Canadian project’s involvement with the legislation relating to oil taxes is unclear; however, a CIDA representative remarked to Ramirez that their intervention in the area of petroleum and telecommunications legislation had been “very positive.”<sup>178</sup>

I now return to the question, Who benefits from oil? The prime beneficiaries are clearly the oil companies themselves. American, British, and Canadian oil companies are being granted an extremely “favourable environment” for investment, while Colombians are being robbed of a precious national resource. The tax revenue which is generated by oil development in Colombia is, as Thorp would say, “absurdly low”. Very little of the tax revenue will ever trickle down to those who most need it, and yet money will surely be found to build up the armed forces in order to better “protect” oil investment. And what do local communities get out of the deal? If they have the misfortune of being located near an oil well or pipeline they will experience an increase in violent conflict, not to mention damage to the immediate environment.<sup>179</sup> If they are lucky, they may get a

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<sup>177</sup> North-South Institute, Letter to the Sub-Committee on Human Rights and International Development.

<sup>178</sup> Francisco Ramirez writes, “I did not know that [the Canadian government] had manipulated the petroleum legislation, but when I spoke with CIDA about mining, an official there told me that they had made mistakes with regards to mining, but not with petroleum and telecommunications. He assured me that their intervention in these two areas of Colombian legislation had been very positive.” See: Francisco Ramirez, President of Sintraminercol (Email communication with author, August 14, 2002). Francisco’s original communication in Spanish reads: “Yo no sabía que ellos habían manipulado la legislación petrolera, pero cuando hablé con CIDA sobre el tema minero, un funcionario me dijo que ellos se habían podido equivocar en lo minero, pero no en lo petrolero y lo de telecomunicaciones, me asevero que su intervención en estas dos areas de legislación colombiana habían sido muy buenas.”

<sup>179</sup> Nazih Richani argues that oil deposits frequently become sites of conflict: “Casanare was calm until the prospects of oil production were accompanied by an armed confrontation... FARC established in

new school or medical clinic in return. If for any reason the community chooses to oppose the oil development, they will become a target of attack. In very blunt terms, this is the impact of oil investment in Colombia today.

## Conclusion

This paper has shown that Canadian oil investment has a negative impact on the conflict in Colombia. Although I found no “smoking guns,” in other words no examples of companies directly participating in acts of violence, there is evidence that Canadian oil investment exacerbates conflict. It does this in several ways. First, the discovery of an oil deposit or the construction of a pipeline quickly becomes a new site for armed conflict and puts in jeopardy the physical security of local communities. Second, when Canadian oil companies take advantage of the “very favourable climate for investment” in Colombia, they are effectively profiting from repression. What is this “favourable climate”? It is low taxes, low wages, and land for development which has been cleared of “security threats”—these “gains” have been won through the intimidation, displacement, and murder of Colombians who are opposed to the current form of neoliberal development. And third, Canadian oil investment provides funding to the armed actors in the conflict. Unlike Lawrence Merriage of Occidental petroleum, Canadian oil executives have not admitted that they pay out extortion money to the guerrillas or the paramilitary, but it is hard to believe that Canadian companies are exceptional in this regard. Moreover, taxes on Canadian oil investment contribute to the further expansion of the Colombian military.

Canadian oil companies which pride themselves on their commitment to corporate social responsibility may soon find themselves under negative scrutiny for their activities in Colombia. In an environment where the ultimate

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Arauca a military presence after 1982, when it became a major region of oil production.” See: Richani, *Systems of Violence: The Political Economy of War and Peace in Colombia*, 68.

guarantor of foreign investment is a military with a very poor human rights record, it is difficult for any oil company not to be linked with human rights abuses. If the legal definition of complicity expands to include companies who “benefit from human rights violations,” this will have important ramifications for Canadian oil companies operating in Colombia. But the Canadian government should not wait for U.S. or international courts to take the lead in prosecuting Canadian companies who commit human rights violations abroad. If the government wants to make good on its commitment to human security, it should enact new legislation to hold Canadian companies accountable. Moreover, it should stop promoting Canadian investment in sectors of the Colombian economy where it will only contribute to the escalation of the conflict.

This paper has revealed both the strengths and the weaknesses of current research exploring the link between resource extraction and civil war. On the one hand, it confirmed the significance of primary resources as a funding source for armed groups and the tendency for conflict to centre on areas of resource wealth. The paper also supports the assertion, made by Berdal and Malone, that to understand the political economy of civil war, “the *role of the international private sector*, particularly that of extractive industries (petroleum, mining) is key.”<sup>180</sup> And, more concretely, it points to the need for further empirical research into the role of the international private sector in Colombia. On the other hand, the resource extraction literature only provides a partial understanding of the conflict in Colombia. As I have noted before, the existence of rebel groups long predates the emergence of lucrative funding sources such as petroleum and coca. In order to work towards the resolution of the armed conflict there is a need to address the *root causes* of the conflict—issues such as land reform, social inequality, and the terms of foreign investment—and not just the *means* by which illegal armed actors finance themselves.

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<sup>180</sup> Berdal and Malone, "Introduction," 12-13.

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