

Gold, oil and the lure of violence: the private sector and post-conflict risks in Colombia

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■ Executive summary

For the first time in decades Colombia seems to be on course towards a negotiated settlement with its two remaining guerrilla groups, the Revolutionary Armed Forces of Colombia and the National Liberation Army. However, the post-conflict prospects are not altogether auspicious. Abundant weapons in circulation, demobilised combatants with criminal expertise, and multiple opportunities for applying this know-how in both legal and illegal activities and organisations as part of the steady and continuing reconfiguration of criminal groups pose serious risks to stability and the sustainability of peace in Colombia over the coming years.

This report presents a number of the challenges for Colombia's post-conflict stability arising from criminal networks and activities in regions associated with the extractive industry – and specifically in regions dedicated to oil extraction and gold mining. While domestic and foreign investments have risen over recent years, and overall security conditions have improved, it is likely that armed violence will continue and undergo further transformations in these regions. The emergence of new sorts of non-conventional armed violence, operating across the spectrum between conflict and criminality, illustrates the challenge of consolidating a post-conflict arrangement in Colombia.

Introduction

For the first time in decades Colombia seems to be on course towards a negotiated settlement with its two remaining guerrilla groups, the Revolutionary Armed Forces of Colombia (FARC) and the National Liberation Army (ELN). Talks with the former group – with a standing army of over 8,000 people – have been taking place in Havana, Cuba, since 2012. The formal initiation of talks with the latter group is still pending. Optimism runs high that the country will finally witness the demobilisation of thousands of insurgent fighters, enabling decision-makers to free resources, time, and energy for the reparation of more than six million victims of conflict and the solution of many of the structural problems associated with widespread violence and inequality.

The likelihood of reaching a negotiated end to the Western Hemisphere's longest armed conflict nevertheless raises questions as to the prospects for sustainable peace in Colombia.

On the one hand, the sheer number of combatants who are expected to demobilise poses a challenge: in addition to those who have taken up arms, a vast number of informal supporters (such as peasants providing occasional shelter, or children and women serving as caregivers or informants) will need to be tended to. The Alta Consejería para la Reintegración (High Council for Reintegration) estimates the total number of demobilised FARC members (not just fighters) at 25,000 (*El País*, 2013), a number that could increase to over 30,000 should talks with the ELN prove successful.

The challenges posed by large numbers of demobilised combatants are compounded by two other factors. Firstly, other countries' as well as Colombia's own experience with demobilisation suggests that, partly as a result of Walter's (1999) security dilemma (i.e. how distrust of the counterpart causes sides to hold onto their weapons even after reaching an agreement), conflict-related weapons remain in circulation when wars end (Millennium Project, 2004:

189).¹ This adds to the high degree to which Colombians, regardless of their fighting status, tend to bear arms for their personal security and protection. According to the Ministry of Defence, one in every 300 Colombians owns a legal firearm (*El Tiempo*, 2014), while the numbers for illegal and contraband weapons possession are unknown but estimated to be high (Andrade et al., 2009).

Secondly, a sophisticated war economy has developed in Colombia. The most commonly known fuel of the Colombian armed conflict has been the drug trade (Mejía & Gaviria, 2011), which has fostered corruption, political instability and crime. In addition, legal mineral resources, such as coal, ferronickel, gold, and oil, as well as several agricultural products such as bananas and palm oil, have also become linked to illegal actors' economic activities. Producers have paid protection money, supplementing illegal actors' income. Furthermore, illegal organisations have become directly involved in resource extraction, both in order to generate revenue and to launder money derived from illicit crops and the drug trade. Some of these mechanisms are described in Rettberg et al. (2014a) and Rettberg and Ortiz-Riomalo (2014).²

In short, a combination of weapons in ongoing circulation, the availability of demobilised combatants with criminal expertise, and abundant opportunities for applying this know-how in both legal and illegal activities and organisations as part of the steady and continuing reconfiguration of criminal groups poses risks to stability and the sustainability of peace in Colombia over the coming years. As a result, conventional definitions of armed conflict as involving contested incompatibilities between illegal actors and the state do not seem to adequately capture the challenges faced by the country if and when the warring parties reach a deal to end the confrontation. No clear and neat limits separate war from peace in countries like Colombia. The transition between these two states, while preferable in net humanitarian terms, will be marked by the difficulty of disentangling crime related to conflict and "new" forms of criminality, a likely source of frustrations and new security challenges revolving around "non-conventional" armed violence.³

This report will analyse some of the implications of this general context for the Colombian extractive industry. Shielded by security gains resulting from a military strategy to combat guerrillas led by former president

Álvaro Uribe, the Colombian economy and the private sector overall have experienced sustained growth over recent years.⁴ However, security improvements and economic growth are not evenly spread. Specifically, regions in which extractive activities prevail have seen homicides and kidnappings decline less vigorously – or even increase – than in the rest of the country (Ildrobo et al., 2013). When peace talks were launched in Oslo back in 2012, Iván Márquez (an alias), chief FARC negotiator, referred repeatedly to mineral and energy resources such as gold and oil as causes for the continuation of conflict, and as crucial issues to be resolved during peace talks (Márquez, 2012). Attacks against oil infrastructure – causing widespread environmental destruction – have increased in frequency since negotiations started. This indicates that, as reiterated by FARC commander Luis Eliécer Rueda, alias Matías Aldecoa, in June 2015, the extractive infrastructure and the distribution of royalties and extractive rights rank high among insurgent policy concerns. In his words, attacks against the extractive infrastructure aim at "hurting confidence in the economy and of investors. ... It's not that we want multinationals to leave the country. What we want is something similar to Ecuador or Bolivia, a renegotiation of the profit margins benefitting the national economy" (*El Espectador*, 2015).

As a result, we can expect that companies in the extractive industries will not immediately benefit from an eventual demobilisation of the FARC and ELN, and will perhaps initially even be targets of increased competition among old and new criminal groups for territorial and resources control in their areas of operation. This possibility has in fact been raised by business leaders themselves (*Semana*, 2015).

The next section will describe the evolution of conflict-related and criminal activity. This will be followed by an analysis of how the Colombian private sector in general and extractive industries in particular have been affected by and coped with conflict and criminality over the years, with a focus on oil extraction and gold-mining regions. Based on these insights, in the third section several implications will be explored for the probable post-conflict environment for the private sector in general and the extractive industry in particular.

1 According to the Small Arms Survey (2005: 275), "societies often remain heavily armed, despite the political resolution of a conflict, for numerous reasons. At the macro level, states are frequently over-committed in terms of defence expenditure; concomitantly, they have to maintain large armies. National defence spending in developing countries can rise dramatically during an internal armed conflict – to an average of five per cent of gross domestic product ... as compared to 2.8 per cent during peacetime (World Bank, 2003). Conversely, it also regularly takes years for defence expenditure to contract to pre-war levels, with implications for infrastructure and healthcare spending, as well as for income-earning potential (Brauer and Dunne, 2004). Moreover, the surfeit of weaponry, some of it looted or poorly managed, often results in it being recycled into the hands of civilians. The real 'price' of weapons may decline – a necessary, but insufficient, factor behind an increase in demand."

2 According to the *Silla Vacía* news outlet, the FARC's finances are composed as follows: 35% drug trade, 20% illegal mining, 30% kidnappings and extortions, and 15% legal operations (including donations) (*Silla Vacía*, 2012).

3 This illustrates the conceptual limits of academic literature studying the causes and implications of armed conflicts, on the one hand, and that dedicated to studying crime, on the other. Too often, the various bodies of literature fail to communicate and connect. However, the connections between violence related to armed conflict and post-conflict crime, as suggested by the Colombian case, require an integral understanding of the porous limits between violence associated with armed conflict and violence related to "common" delinquency and criminality in post-conflict countries.

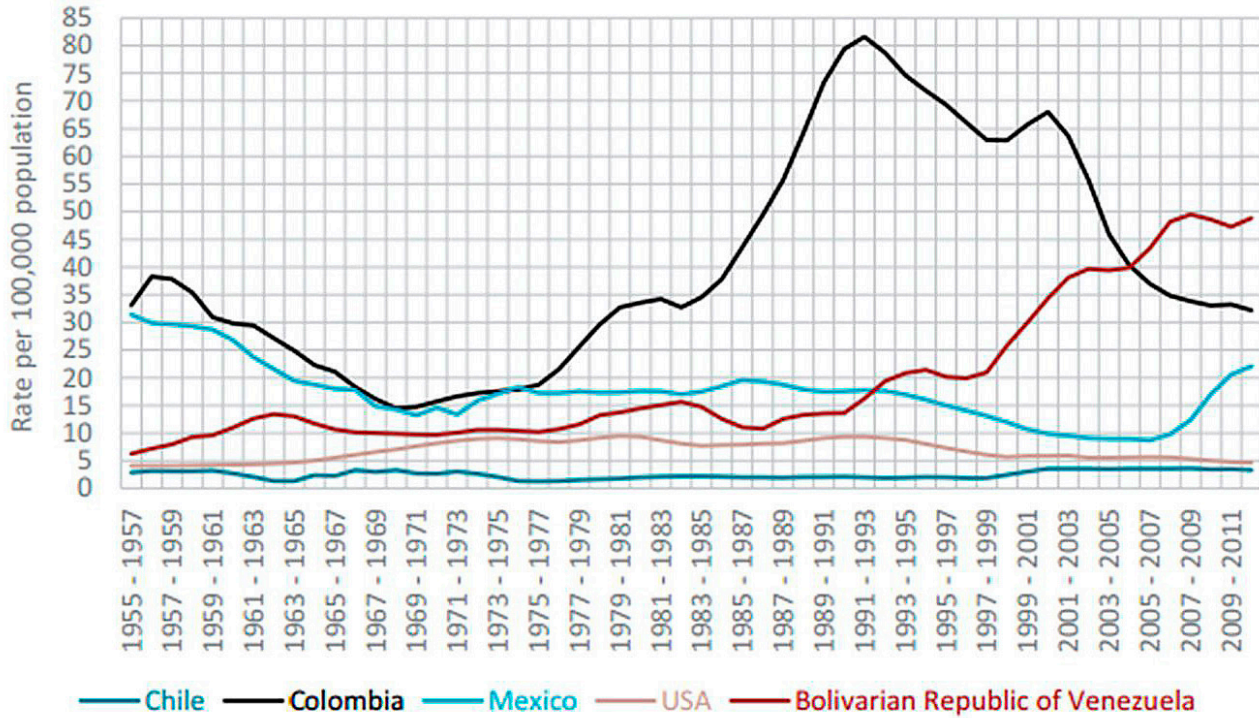
4 Colombia's gross domestic product is growing above the Latin American average, with an annual rate above 4%. *El País* newspaper has referred to the country as the "Colombian lion" (Martínez, 2015).

Criminal activity and transformation

Colombia has seen a steady decline of political violence in recent years (see Figures 1 and 2). After the humanitarian crisis of the mid-to-late 1990s caused millions to be forcibly displaced (Ibañez, 2009), and after widespread

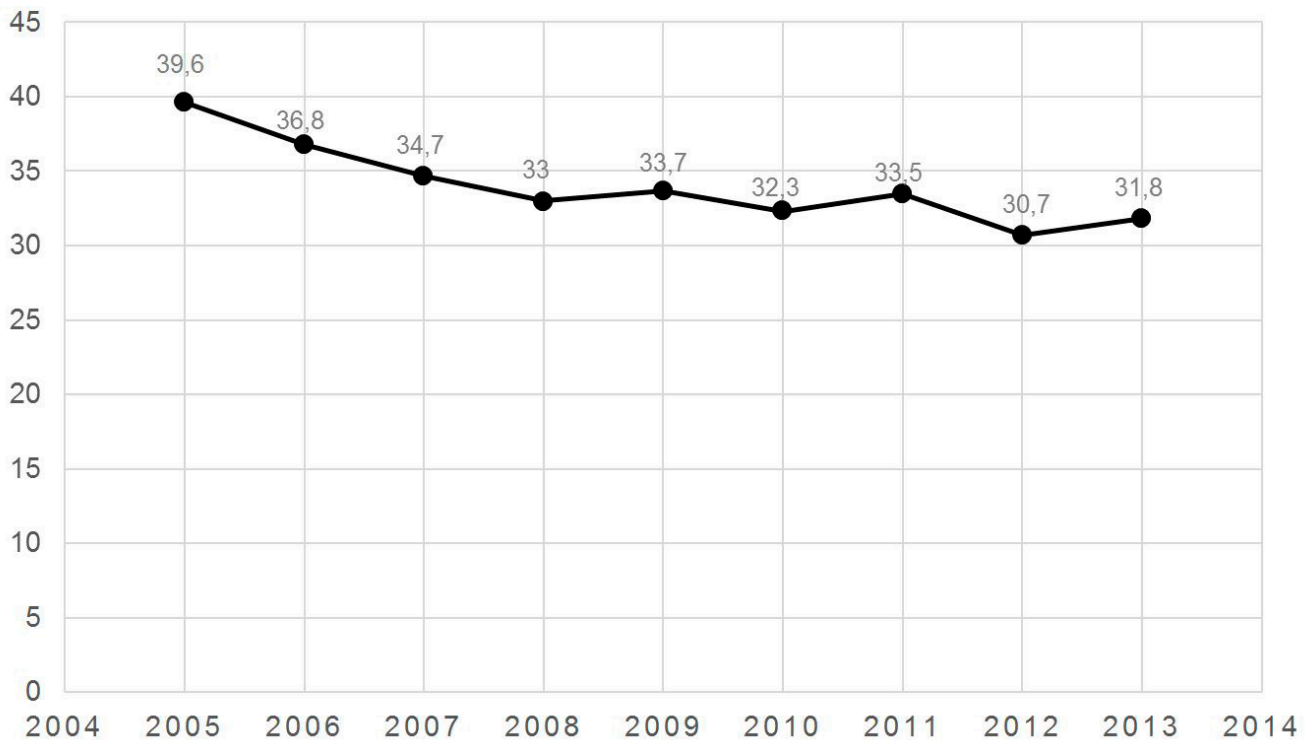
kidnappings and homicides earned the country an appalling reputation in terms of insecurity, the Colombian state regained the military upper hand against the guerrillas and the paramilitary in the course of the 2000s.

Figure 1: Homicide rate, selected countries, the Americas, 1955–2011 (three-year moving average)



Source: UNODC (2013: 36)

Figure 2: Intentional homicide rate per 100,000 population, Colombia, 2005-13



Source: UNODC (2013)

As a result of net security gains, the Colombian population, accustomed as it was to shows of guerrilla fighting capacity, was suddenly confronted with the capture or execution of higher and higher ranking commanders. Also feeding into expectations of the guerrillas' military defeat were the growing numbers of deserters. Desertions reached an average of seven individually demobilised fighters per day as of October 2014, representing a total of 17,000 demobilised FARC fighters over the preceding years (ACR, 2014), according to declarations by the then-head of the Colombian Reintegration Agency, Alejandro Éder (*El Pueblo*, 2015). This perception of state strength was complemented by a large demobilisation process of Colombian paramilitary fighters, initiated in 2003. The demobilisation of counter-insurgent groups, which had been promoted by regional elites and state forces to counter the guerrillas, amounted to over 31,000 fighters between 2003 and 2006 (ACR, 2014).

However, the remaining structures of opportunity (Boix, 2008) pose a real risk for stability and security. According to Kaplan and Enzo (2014), 20% of former combatants committed some sort of crime between 2003 and 2012 (including violating driving regulations, failure to pay alimony, domestic violence and others). The Fundación Ideas para la Paz (2014) calculated recidivism at 14%. Close to 1,800 former combatants are currently under investigation for alleged offences, while over 1,000 have lost their benefits as a result of rule violations (ACR, 2012).

Many former fighters from paramilitary and guerrilla groups were readily absorbed by new criminal groups termed BACRIM, which is short for *bandas criminales*. BACRIM are more informal groups integrated into loose networks that lack coherent organisational structures. As a result, they provide a contrast with the rigid organisation of guerrillas, who have a clear top-down line of command, explicit and implicit rules governing organisational strategies, and a formal federal structure, whose branches are accountable to the central command.

BACRIM operate in many regions of the country, competing for former fighters' criminal expertise and know-how (McDermott, 2014). According to Aparicio (2009), at least 12% of BACRIM fighters are former paramilitary group members. Some of these new groups, in turn, are currently cooperating with the remaining guerrilla forces – and even with police and local authorities – in several regions of the country in unstable yet effective endeavours to share costs and the revenue of illegal activities (Prieto, 2014; ICG, 2010; 2012). From over 30 between 2008 and 2012 (Indepaz, 2012), the number of groups has declined to four in recent years: the Urabeños, the Rastrojos, ERPAC, and the Libertadores del Vichada (Insight Crime, 2015). However, the number of members has remained fairly stable, amounting to less than 5,000. The decline is a result both

of effective police action and of successful efforts to centralise and coordinate strategies by BACRIM leaders.

The drug trade is the BACRIM's main source of income – often in collaboration with guerrilla groups, which control producer communities, are familiar with and protect transportation routes, exert control over territorial authorities, and have developed international networks to bring their product to the market. However, other activities have also been permeated by their criminal reach, most importantly illegal gold mining and other extractive industries (Contraloría General de la República, 2012). Extortions – a widely underreported phenomenon – were for several years considered a declining problem. Since 2009 they have regained momentum as a result of BACRIM activity (Ministerio de Defensa Nacional, 2011). While large firms have for long ceased to be the main targets of extortions, since even small street vendors or beauty parlours are being forced to pay, companies, regardless of their size, still constitute the sector that is most vulnerable to this kind of illegal activity. The next section describes the private sector's general role and responses in a context marked by conflict and widespread criminality.

Peace, conflict and the Colombian private sector

The general context

In recent years Colombia has been described as having a booming economy, being part of the CIVETS group,⁵ being an outstanding partner to the U.S. in the war on drugs and being a model case for controlling violence. Homicides and kidnappings are down and an increasing percentage of the national territory is considered safe. Largely as a result of the success of a military strategy aimed at combatting left-wing guerrillas present in the country for over 50 years, in the past ten years the country's economy has undergone steady growth, sectoral production has diversified, tourism has regained momentum, and foreign investment has tripled in volume since 2002 and doubled its contribution to gross domestic product (GDP) from 2.2% in the period 1993-2005 to 4.2% in the period 2005-11 (Garavito et al., 2012: 25-26).

The *Financial Times* (2013) captured the situation well when it referred to the “new” Colombia. The Spanish newspaper *El País* even referred to the “Colombian lion” (Martínez, 2015). The economic successes of the past years have benefitted the private sector. Colombia today lacks the sense of crisis marking the 1990s, when the peace process launched by then-president Andrés Pastrana was welcomed as a solution to escalating conflict and economic crisis (Rettberg, 2013). Indeed, in the 1980s and 1990s the country was considered an international problem case due to violence related to the drug trade, armed conflict, economic recession, political ungovernability and widespread corruption.

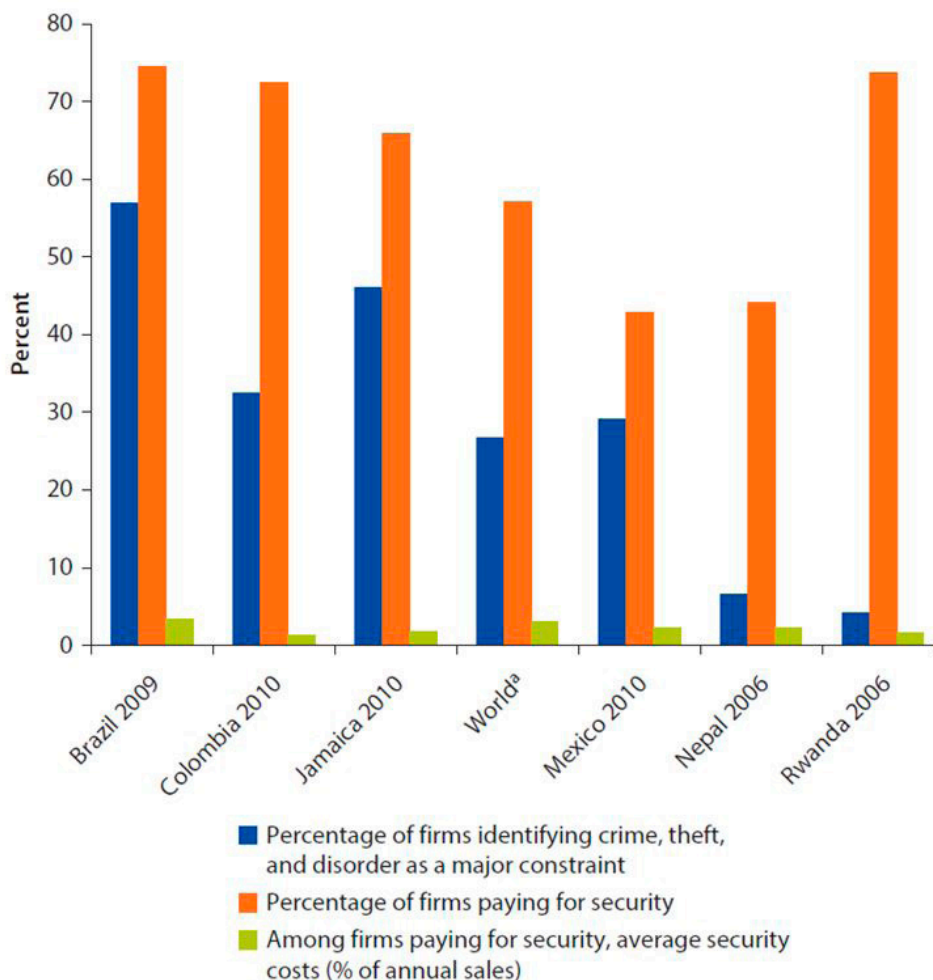
⁵ CIVETS is an acronym for the group of countries (Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa) expected by The Economist Intelligence Unit to be the most promising emerging markets in coming years (Reuters, 2010).

The costs and legacies of the country’s ongoing armed conflict have been extremely substantial. With over seven million registered victims (Unidad de Víctimas, 2015), the Colombian armed conflict stands among the deadliest in the world. In addition to significant human costs, the armed conflict has accumulated huge material costs, amounting to around 3% of GDP – on average, 0.6% of GDP per year, according to Ibañez and Jaramillo (2008). The conflict has affected economic activity through various channels, including the output of manufacturing firms through their market exit, decreased investment and agricultural production, and an increase in country risk (Arias et al., 2014). The state has incurred significant military expenditure, amounting to 3.6% of GDP in 2010 (SIPRI, 2015). As a result of war-related devastation and the ongoing weakness of the Colombian state, an important war economy has developed in the country – associated mainly with the drug trade (Mejía & Gaviria, 2012), but also

with the extractive industry and other legal resources (Leiteritz et al., 2009; Rettberg et al., 2011).

The Colombian private sector has faced enormous costs, both in terms of foregone investment, opportunities for innovation, difficulties associated with merchandise distribution, and pressure by armed actors in the form of kidnappings and protection payments (Camacho & Rodríguez, 2013; Rettberg, 2008; Rettberg & Rivas, 2012). As shown in Figure 3, a World Bank survey shows that over 70% of Colombian firms admit to paying for security in order to protect their operations (Goldberg et al., 2014). However, costs have not been evenly spread. The agricultural and extractive sectors have been hardest hit, exposed as they are to illegal actors in remote regions where state institutions continue to be weak and there are abundant opportunities for illegal and criminal actors.

Figure 3: Security constraints and costs of doing business in selected countries relative to the global average



Sources: World Bank 2009, 2010a.

a. World averages come from the most current compilation of World Bank Enterprise Survey data online at <http://www.enterprisesurveys.org/Data/ExploreTopics/crime#World>.

Source: Goldberg et al. (2014: 10)

In response to pressure by conflict actors, the Colombian private sector has generated diverse responses that reflect the context of its operations. In contrast to expectations commonly associated with war-torn countries, important segments of Colombian business – e.g. companies in the financial and the service sectors – have remained largely unaffected in comparison with rural business or industrial enterprises. War-related devastation has been geographically and sectorally focused. Many companies have prospered and grown or have remained indifferent to the evolution of the armed conflict.

Those who have experienced conflict more directly in terms of its impact on infrastructure, personnel and clients have produced two, not mutually exclusive, responses. On the one hand, agricultural and other rural interests, as well as fractions of the extractive industry, intimidated for years by guerrilla groups and largely unprotected by the Colombian state, privately organised security responses (*El Tiempo*, 2015b). These included private security companies, which have been progressively regulated, as well as illegal responses, such as the financial and political support of extreme right-wing paramilitary groups, often in alliance with members of the armed forces (Rettberg & Rivas, 2012). In addition to preventing or stemming guerrilla advances in their regions of operation, these paramilitary groups forcibly displaced populations in their zones of influence (Ibañez, 2009), killed unionists (Mejía & Uribe, 2011) and left-wing politicians, and shaped local politics in alliance with economic elites (CMH, 2013).

On the other hand, in several conflict-affected regions companies engaged in rich peacebuilding and development activities (Rettberg & Rivas, 2012). Reasoning that their investment and operations were immobile – ruling out relocation, for example – they have dedicated time and resources to developing a diverse portfolio of efforts and initiatives aimed at preventing forced displacement, hiring former combatants, integrating victims into revenue-generating activities and promoting local development. Lumped together under the general term of corporate social responsibility, many of these efforts by far transcend the need to “do good” in surrounding communities and are led by the belief that the development of conflict-ridden areas will likely bring peace and stability for business operations sooner than or as a complement to a peace agreement with illegal armed actors.⁶

A negotiated solution to the armed conflict has also been supported by segments of the private sector. Since the 1980s this sector has accumulated experience and knowledge of the challenges involved in peacebuilding (Rettberg & Rivas, 2012; Rettberg, 2013). Most recently, fractions of the Colombian private sector facilitated contacts between the

government and the guerrillas, leading up to negotiations in Havana, and have been part of the negotiating team.

As a result of operating in a country engulfed by armed conflict, and having developed diverse strategies in response, the Colombian business sector has undergone an important learning process in matters related to armed conflict and peacebuilding. Simplistic expectations that either negotiations or a “strong hand” approach would bring peace to the country have given way to greater understanding of the complexity of the Colombian conflict and its possible solutions. This realisation, however, has not translated into a uniform position regarding armed conflict and criminality. Sectoral and regional differences persist, as became manifest in the recent presidential elections, which revolved around the advances and challenges of the peace process.⁷

A business survey released in April 2015 illustrates that while business scepticism regarding the peace process remains, a majority of business actors now mildly support ongoing peace negotiations and, even in the absence of explicit support, expect an agreement to be the most likely outcome and to provide the country with further opportunities for growth and foreign investment (CCB, 2015). The majority, however, continue to distrust the FARC as an organisation, as do the majority of the Colombian population (García et al., 2015).

The extractive sector: the centre of Colombia’s post-conflict challenges

Strengthened by a worldwide commodity boom, companies in the extractive industry tend to operate in regions where state institutions are still weak, and opportunities for looting by illegal and criminal actors are available and attractive. Therefore, the Colombian regions in which the extractive sector operates are especially vulnerable to the perils of a context marked by opportunities for criminal activity, including weak institutions, the under-regulated production of lucrative resources and a population of disenfranchised youth seeking options to make a living.

As a result, all the conditions described above as general conditions for the Colombian private sector are reproduced in an aggravated form by the extractive industry. Because extraction takes place in remote regions where the state is largely absent, even the presence of special military battalions and military cooperation agreements developed with the particular interests of extractive industries in mind have been insufficient to generate an environment that is safe for operations. As a result, accusations of extractive companies giving in to pressure from illegal groups to pay for protection and extortion are widespread. The Canadian

⁶ For many years, a consortium of organisations led by Fundación Social and the German development cooperation agency GIZ have awarded the “Premio Emprender Paz” to business initiatives seeking to build peace in their neighbouring communities.

⁷ The two main contenders, incumbent president Juan Manuel Santos and challenger Óscar Iván Zuluaga, agreed on many topics related to social and economic development, but differed sharply on the most appropriate steps for ending the Colombian armed conflict. Both enjoyed substantial business backing, but Santos was clearly better supported by industrial and financial capital linked to urban centres, while Zuluaga – the appointed political heir of former president Álvaro Uribe – was closer to agricultural and rural interests.

oil company Pacific Rubiales, for example, was accused by the government of financially supporting guerrillas after more than 20 of its employees were kidnapped by the FARC, presumably over a dispute over protection payments (*El Herald*, 2011).

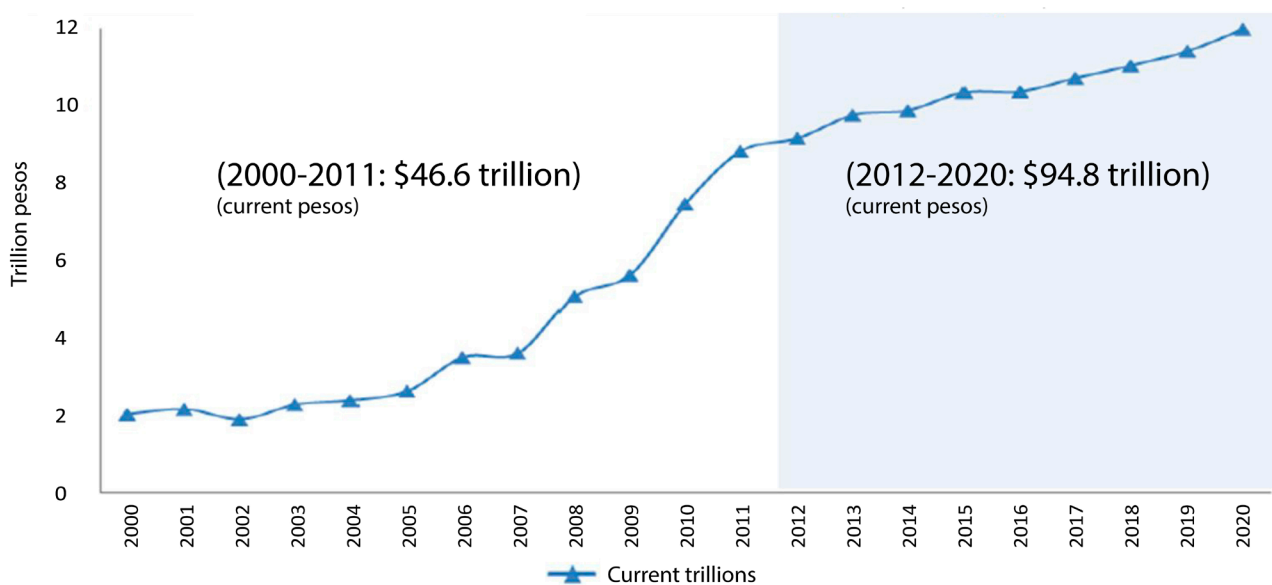
In addition to seeking physical safety, extractive industries and other companies operating in vulnerable contexts have sought to earn a social licence, often on the instructions of company headquarters abroad. A social licence refers to social support for a company’s presence and operations, beyond and above fulfilling legal requirements (Bice, 2014). Thus, they have pioneered many efforts to promote risk-awareness, as well as corporate social responsibility activities. At the same time they are routinely identified as contributors to local unrest, because extractive activity – very much in line with what we know about enclave economies – motivates labour migration, stirs local conflict over the distribution of natural riches, nurtures corruption by local officials seeking to get their share of income, and attracts illegal and criminal actors (Di John, 2006). Also, private security companies in charge of protecting extraction have been accused of violating human rights and collaborating with paramilitary forces. According to a report published by *El Tiempo* newspaper based on the sentence of a Medellín-based Peace and Justice Tribunal, 12,000 members of the business community are currently under investigation due to their alleged links to paramilitary groups (*El Tiempo*, 2015a).

The key importance of the extractive sector to armed conflict and post-conflict criminality is made clear by the fact that the months leading up to the initiation of peace talks were marked by an increase in illegal actors’ attacks against oil, coal and gas infrastructure (Fundación Ideas para la Paz, 2015). Ever since negotiations began, illegal groups have continued to target the extractive infrastructure. These actions have been interpreted both as attempts to strengthen their position vis-à-vis the negotiating table in Havana and as warnings to competitors in the affected regions – mainly BACRIM waiting to move in – to refrain from expanding into these territories.

Oil and gold: regional challenges for the Colombian private sector

Although Colombia is not a large player in the global market for oil, oil production is considered a strategic resource for the Colombian economy, both in terms of its share of GDP (5%) and its contribution to exports (approximately 50%). Similarly, Colombia is only beginning to develop its mining potential at the global level. However, foreign investment in oil and mining development represented more than 50% of total foreign direct investment in 2012. According to the association that brings together large mining companies, Sector de Minería a Gran Escala, royalties derived from oil and mining are expected to double in the next ten years (Rettberg & Ortiz-Riomalo, 2014), as shown in Figure 4. The prospects of generating wealth and prosperity in oil and mining regions have historically steered expectations of local populations and public officials.

Figure 4: Royalties expected from oil and mining, 2000-20 (Colombian pesos)



Illegal actors, too, have developed the ability to loot these resources, both directly and indirectly (Rettberg et al., 2014b). Oil and gold royalties, in addition to protection money, have been diverted into the coffers of illegal groups for years. As a result, in these regions companies face many of the “old” and known problems related to operating in a context of political instability and violence: protection

payments, social protests, corruption and deficient public services. All these factors combine to increase the vulnerability of these regions to the reconfiguration and transformation of illegal and criminal armed actors, pointing to the risks for peace consolidation that may emerge in the potential power vacuum following the demobilisation of the FARC or ELN.

Oil

Certain regions in Colombia have been more closely linked to oil extraction, transport and refining. For example, Barrancabermeja, located to the north of the capital next to the Magdalena River, is a town that grew out of the development of Colombia's oil sector and which today houses an important refinery, as well as some of the main operations of Ecopetrol, the state-owned oil company. Up to one-third of the adult population depends economically on the company.

The surrounding municipalities host a range of illegal actors, all seeking to secure their share of the spoils related to oil. The ELN, in particular, developed its insurgent agenda around the need to nationalise oil resources and concentrated its activities in oil-producing regions. Here, it controlled local politics, diverted public resources to support friendly communities, and extorted the local oil industry, including host companies and outsourced activities. The sabotaging of oil infrastructure has been a standard procedure that haunts the industry until today (Fundación Ideas para la Paz, 2015).

As a result of illegal actor presence, oil regions have displayed higher levels of violence and corruption than the rest of the country. Table 1 illustrates the homicide rate for the main oil-producing regions in Colombia in 2011. As can be seen, in some of these regions the rate is at or well above the national average. Kidnappings, too, experienced a rise from nine in 2010 to 43 in 2011 (CITPAX, 2012: 9).

Table 1: Homicides in Colombia's main oil-producing regions per 100,000 inhabitants, 2011

Department	Total cases	Rate
Arauca	148	59.07
Nariño	499	30.06
Norte de Santander	560	42.77
Putumayo	177	53.7
Santander	310	15.34
National average	16.554	35

Source: Instituto Nacional de Medicina Legal y Ciencias Forenses (2011)

Declining oil prices may further feed into social problems in oil-producing regions. Municipalities depending on oil royalties as their main source of income have recently announced cutbacks on investment projects, as have many oil companies (*El Tiempo*, 2015b). The National Department of Statistics has announced that employment is stagnating in the extractive industry (*Portafolio*, 2015). In light of an already tense situation associated with the presence of armed actors in their regions of operation, a reduction of public and private investment may intensify pressure on companies in the form of (legal) demands for greater social involvement and growing (illegal) extortion. At the same time, the extractive industry's long-term perspective and resilience operates as a buffer in the face of crisis, reducing the likelihood of disinvestment or exit.

Gold mining

Gold mining is not a new activity in Colombia, but a price hike in primary commodities over the last ten years, combined with government policies to promote investment in the extractive industries, has caused foreign direct investment in the formal sector to increase and new companies to move into the extractive industry, many in remote regions in the south and east. Informal gold mining, which makes up to 80% of total mining in Colombia, has also increased as workers and communities seek to benefit from the lucrative resource (Rettberg & Ortiz-Riomalo, 2014).

As in the case of oil, phenomena typically linked to enclave economies – price inflation, prostitution, corruption and crime – have been increasingly reported in gold-mining municipalities (Rettberg et al., 2014). Prospects of local wealth have attracted illegal and criminal actors, who charge fees for operating mines and equipment, launder money from the drug trade via mining operations, and exert pressure on local authorities, who are both institutionally and militarily weak. As a result, and in contrast with national trends, gold-mining municipalities have experienced an increase in homicides (Idrobo et al., 2013). Companies complain about the lack of protection and security, in addition to deficient operational guidelines from government, and decreasing productivity in light of falling prices.

The Bajo Cauca subregion of the Antioquia region offers a useful illustration. The region has been under the control of drug lords and paramilitary groups funded by the drug trade for decades. But only since gold prices increased have illegal actors and the BACRIM become massively involved in mining. The region also hosts two of the largest gold mining companies, the Frontino Gold Mining Company, now owned by Gran Colombia Gold, and the only Colombian-owned gold extraction company, Mineros S.A., who are regularly approached for protection payments and who face difficulties in operating in regions marked by the widespread presence of illegal actors. As opposed to oil companies, gold-mining operations are only beginning to develop a corporate social responsibility portfolio that could provide them with some protection from social ill will. Together, these factors account for one of the hotspots of criminal activity in today's Colombia and will likely put to the test the country's ability to complete the transition from conflict once the FARC and ELN demobilise.

The private sector, peace and conflict transformation: prospects for the future

Slowly but surely the peace process in Cuba appears to be advancing, increasing the likelihood that sooner or later a massive demobilisation of FARC and ELN fighters will occur. The previous sections make clear that the risks of ongoing unrest and crime are significant, as economic incentives, accumulated experiences, and new opportunities provide ample room for the transformation and

reconfiguration of illegal actors and their adaptation to the post-conflict environment. As a result, companies in the extractive industry will probably not only feel no important respite in the immediate post-conflict period, but may even see conditions worsen for their operations, especially inasmuch as declining commodity prices affect their incomes. An important advantage for the extractive industry in this regard is its long-standing conflict and risk awareness, as well as the strategies the industry has developed over decades to confront risk and promote social support (although the gold-mining industry is only in the initial stages of these approaches).

However, it would be unreasonable to suggest that a peace agreement is irrelevant to the prospects of Colombia's society and economy, and to the fate of the Colombian private sector in general and the extractive industry in particular. Despite the overall improvement of the country's economic and security conditions, the Colombian private sector today realises that the ongoing conflict entails important costs, and that many of the recent gains may be at risk if the additional step of effectively demobilising the remaining armed groups and introducing fundamental changes in the country's security strategy is not properly undertaken.

To many in the private and public sector it is clear that the country's ongoing economic success is contingent on the prospects of further economic internationalisation, which will depend on investor safety and the development of further civil institutional capacity. The increase in foreign direct investment and the development of a growing number of free trade agreements require the Colombian state and private sector to focus attention and resources on developing adequate infrastructure and capacity to shoulder these new challenges. In addition, the increased presence of international companies in Colombia and the participation of Colombian companies in international trade networks may have had a spillover effect favourable to supporting peace talks – for instance, an increased adoption of corporate social responsibility standards and greater adherence to international norms of corporate practice.

In short, to consolidate gains in security, prevent growing criminality affecting investor confidence, and take the next step in securing Colombia's fledgling economic success, the private sector overall appears to have learned that ongoing confrontation between the Colombian state and guerrilla forces is not only an irritating nuisance, but the source of a lasting and strategic disadvantage.

Conclusion

This report has illustrated that the ongoing peace process offers Colombia an important opportunity for peace after more than 50 years of bloodshed. At the same time, despite measurable and fairly stable improvements in security and in economic terms, risks loom over the prospects of peace consolidation. Most importantly, the ongoing incentive

structures associated with the looting of legal resources and the production and trafficking of illicit drugs, as well as ongoing state weakness in providing basic services in many regions of the country, may foster both recidivism as well as new recruitment in the remaining groups once the FARC (and perhaps the ELN) demobilises. The figures provided at the beginning of this document provide a sober indication of the risks involved, based on data from previous processes in Colombia over the past ten years.

Despite these challenges, the Colombian private sector stands to gain more than lose from an eventual end to the country's armed conflict. This holds even for the extractive sector, which has stood at the centre of many of the challenges faced by companies operating in unstable and complex contexts and which ranks high among guerrilla political concerns. However, the regions where the extractive sector operates – which are marked by institutional weakness, abundant resources available for looting and diverse forms of criminal activity – illustrate the limits of and opportunities for transformation into new forms of “non-conventional” armed violence and the reasons why extractive regions may have to wait longer for the benefits of peace to materialise. Where criminal structures are difficult to disband because of attractive economic conditions, available weapons and ongoing state weakness, the effective demobilisation of illegal armed actors is likely to supply a renewed workforce and the necessary knowhow.

In this sense, the government's push to promote “territorial peace” (Jaramillo, 2013) – largely defined as regionally specific arrangements responding to particular needs should a nation-wide agreement be reached – can also be read as a form of prevention to stem the continuation and transformation of violence due to power vacuums and to the adjustment of criminal structures once demobilisation has formally ended.

This fits well with most of the work spearheaded by international actors and donors in the country. As described by García (2015) and Rettberg (2012), international cooperation has been crucial to many of Colombia's peacebuilding efforts. However, in light of growing demands and needs in other parts of the world, and in the context of a significant strengthening of the Colombian economy, international donors have begun to roll back many of their operating budgets and local engagements. The initiation of a peace process three years ago put a temporary halt to this reduction, but it is clear that most of the costs associated with building peace in Colombia will not be shouldered by international partners and that more therefore needs to be done with less.

Against this background, the analysis provided in this document indicates that the pool of diminishing resources should be dedicated to preventing the transformation and continuation of violence mainly at two levels. The first is to ensure a successful process of disarmament and demobilisation – including weapon controls and monitoring, the

protection of individual fighters, and the provision of conditions for a productive reintegration process; the second, to consolidate ongoing development initiatives in those regions that are most vulnerable to the continuation of violence, especially those in which extractive activities have raised the kind of expectations and social mobilisation that (emergent or traditional) illegal armed actors most frequently profit from. As should have become clear, these endeavours are of critical importance in light of the challenges described above.

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