

# Colombia: Extractive Capital and Peace Negotiations

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## Introduction

In late August 2012, President Santos announced that the Colombian regime was opening peace negotiations with the Revolutionary Armed Forces of Colombia, (FARC), with the aim of ending nearly 50 years of civil war.

Several economic, social, political and military changes account for the Santos regimes abrupt shift from a policy of “peace” through extermination of the guerrillas to a policy of a negotiated peace.

The most basic change is the regimes adoption of an economic model based on developmentalism via large scale long term flows of foreign extractionist capital – in mining, petroleum and gas.

The second factor is the regimes’ perception that, after a decade of intense repression, including the assassination of thousands of peasants, trade unionists and human rights activists and the forcible displacement of three to four million peasants from zones of guerrilla activity, the popular insurgency no longer is an immediate threat to regime power and that it is an appropriate moment to shift from militarization of the country to exploiting its abundant natural resources, especially at a time of high commodity prices.

The third factor leading to the peace negotiations is the perception by the guerrilla leaders that new mass popular movements such as the Patriotic March (Marcha Patriótica) are emerging with a mass base and that the peace negotiations offered them a platform to present their proposals for progressive social and economic reforms. By accepting to negotiate, Santos recognized that the FARC is a “legitimate belligerent” (and not a “band of criminals”); he could not impose a “military solution” nor “exterminate” the FARC (as his predecessor Alvaro Uribe boasted); a political dialogue was possible and necessary to end the armed conflict.

Militarily the Colombian regime with over 350,000 soldiers and seven US military bases felt secure in “negotiating” especially in light of a framework or road map (hojã de ruta) in which the military would continue to pursue the war and that there would be no demilitarized zone as was the case in the previous peace process. Negotiations would take place in Cuba and Norway with Venezuela and Chile as intermediaries.

Finally the basic framework or agenda agreed to by the FARC and the Santos regime precluded any explicit reference to the extractive capitalist model, at the center of Santos’ economic development strategy. The agenda made no mention of renegotiating the existing contracts let alone the nationalization of basic resources like the petroleum industry. Agrarian reform was replaced by the vague term “integral agrarian development”

involving “access and use of land”. Popular power was replaced by “guarantees” and “democratic mechanisms” to permit citizen participation.

Regarding the ending of the conflict, only the FARC would be disarmed as well as the paramilitary forces, but there is no mention of the demobilization of the military, the US Special Forces or any effort to change the character and operations of the military.

In other words the agreed upon agenda embraces in large part a peace agreement which will not adversely affect the extractive capitalist model which Santos is pursuing. Nor will it challenge the growing social inequalities and concentration of wealth which accompany it. Moreover, Santos has cultivated close political and economic relations not only with the rightist sponsors of the peace negotiations (Norway and Chile) but has close ties with the leftist countries – Cuba and Venezuela- who in recent years have opposed armed insurgencies in Latin America.

### **Extractive Foreign Capital Key to the Peace Process**

According to President Santos and his predecessor Alvaro Uribe “mining and petroleum are the locomotives of Colombia ’s development” for the foreseeable future. And the economic data over the last several years confirms their commitments.

The ‘big push’ by the regime in the extractive sector is evident in the large scale flows of foreign investment, the rapid growth of the energy sector, the growing share of minerals and energy as a percentage of exports.

From 1990 to 2001 only 157 mining licenses a year were granted; under the Uribe and Santos regime (2002 - 2010) 778 mining licenses a year were granted –a 5 fold increase. Over the last 10 years, 40% of the land grants were solicited or awarded to mining and oil companies. Of 114 million hectares more than 8.4 million have been licensed for mineral exploitation and 37 million for crude oil exploitation. And the regime’s promotion of extractive capital is accelerating: in 2010, 5.8 million hectares of land were licensed for mining exploitation. During the first half of 2012, foreign direct investment rose 26%, \$9.3 billion dollars, 82% of which went into energy and mining. Colombia is now the world’s fourth largest exporter of coal and Latin America ’s fourth largest oil producer. In 2011 Colombia grew 6% largely due to the commodity boom. Coal production largely in the hands of foreign capital doubled between 2000 and 2010, from 42 million tons to 82; and in 2011 rose another 15% to 94.6 million tons. Government projections call for 200 million by 2019.

Gas production rose from 200 billion cubic feet in 1999 to 400 in 2010.

Oil production has risen from 595,00 barrels a day in 2008 to 923,000 in 2011 to estimates of over a million 2012. As of 2011 mineral, oil and coal accounted for 64% of Colombia ’s exports. A modern gold rush has taken place with production rising from 40 tons annually to 80 tons in 2012. In 2011 over 82% of foreign direct investment went to the energy sector; for 2012, the regime expects \$10 billion investment in crude oil, energy and mining projects.

### **Military Political and Economic Conditions for the Growth of Extractive Capital**

Multiple factors allowed extractive capital to become the locomotive of Colombian growth.

First and foremost is large scale, long-term state terror up-rooted and dispossessed over 4 million peasants, Indians and Afro-Colombians. Mass terror, supposedly a “counter-insurgency program” allowed the Uribe and Santos regime to grant millions of hectares to be mining and energy corporations. Over the past decade the US has given Colombia over \$8 billion dollars in military aid, established seven military bases and rotates a thousand special forces advisers in support of Colombia’s genocidal policies involving the mass ouster of poor peoples’ movements ,thus cleansing extractive regions of any opposition, armed or not. In 2011 of the 76 trade unionists murdered in the world by the state and paramilitary death squads 29 took place in Colombia . Over the past decade over 3,000 trade unionists, peasants, human rights activists and journalists have been assassinated by the regime and its death squad affiliates. Over 78% of the crimes against trade unionists are committed in mining and energy regions, creating what the Financial Times calls “a favorable climate for investors” and attracting large scale flows of extractive capital. Approximately 87% of displaced persons and 80% of human rights violations over the last decade originated in mining and energy producing municipalities. Many of the extractive multi-national corporations finance paramilitary thugs to complement the role of the military in suppressing social and political protest. As the regime promoted mining boom accelerates, violence against Indian, Afro-Colombian and peasant communities escalates, pitting millions of peasants against mining companies.

#### Tax and Royalty Concessions

The Colombian regimes of Uribe-Santos offer some of the most lucrative tax benefits in the world to extractive corporations. According to one calculation the nominal tax rate of 22% is reduced by 10% via exemptions and abatements, which in turn is reduced further by environmental damage which costs the Colombian economy 15%. In other words the Colombian state pays the MNC’s to exploit its mining and energy resources. In turning Colombia into an extractive capital paradise, Santos has reduced royalty levels to their lowest levels since the early 1990’s.

While environmental regulations are on the books, they are rarely enforced and popular movements demanding protection are at best ignored and at worst forcibly removed, including 5,000 peasants in the first 2 months of 2012. While “resource nationalism” increases across the world including Latin America, where governments pursue greater shares of their national wealth through increased taxes, regulation and nationalization that is not the case in Colombia , dubbed by Wall Street investors as a “regional oasis”. According to one mining consultant “mining royalties linked to market prices and longer-lasting exploration permits have been primed for outsiders”. “We don’t want to scare off investors” Deputy Mining Minister Henry Medina Gonzalez said in April [2012] ... ‘We want to be as predictable as possible’.

Terror, low tax, royalty and environmental regulations and regime pro-extractive capital strategy has a profound impact on the Colombian economy, society and politics.

#### Impact of Extractive Capital Strategy

Colombia (with Guatemala ) has the worst socio-economic inequalities in Latin America , measured by a Gini Coefficient of .58. While extractive corporations have amassed huge profits and the ‘economy’ has done well, the vast majority has done badly: over 12% are unemployed; the informal sector approximates 40%; and 4 million refugees displaced and

dispossessed by the state live in shanty towns. Police and private paramilitary death squads ensure that labor demands in the mining sector are muted and peasant communities receive no compensation for environmental damage and forced relocation.

The biggest impact of Colombia 's extractive policy is in the vast concentration of wealth and power in the hands of foreign investors and local collaborators. The enrichment and power of the generals and political elite which promotes and protects extractive MNC's has accompanied the commodity boom. The extractive boom has, however, prejudiced the non-extractive, coffee, manufacturing and service sector by revaluing the peso, over 10% in 2011-12 thus reducing the competitiveness of Colombian exports. The result is the relative decline of Colombia 's non-extractive sectors which employ the bulk of the labor force, thus reducing living standards for all workers outside of the extractive sector which employs less than 5% of the workforce.

### **Political Challenges Facing the Extractive Model**

The extractive model faces several important challenges. Some are structural, especially its over dependence on commodity exports, its lack of diversified markets (it is overly dependent on the crises ridden US market) and others are political- the growing discontent among local manufacturers and agro exporters.

But the principle challenge lies in the threat posed by the guerrilla movements, the FARC and ELN, to the growth and expansion of extractive capital.

Despite claims by the Santos regime, echoed by the mass media, that the FARC has been severely weakened, divided and on the verge of defeat, the reports from the regions where extractive capital operates is that the FARC is still a formidable force. In early July 2012 an explosion hit a railway line that feeds into Colombia 's biggest coal miner and a few days later a UK based subsidiary of Sinochem also suffered an attack on an oil tanker. The FARC remains active in over two-thirds of Colombia 's municipalities; a Colombian think tank reported that there were 2,148 attacks nationwide, the most in 15 years; and the geography of FARC activity points to growing influence in the zones of extractive capital. The FARC is especially dominant in the areas of gold mining where they are reported to having an effective "tax collecting" organization. The FARC is a major force in the mining areas of Antioquia, Meta, Cordoba and similar extractive energy areas in the Amazon jungle areas. Given the centrality of extractive capital and the FARC's growing influence, Santos has pronounced his agreement to an extremely restricted process of "peace negotiation" with the FARC.

#### **A Peace Process Doomed to Failure**

What began as a promising opening to a process of peace negotiations has rapidly taken an ominous and inauspicious turn. President Santos announcement took place at a meeting of high military and police officials that resembled an extended war cabinet more than a re-launch of civil society in the presence of popular organizations, citizen and civic groups. This was followed by his rejection of a cease fire and an announcement of an intensification of the military campaign. In other words the "peace process" appears to serve as a tactic for escalating the war. Thirdly, Santos appointed a negotiating team dominated by military, political and business officials deeply involved in carrying out the war and the process of evicting communities to clear the way for large scale entry of extractive capital.

Even more ominous is Santos ' declaration that the dominant extractive capitalist model is non-negotiable. "As Castlereagh (the 19<sup>th</sup> century British statesman) once said, the maritime interests of Great Britain are not negotiable (similarly) we will not be negotiating any of our economic policies such as nationalization, the role of foreign investment, nothing like that" (my emphasis) Financial Times 9/5/12, p. 5.

By excluding all existing economic policies from the "peace" negotiations, Santos has ruled out all redistributive policies to lessen Colombia 's gross inequalities, any effort to achieve peace by addressing the deep seated social-economic issues that are the underlying reason for the armed insurgency. Santos interpretation of the key topic "rural development" has nothing to do with any meaningful agrarian reform. His version of a land reform process is based on resettlement of the millions of dispossessed farmers, peasants and landless rural workers in "frontier land" far away from the fertile farms seized by crony-capitalists, agrobusinesspeople, generals and death squads. Santos has zero tolerance for any land reform which relocates forcibly displaced peasants to land in regions and municipalities where Uribe and Santos have granted huge concessions to mining, gas and petrol multi-nationals. After all Uribe and Santos are responsible for their dispossession in the first place; and as extractive capitalism is the centerpiece of his economic model, there is no chance for any kind of agrarian reform or any meaningful 'social justice ' for the most exploited, excluded sectors of the rural population; no chance of negotiating the end of environmental destruction of the habitat of the vast majority of Afro-Colombian and Indo-Colombian communities.

For Santos , the military chiefs and their neo-liberal advisers the "peace process" has only one significant goal: the elimination of the FARC and ELN, as active armed opponents in the extractive capital municipalities. Heretofore, despite the massive mobilization of the armed forces, the Santos regime has failed to secure the great bulk of the oil, gas and mining municipalities. As a result of "investment risks", posed by insurgent attacks, the regime's projected flows of extractive capital are not feasible. All-out war would threaten considerable existing investments and deter pending large scale investors.

Santos has bet his entire economic strategy on the large scale, long term growth of foreign extractive capital; and this has led him to accept the FARC's offer to enter into peace negotiations, even if it means recognizing the insurgency as a legitimate belligerent. What Santos has failed to secure in the battlefield, the guaranteed security of the terrain of extractive capital, he hopes to attain via the 'peace process". Santos is counting on the international interlocutors, and sectors of the liberal academic community and human rights groups to pressure the FARC to accept a "peace settlement" in which most of the essential socio-economic reforms are excluded.

Santos has offered few concessions and demanded a great deal: in exchange for a political amnesty for the guerilla militants and their reinsertion into the existing electoral system. Santos is demanding the unilateral disarming and demobilization of the armed fighters. In exchange for a promise of security of their person, Santos has categorically refused to reform the state, especially military-paramilitary forces which in the past (1984-89) assassinated 5,000 ex-combatants and currently continues to murder dozens of trade unionists, peasant leaders and other activists in the Patriotic March social movement. Santos demands immunity for all senior military and police officials implicated in the killing and dispossession of activists. The 7 point agenda does not even mention a truth commission to investigate government crimes against humanity. Nor does the agenda

mention the issue of national sovereignty or the seven US military bases. Most of all, the agenda excludes negotiations over the entire multi-million acre give away to the extractive multi-national corporations. Not even mentioned is the idea of a dialogue over renegotiating existing mining contracts with the lowest royalty and tax rates in Latin America .

Santos has asserted that he “prefers guerrillas throwing taunts in Congress than throwing bombs” (Financial Times, 9/6/12, p. 5). By which he means he prefers a peace settlement in which a handful of ex-guerrilla Congress- people make inconsequential criticisms in Congress than continuing a war in which ten thousand guerrilla fighters undermine the pillage of Colombia ’s natural resources.

Given the FARC’s affirmation that it seeks “peace with social justice ” and given Santos intransigent support of war and negotiations, and unconditional defense of the current extractive capitalist model, the peace process is doomed to failure.

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