

Business and contested authority in Colombia, 1996-2016

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Abstract

Businesses are prominent actors in areas of contested authority, yet they respond in varied ways to its challenges, from seizing expansion opportunities, negotiating with armed groups, working with state armed forces, or leaving altogether. What are the conditions that affect businesses in areas of contested authority, how do they respond, and what security outcomes do they experience? I argue protection quality – whether protection is reliable and affordable – and business power – a business's capacity to deploy financial or political resources – are the key conditions that affect business security outcomes in areas of contested authority. Businesses respond through three pathways: they pursue accommodation by passively absorbing the costs of insecurity, they use voice to influence coercive actors to gain better protection, or they choose to exit by closing their business, seeking alternative protectors, or leaving altogether. The underlying conditions create four distinct security outcomes: *coexistence*, *entanglement*, *survival*, and *victimisation*. I present a series of cases across Antioquia and Valle del Cauca in Colombia from 1996-2016, comparing the conditions, responses and outcomes for agricultural firms, capital-intensive enterprises, neighbourhood shopkeepers, and mining companies. When protection quality and business power are high, businesses maintained a state of *coexistence* with coercive actors. When business power is high, yet protection quality is low, businesses experience *entanglement* with coercive actors. When protection quality is good, but businesses have less power, they experience *survival*, and when businesses have low power and poor protection, they experience *victimisation*. I draw from interviews with businesspeople, business association officials, journalists and observers gathered over the course of fieldwork in 2019, supplemented by newspaper articles, court documents, government data, and secondary sources.

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Any mistakes in this thesis are the author's alone.

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List of Abbreviations

ACOPI: Colombian Association of Small and Medium Businesses (*Asociación Colombiana de Pequeñas y Medianas Empresas*)

ACDEGAM: Peasant Association of Cattle ranchers and Farmers of Magdalena Medio (*Asociación Campesina de Agricultores y Ganaderos del Magdalena Medio*)

ACM: Colombian Mining Association (*Asociación Colombiana de Minería*)

ANDI: National Business Association of Colombia (*Asociación Nacional de Empresarios de Colombia*)

ASOBANCARIA: Banking and Financial Entities Association of Colombia (*Asociación Bancaria y de Entidades Financieras de Colombia*)

ASOCAÑA: Colombian Sugar Cane Growers Association (*Asociación de Cultivadores de Caña de Azúcar de Colombia*)

AUC: United Self Defence Forces of Colombia (*Autodefensas Unidas de Colombia*)

AUGURA: Colombian Banana Growers Association (*La Asociación de Bananeros de Colombia*)

CAMACOL: Colombian Chamber of Commerce for Construction (*Cámara Colombiana de la Construcción*)

CAP: Armed Popular Commands (*Comandos Armados Populares*)

CNMH: Centre for National Historic Memory (*Centro Nacional de Memoria Histórica*)

CONVIVIR: Cooperatives of Surveillance and Private Security (*Cooperativas de Vigilancias y Seguridad Privada*)

DANE: National Administrative Department of Statistics (*Departamento Administrativo Nacional de Estadistica*)

EPM: Public Companies of Medellín (*Empresas Públicas de Medellín*)

FARC: Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia*)

FEDECAFÉ: National Federation of Coffee Growers (*Federación Nacional de Cafeteros*)

FEDEGAN: National Federation of Cattle Ranchers (*Federación Nacional de Ganaderos*)

FENALCO: National Federation of Merchants (*Federación Nacional de Comerciantes*)

ELN: National Liberation Army (*Ejército de Liberación Nacional*)

SAC: Colombian Farmer's Society (*Sociedad de Agricultores de Colombia*)

INCORA: Colombia Institute of Agrarian Reform (*Instituto Colombiano de la Reforma Agraria*)

M19: 19th of April Movement (*Movimiento 19 de Abril*)

RUPTA: Single Register of Abandoned Land and Territories (*Registro Único de Predios y Territorios Abandonados*)

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Chapter 1. Introduction

"… there is an urgent need to lay the ghosts that still wander around in certain academic circles and continue to see the businessman as someone who should be eulogised or demonised rather than studied critically." (Dávila 1999, 115)

Businesses are powerful and important actors – they possess significant resources, develop coherent strategies to influence governments and society, and act collectively to achieve their goals. But how does a business operate when the state has imperfect control over its territory, or more severely, when armed groups violently compete for authority? This is a globally relevant question for the study of international development and civil conflict. Businesses, small and large, have been involved in conflicts in El Salvador, Colombia, Angola, the Democratic Republic of Congo, Liberia, Papua New Guinea and the Philippines, to name a few cases (Le Billon 2001a; Lasslett 2014; Papaioannou 2006; Quimpo 2014; Reno 1998; Rettberg 2007). On one level that is not surprising, as despite its challenges, economic life continues in areas with contested authority. More difficult to explain is the range and manner in which businesses have responded to these circumstances. Business actors sometimes collaborate with, sponsor, or finance, non-state armed groups, while on other occasions, they work with state forces against insurgents (Ahmad 2014; Payne and Pereira 2016). Sometimes they abandon their activities altogether, while at other times they persevere despite huge risks.

This is a challenging subject because in most cases, the everyday interactions between businesses and armed groups are almost invisible. However, when one looks closely, one can observe tell-tale signs of business-armed group interactions – ripples on the surface which hint at an underlying social complexity, as enterprises attempt to survive and thrive while navigating between the demands of legal and illegal authority. Are these interactions between business and authority wholly unique products of circumstance, or is there an underlying logic to these interactions that can be teased out and revealed?

Drawing together insights from the state development, mafia, and civil war literatures, the purpose of this research project is to develop a theoretical and empirical grounding to understand how businesses are affected by coercive actors in areas of contested authority, how they respond, and the outcomes they experience.

I define contested authority as a suboptimal institutional setting where more than one coercive actor claims authority. This definition encompasses a wide spectrum of contestation – it includes situations in which mafia groups seek to operate alongside the state without challenging it directly, to armed groups in open civil war with the state. Contested authority is therefore the key scope condition of this research, as I am observing how businesses exist in areas of competition among coercive actors. I define a coercive actor as any group that can use coercion to impose authority. This could include insurgents, militias, and criminal groups, as well as legal actors such as the police, military, and private security companies.

The argument of this thesis is as follows. First, areas of contested authority affect businesses according to two fundamental conditions: protection quality and business power. These two conditions are the independent variables of the study. Protection quality is the credibility and

reliability of protection that coercive actors offer to businesses in a situation of contested authority. Business power is the ability for businesses to exercise financial, relational, collective, or other resources to achieve its interests. It enables businesses to influence or adapt to coercive actor behaviour.

Second, business responses to the threat of coercive actors can be categorised into voice, accommodation, and exit. Businesses use their voice to influence coercive actors to provide better protection. They choose accommodation when they passively absorb the costs of insecurity. Exit refers to the decision by a business to leave contested areas, cease operations entirely, or switch their allegiance to an alternative coercive actor. Business responses are expressions of business power which can explain how businesses themselves can influence their security outcomes.

Third, the configuration of business power and protection quality produces four types of security outcomes: *coexistence*, *entanglement*, *survival*, or *victimisation*. The security outcome is the dependent variable. It describes whether a business will be damaged or protected, whether it must invest resources and engage with coercive actors to secure protection, and how likely it is to succeed in its search for protection. In situations of high protection quality, businesses with significant power experience *coexistence* with coercive actors. If protection quality reduces, they experience *entanglement*. Businesses with lower power experience *survival* if they receive good protection, and *victimisation* if protection is poor.

This thesis proceeds in the following structure. In this introduction, I review the literature on business, contested authority and civil conflict, present my research questions, provide a

precis of the argument, and explain the research design and case selection. In the second chapter, I explain the theoretical foundations of my argument, showing how my theory builds on state formation, mafia, and civil war scholarship. The third chapter traces the history of business and contested authority in Colombia, familiarising the reader with the main coercive actors. I explore the early twentieth century coffee entrepreneurs and their connection to conflicts (Bergquist 1986; Palacios 1980), conflict driven by frontier expansion (LeGrand 1986), the role and power of business associations (Bejarano 1985; Sáenz Rovner 2007; Schneider 2004) and business elite reactions to contested authority (Restrepo 2011).

The following four chapters present case studies of business industries in areas of contested authority between 1996-2016. I examine each business industry as a case and compare it against other industries. The fourth chapter explores three agricultural industries – sugar, bananas, and coffee. The sugar companies had high business power and enjoyed good protection. Despite the presence of guerrilla, paramilitary, and criminal groups in Valle del Cauca, they experienced *coexistence* with coercive actors. Banana companies had high business power, as they were highly cohesive and politically connected. They had low protection quality, and experienced *entanglement* with coercive actors. Coffee growers had low business power and low protection quality, leading them to experience *victimisation* by coercive actors, particularly paramilitary and criminal groups.

The fifth chapter focuses on capital intensive businesses in manufacturing, construction, and shipping. Despite their challenges, all three industries had high business power and reliable protection, and they experienced *coexistence* with coercive actors. I found evidence that they secured state protection, bargained with armed groups, and worked collectively through their business associations.

Chapter six focuses on small shopkeepers in Medellín. Despite occasionally effective collective action, small businesses have less business power, and their options to respond were therefore constrained. Small businesses experienced contested authority even in places where one might assume that the state has an abundance of resources to ensure protection, such as in central Medellín. When they received reliable and genuine protection, small businesses experienced *survival*. In contrast, shopkeepers in Buenaventura did not receive reliable protection and experienced *victimisation*.

In chapter seven, I compare formal and informal gold mining in Antioquia. This presents an opportunity to focus on the variation in business responses and outcomes within the same industry, according to firm size and type. Large companies secured state protection and bargained with armed groups where necessary. They experienced *entanglement* with the Colombian military, organising special protection agreements to secure their operations. Small informal mining companies were heavily controlled by armed groups, leading them to experience *victimisation.*

To conclude, I summarise the case study results, examine the utility of the framework for Colombian business industries that were not included in this study, and explore its generalisability to other cases across the world. I then outline the theoretical implications for the state formation, civil war, and development literature, and explore the potential for further research.

1.1 The empirical puzzle, and why it matters for international development

Private wealth and commerce have played a pivotal role in the history of civil war and political order, and are central to economic development. The problem is that we know little

about what drives business strategies in areas of contested authority – under what conditions and why they are likely to become victims, collude or even choose to avoid involvement altogether. Existing research has often focused on the impact of armed actors on businesses, but businesses are rarely the central unit of analysis, and, with notable exceptions, there has not been systematic comparison between how different types of businesses pursue their strategic goals under conditions of contested authority. The below examples demonstrate that is not easy to predict how a business will behave, and the wide variance in responses represents a significant empirical puzzle.

Rather than simply destroying economic activity, civil conflict often reshapes enterprise, creating new relationships between political authority and economic development. In modern civil conflicts, businesses have occasionally forged connections to non-state armed groups. These connections have been most clear in the natural resource sector. For example, in Angola, diamonds were exploited by the National Union for the Total Independence of Angola (UNITA) rebel group to fund their activities from the late 1970s onward, which were then sold to a network of businessmen and international corporations (Le Billon 2001a). Similarly, during the first Liberian civil war (1989-1997), Charles Taylor, leader of the National Patriotic Front of Liberia (NPFL), established relationships with logging firms, under which he agreed to provide protection in exchange for regular payments. Taylor also received logistical support from logging firms and used a logging business association as a financial intermediary with commercial partners outside Liberia. "… Despite these burdens on foreign partners, cooperative firms took part in removing up to 200,000 cubic meters of logs on concessions, worth about $20 million, during 1992" (Reno 1997, 97).

Multinational companies also became involved in the Somali civil war from 1994 to 1996, when the international fruit companies Dole and De Nadai provided payments to opposing armed groups in the civil war in exchange for the protection of their banana production. The companies eventually departed Somalia, judging the security costs were too high to justify their presence, while domestic Somali businesses adapted to the lack of state presence either by maintaining close ties with warlords or by developing their own private security apparatus (Webersik 2005; Yusuf 2006). Private, formal enterprises, in other words, did business directly with armed groups, which in turn allowed these groups to sustain their operations financially.

The evidence within Colombia provides further examples of business-armed group interactions across industries and sectors. In rural Colombia, agrarian elites formed and led many paramilitary groups from the 1980s onward, both to protect themselves from the guerrillas and to reverse the Colombian state's land reform efforts (Gutiérrez Sanín and Vargas 2017; Romero 2003b). Having previously made regular payments to the Revolutionary Armed Forces of Colombia (Fuerzas Armadas Revolucionarias de Colombia, FARC) guerilla group in the 1990s and 2000s, banana and palm oil companies developed connections with paramilitary groups, which allowed these companies to appropriate land that paramilitaries seized from small landowners (Grajales 2011). Business leaders were convicted in Colombian courts for their connections to armed groups (Bernal-Bermúdez 2017). At the same time, while colluding with certain armed groups, businesses were directly targeted by others, as guerrilla groups gained revenues from the frequent extortion and kidnapping of businessmen (Guaqueta 2003).

At the other end of the spectrum, business actors have also previously been decisive for forging peace agreements. In El Salvador, the catalyst for the peace agreement between the government and the Farabundo Martí National Liberation Front (FMLN) in 1992 was driven in part by the changing nature of elite economic interests, who gradually came to support negotiations with the rebels (Johnson 1993; Wood 1995). The peace process in Sri Lanka from 2001 to 2004 was heavily supported by the business community, although it ultimately collapsed (Venugopal 2009). In Colombia, businesses have also been very active in the promotion of peace at the regional and national level. Businesses have formed local peacebuilding initiatives such as *Vallenpaz* in Cali and *Entretodos* in Medellin, which support education, employment programmes and local conflict resolution (Rettberg 2004).

1.2 Literature review

Businesses in areas of contested authority deserve closer and more refined scholarly attention for at least three reasons. First, they are crucial economic institutions that provide employment and sustain the economic wellbeing of communities, and their success or failure directly impacts the wellbeing of people in areas of contested authority. Second and related, they are essential building blocks for further economic development. Third, their behaviour and choices – whether to fund armed groups in exchange for protection, to leave a certain area, or any other decision – affects the incentives of both armed groups and the state.

Yet despite the significant advances in research on civil war and contested authority, there is not yet a framework for understanding business behaviour under these conditions. Business actors have been largely peripheral to most conflict-related research, even though they clearly are highly important actors in society. There has been considerable research on the

relationship between private economic interests and armed groups, but it has mostly treated the armed group or the state as the unit of analysis. Nonetheless, as will be explained later in the theoretical framework, there is highly useful scholarship on business politics, civil war, and contested authority, which can be drawn from to build a new theoretical framework which helps to explain business responses to coercive actors, and security outcomes in areas of contested authority.

First, there is a rich vein of literature on economics and civil war. Indeed, questions of political economy have been at the heart of civil war literature, particularly regarding the longstanding debate over whether civil wars are driven by a desire for material resources or as a response to socio economic deprivation (Ballentine 2003; Collier and Hoeffler 1998, 2004). Economists use Large-N datasets to examine the relationship between the economic characteristics of countries and the likelihood of civil war onset and duration. Particular attention is devoted to the relationship between natural resources and civil war, and a key claim, made by Collier and Hoeffler in particular, is that rebels are incentivised to engage in civil war to gain control of rents derived from lootable resources (Collier et al. 2003; Collier and Hoeffler 1998, 2004, 2005; Fearon and Laitin 2003; Humphreys 2005; The World Bank 2011). Research by Stewart and others provide more nuance, adapting this argument by incorporating social, cultural, ethnic and religious dimensions to examine how 'horizontal inequalities', defined as socioeconomic inequalities among culturally distinct groups, may increase the probability of conflict (Stewart et al. 2008). The role of business as an actor is not the focus of this literature, but the negative effects of civil war on the private sector receives extensive attention. Businesses are chiefly conceived of as victims of war, as they lose access to physical infrastructure assets, must operate under conditions of increasing

uncertainty, suffer from reduced productivity and investment, and lose human capital as skilled workers leave to avoid the conflict (Collier and Duponchel 2013).

This research only hints at the potential behaviour of businesses during armed conflict, as it cannot be determined, for example, whether and how businesses influence armed groups, or whether businesses are merely assets over which armed groups seek to gain control and extract rents from – the latter is assumed. Omitting business agency can lead to deterministic models that cannot account for real-world variation in business behaviour and security outcomes. Of course, I acknowledge that this research stream makes reasonable assumptions about businesses and armed groups as rational actors to render these dynamics suitable for econometric analysis. My concern is that this approach may prevent a richer understanding of businesses as agents with a wide range of strategic options.

A related political economy tradition conceptualises civil war as a phenomenon in which the parties to the conflict have strong economic motives, although it foregrounds the complicity of business in conflict, rather than its victimisation. It is argued, most prominently by Kaldor (1999), that the 'new wars' of the post-Cold War period are characterised by economic predation, and blurred distinctions between criminal and political motives. Berdal and Malone (2000, 4) assert that these wars are driven "not by a Clausewitzian logic of forwarding a set of political aims, but rather by powerful economic motives and agendas." These economic agendas encompass "links with arms brokers, transnational criminal networks, corrupt governments, and certain corporations, reaching well beyond war zones to the world's commodity markets and major financial centres" (Malone and Nitzschke 2005). This literature extends itself to considering examples in which businesses collude with armed

groups in war, but as with the Large-N studies, does not systematically examine the strategies of business actors themselves.

Critical scholars such as Cramer (2006) take a different approach by focusing on how violence in areas of contested authority is used to create new forms of economic development. Cramer utilises the concept of 'primitive accumulation' to place economic relations at the centre of politics in civil war. As with Collier and Hoeffler, Cramer explains that civil war produces certain economic conditions: risks become heightened, barriers to entry increase, and illegal trade opportunities emerge. Under such conditions, he argues, economic relations in civil war constitute 'primitive accumulation', which is defined as the accumulation of wealth through "largely non-economic and usually coercive means" (Cramer 2008, 4). This process allows those with political and military power to violently seize economic opportunities and legalise their claims thereafter. Economic growth is facilitated through violence.

The 'primitive accumulation' view certainly finds evidence for its claims in Colombia, particularly with regard to the forcible dispossession of land by paramilitary groups in collaboration with agribusiness and state actors, a phenomenon which is large-scale and well-documented (Garay Salamanca et al. 2011; Gómez, Sánchez-Ayala, and Vargas 2015; Grajales 2011; Thomson 2011). For example, Maher (2015a) argues that in Meta, government actors, paramilitary groups and palm oil companies collaborated to suppress labour unions, driving down labour costs and contributing to the competitiveness of Colombian palm oil exports. Nevertheless, as Gómez et. al. (2015, 270) conclude, primitive accumulation did not always fit the pattern of conflict and displacement in Colombia – "land ownership has worsened, but not as much as expected; the shift to commercial agriculture is

not as large as thought and subnational figures suggest armed conflict probably had disparate effects on agriculture."

In my view, while compelling in certain cases, the primitive accumulation argument does not cover the full range of potential economic relations in civil war, nor the variety of business responses. Primitive accumulation describes a specific business-conflict interaction, in circumstances where coercive power is used to generate economic gain through intense collusion between business and armed groups. But this does not always happen. As will be shown in the empirical chapters, we also see businesses avoid armed groups, or engage more passively, potentially by only paying for protection.

Another relevant strand of scholarship has focused more on the concept of institutions as the driving force of development. A prominent example is Acemoglu and Robinson's (2012) *Why Nations Fail*, in which they argue that strong and inclusive political institutions are the foundation for economic prosperity. Rettberg (2018) shows how this institutional perspective applies to businesses in situations of contested authority. In her study of the coffee industry in Colombia, she shows how the decline of the coffee association FEDECAFÉ as an institution coincided with greater conflict in the coffee regions (Rettberg 2018). Similarly, Rettberg, Leiteritz and Nasi (2011, 181) examine how institutions, defined as "the formal and informal rules that structure human behaviour," shape the strategies of businesspeople and armed groups. In this research, the institutional context is an explanatory factor for understanding how businesses and armed groups behave. Consistent with the approach of many Colombian

scholars, Rettberg, Leiteritz and Nasi (2011) emphasise a multifaceted approach which closely appraises the specific characteristics of the conflict actors and businesses.[1]

I agree with Rettberg, Leiteritz and Nasi (2011) when they point out that characteristics such as industry sector, type of organisation, firm size, asset specificity and factor mobility, all influence business preferences and how they respond to incentives. However, it is not clear that institutions alone can do the explanatory work needed to show how businesses and armed groups will behave. In situations of contested authority, the state lacks the capacity to enforce an institutional framework. This means businesses, non-state armed groups and communities must negotiate without the benefit of a strong rules-based order. Under such circumstances, as the reader shall see, I argue that analysing the underlying material and relational power of businesses is highly valuable to understanding their responses and security outcomes.

The theory of a hybrid political order provides another lens through which to consider how businesses behave in areas of contested authority. In hybrid political orders, local, national and international actors all influence political order and therefore authority (Mac Ginty 2014). In the absence of a unified political order, business actors often have to channel their efforts into lobbying or bribery to survive and succeed, and this in turn creates a degraded business environment. For example, Stel and Naudé (2016) find that entrepreneurs in Lebanon must undertake lobbying and bribery to access reliable electricity, which reinforces

[1] It is not possible for me to discern a 'Colombian' approach to studying conflict, but I have observed that Colombian scholars often apply flexible conceptual frameworks that are sensitive to the evolution of the conflict, and how this shifts the behaviour and identity of conflict actors. In contrast, external researchers often start with static concepts of civil war and conflict derived from other contexts, which can face challenges when adapting to Colombia's complex experience.

existing oligopolies. Similarly, according to Ngin and Verkoren (2015), business leaders in Cambodia build close relationships with politicians to maintain their control over land contracts, providing them with money and goods in exchange for supporting their position in land conflicts. In addition, McCarthy and Farrelly (2020) outline how business leaders and ethnic elites in Myanmar, in concert with the government, controlled development programs in conflict-affected regions, reshaping political authority in the process. While development programs were ostensibly promoting peacebuilding, firms in Myanmar also tacitly supported violence by the government against local communities as part of this process (Miklian 2019). In hybrid political orders, businesspeople are part of wider political networks that exercise economic and political control, largely through patronage, and therefore shape the course of peace and conflict in these areas. The hybrid political order approach has a distinct advantage over the earlier political economy literature because it draws clear connections between business and political networks, leading to a richer understanding of business activities in areas of contested authority. However, I suggest that focusing on patronage networks may tend to exclude an analysis of businesses that fall outside these networks, such as small businesses, and therefore may not capture the range of different responses that businesses choose when dealing with situations of contested authority.

There are two notable practice-oriented research strands concerning business and contested authority. First, there is extensive scholarship which explores the legal implications of business complicity with armed groups (Bernal-Bermúdez 2017; Payne and Pereira 2016). In this literature, businesses are primarily studied as perpetrators of crimes in war, to be subject to judicial processes. In a similar vein, policy-focused academics devote attention to devising corporate accountability mechanisms and norms, designed to prevent businesses from

becoming involved in conflict (Ballentine and Haufler 2005; Haufler 2010). As Ganson and Wennmann (2016, 61) explain, the underlying assumption is that "if businesses can be compelled to follow increasingly well-articulated and well-enforced rules and norms, then business-related violence can be contained, and conflict managed, in fragile states." Both research strands provide interesting empirical material. However, as they each start with a normative goal – either to determine a business's compliance with the international or national law or to devise a policy framework to guide business actions – neither provide a replicable theoretical framework to explain business behaviour or security outcomes.

In contrast, scholarship on the mafia provides hints at a more widely applicable framework by linking the behaviour of coercive actors to business outcomes (Gambetta 1996; Varese 2001; Volkov 2002). Varese (1996) identified several types of criminal groups that interact with business: predatory, extortionate or protective. He found that each type created dramatically different outcomes. Predatory groups ruined businesses by demanding too many payments, extortionate groups disrupted businesses by offering false promises of protection they did not intend to provide, while protective groups offered genuinely useful protection, including services such as contract enforcement and physical security. Readers will easily see the influence of this research on the theoretical framework that follows, but there are nonetheless a few limitations that I would highlight. First, the framework restricts itself to mafia groups, whereas I am seeking to understand how businesses respond to contexts of contested authority, which includes criminal and political conflict. Second, while the power of business is acknowledged as a factor which influences protection, how this power affects the security of business is not systematically explained, and the way business power is exercised is not identified.

There is also an interesting and relevant adjacent literature which examines business and peacebuilding. This literature contends that businesses are potential change agents in society which can promote peaceful settlement, initiate local development projects which strengthen communities, and lobby governments to pursue peace-oriented policies. It recognises that the business community is an important domestic stakeholder, and explores what characteristics make the private sector more likely to support peace. For example, Rettberg (2007) argues that the perception of the costs that peace might impose on the private sector, the sector's unity, and its access to government decision-making all affect the propensity of businesses to support peace. Scholars also study cases in which local businesses contribute to peacebuilding in conflict zones, as occurred in Colombia, Sri Lanka and Kenya, among other cases (Austin and Wennmann 2017; Rettberg 2013; Venugopal 2009).

When do companies engage in peacebuilding? Melin (2021) argues that companies will invest in peace when governments are able to enforce the rule of law, there is sufficient political stability, or if they are seeking to be norm entrepreneurs, which involves building their reputation around a socially responsible image which includes peacebuilding activities. Looking at the other side of the issue, Ganson (2019) has explored the disincentives for the private sector to pursue peace. For example, companies may fear that participating in peacebuilding would create the risk of reprisal from armed groups that oppose peace. Others may calculate that engaging in peacebuilding would put their existing operating environment at risk, potentially upsetting the government or disrupting labour-business relations that may be in their favour. The success or failure of private peacebuilding efforts are highly context dependent, as they raise the issue of who will benefit from the new peace, as well as who defines what the nature of the peace will be (Miklian and Schouten 2019). The natural

limitation of this research for my purposes here is that it focuses only on peacebuilding, whereas I am interested in exploring a wider range of potential business behaviour.

Finally, the business and management literature provide some helpful insights into decision making within firms in areas of conflict. Oetzel and Getz (2012) conducted survey research to understand how businesses respond to conflict based on the influence of international and local stakeholders. Usefully, Oetzel and Getz explore different types of business responses – businesses can take a direct approach by attempting to prevent conflict through influencing host governments, speaking out publicly or engaging in negotiations. They can also take an indirect approach which includes activities such as supporting small business to strengthen local employment opportunities for the community, or by engaging in philanthropy. Similarly, Ganson, He and Henisz (2022) examine the internal mechanisms through which firms can affect the risk of conflict. Decisions within firms, taken by managers, can disrupt agreements in the conflict-affected area about the distribution of the benefits of a firm's operations, and therefore increase the risk of conflict. This research is interesting and insightful, and has a distinct advantage in that, in contrast to much of the previous research cited, it treats business actors as agents with the ability to make strategic decisions.

Literature	Role of business	Research
Economics and civil war	Victim of armed groups	Collier and Duponchel 2013; Collier and Hoeffler 2005; Porter Peschka, Emery, and Martin 2011
Political economy	Ally to armed groups	Berdal, Malone, and Williams 2000; Kaldor 1999; Malone and Nitzschke 2005
'Primitive accumulation'	Asset for armed groups to appropriate	Cramer 2006; Maher 2015a; Thomson 2011
Institutionalist	Strategy shaped by institutional context	Rettberg 2018; Rettberg, Leiteritz, and Nasi 2011
Hybrid political orders	Exercises influence through political-business networks	McCarthy and Farrelly 2020; Miklian 2019; Ngin and Verkoren 2015; Stel and Naudé 2016
Legal scholarship	Complicit in abuses with armed groups	Bernal-Bermúdez 2017; Payne and Pereira 2016
Mafia	Receives protection or subject to predation	Gambetta 1996; Varese 1996, 2001; Volkov 2002
Business and peacebuilding	Promotes peacebuilding Hinders peacebuilding	Ford 2015; Rettberg 2007a; Venugopal 2009; Ganson 2019; Melin 2021; Miklian and Schouten 2019
Business and management	Decisionmaker that influences conflict risk	Ganson, He, and Henisz 2022; Oetzel and Getz 2012

Table 1. Categorising existing research on business in areas of contested authority.

As can be seen from this survey, the literature on this topic is growing and has become more sophisticated over the last two decades. Each of these research streams illuminate different features of business behaviour in civil wars. In the political science literature, businesses themselves often figure only as a secondary actor, either as victim or ally for armed groups or states to leverage. In other words, business conduct is only examined where it prominently intersects with armed group or state behaviour, with little analysis of the strategic choices of business actors themselves. The consequences of business conduct, rather than its causes, have been the central focus of these studies. In contrast, the business literature has focused on strategic decision-making, but has not sought to understand the fundamental conditions that drive business behaviour in areas of contested authority, or assess how their political power

shapes their responses and security outcomes. This thesis aims to bridge this gap, by analysing businesses as strategic actors that can deploy political power to influence coercive actors. My thesis research questions are as follows:

1. What are the most important conditions that affect business behaviour and security outcomes in areas of contested authority?
2. How do businesses respond to coercive actors in areas of contested authority?
3. What types of security outcomes do businesses experience in areas of contested authority?

The following section provides definitions to the key terms of the thesis and outlines my argument.

1.3 Summary of the argument

My argument proceeds in three steps. First, protection quality and business power are the most important underlying conditions that affect businesses in areas of contested authority. Second, informed by these conditions, business responses – which I categorise into either voice, accommodation or exit – are the actions through which they deploy power to shape the security outcome. Third, the initial conditions, combined with business responses, creates four distinct types of security outcomes: *coexistence*, *entanglement*, *survival*, and *victimisation*.

I refer to 'business' and 'business actors' to describe people or organisations who own or are involved in running a legal private enterprise. I argue that in areas of contested authority, business actor behaviour is shaped by the need for protection. I refer to 'responses',

'behaviour', and 'strategy' as the actions taken by businesses to secure protection. These might include active strategies such as sponsoring local peacebuilding initiatives or lobbying the government for financial or security assistance, or passive strategies such as internalising conflict costs, reducing investment or leaving a conflict area. Responses are expressions of power through which businesses address the threat of coercive actors.

In response to the first question, I argue that businesses are affected by two basic conditions, business power and protection quality. Business power is the power exercised by an enterprise – through relationships, financial resources, collective action, or other means – to achieve its interests. Protection quality is the standard of protection that coercive actors offer to businesses, including whether it is reliable and genuine. Protection quality and business power are independent variables.

I treat the second question regarding responses descriptively, seeking to categorise business responses. Adapting Hirschman's *Exit, Voice and Loyalty* (1970) framework, I argue that businesses respond through voice, accommodation and exit. Voice means articulating political interest, either directly to the coercive actor or to other actors. Rather than using Hirschman's label 'loyalty', I use the term accommodation. Accommodation describes the decision to absorb the costs that insecurity creates, either by internalising or externalizing these costs. Exit refers to the complete closure of the business, its relocation away from the area of contested authority, or the transfer of protection responsibilities from one coercive actor to another.

The initial conditions of protection quality and business power produce the security outcome. By 'security outcome', I refer to whether a given business will be damaged or protected by

coercive actors, whether it must invest resources to influence coercive actors to provide protection, and how likely it will succeed in doing so. I construct a typology to describe four distinct outcomes: *coexistence*, *entanglement*, *survival* and *victimisation*. The security outcome is the dependent variable.

Scope condition	**Independent variables**	**Dependent variable**
Contested authority: Contested (in scope) or uncontested (out of scope)	Business power: High or low Protection quality: High or low	Security outcomes: *Coexistence*, *entanglement*, *survival*, or *victimisation*.

Table 2. Summary of the thesis scope condition, independent variables, and dependent variable.

Coexistence describes a security outcome in which businesses can operate effectively without having to actively engage with coercive actors. Coercive actors either offer reliable and affordable protection or cause only manageable disruption to operations. Businesses do not need to expend tremendous resources on securing protection. Powerful businesses that receive high quality protection are likely to experience *coexistence* with coercive actors.

Businesses that experience *entanglement* can operate effectively, but only because they actively engage with coercive actors. The security environment is so poor that it would be impossible for a business to operate if it does not actively engage with coercive actors to create protection agreements. Powerful businesses that encounter poor general protection quality are likely to experience *entanglement* with coercive actors.

When businesses are forced to pay protection rents and conform to coercive actors' rules, but protection is reliable enough for them to sustain their activities, they are experiencing the *survival* outcome. This occurs when protection quality is high and business power is low. As

businesses have lower business power, they are unable to substantially influence coercive actors.

Victimisation occurs when coercive actors have made it impossible for business to operate due to the threat of violence. Coercive actors do not offer protection, and businesses are not able to influence them to maintain their security. If businesses have low power and experience low protection quality, they are likely to experience *victimisation*. Dispossession, systematic violence, and business closure are indicators that businesses are experiencing *victimisation*.

Business responses are actions through which business power is deployed. The business response converts latent material and relational power into concrete actions that affect the security outcome. For example, a business may deploy its financial power to strengthen its private security or use its political connections to advocate for greater state protection in the form of a greater police or military presence in its operating area. Even the simple act of ceasing operations due to insecurity entails the exercise of power, as it signals a change in the economic environment to other actors, including armed groups, government, and society. Responses become more or less relevant depending on the configuration of the two starting conditions, business power and protection quality. When business power is low, the business response has less potential to affect the outcome. Powerful businesses have a full range of effective options they can pursue, and they therefore are likely to achieve *coexistence* when protection quality is high, and *entanglement* when protection quality is low. Less powerful businesses have no choice but to settle for *survival* when protection is good, or face *victimisation* when protection quality is poor.

1.4 Research design

Research on civil war sharply increased following the end of the Cold War, and the political science literature now displays a range of methods for exploring the interactions between the state, armed groups and society in civil war. Many insights from this literature inspired the following research design and case analysis. Political scientists increasingly acknowledge the social processes within civil war, examining relations between armed groups and the societies they exist in (Kalyvas 2006; Parkinson 2013; Weinstein 2007). "Civilian populations – their interests, their resources, and their support – figure centrally in the political and military struggles that plague many developing countries" (Weinstein 2007, 4). In addition, further nuance has been developed around the interaction between private and political agendas (Kalyvas 2003). I view the study of business in conflict within this framework – businesses possess private motives which interact with the belligerents to jointly shape conflict.

Scholars have also turned their analysis to the 'micro' or subnational level to obtain empirical evidence which demonstrates the mechanisms of armed group-civilian interactions. This micro focus has yielded useful insights on such topics as the production of violence (Kalyvas 2006), insurgent governance (Arjona 2016) and organisation (Staniland 2014), as well as civilian agency (Krause 2017). This project aims to continue in this tradition by examining business behaviour in conflict at the regional level.

Qualitative case methods

I employ qualitative case methods given the project is constructed around theory-building (George and Bennett 2005). I develop a typological theory, which specifies "pathways through which particular types relate to specified outcomes" (George and Bennett 2005, 235).

I also adopt a pragmatic approach, where theory is applied to craft an illustration of cases (Beach and Pedersen 2016; Friedrichs and Kratochwil 2009). I search for evidence that reveals how business actors respond, and examine the variation in effects and outcomes by comparing different types of businesses. I also compare the varying level of protection quality on different business industries in the same location, creating matched comparisons.

I organised my analysis inductively, beginning not with specific hypotheses, but with intuitions informed by previous literature (Yom 2015). I then engaged in theory building through a grounded approach, using my empirical research to refine my framework (Glaser and Strauss 1999). This means my core research questions were not static, they evolved throughout the project as I developed a deeper understanding of the empirical material, and as I mapped out each component of my theoretical framework. I do not claim that an outcome was only caused by business power and protection quality alone, as effects are likely multicausal. The evidence I present shows processes and connections but does not rule out other pathways.

I focus my empirical research on Colombia. Colombia has a well-documented internal conflict, and a diversified business community. I concentrate my research on business actors in Valle del Cauca and Antioquia, the most economically productive departments other than the capital department Cundinamarca.[2] Both departments have strong primary, secondary and

[2] A 'department' in Colombia is equivalent to a state or province in the US or Canada.

tertiary sectors, and experienced contested authority due to the presence of criminal and political armed groups.[3]

I examine the period between 1996-2016. This period lends itself well to investigation because it represents a continuous period of contested authority in Colombia, where criminal, guerrilla and paramilitary groups sought to establish and maintain authority using coercion in competition with each other and the Colombian state. The period begins after the disruption of the Medellín and Cali cartels and ends with the signing of the peace agreement between the FARC guerrilla group and the Colombian government in 2016. I was able to conduct interviews with subjects that were highly familiar with business and contested authority in this period, and supplementary documentary evidence was readily accessible.

Case studies

I considered a range of strategies to present the empirical chapters, including whether the evidence is best understood thematically, with a geographic focus, or by industry. I decided to focus on industry-level analysis due to two advantages. First, I find clearly observable similarities in responses between businesses in the same industry, and second, business power is often exercised through business associations that operate at the industry level.

I employ cross-case comparison across multiple business industries, with a 'diverse' case selection strategy focusing on achieving variance across the dimensions of interest (Seawright and Gerring 2008). My research examines business power deployed by individual

[3] Cundinamarca did not experience such a marked period of contested authority during the same period and does not have as diverse a range of business actors, making it less suitable for analysis.

firms, as well as collective associations. The unit of analysis is the business industry, such as the coffee industry or the shipping industry, which facilitates comparison across sector, size, operations, and location. Following Bennett and Checkel (2015), I pursue inductive insights and consider alternative explanations for business actor behaviour. As with all inductive research, there are limitations on the study's external validity. Nevertheless, the theory I develop here could provide a foundation for further studies on business behaviour in different countries that experienced contested authority.

Each chapter is designed to add a useful dimension to the research. The fourth chapter (the first empirical chapter) analyses three industries in agriculture; sugar, bananas, and coffee. The purpose is to compare the experience of contested authority on businesses that are involved in agricultural production, but vary in their level of business power, their protection quality, and their responses. The fifth chapter looks at capital-intensive, higher value additive industries, including construction, manufacturing, and commercial shipping. The sixth chapter examines shopkeepers in Medellín and Buenaventura. In contrast to the preceding chapters, where businesses typically wield substantial power, this chapter focuses on a less powerful industry to analyse how the experience of contested authority differs. The final empirical chapter analyses formal and informal gold mining in Antioquia. This chapter provides the most direct comparison between powerful and less powerful businesses, as it compares the formal companies against the informal miners that are engaged in the same industry. Below is a summary of the case results.

Industry	Business power	Protection quality	Business responses[4]	Security outcome[5]
Sugar	High	High	Accommodation, Voice	Coexistence
Bananas	High	Low	Voice, Accommodation	Entanglement
Coffee	Low	Low	Exit, Voice	Victimisation
Manufacturing	High	High	Accommodation, Voice, Exit	Coexistence
Construction	High	High	Accommodation, Voice	Coexistence
Shipping	High	High	Accommodation, Voice	Coexistence
Neighbourhood shops	Low	High	Accommodation, Voice	Survival
Formal mining	High	Low	Voice, Accommodation	Entanglement
Informal mining	Low	Low	Accommodation, Voice	Victimisation

Table 3. Case results

I exclude industries such as services, banking, insurance, and consulting, as well as online businesses. While these industries are indirectly affected, they often do not require physical protection from coercive actors, because they have a comparatively small operational footprint which makes them harder to target, and they are often well protected by the state.

I consider endogeneity and reverse causality issues in my argument and adapt my research design accordingly. To guard against endogeneity and reverse causality, I avoid cases where it could be argued that business power is wholly endogenous to the behaviour of coercive actors. This means I select cases where the business actors' power was established prior to the emergence of the circumstances of contested authority, rather than cases where it could be argued that business power was a direct result of coercive actor support.

[4] In most cases I observed multiple response strategies by business industries. In this table I have placed the dominant response first.
[5] Similarly, here I list the dominant outcome for the industry. Individual businesses may have experienced different outcomes according to their specific circumstances. I explore this in detail in the empirical chapters.

Fieldwork

I conducted fieldwork in Colombia to build a strong evidence base and shape my theoretical framework. I conducted a scoping and familiarization trip from July to September in 2018, engaging with local scholars that specialise in business, conflict, and crime in Bogotá, Medellín and Cali. In Bogotá I was very fortunate to be hosted by the University of the Andes (Universidad de Los Andes, UNIANDES) as a visiting scholar. I also had the opportunity to present my research agenda to the National University of Colombia (Universidad Nacional de Colombia, UNINACIONAL). I completed my fieldwork between May to August 2019, organising a partnership with EAFIT University (Escuela de Administración, Finanzas e Instituto Tecnológico, Universidad EAFIT) in Medellín and ICESI University (Instituto Colombiano de Estudios Superiores de Incolda, Universidad ICESI) in Cali. This research owes a great debt to these Colombian universities, particularly EAFIT and ICESI. Local professors provided valuable guidance on my research, and the university libraries proved to be exceptionally useful resources, greatly enriching my fieldwork. In each city I was supported by a local research assistant, who helped me to access relevant interviewees, took notes and occasionally translated. I conducted interviews with businesspeople, business association officials, journalists, local academics, and civil servants – 52 interviews in total. Focusing on a recent time period allowed me to obtain insights from people who had experienced these issues first-hand. I used NVivo software to analyse and code the data. I coded by cases, which helped me to build rich case study profiles, as well as by themes and business actor behaviour, which supported my theory building work. I also gathered relevant industry statistics, archival information about business history, and surveyed the extensive Colombian research on local conflict dynamics. These sources allow me to build richer cases,

as well as triangulate and contextualise my interview responses. I translated all the Spanish language excerpts and references that are presented in the thesis in English. In terms of currency conversion, throughout the empirical chapters I provide currency conversions from the Colombian peso to United States dollars based on the OECD's historical exchange rates, making the conversion based on the year cited in the original source.[6]

Ethics

This research was approved by the Central University Research Ethics Committee (CUREC) under the 1A protocols. As the research indirectly concerned violence and illegal activity, I undertook several precautionary steps to support the security of the participants and myself as the researcher. When I met with an interviewee, I read an oral consent script, which emphasised that participants are free to choose what to tell me and determine whether it can be published or whether it is for my own information. I explained the terms of the interview and stressed that participation is voluntary – they can refuse to participate or decline questions if they wish – and the participant does not need to reveal sensitive information. I pseudonymized all participants in the study by removing all major identifying details, such as their company name (Corti, Day, and Backhouse 2000). When presenting interview material, I refer to the interviewees according to their general job title and industry. This approach strikes a balance between informing the reader on the nature of the source while protecting the interviewee's identity. Rather than asking participants to sign a consent form, I obtained oral consent and signed a record of consent on their behalf in the participant's presence, with

[6] OECD exchange rates can be accessed online at https://data.oecd.org/conversion/exchange-rates.htm .

their alphanumeric identifier included on the form. This assisted with maintaining their pseudonymity by eliminating the need for their signature on a physical consent form. I articulated the complaints procedure to participants, so that they could raise concerns either with me directly or through the Social Sciences and Humanities Inter-Divisional Research Ethics Committee. Contact details for the committee were provided on the information sheet prior to interview.

Research safety

Although the research was not high risk, I was mindful of my personal safety. Business actors have been convicted in Colombia due to their connections with armed groups (Bernal-Bermúdez 2017). My interview questions could have been misinterpreted as being accusatory or intrusive, and there was a risk that negative assumptions would be made about the intentions and political views of the interviewer (Cammett 2013). In the worst-case scenario, the researcher may be perceived as a threat, which may result in intimidation or physical assault.

I took several precautions to avoid the risk of misinterpretation or conflict with participants. First, from the outset, I made my position as a neutral, external researcher clear to interviewees. As another precaution, while conducting interviews, I asked general questions, without referencing particular cases or incidents. For example, when talking about the challenges to business, I asked questions about industry-wide challenges, rather than specific business operations. Participants could then elaborate with specific examples if they felt comfortable to do so. Rather than recording interviews, which may generate anxiety given the sensitive nature of the topic, I took hand-written notes. I did not challenge interviewees on

facts, which may invite hostility, instead I invited them to elaborate in a neutral manner (Wood 2006).

This research agenda was highly feasible, particularly following the FARC peace agreement in 2016, as businesses in Colombia are interested in presenting themselves as contributors to peacebuilding, and therefore open to discuss these matters. The UN Global Compact held its annual conference in Bogotá in 2017, and the Bogotá Chamber of Commerce promotes nation-wide corporate social responsibility initiatives which support peacebuilding. Businesspeople in Colombia participate actively in public debates on peace and conflict, and offer their views to newspapers on how they are being affected. They also previously consented to interviews with foreign and domestic researchers.[7] Throughout the research I was welcomed by participants, who offered information freely and were highly engaged with the interview process. I never felt uncomfortable or threatened during an interview.

Personal safety

To prepare myself for fieldwork, I completed the *Fieldwork in Practice* and *Preparing for Safe and Effective Fieldwork* training sessions, as provided by the Social Sciences Division at the University of Oxford. The courses covered preparing and planning safety and logistical considerations and were useful to familiarise myself with security considerations within a research context. They reinforced the need for deliberate and considered risk assessment, as

[7] Laura Bernal-Bermúdez's (2017) PhD thesis 'The Power of Business and the Power of People: Understanding Remedy and Business Accountability for Human Rights Violations – Colombia 1970-2014' and Abbey Steele's (2017) book *Democracy and Displacement in Colombia's Civil War* are two recent publications which draw from interviews with business leaders.

well as the need to be prepared for unforeseen circumstances. I kept in regular contact with my supervisors and followed my risk assessment plan.

Data security

This fieldwork yielded sensitive data, particularly concerning interviews. In considering how to handle data, I consulted the Oxford Research Data Management online resource, the Mantra Research Data Management Training, and completed a Data Management Plan. To anonymise the data, I made interview notes in a notebook, and kept a separate codebook document which links interviewees to identities. The notebook and the codebook were kept in a secure location, either on university campus or in a secure place in my accommodation.

Conclusion

This introduction explained the research focus, reviewed the relevant literature, and presented my research design. I explored the contributions of diverse scholarship on business in areas of contested authority, provided an overview of my argument, and explained the research design and cases. The following chapter will present the theoretical foundations of the research in detail.

Chapter 2. Theory

This chapter presents the theoretical framework. I briefly review the limitations of existing frameworks that relate to business and contested authority, explain my framework's foundation in the state formation literature, define the core concepts, and present my framework in full. My research questions are as follows:

1. What are the most important conditions that affect business behaviour and security outcomes in areas of contested authority?
2. How do businesses respond to coercive actors in areas of contested authority?
3. What types of security outcomes do businesses experience in areas of contested authority?

First, I argue that business power and protection quality are the two most salient conditions. I define each condition and demonstrate how they fit into my framework. Second, I categorise possible responses according whether they constitute voice, accommodation, or exit. Third, I outline the security outcomes that the conditions create, classifying them into four types: *coexistence*, *entanglement*, *survival,* and *victimisation*. For each security outcome, I provide guidance as to how it can be observed through empirical indicators, which enables this study to be replicated and tested in different contexts.

After outlining the core tenets of this framework, I explore the limits and range of the theory. The theory is not deterministic, and I explain the potential for improbable outcomes, which may occur particularly due to the miscalculation of businesses or coercive actors. I discuss my strategy to guard against the challenges of endogeneity and reverse causality. I include

several caveats and explain why I chose to omit variables that are commonly used when analysing armed group behaviour.

As outlined in the previous chapter, the behaviour of business under conditions of contested authority has not been directly studied by scholars of comparative politics. The 'new wars' research agenda included an analysis of business behaviour, but it primarily situated businesses, particularly large multinational companies, as collaborators with armed groups (Kaldor 1999; Keen 1998; D. M. Malone and Berdal 2000; D. Malone and Nitzschke 2005). Legal, policy and peace-oriented researchers provide useful insights, but they have tended to attach *a priori* normative commitments to their research (Ballentine and Haufler 2005; Bernal-Bermúdez 2017; Ford 2015; Haufler 2010; Payne and Pereira 2016). This means fundamental questions about the nature of business behaviour in contested authority settings have often been overlooked. These include questions such as: Why did certain businesses collaborate actively with some armed groups, but not others? Why are some businesses able to operate effectively in areas of contested authority, while others must close?

This thesis focuses on the underlying politics of business-coercive actor interactions. In contrast to the 'new wars' research, I avoid attaching a broader geopolitical narrative to my framework. This research is also distinct from legal, policy and peace scholarship, as I build a framework without strong normative commitments, and I seek to exhaustively categorise the potential responses, rather than focusing on subsets such as business complicity in abuses or participation in peacebuilding. Building on mafia research, I focus on the protection that coercive actors offer to businesses and broaden the scope of business-coercive actor interactions to include both political and criminal forms of illegal authority.

2.1 State formation, business, and authority

I draw intuitions from the state formation literature, particularly in relation to how capital interacts with coercion, and use these insights to build a framework which explores variance in businesses' responses and their security outcomes. The relationship between capital and coercion is a useful starting point because it provides the foundation to understand the symbiotic relationship between businesses and coercive actors. As Tilly (1992) explored in the context of European state formation, states require capital to fund their coercive power, and capital requires state protection to reduce uncertainty. This creates a virtuous cycle, in which the increasing centralisation of coercion in states is supported by the resources it gains from protecting the growth of private enterprise. In ideal terms, capital – of which business is one form – produces economic value, which an authority taxes to sustain itself. The authority produces a guarantee that the business will be protected from violence, and this gives it the certainty that it requires to conduct its activities. Coercive actors, whether legal or illegal, can benefit from taxing regularly, rather than stealing. Olson (1993) explains that the 'stationary bandit' which provides public order will be able to earn more through tax than if the bandit simply attempted to steal, as stealing is unpredictable and damaging to enterprise, and consequently reduces the incentive for production.

This interaction provides a parsimonious understanding of the symbiotic relationship between businesses and coercive actors, one in which we can place the authority of illegal armed groups on a continuum with the nation-state, as both exercise a measure of authority through coercion, and use that authority to extract resources. I suggest this relationship is not purely transactional, but also involves the use of political power. Capital can exercise political

power to improve the terms of the protection it secures from coercive actors. For example, Lane (1979, 24) described the actions that enterprises can take to reduce the amount they need to pay for protection, explaining that they can influence states through "lobbying, bribes, and even revolution." Bargaining, strategy and decisions by businesses or authorities shape the capital-coercion relationship. The state formation literature therefore provides a foundational intuition – capital and coercion are symbiotic and specialise in supporting each other with unique resources. Capital, of which business is one source, relies on coercive actors for protection, and in exchange coercive actors extract rents from capital. Rather than purely an economic exchange, the relationship is shaped by the political power of both sides.

One final element to consider in this symbiosis is whether capital and coercion are managed by the same institution, or whether there is a division of labour between organisations. One can think of the English East India company and its rivals in the early modern period as managing both capital and coercion, as they combined commercial activities with sovereignty and coercive power, forming a 'Company-State' (Stern 2011). Most businesses in developed capitalist countries are now at the other end of the spectrum. Coercion is now mainly the responsibility of the state, while capital allocation, once the regulations, policies and incentives created by the state have been accounted for, is the purview of private enterprise.

2.2 Contested authority

There are many competing definitions of authority. In this research, I consider authority to be a source of power that regulates behaviour. I do not examine legal or moral authority, instead focusing on authority derived from coercive power. The purpose of that authority is open-ended. For example, it could be purely to gain economic benefit, or it may be to involve

social actors such as businesses in a political project. I define ‘contested authority’ as an institutional setting that exists within a nation-state territory in areas where more than one coercive actor claims authority. Contested authority is therefore a spectrum which stretches from the presence of mafia groups that do not challenge state sovereignty directly, to armed groups that directly confront the state with violence, with the aim to ultimately supplant state authority entirely. This is an expansive definition, as I consider areas where a non-state armed group has established a practical monopoly of violence as nonetheless being an area of contestation, as the state also claims authority, if only in principle. Areas of ‘limited statehood’ constitute situations of contested authority, as do areas where organised crime exercises coercive power (Risse, Börzel, and Draude 2018). Contested authority is the key scope condition for this thesis – I focus specifically on businesses that exist in a situation of contested authority. Contested authority is a social bad; a suboptimal institutional setting which heightens uncertainty, increases the possibility of violence, and distorts public governance and private markets.

2.3 Business power

I refer to ‘business’, ‘business actors’ and ‘private enterprise’ to describe people or organisations that own or are involved in operating a legal private business. To understand business power, I draw inspiration from existing business and politics research (Culpepper 2011; Fairfield 2015; Hacker and Pierson 2002; Lindblom 1977; Miliband 1969). Most business scholarship has focused on businesses’ relationship with state and society, exploring business power in relation to how it affects state decisions, for example regarding regulation or taxation. In this research, I consider how business power interacts with coercive actors, including illegal armed groups. Business power is therefore treated as an independent variable.

One can approach the study of business from a variety of theoretical frames. It can be studied as capital, as a sector, or even as a series of associations or networks (Maxfield and Schneider 1997). Studying business as capital yields insights into investment patterns, while studying business networks yields sociological insights into how businesses, and the individuals within them, interact with wider society and are shaped by it.

I chose to conceptualise businesses as actors because it is the best frame for understanding how they use their political power, including their strategy and decision making. In this regard I am inspired by Fairfield’s (2015) study on how business power affects government decisions on taxation. Fairfield argues that business actors take strategic actions, such as lobbying, which have a crucial influence on government policy. I am drawn to a similar intuition: viewing businesses as actors allows me to observe their political power, how they

exercise it strategically, and how it influences coercive actors. Business power can be pursued collectively, for example through a business association, or individually, through the decisions of a single business.

There are alternative methods of analysing business, but they do not suit the purposes of this research. Studying business purely as a form of capital would only yield information about investment decisions and would not provide rich insights into how business power is exercised beyond this. Similarly, studying business as a network from a sociological perspective could risk conflating the influence of the individuals within a business, who may have external political power from their wealth or status, with business power itself. Using this framework, the unit of analysis would become the business network, and the individuals within the network. My view is that an analysis of businesses as actors, observing their power at the industry level, provides the best frame to capture the strategic decisions that they make. It avoids the risk of being excessively narrow by only considering investment decisions, as in the case of framing business as capital. It also is not too broad, which helps me to focus on the role of business power, rather than being drawn into a wider analysis of the political influence of businesspeople in society.

Scholars distinguish between instrumental and structural business power. Instrumental power is the capacity for businesses to take direct political action such as lobbying, protesting, or bargaining. The sources of instrumental power include resources – the material and relational resources that business actors can deploy towards a goal, and cohesion – the ability for business actors to achieve collective action (Fairfield 2015). Cohesion is often observed in business associations, which aggregate business interests. Material resources include the ability to use any form of material capital, such as financial wealth or asset ownership, to

achieve a goal. Relational resources include the relations that businesses foster with politicians, society, and in this case, with armed groups. Businesses use instrumental power to achieve their preferred government policies, such as lower corporate tax rates. They publicly campaign to win broad support for their agenda, and negotiate 'quietly' to win concessions from government and unions (Bell and Hindmoor 2014; Culpepper 2011; Fairfield 2015).

Structural power is the passive influence that a business wields over government and society owing to the importance of their investments and their impact on the economy (Marsh, Akram, and Birkett 2015). Businesses create economic goods through generating waged employment and stimulating supply and demand. This process creates its own power, which social actors such as governments, unions, and armed groups, must consider. As Maxfield and Schneider (1997, 97) explain, "In effect, capital votes twice: once through the organized pressure it can bring to bear on the political process, again through its investment decisions." As Strange (1996) has examined in detail, this dynamic enables transnational corporations to wield particularly strong influence. The most visible example of this structural power is the threat of capital flight. If a business is mobile, it can disinvest if the investment climate is unfavourable and shift its activities elsewhere (Winters 1996). Another visible example of structural power occurs when a business threatens to collapse. For example, governments provided financial support for failing banks in Europe and elsewhere during the 2008 Global Financial Crisis, as the banks were deemed 'too big to fail'. This is because governments believed it would be preferable to keep banks alive through public financing rather than risk the damage to the rest of the economy that would be incurred if they went bankrupt (Massoc 2020).

I measure business power by establishing indicators of both instrumental and structural power, looking for clues which help me to estimate whether businesses in a given industry are powerful actors or not. Examining business power at the industry level enables me to observe the potential for collective action and the pooling of resources to achieve collective goals. Considering an industry's economic and strategic significance is also highly relevant when thinking about how other actors, such as the government and civil society, behave towards businesses.

Each business industry has unique characteristics, which means that coding their business power requires a degree of analytical judgement, especially as businesses in the industry may display power in one dimension, but not in others. For example, businesses in the banana industry demonstrate significant instrumental power through their effective business association Augura, but they have provided a diminishing proportion of employment and domestic product, which reduces their structural power. Another key consideration is that business power is not always flexible, meaning that power expressed at one level cannot always be translated to another. For example, the coffee association FEDECAFÉ is sophisticated at international price bargaining, but this may not automatically translate into an equivalent ability to advocate for coffee growers at the local or regional level. I therefore use a degree of judgement to code the cases, especially where businesses in a particular industry may be powerful in certain dimensions, but not others. In each case, I sought to obtain and present sufficient evidence to demonstrate that my judgements are defensible.

Business power	Type of power	Indicators	Measurement
High	Instrumental	Businesses in this industry wield significant political influence.	Evidence that businesses in this industry achieve political outcomes, such as winning favourable government policy setting. Evidence that the businesses' political connections and networks yield benefits.
		Businesses in this industry are cohesive and can take effective collective action.	Evidence that the businesses' associations are effective at promoting their interests. Evidence of effective collection action.
		The businesses in this industry have the potential to deploy significant material resources to achieve its objectives.	Evidence that businesses in this industry have significant financial resources at their disposal.
	Structural	Businesses in this industry provide significant employment.	The industry is a large scale regional or city-level employer.
		Businesses in this industry drive significant economic growth.	The industry is a leading regional or national export, or substantial proportion of regional or national domestic product.
		Businesses in this industry are highly integrated into other parts of the economy.	Evidence which indicates that the industry has a strategic impact on the rest of the economy, for example by providing the raw materials for value-added manufacturing, or by being an enabler for further economic activity.
Low	Instrumental	Businesses in this industry wields limited political influence.	Evidence that attempts to influence government policy on any subject concerning the industry have failed or have not been attempted. Limited evidence that political connections and networks, if they exist, have yielded benefits.
		Businesses are fragmented and cannot take effective collective action.	Limited evidence that business associations, if they exist, have influenced government policy or are effective at promoting business interests.
		Businesses in the industry cannot deploy significant material resources to achieve its objectives.	Evidence that the industry has insufficient financial resources to achieve their goals.
	Structural	Businesses in the industry do not provide a significant level of employment.	The industry provides a small proportion of employment for the city or region.

		Businesses in the industry do not substantially drive economic growth. The industry is not highly integrated into other parts of the economy.	Industry activity is a small proportion regional or national exports, or a small proportion of regional or national domestic product. The industry's activity has limited strategic impact on the regional or national economy and does not substantially contribute to the value chain in Colombia.

Table 4: Business power indicators and measurement

2.4 Protection quality

Now I have articulated the theoretical grounding for analysing business power, I move to define and explain protection quality. 'Protection quality' is the standard of protection that coercive actors offer to businesses, including whether the protection is reliable and genuine. Low or poor protection quality means that guarantees are unreliable or non-existent. High quality protection means it is reliable and allows businesses to operate, although it may entail protection costs, such as regular payments to an armed group. Along with business power, protection quality is an independent variable.

I refer to a 'coercive actor' to describe a group that uses coercion to impose authority. Coercive actor is a rather unconventional term, as most studies of conflict or civil war refer to 'armed groups' and 'government forces.' I selected this term to be able to consider a wider range of coercive organisations, including police and army organisations, private security companies, as well as insurgent, militia, and criminal groups. It is not necessary for the coercive actor to aspire to exert a monopoly on the use of violence, but it must be able to use coercive means to enforce its authority. I also use the more familiar terms 'armed actors' and 'armed groups' throughout the thesis – this refers to illegal coercive actors, which are simply coercive actors that exist outside the legal framework of the state.

State formation scholars envision a stylised, linear journey from fragmented governance to state consolidation, in which the state gradually centralises and monopolises coercion, eventually providing it as a public good which businesses and society enjoy, almost without being conscious of its benefits. Areas of contested authority are places where this narrative has unravelled or was never realised. Under these conditions, protection, the act of providing a credible security guarantee to a person or business, moves from being an assumed public good to a contingent, negotiated and highly valuable commodity.

Coercive actors provide protection as a means of achieving a variety of goals and functions. Gambetta (1996) and Varese (2001) examine the mafia's offer of protection not only in terms of physical security, but also as a replacement for state institutions which regulate transactions and property rights, endowing the mafia's use of protection with a logic of market regulation. In contrast, Arjona (2016) and Mampilly (2011) examine armed groups' use of protection as part of rebel governance projects, leading coercive power to assume a political imperative. As my definition of coercive actors is wide, I restrict my assumptions about their goals. In this study, the necessary and sufficient condition for a group to be classified as a coercive actor is for it to have the capacity to offer a credible guarantee of physical protection. Additional coercive services could include contract enforcement or aggression against business competitors to promote a monopoly, as in the case of the mafia, or the provision of dispute resolution institutions to society, in the case of rebels (Arjona 2016; Varese 2001).

There are many variants of protection. For example, coercive actors can offer protection either as a private or public good. The armed groups literature documents cases where armed groups provide security as a public good (Arjona 2016). In contrast, the mafia provides illegal

private protection. “Mafia protection, even when genuine, is provided without any consideration for fairness, justice and rights” (Varese 2014, 353).

	Public Good	**Private Good**
Legal	Police and army	Private security companies
Illegal	Armed groups	Mafia groups

Table 5. Types of coercive actors according to the protection they offer.

Coercive actor motivation matters, as even if coercive actors are capable of offering protection, they may not be motivated to do so. Indeed, their attitudes could range from predatory to protective, varying with their goals and motivations. This means that two businesses in the same location may experience vastly different protection quality. Predatory behaviour includes actions such as kidnapping, the seizure of property or physical attacks. If coercive actors are predatory, they increase the security threat to businesses. Coercive actors may also fail to deliver on their promises of protection. If protection is offered but not genuinely provided, it can be classified as extortion (Varese 2014).[8]

Given this uncertainty, businesses must be alert to their relationship with coercive actors and secure the best possible terms for protection. Lane (1958, 409) describes this as the search for “profits arising from differences in the whole range of costs incurred in using or controlling violence.” In other words, the goal is to secure reliable protection at the best available price.

[8] Varese (2014) defines extortion as a bogus protection offer, where the coercive actor charges for protection but does not provide it. In contrast to this narrow definition, extortion is commonly used in a broader sense to mean the overcharging of a service, the imposition of a service through coercion, or a poor quality service. Yet, as Varese shows, none of these characteristics are unique to extortion and thus do not contribute to its utility as an analytical category. My analysis follows Varese’s definition, but my sources often use extortion in the broader sense, and when this occurs, I present their description of extortion without alteration.

The situation is further complicated because protection quality can vary over time, as the behaviour of coercive actors changes. Recounting his experience with the guerrillas in the 1970s in Puerto Boyacá, Colombia, a cattle rancher described how the group moved from imposing regular protection payments to violent kidnapping, an evolution which approximates a shift from genuine protection towards predation:

> *"…they showed up at my farm one morning with great courtesy… they started asking for money, they would come to visit and tell you that the Group, after examining the farmer's economic situation, had assigned you a contribution of a certain sum… About 10 years ago, however, the first kidnappings took place, the FARC kidnapped the most powerful landowners and demanded millions for their ransom… From 1974 onwards a period of terror began, but the people continued to pay and kept quiet in exchange for being allowed to work in peace"* (Gallego 1990, 144–45).

The protection quality that businesses receive is not necessarily a function of the binary relationship between businesses and coercive actors. A business's relationship with the wider community can heavily influence how coercive actors decide to interact with it. This is often described as a business's 'social licence', which is the concept that communities give or withdraw their support for a business's activities depending on their perception of the legitimacy of its operations (Santiago et al. 2021). For example, if a business has a strong reputation because it provides a significant source of local employment, this might deter an armed group from attacking it directly, as they may calculate that this community would not be supportive of this action, and it therefore may negatively affect support for the armed group. On the other hand, if a local business is perceived by the community not to be acting ethically, for example by causing environmental damage, the community may feel

ambivalent or even supportive if coercive actors impose threats or attack the enterprise. I explore examples where these dynamics are at play in the empirical chapters, particularly in the construction and mining cases.

In summary, coercive actors are groups that have the capacity to offer protection. The behaviour and motivation of coercive actors, whether predatory or protective, affects the quality of protection that is offered. In turn, businesses are motivated to search for higher quality protection where possible.

2.5 Business responses

With the conditions outlined, I turn to categorise business responses. By response, I mean any actions that businesses take to manage their experience of operating in an area of contested authority – to reduce the potential damage or pursue advantage. In this study, business responses are actions through which they exercise their business power.

I draw from Hirschman's (1970) classic work *Exit, Voice and Loyalty*, which provides an elegant framework to categorise business responses. Hirschman examines situations in which an organisation or firm is experiencing a decline in performance. Hirschman conceives of at least two variants to this situation: company performance, in which customers are dissatisfied with a decline in quality of a firm's products, and organisational performance, such as a trade union or political party, in which members are dissatisfied with the organisation's management. Hirschman describes three responses. Customers may 'exit' by ceasing to buy the firm's products. In Hirschman's formulation, exit is a decision by a customer to use market forces to improve their position. It is an indirect and impersonal signal to a firm of a customer's dissatisfaction. In contrast, customers may use their 'voice' by lobbying

management publicly or privately. Voice is the articulation of the customers' interests through political action, such as protest or complaint. Finally, customers may use 'loyalty' by remaining with the firm in the hope that it will improve. Loyalty is also linked to voice, as customers may be more inclined to remain loyal to a firm if they believe they can influence it through voice.

I make a few adjustments to Hirschman's formulation to suit my research. The 'product' I am concerned with is protection, and the 'customers' are the businesses in areas of contested authority. Exit responses includes the complete closure of the business, relocation of the business to an area away from contested authority, or the transfer of protection responsibilities from one coercive actor to another. Exit does not include forced dispossession, as this is not a choice, but rather a position that a business is forced into by coercive actors. Voice means pursuing interests and preferences regarding protection either directly to coercive actors or others. This includes complaints to government or armed groups, or the provision of resources to support or influence coercive actors. It also includes public expressions of views, such as through protests or media releases, as well as private negotiations. Rather than loyalty, the term accommodation more closely approximates the third category of business responses. This amendment is necessary because the term 'loyalty' implies a strong preference, or long-term connection with, a coercive actor, whereas businesses may only be engaging with coercive actors out of fear and a desire to avoid being attacked. The term accommodation fairly describes this dilemma and removes the suggestion of preference or longstanding loyalty. Businesses display accommodation when they accept the inadequacy of protection and adapt to it rather than seeking to change it, absorbing the burden that it creates. As a business representative described it, the strategy is to "adapt, stay

quiet, and work from the inside."[9] This is achieved through internalising or externalising costs, effectively treating suboptimal protection as a cost of doing business. A business can internalise costs by repairing damaged assets, paying protection money, or buying specialist insurance. Costs can also be externalised through outsourcing high-risk activity to third parties, or passing price increases on to consumers.

Response to coercive actors	**Description**
Exit	Ceasing operation in the area of contested authority and moving to a new location Closing altogether Switching protection to another coercive actor
Voice	Public protest against coercive actors Private interest articulation and negotiation with coercive actors Providing resources to coercive actors to improve protection quality
Accommodation	Internalising costs Externalising costs

Table 6. Adapting Hirschman's typology to consider business responses to unsatisfactory protection.

The reader will note an overlap between the accommodation and voice responses, specifically between internalising costs in the accommodation category, which can include paying protection to coercive actors, and providing resources to support coercive actors in the voice category. Voice and accommodation are not exclusive, instead they influence each other. Voice is the active use of business power to improve protection quality, where assistance is provided to win influence and support from a coercive actor. In contrast, accommodation is

[9] Interview with a regional business representative, August 2019

the passive acceptance of a protection demand from a coercive actor, which is paid to avoid punishment.

Businesses may be simply accommodating coercive actors to avoid the penalty for using exit or voice. This is a likely scenario, as coercive actors often have at least a local monopoly over protection, meaning that choice is constrained and there is a credible risk of violent reprisal against businesses that use exit or voice. Businesses may also be prevented from exit because their activities require them to remain in a certain location, and therefore accommodation and voice are their only feasible options.

Businesses can also choose to direct their responses at other social actors, whom they calculate will support their protection by influencing coercive actors. For example, a business may provide local sponsorship to a sporting event to win community sympathy. As coercive actors are also often seeking to win community support, this creates an incentive to be more positively disposed towards the business.

Business power is exercised through responses

Business responses are the actions through which the power of a firm or industry is exercised in areas of contested authority. Higher business power gives business an advantage in its relations with coercive actors, and in turn, influences how impactful business responses are in shaping the security outcome. In general, higher power businesses usually have stronger strategic options to choose from, whether exit, voice, or accommodation. They can use their resources to deploy powerful forms of voice, in which they do not merely complain or lobby coercive actors to improve protection quality, but actively build and modify coercive actor

behaviour to suit their requirements. They can choose to organise protection internally, such as by investing in private security, or externally, by requesting the deployment of a military brigade, or creating a secret protection agreement with an armed group. They may even pursue these strategies simultaneously. Firestone's behaviour during the Liberian civil war exemplifies these advantages. In June 1990, the Firestone rubber plantation was seized by the National Patriotic Front of Liberia (NPFL) rebel group. Firestone bought protection from the NPFL which allowed its operations to continue at a reduced level, while simultaneously using its own security force to protect its facilities. This allowed the company to continue operations at a reduced level despite the civil war (McCoskey 2014; Rosenau et al. 2009).

In addition to possessing more effective response options, coercive actors may also be deterred from imposing protection on more powerful businesses. This is likely to be the case if the business has access to reliable protection from multiple actors. In his study of the Russian mafia, Varese (2001) describes how a powerful, politically connected business man was approached by a racketeer for protection money, and subsequently was able to dissuade his would-be protector from offering his services by highlighting his relationship with the local militia. After the businessman reported the incident to the militia office, the militia man, the racketeer and the businessman met to discuss the situation. "I (the businessman) explained to him that he had knocked on the wrong door. He acknowledged that and left… He never came back" (Varese 2001, 94).

In contrast, less powerful businesses have limited response options. They are not able to organise protection through agreements and are more likely to be forced to accept protection terms that are imposed by coercive actors. Coercive actors are less likely to compete to protect them, and with less access to alternatives, they have limited bargaining power.

Business power	Response characteristics
Higher	All response types, including exit[10], voice and accommodation, are more likely to influence coercive actor behaviour. Can exercise powerful voice options, including organising protection by building private agreements with coercive actors. May experience a deterrent effect due to access to alternative sources of protection.
Lower	Can pursue voice, accommodation and exit to a lesser degree. Limited ability to organise protection through agreements. Reduced access to alternative protection.

Table 7. Characteristics of business responses according to business power

2.6 Security outcomes

With the conditions and responses explained, I turn to define the outcome under examination, which is the security outcome that businesses experience in areas of contested authority. The type of security outcome informs:

a. Whether, and how effectively, businesses will be able to operate despite the presence of coercive actors.
b. Whether, and with how much effort and resources, businesses must invest in managing their relationship with coercive actors to secure protection.

The security outcome type is intended to be a parsimonious concept that unpacks the previously un-theorised range of situations that businesses encounter in areas of contested authority. It is the dependent variable of the study. I use the terms *coexistence*, *entanglement*,

[10] In this context I am referring to the threat of exit, which may influence the behaviour of armed groups, particularly if they rely upon protection payments from business to finance their operations.

survival and *victimisation* to describe the different types of security outcomes in contested authority settings.

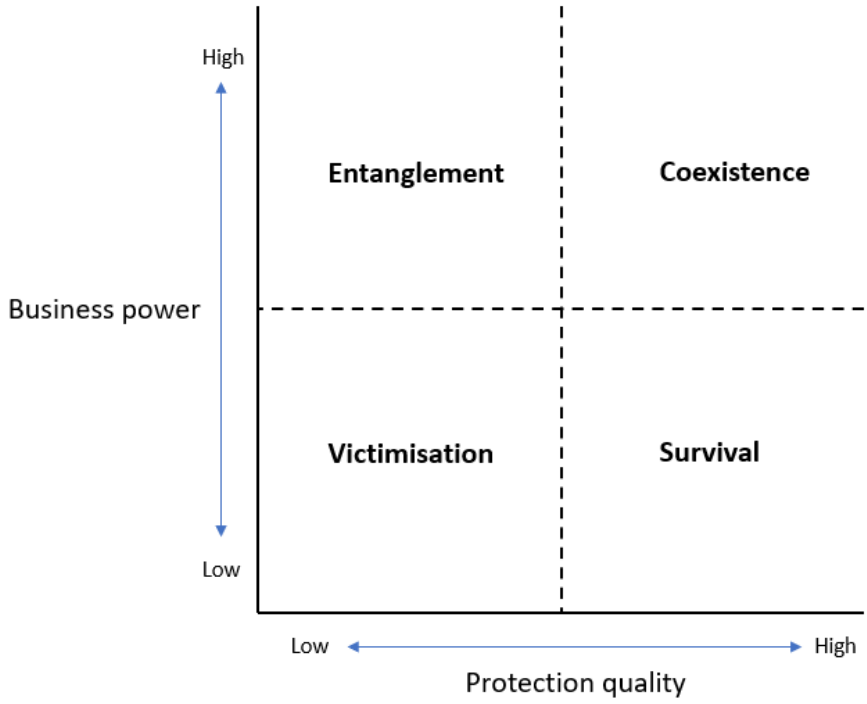


Figure 1: A typological theory of business-coercive actor security outcomes in areas of contested authority

The below table summarises the connections between the two conditions, the likely responses, and the security outcomes. I identify the most probable responses that each combination of business power and protection quality is associated with, but other responses are also possible to varying degrees. The dominant response is listed first, followed by the expected secondary responses. To reiterate, business responses are the actions through which business power is exercised. They possess more influence on the outcome when business power is high and become less relevant when business power is low.

Protection quality	Business power	Expected responses	Security outcome
High	High	Accommodation, voice	Coexistence
High	Low	Voice, accommodation	Entanglement
Low	High	Accommodation, voice	Survival
Low	Low	Exit, accommodation	Victimisation

Table 8. The business power-protection framework. The dominant response is listed first, followed by the expected secondary response.

In the following section I define each type of security outcome, cite the indicators that can be used as evidence of its presence or absence, and explain how each type can be observed and measured.

Coexistence

Under the *coexistence*[11] security outcome, businesses are mostly able to operate effectively without actively engaging with coercive actors. They experience only a limited impact on their operations, potentially including some manageable disruptions. Coercive actors either offer reasonably reliable protection or choose not to impose to their authority. In turn, businesses do not need to expend tremendous political or financial resources to sustain or control their relationship with coercive actors. *Coexistence* occurs when there is high business power and high protection quality. Accommodation is the most probable response, as there are only limited costs that need to be absorbed to gain protection. Voice is also possible, as powerful businesses can still lobby for even better protection, or to address specific concerns. Of course, businesses experiencing *coexistence* with coercive actors do not

[11] This category draws inspiration from the study's interviewees, many of whom referred to 'convivencia' (coexistence) to describe situations of contested authority where businesses operate alongside armed groups without experiencing severe disruption.

live in complete security, and I will examine the severe risks that even powerful businesses face.

The core indicators that businesses are experiencing *coexistence* are: they operate effectively despite some disruptions, it is not necessary for them to actively build and manage relations with coercive actors to ensure protection, and related, they do not need to expend significant political or financial resources to maintain their protection. To measure for these indicators, I look for: evidence that businesses maintained their essential functions such as production and distribution in areas of contested authority, evidence which demonstrates that they were not routinely attacked or disrupted by coercive actors, and an absence of evidence that businesses actively collaborated or invested resources in coercive actors. I also look for evidence which demonstrates that businesses in a given industry possess significant business power but did not find it necessary to expend significant resources to influence coercive actors.

For example, from 2009 to 2012 in Ciudad Juarez, Mexico, despite tremendous conflict between drug cartels and the army, large manufacturing businesses such as Johnson & Johnson, Delphi and Siemens functioned reasonably well. Employment grew from 166,000 to 215,000, and export trade from Ciudad Juarez to El Paso grew from $70 billion to $80 billion from 2010 to 2011. During this time, Ciudad Juarez experienced extreme violence, with more than 3,000 people killed in 2010. According to Manuel Ochoa, Vice President of the El Paso Regional Economic Development Corporation, the cartel groups “don’t want to interrupt the legal trade” (Flannery 2012).

Entanglement

Businesses that experience *entanglement* can operate effectively, but only because they actively engage with coercive actors to secure their protection. Managing coercive power becomes an essential element of business operations, whether that means securing protection from state forces or armed groups. Businesses become *entangled* with coercive actors to achieve their security.[12] Businesses in areas with low protection quality but which possess high business power are most likely to experience *entanglement*. Businesses are likely to use voice to bargain with coercive actors and accommodate them by paying for protection costs. The *entanglement* outcome is the most contentious, as low protection quality means that powerful businesses will influence and manage coercive resources actively, increasing the risk that businesses will be connected to violent or illegal activity.

To identify *entanglement*, I look for the following indicators: businesses operate effectively with occasional disruptions, but this is only possible because they actively maintain close relations with coercive actors, and they expend significant political or financial resources to maintain protection. I measure these indicators by looking for: evidence that shows businesses are at risk of being severely disrupted by coercive actors, evidence of active collaboration between businesses and coercive actors such as joint business-coercive actor activities or resource sharing, and evidence that businesses expend significant political or

[12] This interaction is similar to Winters' (2011) description of relationship between oligarchs and coercion. Winters argues that oligarchs participate directly in coercion when their property claims are threatened. In contrast, when oligarchs are satisfied their wealth is protected by the state, they are content to allow the state to monopolise coercive power. In the *entanglement* security outcome, powerful businesses are threatened and respond by becoming involved in managing coercive power.

financial resources, such as through political lobbying or large strategic payments, to maintain protection relationships with coercive actors.

Ahmad's (2014) analysis of Somali business elites after 1991 illustrates the *entanglement* outcome. Somali businesses were experiencing poor protection, as warlords established checkpoints which created unpredictable costs and slowed down the movement of goods, rendering many businesses unprofitable. In response, local businesses invested in an alternative coercive actor, the Islamic Court Union (ICU). Militia soldiers were enticed to work for the ICU and abandon the warlords. The ICU provided higher quality protection at a lower cost for business elites, eliminating the uncertain patchwork of payments that competing warlords previously demanded (Ahmad 2014).

Survival

The *survival* outcome occurs when businesses in areas of contested authority are required to conform to coercive actors' rules, but they can nonetheless sustain their activities, mainly by internalising protection costs. The *survival* outcome occurs when there is high protection quality but low business power – lower business power means they are not able to substantially shape coercive actors, but reliable and genuine protection allows them to continue to operate. Accommodation is likely to be the dominant response, but voice is also possible.

The indicators of *survival* are: businesses are able to operate effectively with occasional disruptions, they are offered genuine protection by coercive actors which is imposed and cannot be avoided, and they can sustain their activities despite protection costs. These indicators can be measured by looking for: evidence that businesses continue their essential

functions despite coercive actors imposing protection, there is limited evidence of widespread disruption, and businesses' attempts to improve protection using their resources are absent or unsuccessful.

The Taliban's behaviour in Afghanistan while they were operating as an insurgency exemplifies how coercive actors offer good protection to less powerful businesses. In 2018, it emerged that the Taliban was taxing small businesses in Ghazni. The Taliban stated they were collecting tax to ensure the security of trade convoys on the highway. Ahmad Farid Omari, a local businessman, was forced to pay 200,000 Pakistani rupees after he had bargained them down from 400,000 (Hamid 2018). The Taliban's protection offer was genuine and affordable, allowing local businesses to experience *survival*.

Victimisation

The *victimisation* outcome occurs when coercive actors have made it almost impossible for businesses to operate due to the threat of violence. Coercive actors have no interest in offering genuine protection, and businesses are not able to ensure their security. Businesses with low business power and low protection quality are most likely to experience *victimisation*. Exit is the most likely response.

The indicators of *victimisation* are: businesses are unable to operate due to disruption by coercive actors, it is not offered genuine protection, and it is unable to substantially improve its protection through deploying political or financial resources. These indicators can be measured through evidence of dispossession, systematic violence, and business closure, an absence of evidence that businesses have any political or financial resources to deploy to improve protection, and evidence that protection is unaffordable and unreliable.

For example, between 2009-2011 in Ciudad Juarez , an estimated 10,000 small businesses closed due to insecurity, according to the Mexican Chamber of Commerce. Businesses were forced by criminal gangs to pay excessive monthly protection payments, forcing them to close (Morales, Prieto, and Bejarano 2014). One must be careful in distinguishing *victimisation* as an outcome and exit as a strategic response. *Victimisation* does not always lead to exit, and businesses can choose to remain in operation despite the extreme risks, as will be shown in the case of informal mining in Antioquia.

To make the study replicable, below I provide a list of qualitative indicators and measurements that can be used to identify the security outcome businesses are experiencing:

Security outcome	Indicators	Measurements
Coexistence (High business power, High protection quality)	Businesses in this industry operate effectively with occasional disruptions. It is not essential for businesses to actively build and manage relations with coercive actors to maintain protection. Businesses do not expend tremendous political or financial resources to maintain their protection.	Evidence that businesses in this industry consistently conduct essential functions such as production, distribution, and sales. Evidence that coercive actors offer high quality protection or ignore businesses. Businesses are not routinely attacked. Limited or no evidence that businesses actively engage with coercive actors. Businesses may pay routine protection payments. Evidence that businesses use power effectively in general, but do not deploy it extensively to improve security.
Entanglement (High business power, Low protection quality)	Businesses in this industry operate effectively with occasional disruptions. It is essential for businesses to actively build and manage relations with coercive actors to maintain protection. Businesses expend significant political or financial resources to maintain their protection.	Evidence that businesses in this industry are at risk of being disrupted by coercive actors, but nonetheless consistently conduct essential functions such as production, distribution and sales. Evidence that businesses actively collaborate with coercive actors to maintain protection. Evidence that businesses improve their protection through deploying political or financial resources, for example through political lobbying or secretly negotiated security agreements.
Survival (High protection quality, Low business power)	Businesses in this industry operate effectively with occasional disruptions. Businesses are offered genuine protection by coercive actors. Protection is imposed and cannot be avoided. Businesses can sustain their activities despite protection costs.	Evidence that businesses in this industry consistently conduct essential business functions such as production, distribution and sales. Evidence that businesses have limited or no political or financial resources that can be used to improve protection. Businesses must accept protection and its costs on the coercive actors' terms. Evidence that coercive actors are not creating widespread disruption to businesses despite imposing protection.
Victimisation (Low protection quality, Low business power)	Businesses in this industry are unable to operate effectively due to disruption by coercive actors. Businesses are not offered genuine protection and cannot influence coercive actors to provide it. Businesses cannot sustain their activities despite protection costs.	Evidence that businesses in this industry experience closure, widespread dispossession, or systematic violence, due to threats or attacks from coercive actors. Evidence that businesses have limited or no political or financial resources that can be used to improve protection. Evidence that protection costs are unaffordable.

Table 9. Indicators and evidence of security outcomes

2.7 Endogeneity and caveats

My typology of outcomes provides a useful framework, but is not deterministic. It is a heuristic framework which supports my theory-building approach. The categories vary in their implications for business outcomes overall. Businesses experiencing the *coexistence* outcome have the highest potential to perform well despite operating in areas of contested authority, as they have high business power and high protection quality. However, this does not guarantee business success, as market conditions and state policy, among many other factors, affect overall business performance and are beyond the scope of this project to analyse. In contrast, however, low business power and low protection quality almost certainly guarantees business failure, as low protection quality means they are subjected to violence, intimidation and attacks which disrupt business operations, and low business power prevents them from altering these circumstances.

Higher business power does not guarantee that protection can be successfully organised or that victimisation can be avoided, and businesses with lesser power can sometimes organise protection successfully. Unlikely outcomes are possible due to the risk of miscalculation on the part of the coercive actor or the business. Businesses may fail to understand the intent or capability of coercive actors, leading them to over or underinvest in protection. Underinvesting increases the security risk, and overinvesting reduces profitability. Coercive actors can also miscalculate. For example, if they are too predatory or extractive against a powerful business, there is a risk that the business will turn to their rivals for protection.

There may also be considerations which make businesses prefer a certain type of coercive authority. For example, if they are sensitive to international reputational risk, they may

strongly prefer to receive protection from state forces, such as the police or army. If businesses are embedded in regional political networks, they may prefer to receive protection from local private militia groups that they may have greater influence over. In this sense, businesses are likely to prefer coercive actors that are genuinely responsive to their exit or voice options, or are easier to accommodate.

Exogenous factors and their impact on security outcomes

I recognise that exogenous factors outside the coercive actor-business framework significantly influence security outcomes for businesses. Areas of contested authority are complex and dynamic environments. National politics, natural disasters, as well as the behaviour of international actors, such as foreign countries, multinational institutions, or transnational criminal groups, all influence the strategic environment. To guard against interference from these exogenous factors, I selected cases where the broader strategic environment was largely stable. This also informed the decision to start the study at the end of the period of intense cartel conflict in 1996 and end the analysis in 2016 with the conclusion of the FARC peace agreement, as the strategic environment was, arguably, relatively stable during this period. Even within this period, however, there are important strategic shifts, such as the demobilisation of the paramilitary groups from 2003 to 2006. I mention these events in the empirical chapters where I believe they are relevant to protection quality and security outcomes.

Reverse causality and endogeneity

Describing the relationship between businesses and coercive actors as symbiotic raises a sequencing question. Does higher business power result in better protection, or does better

protection result in higher business power? Without further refining my scope conditions, one can identify potential examples of both results, which raises reverse causality and endogeneity issues. Reverse causality would imply that business power or business activities heavily influences coercive actor behaviour and therefore affects protection quality. For example, Rettberg, Leiteritz and Nasi (2011) have shown how business activity shapes regional conflict dynamics. While I agree that business activity can influence conflict dynamics, my theory focuses on the circumstances when the causal chain begins from the nature of coercive actors, and therefore I have narrowed my focus to instances where business activity was not the primary driver of coercive actor behaviour. My key scope condition is that I am observing businesses that are in a context of contested authority where there is already a contest between the state and non-state coercive actors. As will be shown in the historical and empirical chapters, in many cases business activity remained unchanged while the dynamics of conflict shifted rapidly, which would suggest the causal link does not flow directly from business activity to coercive actor behaviour. Additionally, I believe it is important to ascribe agency to coercive actors, as armed groups and governments make conscious decisions about how they will relate to specific businesses, which in turn affects the protection they offer.

Nonetheless, I acknowledge there can be a measure of interdependence between business power and protection. A clear example of when protection quality resulted in increased business power is the behaviour of warlords in Afghanistan after 2001. After establishing coercive capacity, the warlords were able to create profitable businesses that benefited from self-supplied protection, which in turn allowed them to reinvest in coercion (Giustozzi 2007).

To isolate business activity from protection quality, I avoided selecting cases where it could be argued that business power is wholly endogenous to the behaviour of coercive actors.

Caveats

This framework does not include several variables that are commonly employed to examine civil war or contested authority. The first omission relates to political ideology, as one might imagine that the framework should incorporate the political intentions of armed groups. Variants of the ideology debate filter through different facets of the study of armed groups. Collier assumes that non-state groups are rent seekers, meaning they conduct war where it is 'feasible', and ideology plays no role in their behaviour. On the other hand, Gutierrez (2008), Idler and Forest (2015) and many others have shown that armed groups do indeed behave differently according to their ideology, among other factors. For the purposes of this research, the offer of protection by the coercive actor encompasses their motivations, which are influenced by ideology.

If I assumed that ideology drives behaviour towards businesses, I would expect Marxist groups to be the least likely to offer protection due to their ideological opposition to capitalist enterprise. And I concede that in the case of Colombia, I do find a combative relationship between businesses and the Marxist-inspired groups such as the National Liberation Army (Ejército Liberación Nacional, ELN) and the Revolutionary Armed Forces of Colombia (Fuerzas Armadas Revolucionarias Colombianas, FARC), which will be explored in depth in the historical chapter. However, there is also substantial evidence of pragmatic behaviour towards businesses by ideologically driven armed groups. In Urabá, Colombia, guerrilla groups behaved ideologically as expected by becoming heavily involved in the labour unions,

supporting them to strike against harsh working conditions in the 1980s and 1990s (Carroll 2011). At the same time, there was clearly a strong element of pragmatism in their behaviour. In the early 1990s, banana companies negotiated protection agreements with guerrillas, in which guerrillas assigned soldiers to provide protection to banana farms (Navarrete, Evans, and Restrepo 2017). Under certain conditions, even if ideologically misaligned, guerrillas will provide genuine protection to businesses.

This is not only the case in Colombia. For example, the New People's Army (NPA) have been waging a communist insurgency in the Philippines since 1969, forcing businesses to pay 'revolutionary taxes.' Despite officially regarding wealthy business owners as class enemies, the NPA offers genuine protection to businesses that pay (Quimpo 2014). A 1983 declassified US cable from the Manila Embassy described the negotiation between a logging company and the NPA over the logging company's annual 'tax' payment, amounting to $35,714 US dollars. The cable explained: "Agreements are verbal, but once made, they are honoured by the NPA. The NPA provides security in the logging area and at the company's request will take action against log poachers and other interlopers. (Name redacted) described NPA enforcement as 'effective'" (US Department of State, 1983).

In a similar manner, groups which are traditionally not associated with ideology, such as criminal groups, can likewise choose to pursue predation or protection. In sum, I do not assume an armed group motivation as part of the framework, but rather observe it empirically and examine how it shapes protection. From the business's perspective, what matters is the overall protection quality it secures.

Second, I did not conduct class-based research. Scholars have produced rich empirical research which shows class-based cleavages in civil wars, for example in El Salvador (Wood 1995). Their research situates the capital-labour conflict as an underlying political tension which generates violence and contested authority. However, as this thesis will show, capital-labour conflict is not always the driver of business responses in areas of contested authority. The framework I construct is useful in situations where there is substantial capital-labour conflict, such as in Urabá between the banana farm workers and the owners, and areas where it is not present, as in the case of the shopkeepers in Medellín.

Third, I do not directly examine property rights. Both historically and in the modern era, the contest for property is a driving force for conflict (North and Thomas 1973). Property rights are clearly important in the interaction between capital and coercion. I primarily focus on property rights as part of the protection quality concept, as property rights require enforcement, which can only be achieved with sufficient protection.

Finally, it should be noted that this framework assumes that businesses have a strong commitment to stay in an area of contested authority. The reason for the commitment may vary. Mining companies must operate in proximity to natural resources, agricultural companies need appropriate soil and climate conditions, while small merchants may prefer to remain in a specific location due to community or familial commitments. If there was no incentive to remain, exit to an area without contested authority would be a highly likely outcome regardless of business power. Other businesses, such as financial services or internet companies, may lack strong incentives to remain in areas of contested authority, making them more likely to choose exit. As I am seeking to observe a range of responses, I focus on businesses with stronger commitments to remain in areas of contested authority, and this

means the study tends to focus on voice and accommodation responses, rather than exit. This also means that the study is oriented towards instrumental business power, although I also note the influence of structural power where possible.

2.8 Conclusion

Drawing from diverse scholarship, I outline a parsimonious framework to help us understand business responses and outcomes in areas of contested authority. I place the capital-coercion relationship at the centre of the framework, positioning business as a form of capital and coercive actors as a form of authority that offers protection. I explain the business power and protection quality concepts and elaborate on the uncertain nature of protection in areas of contested authority. I introduce the response categories of exit, voice, and accommodation. I then outline the four types of security outcomes that occur between businesses and coercive actors, explaining their implications and how they can be identified. When protection quality is high, powerful businesses can operate with limited interference in a *coexistence* outcome, and less powerful businesses are likely to experience *survival*. Powerful businesses can organise coercion if protection quality is low, albeit with greater investment, experiencing *entanglement* with coercive actors. Less powerful businesses in areas with poor protection quality are likely to experience *victimisation*.

Chapter 3. A Brief History of Business and Contested Authority in Colombia

This chapter traces the historical experience of business and contested authority in Colombia. I have several objectives in mind. First, while the empirical chapters examine the experience of businesses in certain industries between 1996-2016, it is necessary to deliver an overview of how the business community experienced contested authority. This grounding is designed allow me to compare differences in the empirical chapters from the common experience. Second, this chapter provides an opportunity to reflect on the historical power and influence of business on the conditions of contested authority. Third, this chapter is an opportunity to examine in greater depth the motivations and actions of coercive actors in Colombia, preparing the reader for their emergence in the case studies.

Colombia has played a confounding role in the study of conflict and development along two dimensions. First, it is commonly argued that democracy should lead to peace within a nation. If everybody can represent their interests through voting, as the theory goes, there should be less incentive towards violence (Robinson 2013). Therefore, we should expect democracies to be peaceful, and autocratic regimes to foment violence. Second, conflict and economic development are still widely believed to be opposites. Conflict will lead to a lack of development, and in turn development, if achieved, is an antidote to the risk of further conflict. The theory is pithily captured by Collier et al.'s (2003) assertion that civil war is 'development in reverse'. The Colombian experience upends both arguments, forcing scholars to probe deeper to uncover new insights. Politically, Colombia has had an almost unbroken history of democratic government, yet it has had more civil war outbreaks than any

other country in Latin America. Furthermore, despite the violence, Colombia also has one of the strongest, most dynamic economies in Latin America.

Studying business history in Colombia adds a new dimension to both arguments. As Colombian scholars have shown, business was historically a tremendously powerful influence on government. Equally, they have also mobilised coercive actors when necessary. Exploring their influence helps to unravel the history of contested authority in Colombia and help scholars to refine thinking about the relationship between economics and conflict.

This chapter proceeds in two halves. I trace the history of business in Colombia from independence to 1996, particularly noting business involvement in key moments of contested authority. I then provide an overview of contested authority during the period which the empirical chapters focus on, 1996-2016. In the second half of the chapter, I focus on specific dynamics of contested authority which influence business. I characterise the coercive actors in greater depth, and I review the types of contested authority that affect business, as well as business responses. This analysis primarily makes use of the excellent work of political and business historians, furnished occasionally with newspaper reports where appropriate. This chapter is not a comprehensive history, but rather a stylised examination.

One must be careful when attempting to describe the politics of the business community. Businesses possess heterogenous and conflicting interests, and any generalisation may result in them appearing as a more homogenous bloc of actors than is warranted. Furthermore, the leaders of business not only develop political positions with reference to their business interests, but may also have their own political convictions or alliances. Business power could therefore be deployed for motives other than the defence of that business's interest, as

part of a broader political strategy. This raises questions over whether one should think of business people's actions as being driven primarily by their political convictions or business objectives, and whether the two can be analytically dissociated.

Further, one should be wary of centre-periphery political cleavages. Business associations that represent business interests at the national level may not be representative of regional or sectoral interests. Indeed, one should assume a degree of tension and conflict within the business community across regional, political, and sectoral lines. Finally, one should not gain the impression that business alone drives politics, peace, or conflict in Colombia. Domestic political rivalry, Colombia's geography, international trade, and politics all shape contested authority.

3.1 Contested authority in historical perspective

Colombia's origins, land entrepreneurs, and early conflicts

The Colombian territory was part of the Spanish colonial administration from the 1500s and was later organised into New Granada in 1717. With the weakening of the Spanish empire due to the Napoleonic wars (1803-1815), many governing entities in Latin America sought independence. A series of rebellions culminated in the defeat of Spanish authorities. Simón Bolivar became the first President of Gran Colombia in 1819, which was composed of territories of Colombia, Panama, Ecuador, and Brazil. Gran Colombia collapsed in 1830, and was replaced another New Granada administration, later becoming the sovereign state of Colombia in 1863 (Bushnell 1993).

The nineteenth century proved challenging for Colombia's economic progress. Alongside gold production, there were attempts at a string of unsuccessful export industries before coffee began to take hold. Political and social disorder threatened the property of elites and internal conflict encouraged capital flight (Kalmanovitz 2010). By the beginning of the 1870s, three quarters of national territory still remained uninhabited (Palacios 2006). Nonetheless, Colombia built a considerable commodity export trade. The value of annual exports, measured by Bushnell (1993) in gold pesos, rose from 3.3 million in the early 1840s to a peak of 15.5 million between 1881-1883. Land entrepreneurs experimented with wood extraction, quinine, tobacco, and rubber industries. Tobacco was a prominent product, but by the end of the 1870s coffee was the dominant export good due to reliable world demand and Colombia's highly conducive climate (Bushnell 1993).

Landowners were important entrepreneurs in the nineteenth century, as land ownership became the stepping stone for further business opportunities. For example, in Caldas, the first entrepreneurs that arrived in the mid-19th century focused on monopolising land, and later diversified into gold mining. From there, they moved into manufacturing textiles, chocolate and beverages for the domestic markets. They also built political alliances through marriages with the political elite, which gave them favourable access to contracts to build roads and bridges, as well as to supply the food and liquor needs of soldiers during the wars (Llano 2003). From very early on, businesspeople understood the value of collective organisation. According to Bejarano (1985), the 'Sociedades Económicas de Amigos del País' and the 'Juntas Patrióticas' were the first business associations established in Colombia, as early as 1784.

Contested authority in Colombia during second half of the nineteenth century and the first half of the twentieth century was defined by the partisan conflict between Liberals and Conservatives. Liberals supported causes such as secular education, universal male suffrage, and sought to reduce the role of the church in public life, while Conservatives were in favour of a strong church, and were less enthusiastic about social reform. These differences were delineated by competing familial and patronage networks, and competition periodically spilled over into civil conflict, in 1859-1862, 1876-1877, 1885-1886, and the War of the Thousand Days from 1899-1902 (Palacios 2006).

The respective groups first assumed the 'Liberal' and 'Conservative' monikers in the 1849 presidential campaign (Hudson 2010). Often, the population was more aligned to the political parties than to the comparatively weak Colombian state apparatus. As Hudson (2010, 27) explains:

> *"… no matter how initial allegiances took shape, they remained remarkably constant, passed down from generation to generation in such a way that small towns that voted Conservative or Liberal in 1856 were likely to be voting the same way a century later. Inherited party affiliation likewise generally determined on which side one participated or gave passive support in case of civil war. Although the reach of the state was limited, the parties blanketed the country, instilling in their adherents an instinctive obedience that easily could trump obedience to a government of the opposite persuasion."*

Land and its ownership were heavily contested, and landowners turned to political figures to protect their property. Local political bosses (known as *gamonales*) and priests intervened in

land disputes. “Anyone who wanted to legalize a land claim or settle a boundary dispute needed a political patron” (Palacios 2006, 13). Conflict over land therefore was directly linked to Liberal-Conservative partisan conflict. Liberal and Conservative elites took measures to secure the protection of their commercial interests and used their economic power to augment their coercive capacity. Bergquist (1986) documents how several Liberal guerrilla leaders owned large coffee farms and used their profits to fund rebellion against the government. On the other side, the Conservative government attempted to expropriate Liberal property to support the war effort. In 1901, the Conservative government decreed that military commanders were entitled to supply their forces by expropriating property from the provinces that were rebelling against the government. In turn, Liberal rebels seized and destroyed the property of Conservative pro-government landowners (Bergquist 1986). The Liberals were ultimately defeated, and the war severely weakened the Colombian economy, creating hyperinflation (Bushnell 2010). Civil war caused interruptions in trade, damaging contract fulfilment and forcing merchants to insert clauses into contracts which protected them against the risk of disruption from civil conflict (Palacios 1980).

However, the effects should not be over-stated, and many sectors were able to survive quite well. In particular, merchants and bankers were able to continue during conflict, as did mining in Antioquia. As Deas (2011) notes, Colombia became the pre-eminent coffee producer between 1870 and 1920, a period which also contained four internal wars: 1876-1877, 1885, 1895 and 1899-1902. The sugar company Ingenio Manuelita even managed to import heavy machinery during the middle of the Thousand Days War. “Just as Colombian soldiers elaborated a specific art of warfare for the context, merchants and entrepreneurs also adapted to the milieu” (Deas 2011, 203).

The struggle for land in Colombia also contained a class dimension, which unfolded alongside the elite Liberal-Conservative conflict. As agrarian production became a greater source of wealth, peasant settlers, known as '*colonos*' expanded across rural Colombia, seeking to improve land and then claim it. As LeGrand has shown, from 1850-1936, land entrepreneurs with strong connections to the state were able to displace these peasant settlers by legitimising their titles with the government and evicting the settlers, who were unable to claim their property and by extension could not protect their access to land. Indeed, claiming huge tracts of land to exclude settlers from ownership was a deliberate strategy by land entrepreneurs to limit settlers' economic independence, in an effort to turn them into tenants that would work on estates, rather than owners in their own right. Between 1827 to 1921, more than three quarters of the territory granted to private owners by the state consisted of parcels greater than 1,001 hectares. The privatisation of public land, in other words, heavily favoured the large estates and the 'latifundio' farming system, which made use of large numbers of peasants and rural labourers.[13] Both sides, landowners and peasants, resorted to violence to protect their claims when other methods failed. Writing about an incident at the end of this period, Legrand describes:

> *In Sumapaz, where the review of property titles revealed immense usurpations of public lands, the landlords' offensive against the squatters assumed a particular intensity. Civil guards living on the Pardo Roche and Torres Otero estates daily evicted squatters whose fields were then turned over to obedient tenants. The landlords organized these tenants, known as* fieles *or loyal ones, into bands to attack*

[13] Latifundios are large rural estates under which workers are in semi-feudal conditions. Latifundios were a common agrarian structure across Latin America in the twentieth century and prior (Carlson 2019).

> *the squatters. The latter responded in kind by destroying the crops and fences of the* fieles *at the first opportunity and reoccupying their parcels. Tensions escalated rapidly; in 1932-1933 several peasants and civil guards were killed or wounded in separate confrontations* (LeGrand 1986, 121).

From 1928, thousands of tenant farmers invaded the large estates of the frontier regions (LeGrand 1986). The tension between settlers and large land entrepreneurs fuelled guerrilla movements in the Colombian frontiers.

The rise of organised business and renewed rural conflict

The Colombia economy began to transform in the first half of the twentieth century towards manufacturing. Between 1929 and 1945, the gross production of the industrial sector almost quadrupled, and by 1945, industrial production had grown to 13.35 percent of gross domestic product (Sáenz Rovner 1988). The industry consisted of food processing, textiles, beverages, precision instruments and clothing, along with many other smaller sectors such as chemicals, tobacco, rubber products and paper.

Business associations became more organised and formalised in the twentieth century. The Colombian banking association (ASOBANCARIA, Asociación Bancaria y de Entidades Financieras de Colombia) was established in 1936 to set the banking rules and processes that were not explicitly defined under Colombian law, and to defend the interests of the industry. In 1944, the National Association of Industrialists (ANDI, Asociación Nacional de Industriales) was formed. ANDI was, and remains, one of the most powerful business associations in Colombia (Schneider 2004). The ANDI were in favour of protectionist tariffs,

and were generally aligned with Conservatives in the 1940s (Sáenz Rovner 1988). From the beginning, ANDI benefited from privileged access to government. State officials regularly consulted ANDI, and appointed ANDI representatives on the boards of public entities. By 1980, ANDI had 46 sectoral committees that met with government planners to coordinate sectoral programs.

Another powerful business association, the National Federation of Merchants (Federación Nacional de Comerciantes, FENALCO), was established in 1945. From the 1940s onward, a growing number of prominent business associations were established, including the Colombian Association of Small and Medium Businesses, (Asociación Colombiana de Pequeñas y Medianas Empresas, ACOPI, 1951), Colombian Chamber of Commerce for Construction (Cámara Colombiana de la Construcción, CAMACOL, 1957), National Federation of Cattle Ranchers (Federación Nacional de Ganaderos, FEDEGAN, 1963) and the National Association of Sugar Cane Cultivators (Asociación Nacional de Cultivadores de Caña, ASOCAÑA, 1959) (Bonnet 2019). All of these associations had strong access to government. In fact, many business association officials and business leaders would later assume roles in government (Schneider 2004). Almost all government ministers in important economic positions were formerly presidents of business associations and executives in the private sector (Juárez 1996, in Schneider 2004).

While the industrial, financial, and commercial business associations began to take shape, Colombia experienced its most severe moment of contested authority in the twentieth century. This was the period of '*La Violencia*' (1948-1958), with more than 200,000 killed over ten years. The conflict again came from the overlapping dimensions of Liberal-Conservative rivalry and class tension. "Though, the riots started as a rebellion of

Liberals against the Conservative authorities and symbols of power, many places became sites of class confrontation: peasants took over disputed lands and adjusted old accounts with landlords" (Sáenz Rovner 1988, 264).

La Violencia was largely confined to rural areas. Agricultural enterprises in rural areas were destroyed or violently seized by opposing forces, as Liberal and Conservative peasants fought each other across the country. Large landowners with sufficient means secured their own protection by maintaining private armies. Smaller property owners were severely displaced, allowing for the mass appropriation of land. The effect on the rural economy was devastating. As Posada Carbó (1968) shows, this violence was not compatible with capitalist development – instead, it inhibited investment into rural areas and reinforced a semi-feudal distribution of land. In Antioquia, which had traditionally been governed by a bi-partisan business elite, the violence of Conservative militias led prominent Liberal businessmen to close and leave areas such as Yarumal and Rionegro. Notably, these effects were lower in coffee-producing towns, where the National Federation of Coffee Growers (Federación Nacional de Cafeteros, FEDECAFÉ) appealed to the military and national government for protection from local partisan rivalries (Roldán 2002, 98).

As the conflict was more intense in rural areas, business activity in the cities fared more favourably. In 1950, two years into the conflict, the ANDI president declared that "business had never been better" (Roldán 2002, 21). Nonetheless, the business community sensed multiple threats from contested authority. They feared that the violence would eventually come to cities, destroying the political system or turning workers against factory owners. During the 1940s, 1950s and thereafter, business associations, including cattle ranchers, merchants, industrialists and bankers, were aligned in their support for the capitalist order

against populist or communist-leaning groups (Sáenz Rovner 2007). In contrast, caught up in partisan conflict in rural areas, some coffee growers sided with the Liberals (Sáenz Rovner 1988).

To counter the threat of communist subversion, manufacturers in Bogotá paid their workers' wages even if the factories closed down for a few days, while workers that did participate in the riots were blacklisted (Sáenz Rovner 1988). ANDI supported the armed forces by creating a Civic Fund, soliciting donations for the Army. To reduce tensions between Liberals and Conservatives, FENALCO and ANDI even created a peace commission to encourage mediation between the two sides.

In 1953, with the support of the business community, Chief of Staff of the Armed Forces Rojas Pinilla established a military dictatorship in an effort to stem partisan rivalry. Pinilla ruled as President of Colombia until 1957. In addition to supporting his ascension, business groups were eventually instrumental in pressuring Pinilla to leave, as they came to oppose his statist policies, such as progressive taxation (Hartlyn 1985; Schneider 2004). They staged a nationwide civic strike in May 1957 against the government which precipitated Pinilla's fall, and campaigned for the establishment of the National Front (Frente Nacional), a system of government which suspended competitive democracy in favour of a consociational rotating presidency system that shared power between Liberals and Conservatives (Hartlyn 1985).

While there were internal conflicts between and within business associations, they often united to support the government in moments of crisis. In 1965, the major associations prevented a rumoured coup against President Guillermo León Valencia by negotiating directly with trade unions, ultimately convincing them to call off a planned general strike.

Led by ANDI, FENALCO, ASOBANCARIA, the Colombian Farmer's Society (SAC, Sociedad de Agricultores de Colombia) and ACOPI formed a 'Committee of Private Cooperation' (Comité Privado de Cooperación). They then formed a 'Grand Commission' (Gran Comisión) with members of the political parties, business associations, unions and government to consider consensus-driven reforms (Hartlyn 1985).

As well as mediating political conflict, business associations directly influenced policy related to contested authority. In rural areas, producer associations were influential in shaping government policy on key matters. Some politicians in the National Front, including the President Alberto Lleras (1958-62), supported land redistribution as a means of reducing conflict. The SAC and FEDEGAN both opposed the agricultural reform legislation, and although it passed in 1961, its impact was significantly weakened due to pressure from these groups. SAC and FEDEGAN continued to oppose agricultural reform after the legislation was passed, using their board positions at the Colombia Institute of Agrarian Reform (Instituto Colombiano de la Reforma Agraria, INCORA) to undermine its implementation (Hartlyn 1985). The SAC played a significant role in defining the legal framework of Colombia's agrarian strategies, effectively nullifying the agrarian reform efforts of the National Front (Bejarano 1985). According to Kline (1974), at this time, the SAC was the third most powerful business association in Colombia.

Rural violence continues, and the growing illicit economy poses new challenges

Agricultural change also influenced the instability in the countryside. The expansion of commercial agriculture led to the further expulsion of peasants from rural areas, and the cities did not have sufficient demand for unskilled labour to meet the influx of supply. Cattle

ranching became more widespread, which also required fewer workers per unit of land. There was an increasing number of land invasions between 1971-1978. The increase and consolidation of armed movements in rural Colombia was in part driven by this pressure for land, the fight for property, and continued poverty. Between 1974 and 1984, there were 5,752 attacks, including assaults against the population, farms and vehicles, kidnappings, ambushes and terrorist attacks. In total, 1,182 people were assassinated for political motives during this period, according to Bejarano (1985).

The introduction of the illicit cocaine economy heavily stimulated conflict in Colombia, becoming a major problem from the 1970s onwards. From the late 1940s, Colombia was a transit point for illegal cocaine shipments from Peru and Bolivia to Cuba and the United States. Large scale drug trafficking was able to take hold in Colombia due to well-established smuggling routes between Colombia and the United States for contraband and the availability of violence specialists – hitmen and bodyguards – who joined the new illicit industry from the emerald trade (López Restrepo 2006).

> *"Smuggling established routes through which products, such as electrical appliances, liquor and tobacco, were smuggled in and out of the country legally but were introduced illegally. Many of the drug traffickers of the 1970s were trained in the smuggling of legal products and learned about routes and contacts that would later be very useful to them. The emerald smugglers established private armies that served as a model for those later established by the drug traffickers. Both smugglers and emerald traders were recognised and respected in their regions of influence and had close contacts with the local legal powers"* (López Restrepo 2006, 239).

By 1979, the cocaine industry had reached parity with coffee in terms of economic prominence – coffee exports produced an estimated $2.086 USD billion in exports, while cocaine produced $2.08 billion (Kalmanovitz 1994, as cited in López Restrepo 2006). At the height of the Medellín and Cali cartels in the early 1990s, the drug trafficking business may have represented as much as 6.5 percent of Colombia's gross domestic product (Kalmanovitz 2010). As well as contributing to insecurity, the growing illicit economy distorted the formal economy. Businesses suffered problems due to competition from contraband, and front companies acted as money laundering centres for the drug traffickers, further distorting legal trade (Restrepo 2011).

Insecurity increased, and by the mid-1980s, Colombia had one of the highest homicide rates in the world. There was also increasing urban terrorism, conducted by the M-19 guerrilla group, most notably including its seizure of the national judicial offices (Palacio de Justicia), resulting in the death of half the Supreme Court judges, and all of the M-19 fighters. The FARC increased in strength to 4,000 armed fighters by the mid-1980s (Bushnell 1993). As will be seen below, the 1980s also saw the founding of paramilitary groups, which combatted the guerrillas and protected private business interests, as well as drug traffickers. Despite this, Colombia was the only Latin American country that did not experience negative growth at any time during the 1980s (Bushnell 1993).

By the early 1990s, organised drug trafficking had been consolidated into two entities – the Medellín cartel and the Cali cartel. Rivalry between drug traffickers and conflict between the traffickers and the guerrillas contributed to rising public disorder, which eventually resulted in Medellín experiencing one of the highest homicide rates in the world in 1991, with 388

homicides per 100,000 inhabitants, approximately 44 times the global average (García et al. 2012).

At the same time, this period saw economic and political reform – the Gaviria presidency (1990-1994) delivered a new constitution in 1991, which broadened political rights, expanded municipal and regional autonomy, strengthened the judicial branch and granted greater indigenous rights (Palacios 2006). Most notably for business, this was accompanied by an economic opening, known as the 'apertura económica', which reduced tariff protections for Colombian industry and encouraged the participation of multinational companies and foreign capital in the Colombian economy (Martínez Nájar 2006). By 1996, although the Medellín cartel had been dismantled, drug trafficking groups remained a substantial threat, violence in Medellín in particular was extreme, and guerrilla and paramilitary groups were growing in strength, all of which posed tremendous challenges for business in Colombia.

3.2 Coercive actors in Colombia

I now offer a brief introduction to several prominent coercive actors. Notwithstanding the overlap and evolution of these groups, one can distinguish four types of armed actors: guerrillas, paramilitaries, criminal groups and state forces. Each of these types have a connection to the longer history of violence in Colombia.

Guerrillas

The beginning of revolutionary leftist guerrilla groups in Colombia can be traced to the period of *La Violencia* (Karl 2017). The most prominent guerilla group, the Revolutionary Armed Forces of Colombia (Fuerzas Armadas Revolucionarias de Colombia, FARC) was

founded in 1964. It began as a peasant self-defence group linked to the Communist Party, and then transformed into mobile guerrilla groups (Gallego 2010). Its aims were to destroy the latifundio agrarian structure, protect the rights of small peasants, and foment revolution from rural areas. In its early days, the FARC was very small, numbering no more than 800 fighters in the 1970s (Arenas 1985; Centro Nacional de Memoria Histórica 2014a; Leongómez 2006). The FARC functioned with an army-like organisation structure, and its basic organisational unit was the 'front' (Gutiérrez Sanín and Giustozzi 2010).

A second insurgent group worth mentioning is the National Liberation Army (Ejercito Liberacion Nacional, ELN), also founded in 1964. The ELN was part of the 'New Left' wave of guerilla movements in Latin America influenced by the Cuban revolution. The ELN has fluctuated in size, beginning with 18 men in 1964, increasing to 270 in 1973, but reducing again in 1978 to just 36 people (Aguilera Peña 2005). The ELN resorted to economic kidnapping and bank robbery to sustain itself. In the 1980s, they began to specifically target the oil industry and electricity and transport infrastructure. This threat of sabotage became their most important sources of financing. By 1987 it was estimated that the ELN had earned close to a billion pesos ($4.12 million USD in 1987) from threatening oil companies with sabotage (Aguilera Peña 2005). The FARC-EP consisted largely of peasants, while the ELN consisted of disaffected middle class, educated leftists (Gallego 2010). These two groups are only the most prominent and long-lasting of a string of guerrilla groups that formed and re-formed during the second half of the twentieth century.

Paramilitary groups

The use of private coercion is one of the enduring features of contested authority in Colombia. Paramilitary groups, as they are called, began as a variation of the private armies that liberal and conservative landowners retained for protection, but evolved into a larger force when they received sponsorship from the state as a way of augmenting its counterinsurgency efforts, and grew further still due to their involvement in drug trafficking. The groups were organised by a combination of regional elites, including landowners and businessmen, drug traffickers, and the armed forces.

Here I follow the minimalist definition proposed by Kalyvas and Arjona (2001): Paramilitary organisations are armed groups that are directly or indirectly linked to the state, tolerated or formed by the state, yet located outside the state's formal structures. Their central activity is the production of violence (Kalyvas and Arjona 2001). For the purpose of my analysis, this means that they are a type of coercive actor that can pose a threat or offer protection to businesses.

Gallego (1990) documented the first formation of a paramilitary group in the contemporary period in Puerto Boyacá, Antioquia, in 1982. The decision to found the group was initiated at a meeting between the local mayor's office, Texas Petroleum Company, members of the Committee of Cattle Ranchers, political bosses, the armed forces, and businessmen. The cattle ranchers of the region financed its initial creation (Gallego 1990). These groups felt that the Betancur government was abandoning them to the guerillas by engaging in peace talks, and they favoured violent confrontation with the guerrillas over negotiation. In founding the paramilitary groups, regional elites were supported by the Colombian military,

with whom they already had a longstanding cooperative relationship due to elite support for military counterinsurgency operations against the guerrillas (Centro Nacional de Memoria Histórica 2016a).

As Kalmanovitz (2010, 318) explains:

> "*The weakness of the state at the local level opened opportunities to the guerrilla to capture the potential tax of landowners and merchants in many regions. The insurgents began to plunder the agrarian economy and kidnap its businessmen, expanding the range of its operations to the cities. The landowners and merchants in rural areas responded by supporting private armed groups, derived from the business of drug trafficking, whose incomes went into co-financing the conflict. Instead of paying their taxes to the central government and local administration to guarantee security and provide social services to the entire population, which would have put them on the side of the institutions, they chose to resort to the shortcut of the para-state.*"

The Peasant Association of Cattle ranchers and Farmers of Magdalena Medio (ACDEGAM, Asociación Campesina de Agricultores y Ganaderos del Magdalena Medio) was founded to provide a legal front for paramilitary groups. By 1984, the drug traffickers were able to finance the paramilitary groups to far greater degree than the cattle ranchers (Gutiérrez and Barón 2005). However, as the paramilitary movement consisted of small groups founded in different locations, exhibiting the characteristics of warlordism more than an organised army, it was not cohesive, and many groups were at war with each other at various times (Duncan 2006).

The ranchers' eventually cooled in their support for paramilitary groups, once they found that the protection payments were expensive and the paramilitaries did not always provide reliable security (Gutiérrez and Barón 2005). Paramilitarism was briefly legalized through the Cooperatives of Surveillance and Private Security (Cooperativas de Vigilancias y Seguridad Privada) Decree 356 of 1994, but it was heavily restricted by the Constitutional Court in 1997, which banned CONVIVIR groups from using military grade weapons and gathering intelligence (Centro Nacional de Memoria Histórica 2016a). Pressure from the United States led many paramilitary leaders to be extradited, and the movement was formally demobilized by 2006, although successor groups, made of largely the same individuals, continued to operate thereafter. There was also significant regional variation and fragmentation, with only the pretence of being a national organisation during the existence of the umbrella organisation, the United Self-Defence Forces of Colombia (1997-2008, Autodefensas Unidas de Colombia, AUC). Paramilitary groups had an ambiguous relationship with the state, consisting of part cooperation, part parasitism, and part penetration and corruption of state institutions (Gutiérrez and Barón 2005).

Criminal groups

Criminal groups overlapped substantially with paramilitary groups in Colombia. By criminal groups, I am referring to groups involved in organised crime as per Schelling (1984) – groups involved in racketeering activities such as drug trafficking, the production of contraband goods, the penetration and corruption of legal industries. Most importantly for my purposes, they also offer illegal protection services – the provision of coercion as a service to business.

Organised crime in Colombia has a substantial history in smuggling emeralds and contraband goods, and in the 1970s there was a profitable illicit marijuana trade (López Restrepo 2006). Soaring profits from the cocaine trade in the 1980s and beyond accelerated the growth and sophistication of criminal groups. The Medellín and Cali cartels established themselves in the 1980s. The Medellín cartel executed a series of terrorist attacks against state officials and politicians, aimed at deterring extradition and challenges to its growing power. Indeed, they were the most direct challenge to state power during this period, as they conducted, among other activities, bombings against the Colombian intelligence service (Departamento Administrativo de Seguridad, DAS), the headquarters of *El Espectador* newspaper, and an Avianca plane in 1984. They also assassinated the Ministers of Justice, Rodrigo Lara Billa in 1984, Enrique Low Murtra in 1990, the Attorney General Carlos Mauro Hoyos in 1988, and the presidential candidate for the Liberal Party Luis Carlos Galán in 1989 (Centro Nacional de Memoria Histórica 2016a). With the assistance of the Cali Cartel, the police were eventually able to hunt down the leader of the Medellín Cartel Pablo Escobar in 1993, resulting in his death and the end of the cartel.

The Cali Cartel preferred to operate more subtly, focusing on buying influence rather than directly confronting the state. The most notable element of this phenomenon was their substantial donations to the Samper presidential campaign, which subsequently became a scandal known as the '8,000 process' ('proceso 8,000') which revealed that the Cali Cartel had become involved with 12 percent of Colombia's senators (Centro Nacional de Memoria Histórica 2016a). Since the end of the Medellín and Cali cartels – they were dismantled in 1993 and 1995 respectively – organised crime has been more fractured, but large groups such as the Rastrojos and the Urabeños have established themselves. Bolstered by the influx of

violence specialists from the demobilised paramilitary groups, organised crime continues to have a significant presence across Colombia (López Restrepo 2006).

State forces

Colombia's state forces – their police and military – have historically struggled to impose authority evenly across the country. At the beginning of the 1950s, there were 25,000 police, 15,000 men in the army, 3,200 in the marines and 1,200 in the air force. At that time, the armed forces placed heavy emphasis on combating communist subversion (Ugarriza and Pabón Ayala 2017). Since then, the size of the Colombia armed forces has grown steadily, from 100,000 in 1990, to above 250,000 serving members after 2006 (Ugarriza and Pabón Ayala 2017).

The Colombian army continually engaged in confrontations with the guerrillas in offensive and counter-offensive operations in rural areas. In addition, they focused on protecting strategic assets such as energy infrastructure and highways, and key business assets such as banana plantations and oil pipelines (Ugarriza and Pabón Ayala 2017). Military leaders demanded and received authorisation for repressive measures to combat the guerrillas in rural areas. In the 1970s, the Turbay Ayala presidency (1978-1982) adopted the National Security Statute – a severe policy which raised the sentences for kidnapping, extortion and armed assaults, allowed military courts to judge civilians, and included riots and civil disobedience in its definition of 'subversion' (Centro Nacional de Memoria Histórica 2016a). State forces built relations with paramilitary and drug trafficking groups where their interests aligned. The special police unit Search Bloc (Bloque de Búsqueda) collaborated with the Cali Cartel and paramilitaries to hunt down Pablo Escobar (Evans 2008). Military leaders maintained contact

with paramilitary units and occasionally coordinated their operations, as allegedly occurred in the case of Operation Orion in Medellín in 2002 (Centro Nacional de Memoria Histórica 2017). At other times, they allowed paramilitary activities, such as massacres, without intervention (Centro Nacional de Memoria Histórica 2016a).

3.3 Contested authority in Colombia, 1996-2016

I turn to provide an overview of contested authority in Colombia from 1996-2016, which is the period that the empirical chapters will focus on. This period began as the Cali cartel was dismantled, ending the era of the Medellín and Cali cartel violence, and concludes with the signing of the peace agreement by the FARC in 2016. During this period, criminal, paramilitary and guerrilla groups all participated in Colombia's internal conflict as significant coercive actors. The internal conflict reached its highest intensity between 1996-2005, declining thereafter (Centro Nacional de Memoria Histórica 2016a). The reducing violence reflected the Colombian state's gradual and fragile ascendance over non-state coercive actors during this period. Paramilitary groups were demobilized by 2006, although unofficial successor groups remained. One can therefore broadly think of this period as being divided in half as follows: a highly intense period of contested authority between 1996-2005 as both paramilitary and guerrilla groups reached the apex of their size and capability, and from 2005-2016 a gradually reducing level of conflict, as the Colombian military began to gain the upper hand in its conflict with insurgents, and paramilitary groups were replaced by larger organised crime syndicates that focused on illegal drug trafficking over counterinsurgency.

Supported by the illicit cocaine trade, the FARC grew significantly in strength in the 1990s. Insurgents earned income through extortion, kidnapping and soliciting contributions

(Bejarano et al. 1997). Bejarano et al. (1997, 24) estimated that between 1992-1997, the insurgency created huge costs for Colombian society, equating to 4.5 percent of GDP. Granada and Rojas (cited in Bejarano et al. 1997) indicated that the income of the FARC and ELN grew by 87 percent from 1991-1994. The FARC grew from 48 fronts with 5,800 combatants in 1991 to 62 fronts with 28,000 combatants in 2002 and a presence in 622 municipalities, approximately 60 percent of the municipalities in the country (Aguilera 2010). In the areas they dominated, the FARC would often provide dispute resolution mechanisms and de facto legal services, including mediation regarding disputes over debts or property rights (Arjona 2016).

During this period, the government attempted to end the FARC insurgency through peace negotiations and military campaigns at different times. In 1998, the Conservative candidate Andrés Pastrana was elected as the Colombian president, and he promised an end to the conflict against the guerrillas through negotiated settlement. This included a large, demilitarised zone in Meta and Caquetá. However, the talks proved fruitless and ultimately collapsed due to a number of factors, including the FARC's rearming efforts and continued attacks, and the lack of political will from both sides to find a durable settlement (Richani 2005).

The conservative President Uribe was elected in 2002, and he adopted a hawkish approach against the FARC. Military actions against the FARC steadily increased. Uribe's policies received significant support from the United States through the Plan Colombia assistance program, which was aimed at reducing illegal drug production in Colombia. The US spent over US $540 million annually between 2000 and 2006, most of which was directed to the Colombian military and national police. The spending strengthened the capacity of the

Colombian military but had limited direct success in achieving its stated objectives. Drug cultivation areas reduced by 50 percent, but overall production only reduced by 5.3 percent due to higher per hectare productivity of coca cultivation, and the displacement of growing regions into Bolivia and Ecuador (Franz 2016). Nonetheless, by 2016, the government's sustained military campaign against the FARC severely reduced its active membership to an estimated 6,000-7,000 (BBC 2016). Formal peace negotiations, which had begun in 2012 under the Santos presidency, were ratified in a peace agreement by Congress in November 2016.

Paramilitary groups were similarly at their strongest in the late 1990s and early 2000s, before demobilising and splintering into successor groups after 2006. By 2002, an estimated 12,175 members were in self-defence groups (Echandía 2013). The largest organisational unit of the paramilitaries was the AUC umbrella organisation, which functioned as a loose federation of paramilitary groups, rather than an integrated hierarchy (Romero 2003a). Paramilitary influence penetrated the Colombian political system, and paramilitary groups manipulated elections, a phenomenon known as 'parapolítica' (Alonso Espinal et al. 2007). They collaborated closely with the Colombian armed forces against guerrillas and alleged sympathisers. In practice, they killed large numbers of civilians. Of the 1,982 massacres documented by the Centre for National Historic Memory between 1980-2012, paramilitary groups perpetrated 58.9 percent (Centro Nacional de Memoria Histórica 2016a, 42). Under pressure from the United States, which had designated the AUC as a terrorist group in 2001 (U.S. Department of State 2001), the Colombian government instituted a demobilisation program for paramilitary groups, which ran from 2003 to 2006, resulting in approximately 31,000 demobilised fighters (Daviaud 2012). As a prerequisite for amnesty, paramilitary

leaders were required to provide testimony on their activities.[14] Many of these testimonies revealed the nature of business-paramilitary relations. Ultimately, these leaders were extradited to the US (Alonso Espinal et al. 2007). From 2006, with the demobilisation complete, new groups emerged which were not nominally paramilitary groups, but in practice functioned as their successors, although they were less unified and not openly connected to the state. These successor groups became heavily involved in organised crime, particularly drug trafficking.

Organised crime retained a strong presence in Colombia, alongside the insurgent and paramilitary groups. The Medellín and Cali cartels were broken up by 1996, but successor groups thrived. Criminal organisations were focused on the drug trade, including controlling its transport links, processing, and commercialisation. They also had interests across the illicit or semi-formal economy, including illegal mining and prostitution (Thoumi 2014). In areas where organised crime was dominant, they also imposed social order. This order was quite sophisticated in Medellín, where the small combos organise public celebrations, administer rudimentary dispute resolution and even facilitate electricity and water supplies for their neighbourhoods (Alonso Espinal, Giraldo-Ramírez, and Sierra 2007).

What about the Colombian state? State authority in Colombia is uneven, as the government has historically failed to fully occupy and control its territory. Elites wield tremendous amounts of private power, and politics is highly partisan, both of which contribute to state

[14] Some of these paramilitary testimonies are used in the empirical chapters. Indeed, researchers have stronger insight into paramilitary-business relations than guerrilla-business or criminal-business relations due to these testimonies.

weakness (Gutiérrez Sanín, Acevedo, and Viatela 2007). In the borderlands, areas which are further from state power centres, there is weaker state governance, poor integration into the national economy, and poor infrastructure (Idler 2019).

One further element should be mentioned to fairly encompass contested authority in Colombia. At many times, there was a cooperative rather than competitive relationship between legal and illegal authority. Most directly, the Colombian state partnered with paramilitary and criminal groups to achieve their counterinsurgent objectives (Alonso Espinal et al. 2007; Romero 2003b). However, insurgents, paramilitaries and criminal groups all forged agreements and created partnerships during at different times. Idler's work, which focuses on the borderlands of Colombia, has described this phenomenon as 'arrangements of convenience', showing that the relationship between armed groups can range from 'enmity' to 'friendship' (Idler 2019).

3.4 Coercive actors' behaviour towards business

In this section I describe the general attitude and behaviour of guerrilla, paramilitary, criminal and state actors towards business. The behaviour of the FARC varied according to its strategy. In the early years, many accounts suggest the FARC adopted a protective approach to the ranchers and large landowners that it encountered in rural areas. For example, in Cauca in the 1980s, the FARC offered protection to cattle ranchers, by taking action to punish cattle theft and robbery, and preventing land invasions. The FARC sought to prevent kidnappings, and when criminals did succeed in kidnapping individuals, the FARC collaborated with ranchers to manage and resolve these situations (Centro Nacional de Memoria Histórica 2014a). However, from the 1980s, the FARC shifted its strategy towards rapidly accumulating resources to expand its military capacity, particularly through seizing control of drug trafficking areas.

In general, guerrillas tended to target economic infrastructure, which hurt business either directly if they owned the assets, or indirectly if they did not. According to the Centre for National Historic Memory, between 1988-2012, guerrillas were responsible for 84.1 percent of the 5,137 incidents of damage against civilian property, including energy, electricity and road infrastructure (Centro Nacional de Memoria Histórica 2016a). Guerilla groups also displayed distinct attitudes towards different business groups. Consistent with their Marxist ideology, they tended to favour smaller agrarian businesses or cooperatives, while treating large multinational enterprises as targets for protection rackets. For example, the ELN's doctrine stated that "monopolies and all foreign investment will be limited and controlled" while "agrarian policy should be directed at supporting small and medium-sized agricultural

and agro-industrial enterprises and, in general, non-monopolistic enterprises that contribute to the economic aims of the new government" (Gallego 2008, 635).

The FARC began to conduct kidnappings as a method of financing their struggle with greater frequency from the 1970s (Aguilera 2010). There were 39,058 kidnappings between 1970 and 2010 (Suárez et al. 2013). Suárez et al. (2013) found that the FARC conducted 37 percent (3,360) of kidnappings in cases where the kidnapper's identity was confirmed, and they estimated the FARC was responsible for 33 percent (9,598) of cases where the kidnapper's identity was unconfirmed, which was the most kidnappings conducted by an armed group in either category in the study. According to their analysis, the kidnappers had an economic motivation in 84 percent of the 18,949 cases where a motivation was given (Suárez et al. 2013). In 75 percent of cases with a ransom, the kidnappers demanded more than $100 million pesos ($55,652 USD in 2012). 2,120 kidnapping victims were merchants (comerciantes) and 115 were businessmen involved in industry (industriales) (Centro Nacional de Memoria Histórica 2012b).

The practice of kidnapping wealthy individuals, usually businessmen, was even codified in FARC doctrine in 2000, when the FARC published 'Law 002: On taxation'. The decree stated that given the state continued to finance legal and illegal armed groups, the FARC needed to match this increase in war resources. They announced they would levy a tax on all people "whose wealth exceeds one million US dollars", and that these people must present themselves to the FARC to comply with the obligation. "Those who do not comply with this requirement will be retained. Their release will depend on the payment to be determined" (Aguilera 2010, 190).

In contrast, paramilitary groups were created with the express purpose of counterinsurgent warfare and protecting private interests. As the National Centre for Historic Memory (2016a, 15) describes it: "The distinctive feature of paramilitary violence is the violence against the physical integrity of individuals, while violence against liberty and property characterizes the actions of the guerrilla. In other words, paramilitaries kill more than the guerrillas, while the guerrillas kidnap more and cause much more destruction than the paramilitaries."

Alongside this military objective, paramilitary groups protected private enterprise. Certain paramilitary groups were even named after the industry they were ostensibly protecting, such as *Mining Bloc* or *Banana Bloc*. Wide swathes of the private sector supported paramilitary authority and paid for their protection services. This was shown in the clearest terms when a raid conducted in 1998 by the Special Prosecutor's Office of Medellín on Jacinto Alberto Soto Toro, financial chief of the AUC, found a ledger with 496 bank accounts that belonged to a series of high profile businesses (Pinilla Cogollo 2015). Paramilitary groups also collaborated with companies to dispossess peasants from their land, which freed it up for use by private companies. This occurred particularly in the palm oil and banana industries (Goebertus 2008; Vargas Reina 2016).

Notwithstanding this collaboration, paramilitary groups were also damaging to business interests in several respects. They participated in and facilitated drug trafficking, as did the guerrillas, which distorted the formal economy. They were selective in their provision of protection – businesses that did not pay, or could not pay very much, were not always protected. In other cases, they extorted businesses, just as the guerrillas did (Centro Nacional de Memoria Histórica 2016a). They also penetrated private industries, acquiring land and assets through coercive means, which undermined the legal property system.

Criminal groups, by definition, have less ideological content and can be more easily understood as illegal enterprises that specialise in illicit business activities, including the provision of illicit protection services to business. Paying for protection was and remains highly prevalent in Colombia, and constitutes an important interaction. However, it is difficult to reduce criminal-business interactions to a single pathway. Formal businesses may find it beneficial to accept capital from criminal groups to fund their growth, and then often become entangled in criminal activities. Similarly, criminal groups are incentivised to build private businesses to launder the proceeds of their illicit operations, and to own assets which are less likely to be seized by the state. Criminal groups could also benefit businesses by applying pressure to their competitors, thereby helping to establish monopolies.

Despite their limited ideological content, the general attitude of criminal groups towards business is important. During certain periods, such as the height of the Medellín cartel, businessmen lived in fear of kidnapping by criminal groups. The government, having been penetrated by criminal groups, was not an effective protector, and businessmen turned to private security companies. By contrast, the criminal organisation known as Envigado Office (Oficina de Envigado), which became the dominant criminal organisation in Medellín after the breakup of the Medellín Cartel, was largely pro-business, even announcing in the early 2000s that it would focus on reducing the homicide rate in Medellín to improve Medellín's image and make it more attractive for investment (Moncada 2016). Similarly, in rural areas, businesses in energy, mining, and infrastructure have been able to coexist alongside criminal authority relatively peacefully (López Restrepo 2006).

Finally, as one expects, state forces provided protection to business. This was a challenge, especially as a large portion of state forces were dedicated to countering the guerrillas. In

rural areas, the army would coordinate with cattle ranchers, oil companies, mining companies and rural elites to counter the guerrillas (Gallego 1990). It was also made more difficult because state forces were penetrated and corrupted by criminal groups (Centro Nacional de Memoria Histórica 2016a). State forces also did not protect everyone equally – large businesses with political influence could secure state protection, but smaller rural farmers could not, all the more so because they were suspected of being sympathetic to the guerrillas. State forces committed 295 massacres between 1980-2012 according to the Centre for National Historic Memory, as well as several massacres that were conducted in concert with paramilitary groups (Centro Nacional de Memoria Histórica 2016a).

Forms of protection

As will be covered prominently in each chapter, coercive actors commonly forced businesses to provide what I will call 'protection payments', a regular payment in exchange for a security guarantee. Following Varese (2014), I reserve the term 'extortion' for a service that is paid for but not actually provided. This means that even where coercive actors force businesses to pay for protection, it is still a genuine service rendered, if only because it means that a damage that has been avoided.

What were the services that protection entailed exactly? At its most basic, a protection payment is made to guarantee that the business will not be harmed by the group that makes the demand. However, the arrangement is far more useful if the group goes a step further and guarantees that it will protect the business from all other coercive groups. Beyond these elementary guarantees, Gambetta (1996), Varese (2001) and Volkov (2002) and others have shown that organised crime provides more sophisticated protection services, such as contract

enforcement and dispute resolution. In Colombia, coercive actors, particularly the FARC and paramilitary groups, provided these services regularly. Coercive actors also provided other illegal services, such as displacing peasants so that land could be easily seized, or using violence to cleanse areas of petty criminals (Gutiérrez Sanín and Vargas Reina 2016).

In addition, coercive actors suppressed labour demands. In Colombia from 1984 to 2009, the People's Research and Education Centre (Centro de Investigación y Educación Popular, CINEP) recorded that 2,890 trade unionists were killed (Hochschild et al. 2013, 57). These practices are similar to the mafia's coercive services in the United States, where mafia groups would break up strikes on behalf of employers (Jacobs 2020).

Forms of predation

Coercive actors can also pursue predatory attitudes towards business. Rather than offering genuine protection, when armed groups adopt a predatory attitude, they view businesses as assets that can be coerced into providing resources. For example, kidnapping a business leader and demanding a large payoff is a predatory behaviour. Pablo Escobar adopted a predatory attitude towards business elites in Medellín, killing prominent businessmen that opposed his agenda (Centro Nacional de Memoria Histórica 2017). For example, the cattle rancher Germán Posada publicly denounced drug trafficking in Medellín in the 1990s at a cattle ranching association meeting. Germán Posada:

> *"...leaned on a mural in the office of the Cattle Rancher Fund which featured some vultures and cockerels. He started to say who represented each cockerel, and among them he included people from Medellín linked to the mafia and Pablo Escobar... They chased Germán Posada, he was driving his car, they chased him. The guy tried to get*

> *away until he had to stop the car, he crashed it, I don't remember (what happened after the crash), and then they shot him"* (Centro Nacional de Memoria Histórica 2017, 452).

When adopting a predatory attitude, criminal and paramilitary groups also engaged in land appropriation. Paramilitary groups, in concert with large landowners, massively appropriated the land of smallholders. This was achieved through threats and intimidation, assassinations and massacres (Gutiérrez Sanín and Vargas 2017; Gutiérrez Sanín and Vargas Reina 2016). Similarly, drug traffickers, looking to launder their illicit capital, bought up cattle ranching businesses and property, sometimes threatening owners into selling at a reduced price.

What determined whether a coercive actor pursued protection or predation in Colombia? Arguably, it largely depended on whether the coercive actor sought to impose governance, and whether they included business in their governance project. The FARC imposed governance on business, implementing protection payments, which eventually constituted 40 percent of the group's total income (Aguilera 2010, 124). The ELN never sought this arrangement, and instead engaged in predation primarily against oil companies, from whom it secured lucrative protection arrangements in exchange for leaving oil pipelines alone (Aguilera Peña 2005). One can similarly compare the attitude of organised crime in Medellín in the 1990s to that of the 2000s. In the 1990s, organised crime adopted a predatory attitude towards business, resulting in kidnappings and attacks. But in 2002, having effectively consolidated territorial control over its rivals, the Envigado Office sought a reduction in violence. Maintaining territorial control remained necessary to facilitate drug trafficking, but

rather than attacking business, they imposed governance arrangements, demanding regular payment in exchange for genuine protection (Gil and Jaramillo 2014).

The distinction between predation and protection is often difficult to discern. Armed group behaviour is unpredictable, and abuses can occur against business at any time, as they do against the population at large. The more highly contested an area, the more difficult it is for any group to provide credible protection, and in these highly contested areas, coercive actors may accuse businesses of collaborating with their enemy, heightening their vulnerability to being treated as targets for aggression.

Business-armed group 'partnerships'

Coercive actors further complicate life for businesses if they insist on becoming 'partners'. By this, I mean that the coercive actor positions itself in such a way that it becomes embedded in the business's operations or ownership structure, making it complicit in the coercive actor's activities. For example, in the 1980s, the FARC visited a large landowner, asking him to transport their wounded fighters to Medellín and pretend that they were employed by him so that they could receive treatment by a doctor (Gallego 1990). Such support compromises the business's independence and is extremely difficult to refuse. Criminal and paramilitary groups also adopt a partnership approach. For example, as will be seen in the construction case, in exchange for protection, criminal groups were granted

ownership shares in new apartment blocks[15], while in mining, paramilitary groups demanded access to the mines for their own use (Gualdrón 2012b).

In sum, coercive actors displayed a variety of attitudes towards business. These attitudes heavily influenced business security and independence in areas of contested authority, from allowing them to access genuine protection, to being a target for predation.

3.5 Business politics and contested authority

Businesses in Colombia responded to the conflict in different ways depending on their position and circumstances, and business views on peace and war are conditioned by the context of Colombian politics. As would be expected, there has never been uniform support for peace at any cost, and the type of peace or conflict – especially whether it would be beneficial to their business interests – shaped their responses. The politics of peace often meant that business associations were wary of seeking negotiated settlements. For example, President Belisario Betancur's peace program (1982-1986) was widely rejected by rural cattle ranchers, who were suffering constant attacks from the FARC. This coincided with the birth of the paramilitary movement, an illegal – albeit tacitly state-sponsored – coercive actor that cattle ranchers supported. Indeed, the strong support for paramilitary groups among certain segments of the business community could be understood as a preference for a coercive actor that defends private property and is more effective at combating the guerrillas than the state. Rather than facing the risks of peace, which depended upon the demobilisation of insurgent

[15] Interview with a journalist, June 2019

groups into political entities with rights and opened a political pathway for land reform, landowners preferred to support a new coercive actor that would defend the status quo (Romero 2003b).

Both peace and war have costs and can affect the interests of specific groups, creating support or opposition in the business community depending on how it will affect their sectoral interests. The range in circumstances sets the ground for diverse business responses. As Rettberg (2002, 41) describes it: "In Colombia, as in other parts of the world, there are those business people who profit from conflict, those who manage to avoid it, those who have had to substantially modify and limit their activities and, finally, those who have initiated or supported concrete projects and activities aimed at overcoming the conflict." For example, during the Pastrana peace negotiations, the agricultural business elite opposed peace, while large business interests in manufacturing and services supported it. Then-leader of the cattle rancher association FEDEGAN Jorge Visbal stated in 2003 that he believed that the negotiated peace would mean that the cattle ranchers would be forced to surrender their land for redistribution as part of the deal, while the richest business elites of Colombia would not make any financial sacrifices (Richani 2005).[16] As Visbal explained:

> *"We made a proposal seven years ago, in which we asked for a sacrifice from all economic sectors of national life to create a fund against poverty in the country. But who gave up when it came to making a contribution? All the rich sectors of the country got off the bus"* (El Tiempo 2003).

[16] Visbal was later convicted of providing advice and support to high ranking paramilitary leaders (El Tiempo 2018b).

During the period 1996-2016, the most powerful business associations were largely supportive of the government's approach (Rettberg 2002). The ANDI provided support for Pastrana's efforts at peace (ANDI 1998). However, by 2002, the failure of the Pastrana peace process with the FARC led them to support President Uribe's Democratic Security tax, a wealth tax that drew from Colombia's wealthiest individuals and corporations to fund security and defense expenditure, supporting Uribe's more aggressive military strategy (Rodríguez-Franco 2016). Finally, at the end of this period, businesses supported the Santos administration peace negotiations, including through sending delegations to the negotiations in Havana (Aceros and Rettberg 2013; Rettberg 2004, 2007).

At a pragmatic level beneath national politics, businesses leveraged relations with all types of coercive actors to gain protection to enable them to continue to operate despite insecurity. As will be explored in the empirical chapters, big businesses engaged in infrastructure, mining or energy projects in remote areas were often protected from guerrilla attacks by the Colombian military (Acosta 2011). Business associations and large companies in conflict-affected areas would regularly meet and coordinate their activities with military leaders, while simultaneously employing private security companies.

Business engagement in peacebuilding

The business community's support for peacebuilding has oscillated over time, from hostility in certain sectors to sustained support from others. Between 1956-1982, the government strategy was aimed at militarily defeating the guerrillas, although, as Karl (2017) has shown, there was a 'creole peace' at the end of *La Violencia* which accompanied a significant

reduction in violence. From 1982, with the election of conservative president Belisario Betancur, business and political elites became involved in peace negotiations, and the FARC agreed to a ceasefire. Betancur's peace commission included two prominent businessmen, and representatives from ANDI and Ecopetrol were later involved. This peace process eventually failed due a number of factors, including the creation of the paramilitary groups and the assassination of members of the FARC's political wing, known as the Unión Patriótica. The FARC's ceasefire with the government ended in 1987.

Peace efforts were restarted with the election of President Samper (1994-1998). These negotiations were viewed sceptically by the public and the business community, although there were still elements of the business elite that offered their support. President Pastrana (1998-2002) also mobilised business elites in his negotiations with the FARC, including President of the Board of ANDI and President of Suramericana Nicanor Restrepo Santamaría. In fact, in March 2000, business leaders, including owners and presidents of largest Colombian companies collectively responsible for 25 percent of GDP, met with the FARC founder Manuel Marulanda to discuss peace. Business elites also participated in dialogue with the ELN in Cuba – again including President of Suramerica Nicanor Restrepo Santamaría, President of Promigas Antonio Celia, President of ANDI Luis C. Villegas and President of FENALCO Saba Pretelt (Restrepo 2011).

The business community's involvement in peacebuilding varied according to their collective organisation. Business organisations in Colombia were generally split between business associations, which are mostly organised according to industry, and 'groups' ('grupos'), which consisted networks of the country's leading businessmen (Rettberg 2005). "While grupos seek to influence the (peace negotiations) process through direct contact with the

opposing parties, the associations struggle to build consensus among different sectors of civil society on questions such as the acceptable cost of peace and the most appropriate arena of business involvement" (Rettberg 2005, 48). The business community was not monolithic in its support for peace, and other business entities such as the National Business Council (Consejo Gremial Nacional) remained in favour of military solutions. The absence of concrete proposals from the FARC, combined with ongoing violence, led these negotiations to fail in early 2002.

3.6 Security outcomes

What have been the security outcomes for Colombian business? Between 1996-2016, Colombia's gross domestic product grew from $187.90 billion US dollars to $367.74 billion.[17] It was the fifth largest economy in Latin America during this period after Brazil, Mexico, Argentina and Venezuela (World Bank 2021). Notwithstanding this performance, there can be no doubt that the Colombian economy, and businesses themselves, suffered due to the conflict, particularly in the 1990s. Colombia could not be described as a case of 'development in reverse', but the conflict certainly restrained its growth potential.

Investor confidence and firm performance were both negatively impacted by conflict in Colombia. Examining panel data from 11,000 firms between 1997 to 2003 in Colombia, Pshisva and Suarez (2010) found that companies reduced their investments when they experienced kidnappings that directly targeted managers and owners. Camacho and Rodriguez (2012) found that between 1993-2004, an increase in guerrilla or paramilitary

[17] Based on constant 2010 US dollars.

attacks in a municipality increased the probability that manufacturing plants will close. The effect was stronger for younger and smaller manufacturing plants with low levels of capital. Insecurity also depressed foreign direct investment, although this increased considerably from 2005 onwards, particularly in oil and mining (OECD 2012).

How can we think about these costs systematically? Nelson (2000) divides them into general and specific costs. Indirect costs include general uncertainty, a loss of human capital and destruction of infrastructure. Destruction of infrastructure indirectly generates higher costs for the production and distribution of products. Businesses must invest in protection, they face lost productivity, reduced capital availability and higher transaction costs. Specific costs include protection payments, kidnapping, increased costs due to war, such as taxation, and increased costs due to investments in peace. Protection payments demanded by armed groups, if genuine, allow businesses to survive but reduce their profitability. Similarly, the state's efforts to win a monopoly on violence is costly, and these costs are passed on to business by tax instruments such as the Uribe government's Democratic Security tax. These conditions make it harder for businesses to succeed.

How have the repercussions differed according to varying levels of business power? All coercive actors, including the state, have been more successful in offering protection to certain business sectors over others. For example, in general, located in the wealthy city centres, companies such law firms or banks are well-protected by the state and did not need to directly exercise their resources to ensure protection. In rural areas where criminal and political armed groups had more influence, the cost of doing business increased, both because these groups impose protection, and because business had to deploy more resources to secure state protection, such as lobbying, provision of in-kind materials, or direct payments.

3.7 Conclusion

This chapter explored the behaviour of businesses in the context of Colombia's history of contested authority. I examined the historical context of private enterprise and contested authority, outlined the range of coercive actors that affected business between 1996-2016 and described the challenges they posed. I examined business responses during this period, including their influence over government and their direct engagement with coercive actors.

Violence does not appear to have been an overwhelming break on economic growth in Colombia. Business continued as normal, particularly when the conflict was confined to rural areas. This sits uneasily with Collier's (2003) assertion that conflict and development are opposing forces. In Colombia, there has been economic growth alongside continued violence. Indeed, one wonders at the extent to which the private sector has inadvertently funded all sides of the conflict, contributing to the fragmentation of coercion rather than its consolidation.

When I examine business attitudes and behaviour, several clues emerge which shed light on this dilemma. Insecurity had different impacts based on business type and location. It was not particularly necessary for rural property rights to be respected for industry and commerce to flourish in urban areas. Rural businesses that were directly experiencing contested authority held a more hawkish view towards peacebuilding, and were more prepared to fund their own protection, including through illegal groups. As many critical scholars have found, violent expropriation occasionally led to rapid economic development, but the business community as a whole suffered from a range of negative externalities (Grajales 2011; Maher 2015b,

2015a). The following chapters delve deeper into these questions, exploring the interaction between businesses and coercive actors through the business-protection framework.

Chapter 4. Sugar, Bananas and Coffee

This chapter explores the conditions, responses, and outcomes for three industries in agriculture that experienced contested authority: sugar, bananas, and coffee. I first estimate business power in each industry, analysing instrumental power by looking for cohesion between companies, the presence of business associations, and access to resources they can deploy to achieve their goals. I review their structural power by observing each industry's influence on the Colombian economy. I then describe the situation of contested authority that each industry faced, explore instances of voice, accommodation, and exit, and I connect these responses to their business power. Finally, I apply the business power-protection framework to understand the security outcomes. I chose the sugar, banana, and coffee industries because they display variation in business behaviour, there is sufficient evidence in each industry to build a useful case profile, and they yield distinct results. The cases can be usefully compared against each other and fit into the broader comparative framework. The scope of my fieldwork allowed me to undertake interviews which explored the behaviour of these industries, and my research is further supplemented by newspaper archives, government reports and secondary sources.

Colombian sugar companies have high business power individually and collectively. They confronted moderately intense insecurity as compared to other parts of Colombia during 1996-2016. Guerrillas, paramilitary groups and drug traffickers were present in the areas where the sugar companies are located (Guzmán and Moreno 2007). Sugar companies responded through a combination of voice and accommodation. They used voice through coordinating their activities with the army and police, and in some cases building relations

with paramilitary groups. They pursued accommodation through internalising the costs of insecurity by creating private security departments. Exit would have been a highly undesirable response due to the fixed nature of the sugar plantations, but it was not necessary in any case. The sugar companies were powerful businesses that generally received reliable protection without intense active investment, and they experienced *coexistence* with coercive actors.

The banana companies in Urabá had high business power, but experienced poor protection quality. Banana companies have strong instrumental power at the industry level through the Colombian Banana Growers Association (Asociación de Bananeros de Colombia, Augura), although they have comparatively lower structural power. Conflict between guerrillas and paramilitary groups was intense between 1996-2016 in the Urabá region, which experienced one of the highest levels of displacement and violence in Colombia over this period. Locked into position due to the climate and proximity to Urabá port which facilitated banana exports, exit was an undesirable option for the banana companies. Instead, they used a combination of voice and accommodation, paying and collaborating closely with paramilitary groups and government forces, as well as guerrillas. They also used their strong connections with paramilitary groups to suppress labour and seize property. There is a uniquely large amount of evidence concerning the relationship between the banana companies and armed groups, which shows that the industry experienced *entanglement* with coercive actors, making significant political and financial investments in them to ensure the industry would be protected.

I then examine the coffee industry in Antioquia and Valle del Cauca. While the coffee industry has strong collective institutions, individually the coffee growers have low business

power. There was widespread exit in the form of closed farms in response to the lack of protection. Attempts at voice, by petitioning the coffee federation or the government for support, were largely unsuccessful. They also pursued accommodation by attempting to internalise costs and adhere to armed group rules. Coffee growers did not receive reliable protection and experienced *victimisation* by coercive actors.

Industry	**Business power**	**Protection quality**	**Responses**	**Outcome**
Sugar	High	High	Accommodation, voice	Coexistence
Bananas	High	Low	Voice, accommodation	Entanglement
Coffee	Low	Low	Exit, voice	Victimisation

Table 10. Case results in agricultural industries

In the final part of this chapter, I directly compare the experience of coffee farmers and sugar companies in Valle del Cauca, allowing me to observe a matched comparison. The comparison reinforces the difference in outcomes that vary according to business power. Despite being in the same location and with similar dispersion through the department, coffee growers experienced extensive *victimisation*, while sugar companies experienced *coexistence*.

Agricultural production, land tenure and rural development have been thoroughly probed by scholars seeking to understand rebellion, conflict and contested authority. From the 1960s onwards, scholars studied rural land distribution and inequality to understand its impacts on the propensity for revolution and conflict (Moore Jr. 1974; Paige 1975; Russett 1964; Scott 1977; Wolf 1999). In Colombia, these issues have been extensively explored, particularly with regard to land dispossession and land rights (Centro Nacional de Memoria Histórica 2016b). With limited state presence in rural areas, Colombian agriculture has historically experienced higher levels of conflict (Bejarano et al. 1997). An analysis of the patterns of

agricultural production and its relation to conflict in rural Colombia is beyond the scope of this chapter. Nonetheless, through presenting these three cases, I aim to contribute a different lens through which we can understand the behaviour of agricultural companies and the security outcomes they experience in contested authority settings.

There are several other agricultural industries that I could have chosen to include in this chapter, and it is worth mentioning them here. The palm oil industry in this period actively collaborated with coercive actors to expand its operations. Quantitative spatial research demonstrates a relationship between palm oil cultivation, displacement and conflict in Colombia (Sabogal 2013), and qualitative scholars have documented the links between paramilitary groups and palm oil companies (García Reyes 2014; Goebertus 2008; Maher 2015a). The palm oil industry arguably used coercion to create the conditions for capital, which means it is out of scope, given my focus is on how already existing businesses interact with coercive actors, and not on the reverse relationship where coercion underpins capital expansion.

Cattle ranchers were extensively victimised (Ponce de León-Calero 2019), and some were heavily involved in the conflict. Many cattle ranchers directly participated in conflict, becoming paramilitary leaders (Gutiérrez and Barón 2005; Gutiérrez Sanín and Vargas 2017; Romero 2003b). Ultimately, I decided to omit cattle ranching for this reason, as it represents a case where capital and coercion are being managed by the same leaders, making it less comparable to other cases. As Gutiérrez Sanín and Vargas (2017, 743) explain "… big ranchers were ubiquitous in the leadership of the most visible, powerful, and representative paramilitary structures. They not only created them; they also constituted the bulk of their leadership." Similar to palm oil, cattle ranching is closely linked to cases where coercion

appears to be driving capital expansion. While cattle ranching represents an extreme case and is therefore omitted, it does appear to be consistent with the *entanglement* outcome, where powerful business interests are able to organise coercion, in this case through directly building and participating in paramilitary organisations with state support.

Another potential case that I considered was the flower industry. Flowers are one of Colombia's top export products, but as the flower fields are located in the middle of the country, armed groups did not penetrate the flower region and create conditions of contested authority (Nasi 2018).

I offer one final caveat. The industries chosen are not representative of most of the Colombian rural experience of contested authority, which is in informal agriculture. The Third National Agriculture Census of 2014 reported that 70.4 percent of agricultural producers have less than five hectares of land and occupy just 2.0 percent of land (2,160,347 hectares), while 0.2 percent of agricultural producers have 1,000 hectares or more and occupy 73.8 percent (Departamento Administrativo Nacional de Estadística 2016a).[18] Informal landholders were heavily victimised in the conflict, experiencing violence, dispossession of property and forced displacement (Centro Nacional de Memoria Histórica 2016b). To focus the scope of the analysis here within formal industries, I have chosen to omit them. I explore informal businesses more thoroughly in chapter six, which focuses on small retailers in urban areas.

[18] One could debate whether they should be included as business actors per se, given that much of their production is devoted to subsistence.

4.1 Sugar Companies in Valle del Cauca

I first analyse the sugar companies of Valle del Cauca, known as *ingenios*. The presence of the sugar industry in Valle del Cauca has historically been one of the chief reasons for the department's comparatively higher economic wealth. Sugar cane was cultivated from the end of the nineteenth century onward, but gained importance economically in the 1940s, when a group of companies consolidated the industry in Valle del Cauca. At first, the industry was focused on domestic consumption, and a lack of cooperation and information-sharing between the companies prevented technical progress. In 1959, the Association of Sugar Cane Producers from Colombia (Asociación de Productores de Caña de Azúcar de Colombia, Asocaña) was created to overcome these problems and improve relations with the state (Piñeiro et al. 1981). Sugar cane cultivation steadily grew in the second half of the 20th century, from 61,600 hectares in 1960 to 187,340 in 1997, reaching 238,204 in 2016 (Asocaña 2017; Centro Nacional de Productividad 2002). Sugar cane production is concentrated in Valle del Cauca. The 2014 National Agricultural Census reported that there were 239,794 hectares of sugar cane harvested in Colombia, 74 percent of which was harvested in Valle del Cauca (Departamento Administrativo Nacional de Estadística 2016a).

A small number of companies are at the centre of the sugar economy. While the number of companies has fluctuated, there has been gentle consolidation due to competition and urban development. In 1960 there were nineteen, but by the turn of the century there were just thirteen, ten in Valle del Cauca and three in the neighbouring department Cauca (Centro Nacional de Productividad 2002). The companies are situated at a pivotal point in the sugar supply and distribution network. They own around 25 percent of the land that sugar is

cultivated on, the rest is bought from approximately 275 local producers.[19] They control sugar commercialization and refinement, and are highly integrated into adjacent industries in food, beverage, paper, chemical and alcohol production. According to the Colombian sugar industry body Asocaña, the sugar cane harvested in Valle del Cauca has the highest productivity level in the world, as on average, it produces 15 tonnes of sugar per hectare each year (Vega 2017). There is also a sizable export market for sugar. In 2016, Colombia exported 518,000 tonnes of sugar at a value of US $272 million dollars (Asocaña 2017, 47).

The economic opening of the Colombian economy in the early 1990s and government policy, which encouraged biofuel production, led sugar cane cultivation to double between 1990-2015, from 106,600 hectares in 1990 to 201,500 in 2015 (Piedrahita, Pérez, and Londoño 2017). Companies such as Manuelita and Mayagüez expanded their operations through investments across Latin America. In 1997, the *ingenios* La Cabaña and Incauca were able to generate electricity surplus to their operations, which allowed them to enter the electricity generation market as providers. The sugar industry was strengthened by the national government's policy of incentivizing investments in biodiesel and bioethanol. *Ingenios* increased their investments in bioenergy in 2005 and 2006, building ethanol distilleries. The sugar industry produces 100 percent of ethanol used in Colombia and underpins 97 percent of electricity generation from biomass sources (Piedrahita, Pérez, and Londoño 2017).

The sugar companies are distributed widely across Valle del Cauca. The refinery plants themselves are located in rural areas, surrounded by the sugar cane plantations. There are

[19] Interview with a sugar cane entrepreneur, August 2019

plants in the rural municipalities of Río Frío, El Cerrito, Florida, Candelaria, Buga, Tulua, Pradera and Palmira. The administrative offices of the sugar companies are in Cali.

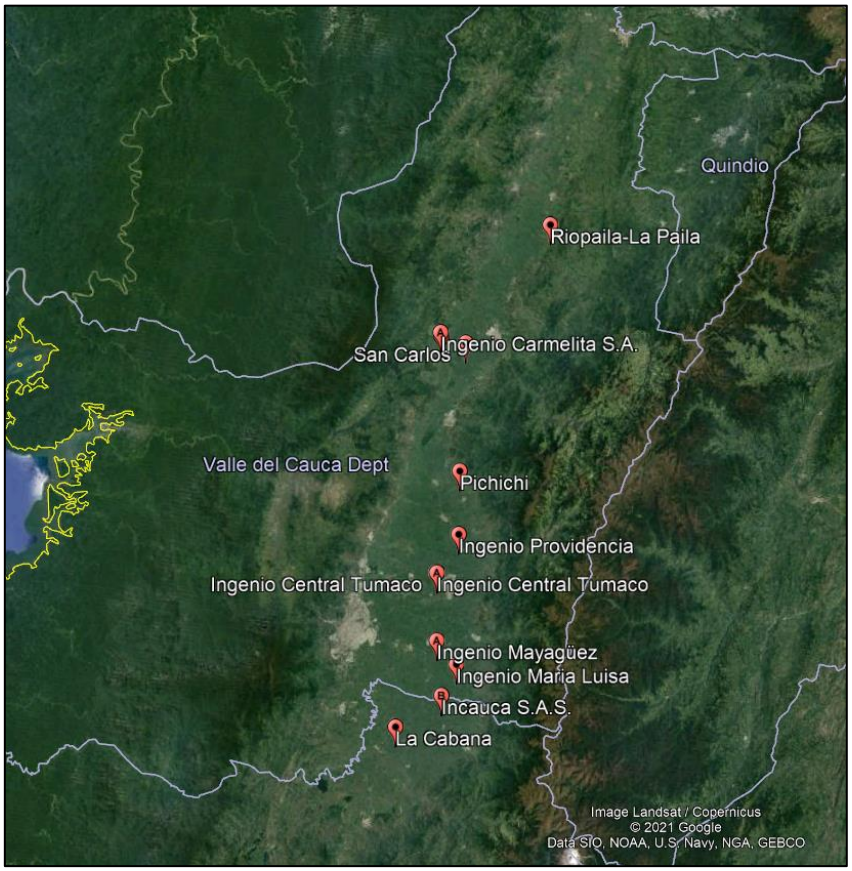


Figure 2. Sugar refinery locations in Valle del Cauca. Source: Author's map, based on the Asocaña sugar refinery registry, Asocaña 2012.

Sugar company business power

The sugar companies possess high instrumental and structural business power. The industry operates independently from other large business associations and has a distinctive voice on issues that may affect it. The industry is highly formalized and linked to the state, and receives significant financial subsidies from the government to support its position (Centro Nacional de Memoria Histórica 2014b, 107). As a United Nations productivity report described:

> *"The sugar growers have maintained a high capacity to influence the decisions of public policy, due to degree of social, economic and political penetration of its members, the capacity of their organisations to engage on technical and policy matters, their mastery of the information on the industry's performance in the international context, and the social and economic importance that their activities have for the regional and national economy"* (Centro Nacional de Productividad 2002, 20).

The sugar companies are also highly cohesive. There are strong familial connections between the owners of the biggest sugar companies. For example, the Eder family, which owns Manuelita, has several familial connections with the Holguín Hurtado family, who are the owners of Mayagüez. As another example, the owners of Colombina, a sweets company, have familial connections with the sugar company Rio Paila.[20] In fact, this familial structure is quite different to other industries in Colombia, where large companies have moved to a more conventional capitalist structure with technocratic managers and commercial shareholders. Another indicator of cohesion is their collective behaviour. They operate as an informal cartel to maintain sugar prices, and their industry body Asocaña is critical to coordinating this arrangement (Kalmanovitz 2015).

In 2016, the sugar industry alone accounted for 0.7 percent of gross national product and 5.3 percent of Valle del Cauca's gross department product (Asocaña 2018). The industry employs 116,032 people directly, and according to Núñez et al. (2019), generates 286,692 jobs directly or indirectly. Individually, sugar companies are also some of the largest

[20] Interview with a professor, August 2019

agricultural firms in Colombia. Manuelita was the largest agricultural company in Colombia in 2016 with an operational income of 1,521,130 million pesos ($498 million USD in 2016) (González 2017). Smaller firms such as Sancarlos reported an operational income of 181,254 million pesos ($59.3 million US dollars in 2016) (Ingenio Sancarlos 2017).

Sugar companies' protection quality in Valle del Cauca

With the business power of the sugar industry established, I turn to consider the contested authority they experienced between 1996-2016. Valle del Cauca experienced the presence of multiple types of armed actors, including guerrilla groups, drug traffickers and paramilitary organisations. Each group created distinct challenges.

> *"While the guerrillas concentrated on kidnapping and extortion in the flatland and agroindustry areas, the paramilitaries and groups involved in drug trafficking concentrated on massacres, forced disappearances and selective assassinations in urban areas of municipalities located in the mountain areas, and in the rural zones of the municipalities in the flatlands, principally affecting the peasantry"* (Centro Nacional de Memoria Histórica 2014b, 415).

The Movement of 19 April (Movimiento de 19 Abril, M19), the National Liberation Army (Ejército de Liberación Nacional, ELN), and the Revolutionary Armed Forces of Colombia (Fuerzas Armadas Revolucionarias de Colombia, FARC) operated in the mountainous region of Valle del Cauca (Centro Nacional de Memoria Histórica 2014b). There were particularly severe moments of conflict, such as the 11 massacres committed by paramilitary groups in 2000, and the mass kidnapping by the ELN in 1999 (Acosta Oidor 2012). The abandonment,

dispossession and appropriation of rural territory was intense in Valle del Cauca. In 2013, the Single Registry for the Protection of Land and Territories of the Displaced Population (RUPTA) found that 417,486 hectares of territory had been abandoned in Valle del Cauca since records began in 1954, representing 7.4 percent of all territory abandoned in Colombia over the same period, with most claims occurring after 1996 (Centro Nacional de Memoria Histórica 2014b, 389).

Due to the rural nature of the insurgency, sugar companies were more exposed to the conflict environment than secondary and tertiary industries in the cities.[21] However, there was only a small guerrilla presence across the sugar industry's area of operations, as the guerrillas were located in the mountainous regions in southern Valle del Cauca. Nevertheless, a sugar cane entrepreneur explained to me that guerrillas would occasionally burn the trucks that transported the sugar cane.[22] This claim is supported by the data gathered in the Damage to Civil Property 1988-2012 (Daño a bienes civiles) database compiled by the National Centre for Historic Memory. There are only four direct references to attacks against sugar companies: once in 1984, twice in 1988 and once in 1996. Each time the attack was against a bus or truck owned by the sugar company. Attacks against transport vehicles continued regularly and the database does not attribute ownership to the majority of attacks, meaning it is possible that there were further attacks against the sugar companies that were not attributed (Centro Nacional de Memoria Histórica 2012a).

[21] Interview with a senior business leader, August 2019
[22] Interview with a sugar cane entrepreneur, August 2019

Paramilitary groups entered Valle del Cauca in 1999. According to El Tiempo, they entered as a response to the mass kidnapping of 180 people at the church La María by the ELN (Bohórquez 2018; El Tiempo 2019b). They expanded their presence to Bugalagrande, Sevilla and Andalucía. Several sources suggest they had the support of the police and military in their expansion (Acosta Oidor 2012; Guzmán and Moreno 2007) .

Organised crime in Valle del Cauca posed another form of insecurity. In the 1970s, large organised crime groups began to take shape, and they were involved in drug trafficking and violent assassinations. These groups were involved in some of the worst massacres, such as that of Trujillo in 1990, often over the desire to acquire land. By 1996, a police colonel stated that in Northern Valle, 90 percent of land dedicated to cattle ranching was owned by sixteen drug traffickers, who had displaced smallholder peasants (El Tiempo 1996c). A similar report indicates that this pattern has remained consistent through the last three decades – the Los Machos and Los Rastrojos criminal groups owned approximately 90 percent of the cattle ranching farms, according to a 2005 report (Centro Nacional de Memoria Histórica 2014b). An interviewee stated that this trend has continued, and in Valle del Cauca as of 2019, it is difficult to find land not linked to the mafia.[23]

In sum, the sugar industry encountered a situation with multiple armed actors contesting authority. Guerrilla and paramilitary projects were active, while criminal groups sought to forcibly acquire land and legal businesses to expand their own enterprises.

[23] Interview with a consultant, August 2019

Despite this environment, the sugar companies experienced reliable protection for several reasons. First, the sugar companies were less exposed to coercive actors than the general population. Their refineries were in rural areas, while their central offices were located in Cali. This smaller footprint meant they were less vulnerable. An observer believed it was unlikely that the sugar companies paid for protection to paramilitaries, but smaller farmers and cutters may have. Nor did the observer think the companies had a relationship with the guerrillas. The sugar cane farmers, rather than the companies, were more exposed to guerrillas, as they lived in the local community and were therefore more easily identifiable.[24]

Second, both paramilitary and drug trafficking groups in Valle del Cauca posed significant security risks to the population in general, but the evidence I have gathered suggests that sugar companies were largely unaffected, at least directly, by their presence. It is likely that their strong political connections and their security ties to the police and military deterred these groups from targeting sugar companies. An interviewee explained that the military collaborated with sugar companies to support their security.[25] While there is no evidence to suggest that they forged relations with guerilla groups, these groups were only a limited threat in Valle del Cauca, occasionally able to mount attacks against vehicles in transit and buildings, but rarely against sugar company infrastructure. Contested authority still created a challenging environment due to the risk of kidnapping and assaults. However, compared with other industries in Valle and across Colombia, sugar companies received good protection

[24] Interview with an academic, July 2019
[25] Interview with a businessperson in the sugar sector, August 2019

from the state, and a comparatively limited effort by other coercive actors to attack them or impose authority.

Sugar company responses

The sugar company responses I observed mainly emphasise accommodation and voice. In terms of accommodation, the sugar companies created and maintained their own separate 'internal security departments', which included trusted bodyguards for family members and company owners. The companies prefer to work with the same people for years, generating trust and discretion in a small number of individuals.[26] They also contracted external private security providers to protect their operations.[27]

Sugar companies pursued voice through building relations with coercive actors. Internal security departments would closely coordinate with public forces[28], and interviewees noted that working with the army was particularly desirable, as during much of this period, the army was the only authorised entity that could distribute firearms. It was therefore also valuable to have retired army personnel working with the security department so that permissions could be obtained more easily.[29] One interviewee indicated that the internal security departments use informants and informal intelligence networks to learn about the presence of armed actors. An informant might, for example, visit a local village, give a family a small gift and discuss armed group activity in the region. There was limited formal

[26] Interview with a businessperson in private security, August 2019
[27] Ibid.
[28] Interview with a public servant, August 2019
[29] Interview with a sugar cane entrepreneur, August 2019

information exchange between the sugar companies because it was understood that this kind of activity was at the edge of legality.[30]

Supported by their strong business power, including their connections to government, the sugar companies used their voice effectively to lobby government to restrain the behaviour of coercive actors. Specifically, multiple interviewees believed that the mafia had been unable to penetrate the sugar industry. On one occasion, drug traffickers had attempted to purchase some land near the Cali airport, but the sugar companies lobbied the government to prevent it. Nevertheless, there were also reportedly indirect links between mafia groups and the sugar companies. Criminal groups owned several farms and would sell sugar to the companies through third parties. The sugar companies knew about this practice, but were happy to accept the sugar cane, an approach which an interviewee described as 'coexistence' ('convivencia').[31]

There is limited evidence to indicate that the sugar companies built relationships with paramilitary groups. The clearest link between sugar companies and the paramilitary groups was revealed when former security chief of the sugar company Ingenio San Carlos, Ramiro Rengifo Rodríguez, was sentenced to 11 years in prison for collaborating with paramilitaries. Rodríguez had informed paramilitary groups that he believed the union worker Fredy Ocoró Otero was a guerrilla informant, leading to threats against Otero's life and his subsequent decision to flee Colombia (United Press International 2010). Additionally, as part of the paramilitary demobilisation process, Herbert Veloza, a paramilitary leader in Valle del

[30] Interview with a sugar cane entrepreneur, August 2019
[31] Ibid.

Cauca, alleged that he organised a meeting with drug traffickers, paramilitary leaders, cattle ranchers and businessmen from the sugar industry, where Veloza alleges it was agreed they would contribute $250 million pesos (approximately $120,000 USD in 2000) to a paramilitary project in Valle del Cauca (Verdad Abierta 2011).

My interviewees did not have direct knowledge of a relationship between sugar companies and coercive actors but offered their perceptions of the situation. Several interviewees did not believe there was a strong or direct relationship between paramilitary groups and the sugar companies.[32] According to one interviewee, the security companies that sugar companies contracted possibly had relationships with the paramilitaries, rather than the sugar companies themselves. These security companies retained people that had retired from the army that potentially had connections to the paramilitary groups, and may have paid these groups in return for favours.[33]

Amid the conflict, sugar companies also used their voice in a positive way to fund a peacebuilding initiative called *Vallenpaz*. In contrast to their security practices, they acted collectively and publicly on this project. The initiative was conceived following the kidnapping of 180 people in *Iglesia de la María* in 1999 by the ELN in southern Cali, which is the largest kidnapping in Colombian history. Former mayor Rodrigo Guerrero proposed that the non-profit *Vallenpaz* be created with the goal of improving the living standards of people in rural areas, in the belief that people become more supportive of armed groups if they lack economic opportunities. The initiative gained the support of various economic

[32] Interview with an academic, July 2019
[33] Ibid.

sectors and the European Union. Businesses generally, and the sugar companies in particular, provided crucial support to *Vallenpaz*.[34] Finally, there is no evidence that sugar companies exited. As the sugar companies are ideally located in Valle del Cauca, and the refineries themselves represent large capital investments, exit was likely a highly unattractive option, and indeed none of the refineries re-located or shut down during 1996-2016.

Sugar company outcomes

I now consider the sugar companies' security outcomes. The evidence I gathered suggests that sugar companies experienced the *coexistence* outcome, facilitated by their high business power and high protection quality. They were not directly threatened by the coercive actors in their area, and they maintained close relations with the police and army, and occasionally with paramilitary groups. Indeed, sugar companies managed to increase their income substantially over this period.

It is notable, as mentioned previously, that sugar cultivation expanded despite the security problems in Valle del Cauca, increasing from 187,340 hectares in 1997 to 238,204 hectares in 2016 (Asocaña 2017; Centro Nacional de Productividad 2002). In contrast, Valle del Cauca as a whole experienced significant rural territorial disruption in the same period. The Single Register of Abandoned Land and Territories (RUPTA) found that the most intense years of abandonment occurred in 1991-1992, 1998-2002, 2006-2007 and 2010-2012. In each of these years, RUPTA received more than 100 restitution claims due to abandonment, and they coincided with periods of conflict generated by armed groups (Centro Nacional de Memoria

[34] Interview with an observer, August 2019

Histórica 2014b, 387). That the sugar industry was able to steadily expand cultivation at a time when a significant quantity of rural land was being abandoned due to insecurity suggests the industry was able to achieve a measure of insulation from the conflict.

In fact, the sugar companies had far more difficulty in their relations with labour than with coercive actors. In September 2008, the sugar cane cutters went on strike for two months, blockading the sugar refinery plants of Manuelita, Providencia, Central Tumaco, Mayagüez, Pichichí, Castilla, María Luisa and Cauca. The strike led to a loss of more than one billion pesos ($500,000 USD in 2008) for the sugar companies. (Inés and Duque 2011; González Rfamírez and Ortega Poveda 2013). The lack of available land, and the sugar industry's domination of arable land and available water sources, provoked land invasions, unauthorised burning of sugar cane fields, and disrupted access to farms.[35] On balance, labour relations posed a much bigger risk to the sugar companies' operations. With strong protection quality secured through political and security connections, in addition to the use of internal security departments and informal networks, sugar companies experienced *coexistence* with coercive actors.

There are certainly limitations to the sources cited above, as I interviewed a small sample of people with knowledge of the sugar industry, and the patterns of contestation have not been as extensively documented by secondary sources in comparison with other cases. Nevertheless, a few conclusions can be drawn from this case study. First, sugar companies used a mix of their own private security, strong relations with public forces, and some connections to non-state armed groups to manage their security. This investment of

[35] Interview with a consultant, August 2019

instrumental power was sufficient to maintain reliable and genuine protection, and their production was not severely affected. While they may have bought sugar from mafia groups, they also prevented the mafia from penetrating the sugar industry, most clearly by ensuring that the mafia could not buy significant amount of sugar cane growing land. The sugar companies of Colombia experienced *coexistence* with armed groups despite the context of contested authority, building their income even as other agricultural businesses in the same region suffered severely.

4.2 Bananas Companies in Urabá, Antioquia

The banana industry in Colombia presents a case where a powerful industry managed to protect itself against extreme conflict. Unlike the sugar industry, there was a very strong guerrilla presence in the Urabá banana belt in Antioquia, alongside other state forces and non-state armed groups. The industry experienced *entanglement* with coercive actors.

The banana industry has a long and turbulent history in Colombia. Although there were attempts at developing a banana industry in the nineteenth century, Bucheli (2005) marks the beginning of formal banana exports with the Rafael Reyes administration which began from 1904. In Magdalena in the early twentieth century, wealthy families with large plots of land would sell to the United Fruit Company for export. These families achieved a concentration of credit, land and capital, preventing smallholders from expanding cultivation. Conflict between banana labourers and owners was fierce. The 1928 strike over poor working conditions involved 25,000 labourers and was brutally repressed by the government (Agudelo Velásquez 2011). There are two key banana regions in Colombia, Santa Marta and Urabá. I

focus here on Urabá in Antioquia, which has become the most important banana region in Colombia.

Banana production in Urabá began in 1961 when United Brands arrived in the region. In 1964, 235 businessmen were contracted by Frutera de Sevilla (a subsidiary of United Fruit Company) to invest in a banana zone from Turbo to Chigorodó. This area came to be known as the banana belt, and became the centre of capital and infrastructure in Urabá (Garcia 1996). There was a subsequent flow of migrants to the region to work in the banana fields. From the beginning, the state's authority in Urabá was tenuous, as it is a highly remote region. Frutera de Sevilla provided credit to plantation owners and monopolized commercialization. Banana exports began in 1963. The poor working conditions of the cultivators and Urabá's remoteness from the state attracted the presence of the Communist Party. Guerrilla attacks against the banana operations began from 1975 onward. The guerrillas took advantage of the poor living conditions that the banana workers experienced, and the labour unions came to be dominated by the Popular Liberation Army (Ejército Popular de Liberación, EPL) and FARC guerrilla groups.[36] While bananas for commercial export are produced only in Antioquia (34,011 ha), Magdalena (14,076 ha) and La Guajira (1,856 ha), the 2014 agricultural census found that the 'common banana' is produced in almost all departments – a total of 165,398 hectares, in contrast with just 49,943 ha of commercial bananas marked for export (Departamento Administrativo Nacional de Estadística 2016a). In Urabá, while the area cultivated over time has remained the same,

[36] Interview with a banana entrepreneur, June 2019

(35,000 hectares), the land has become concentrated, from 7300 owners in the 1960s to 250 owners in 2019.[37]

Banana company business power

The banana industry in Urabá has high instrumental business power. The banana companies are supported by the business association Augura, which was initially established in 1964 to represent the plantation owners against Frutera de Sevilla. Augura eventually facilitated the establishment of Unibán, a Colombian banana company that broke Frutera's monopoly on commercialization, and by the 1980s most of the industry was Colombian-owned. Augura has also successfully lobbied successive governments for improved infrastructure and a greater military presence (Carroll 2011). In contrast, the rest of Urabá lives in the worst economic conditions in Antioquia, with poor access to education, utilities and social services. The banana companies' political cohesion has been very high, and Augura maintains close connections with government elites (Carroll 2011). Despite being a relatively small industry, it has succeeded in receiving substantial subsidies from the Colombian government (Acosta 2013; El Tiempo 2005a). The banana companies are politically adept and use networks intelligently. For example, they selected Roberto Hoyos as the President of Augura while Uribe was the Colombian president. Although Hoyos does not own any banana land, he was formerly the Antioquia Secretary of Agriculture while Uribe was the governor of Antioquia, making him ideally placed to influence government policy (Osorio 2012). In 2016, there were

[37] Interview with a banana entrepreneur, June 2019

six commercial exporters of banana operating in Urabá – Uniban, Banacol, Banafrut, Tropical, Coindex and Conserba.

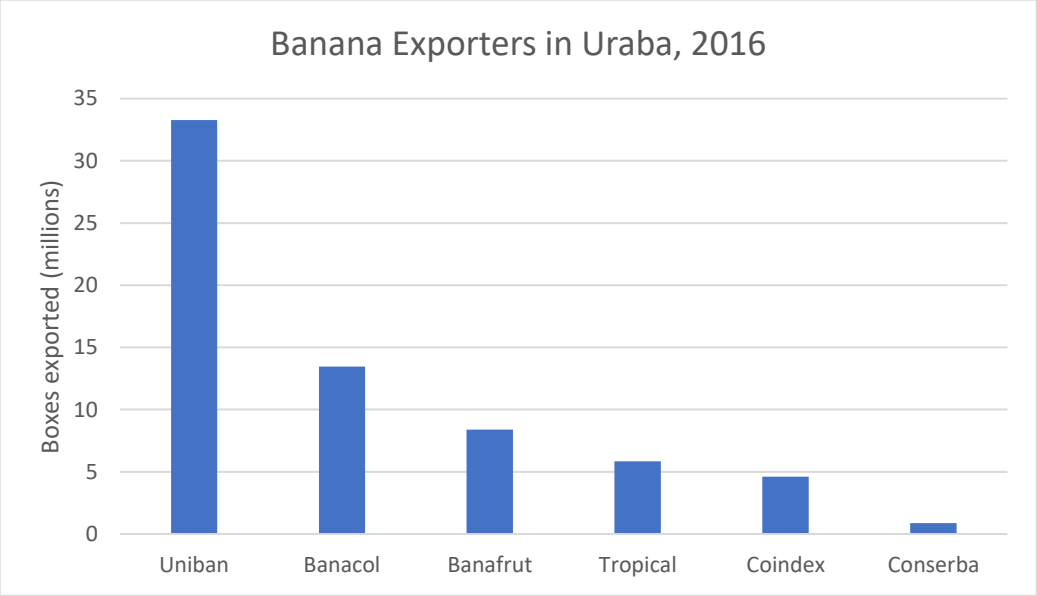


Figure 3. Banana exporters in Urabá by volume exported. Source: Augura 2016.

I estimate that the banana industry has moderate structural power. Bananas have been one of the most important agricultural exports in Colombia. In the 1990s, bananas represented 16 percent of total exports from Antioquia, and 86 percent of agricultural exports (Morón 2000, 2). In 2016, bananas were the third most valuable export valued at 811.64 million USD, after coffee (2.5 billion USD) and flowers (1.3 billion USD), representing 11.8 percent of agricultural exports (Augura 2016). In 2016, the industry employed 35,000 people directly and 100,000 indirectly (El Mundo 2017). Nevertheless, when we consider other segments of the economy, the banana industry represents just 0.005 percent of Colombia's 283 billion USD gross domestic product in 2016, a far smaller industry than sugar (Banco de la República 2016). Furthermore, with the banana region located at the port to facilitate exports, there is limited integration into the wider Colombian economy.

Banana companies' protection quality in Urabá

Urabá has been characterised by state absence, labour conflict and uncontrolled migration. The banana farms constantly suffered land invasion, and in general it was difficult to establish property rights, especially on the periphery of the banana belt. As Garcia (1996, 59) describes it:

> *"In the rural territories being colonized (in Urabá), the indeterminacy of property rights, the hoarding of the best land by business people and the tendency by them to monopolise land to engage in speculation were the drivers of the conflict between the colonos (the population that had moved to the region) and the legitimate or aspiring landowners."*

Those who participated in land invasions were the highway construction workers, people who had been displaced from other parts of Colombia due to violence, those already living in the region in poor housing conditions, and the banana workers themselves. There were two axes of conflict – worker-owner conflict and political-military conflict (Garcia 1996). The banana unions were infiltrated by the guerrillas, and there were huge waves of land invasions. In 1982, the EPL (Ejército Popular de Liberación, ELN) guerrilla group began to organise invasions with the aim of territorial, economic and political control. Throughout the 1980s, worker-employer conflicts in the banana region stimulated an increase in investment in banana-growing to Santa Marta, where there was more public trust (Morón 2000, 13). Paramilitary groups emerged at the end of the 1980s in Urabá. As with many paramilitary movements, they first emerged to protect the interests of regional elites against the guerrillas, and also because they viewed Urabá port as strategically important for drug trafficking

(Duncan 2017; Gallego 1990; Vargas Reina 2016). They used excessive force and violence, often resulting in massacres in the region.

Urabá suffered ongoing waves of violence, and the period beginning in 1996 marked the middle of a severe escalation. In 1997, the homicide rate in Urabá was 500 per 100,000 inhabitants, while the national average was 70 (Dávila Ladrón de Guevara et al. 2000). The violence was the result of conflict between guerrilla groups, the FARC and the EPL, in addition to paramilitary activity (Centro Nacional de Memoria Histórica 2016a). Banana companies were particularly a target due to the dissatisfaction of banana workers, and due to the infiltration of banana unions by guerrilla groups (Romero 2003b).

In the years between 1995-1998, a renewed paramilitary movement arrived in the region, and this was associated with an increase in violence. Reyes and Reina (2014) calculate that 2,431 people were killed during this period. Paramilitary, drug trafficker and guerrilla violence reduced in the early 2000s but began to climb again following paramilitary demobilization in 2006.

Paramilitary groups forged close connections with state forces, government officials and business owners, including banana companies and cattle ranchers (Vargas Reina 2016). Paramilitary groups would routinely force locals to sell their land at extremely low prices or face displacement. Once locals agreed to sell their land, it was often bought by banana companies or cattle ranchers (Garcia Reyes and Vargas Reina 2014). By 2007, the paramilitary groups had fully demobilized, but new criminal groups, such as Clan del Golfo, emerged to monopolize drug trafficking routes associated with Urabá port, and insecurity continued after 2007. NGOs suffered threats from criminal groups, there was continued

assassination of indigenous leaders, and armed criminal groups even organised strikes which resulted in work stoppages in the whole region (Cardenas Lesmes 2011; El Espectador 2016; El Periódico de Aragón 2011).

Protection quality for the banana companies, along with the rest of Urabá, was low. While, as will be shown in the following section, they built relations with all coercive actors, protection was not reliable due to the intensity of the conflict. By 1994, a group of investors and banana companies decided it was necessary to regain political control of Urabá – to become more actively involved in politics and security. The price of not doing so, in their view, was to "enter into a terminal crisis or move to another region of the country or to Central America with the costs and risks involved, in addition to the acceptance of defeat at the hands of the FARC" (Romero 2003b, 126).

Banana company responses

Faced with ongoing insecurity, including direct threats and attacks, the banana companies became heavily involved with paramilitary groups. Despite extreme insecurity, banana companies did not exit, and I observe their main response patterns through the lens of voice and accommodation. Their high business power enhanced their ability to respond to coercive actors, and their strong cohesion enabled them to channel their negotiations with armed groups through Augura. They also possessed the financial resources to pay for protection. Accommodation was pursued through the payment for protection to whichever group had a local monopoly, but banana companies had the closest relationship with the paramilitary groups.

Documentary evidence revealed through the US judicial process against Chiquita Bananas provides a precise insight into their relationship with coercive actors. From 1989 onwards, Chiquita provided regular payments to the guerrilla and paramilitary groups for protection.

A disclosed legal memorandum from 4 January 1994 explains:

> *"Management made available to me* (the legal counsel)*, that the Manager's Expense Account at both Divisions largely consists of guerrilla extortion payments made by the Security Department through our intermediary or Security Consultant, Rene Osorio…Total of such payments were $110M at Turbo and $3M at Santa Marta for the period January 1, 1993 through October 25, 1993… The Turbo General Manager told me that the Guerrilla Groups are used to supply security personnel at the various farms"* (Evans 2011).

The documents also reveal an interesting case of exit from one coercive actor to another. In 1995, paramilitary groups convinced Chiquita to cease payments to the guerrilla, effectively exiting their protection arrangement with the guerrillas. By 1997, payments to the guerrillas had ceased and were redirected to paramilitary groups. The documents also reveal there was ongoing pressure from the government and armed forces for these payments to be made. At various times, payments were also funnelled through Augura (Evans 2011). In total, Chiquita admitted to making payments of 1.7 million USD between 1997 and 2004 to paramilitary groups (El Espectador 2008a). Under pressure from the US Justice Department for payments to the AUC umbrella paramilitary organisation, which was designated as a terrorist organisation, Chiquita then sold its Colombian subsidiary. However, it subsequently set up front companies to continue operations in Colombia. The Colombian Attorney General's

Office found that a further $3 billion pesos ($1,390,011 USD in 2009) had been paid by companies associated with Chiquita to armed groups between 2004-2007 (El Espectador 2009).

The state took special measures to protect the banana-growing industry by legalising intelligence gathering networks that they could participate in and fund, which in turn were linked to coercive actors that provided them with protection. An interviewee described the Urabá Special Services of Surveillance and Security (Servicios Especiales de Vigilancia y Seguridad de Urabá), more commonly known as 'Las CONVIVIR' ('living together'), as an intelligence gathering network financed by banana companies. An entrepreneur explained:

> *"When they created the CONVIVIR, they required payment to the security providers of 3 cents for each box of bananas exported. That cost was included in the accounting of the banana producers and merchants."*[38]

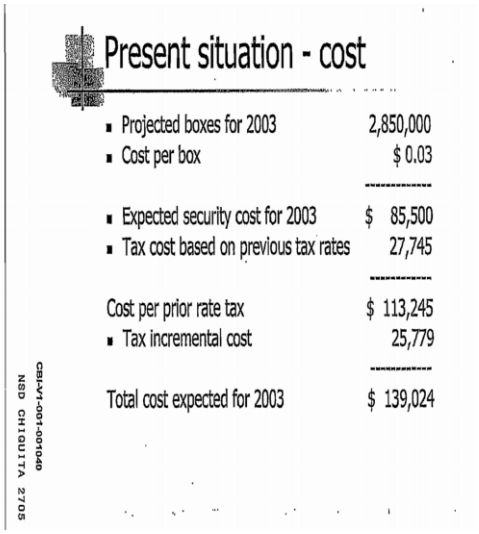


Figure 4. The cost of security according to Chiquita Banana internal documents, 2003. Source: National Security Archive 2017.

[38] Interview with a banana entrepreneur, June 2019

The organisation was eventually disbanded by the second Uribe administration. Paramilitary groups also posed challenges, especially as they gained autonomy through their increased involvement in drug trafficking (Duncan 2017). Indeed, a business owner complained that the chief problem in the region in recent years was drug-trafficking.[39] There are attempts to smuggle drugs aboard banana shipments, which, if found, would lead to severe financial penalties or cancellations. For example, in 2018, Spanish authorities discovered nine tonnes of coca valued at 450 million euro, the largest seizure in Spanish history, on a vessel that had departed from Urabá port. The coca had been concealed in banana boxes (RCN Radio 2018).

Banana company outcomes

The evidence I have gathered suggests that the banana companies experienced *entanglement* with armed groups. They encountered very high costs, but were able to manage coercive resources effectively using their instrumental business power. Banana companies and their operations were targeted by guerrilla groups, and Urabá was highly affected by conflict. Under these conditions, building relations with coercive actors became essential.

Paramilitary groups forged close connections with state forces, government officials and business owners, including banana companies and cattle ranchers (Vargas Reina 2016). In concert with public forces and politicians, the banana companies part-financed and sustained paramilitary groups in exchange for protection (Duncan 2017). In Turbo, Urabá, the *Bloque Bananero* (Banana Bloc) paramilitary group engaged in selective homicides and massacres indiscriminately against the local population (Vargas 2015). Banana companies also received

[39] Interview with a banana entrepreneur, June 2019

privileged support from the state. Vargas (2015) shows that during the 1990s, state forces were concentrated in the banana region, and gave logistical support to paramilitary actions. Raul Hasbún, one of the key architects of the paramilitary groups in Antioquia, claimed that they received support from local elites, including banana company owners (Semana 2012).

Banana companies were not passive recipients of protection. Indeed, there is evidence that they collaborated closely with paramilitary groups. Paramilitary groups would routinely force locals to sell their land at extremely low prices or face displacement, which were later bought by banana companies or cattle ranchers (Garcia Reyes and Vargas Reina 2014). Banana companies benefited from the dispossession of the general population from arable land by paramilitary groups, allowing them to expand their farms (Comisión Intereclesial de Justicia y Paz 2016). Indeed, Vargas Reina's research on Turbo in Urabá (2014) shows that the very high levels of land dispossession and displacement were designed to enable the banana companies and cattle ranchers to appropriate the land. Paramilitaries were also able to source weapons from Urabá port, occasionally using banana company transport ships. The Tribunal of Justice and Peace identified 57 banana businesses linked to paramilitary activities (Comisión Intereclesial de Justicia y Paz 2016).

As a strong and cohesive group of businesses faced with poor protection, banana companies experienced *entanglement* with coercive actors. They actively invested and shaped coercion. The industry-level business association facilitated this relationship, meaning that banana businesses could express their instrumental power effectively at the collective level. Despite high levels of conflict, banana companies maintained their operations. They were able to benefit from the conflict by acquiring new land as a result of the victimisation of the local population. The authority imposed by the paramilitary groups was a stabilizing influence for

the banana companies, even as it generated widespread violence and insecurity for the general population.

4.3 Coffee in Valle del Cauca and Antioquia

The final case in this chapter examines the coffee industry in Valle del Cauca and Antioquia. Individual coffee growers possessed low protection quality and low business power. Coffee growers were dispossessed, forced to pay for protection, and had their movements restricted by armed groups. The coffee business association attempted to intervene on their behalf, but could not prevent coffee growers from experiencing *victimisation*.

Colombia's economic history is tightly linked to the coffee industry. The coffee export trade in Colombia has been influential since at least the 1850s. Export merchants were the initial catalysts and beneficiaries behind the expansion of coffee in the late nineteenth century (Palacios 1980). Bergquist (1986) believes that the consolidation of the coffee industry after 1910 was itself a key reason for the period of stability following civil war. From the first coffee census in 1932 onward, the majority of coffee farmers have been composed of small plots of less than 10 hectares (Bergquist 1986).

The central coffee belt region in Colombia is in Caldas, Risaralda, Quindío and Tolima. Outside this core area, coffee is also grown in Nariño, Norte de Santander, Antioquia, Valle del Cauca, Cundinamarca, Huila, and Cauca. I was able to conduct interviews in Antioquia and Valle del Cauca, both of which are outside the core coffee growing region, which doubtless shapes the results reported here, as the National Federation of Coffee Growers (Federación Nacional de Cafeteros, FEDECAFÉ) has a smaller presence in these

departments.[40] Coffee production brought improved socioeconomic conditions for growers throughout the twentieth century, although falling coffee prices on the world market since 1989 have raised unemployment and reduced industry profitability (Baron 2010).

In Valle del Cauca in 2019, there were 22,880 producers across 39 municipalities. The municipalities that produce coffee are Sevilla, Águila, Ansermanuevo, Caicedonia and Cairo. Coffee growers take their product to buying points, which are structured as local cooperatives linked to FEDECAFÉ.[41] Forero Alvarez (1992) described the typical coffee family in Valle del Cauca as possessing 7.5 hectares, with the work done by a mother and father along with two adult-age children and a younger child. This typical farm also produces a range of other crops for subsistence or sale, including plantain, fruits and medicinal herbs. Coffee farms are located across the centre and east of Valle del Cauca.

[40] For a more comprehensive appraisal of the conflict's effects on the coffee industry in the central coffee belt, see Rettberg (2018).
[41] Interview with a coffee association official, July 2019

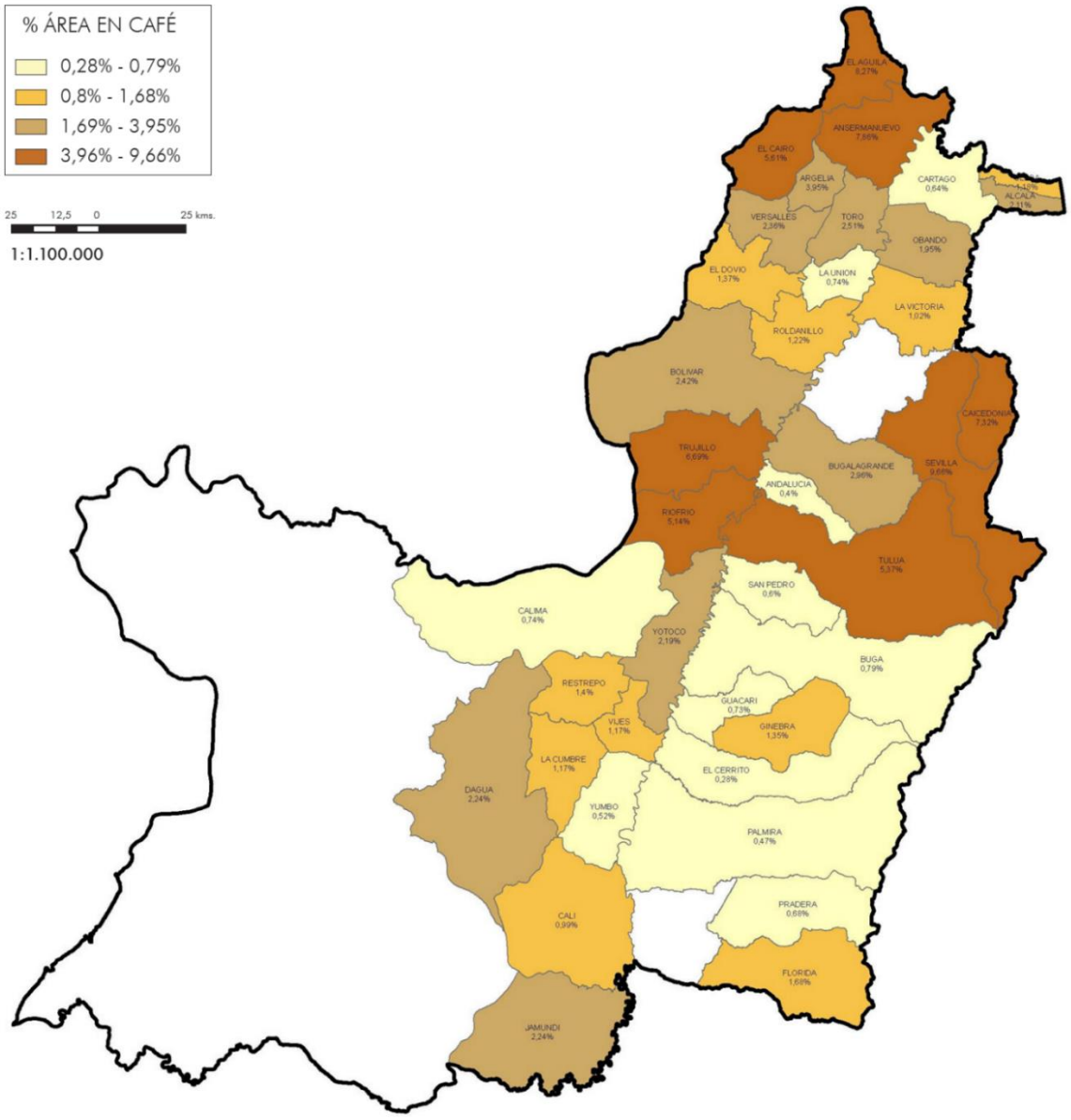


Figure 5. A map of coffee cultivation in Valle del Cauca 2011 by municipality. Darker areas indicated higher cultivation area. Source: Federaciòn Nacional de Cafeteros de Colombia 2011.

Coffee grower business power

Coffee smallholders with limited resources are supported by the comparatively strong agricultural business association FEDECAFÉ. In Schneider's (2004, 128) view "For sectoral governance, the strongest and most entrepreneurial association in all Latin America was the

coffee growers' association Federacafé."[42] FEDECAFÉ has a presence in all the coffee growing departments, although its influence has diminished in the last three decades (Rettberg 2018). FEDECAFÉ is involved in all aspects of the coffee trade, including business operations, financial transactions, regulation of growers, foreign trade policy, and research. It is also involved in the socio-economic life of the growers, through co-financing transport infrastructure, supporting education, building utilities and even providing social welfare. The association manages coffee stocks to soften international price fluctuations by building reserves when prices are low and selling when prices rise (Schneider and Doner 2000). Indeed, there is some disagreement as to whether it should be classified as a business association or a quasi-government body, especially given that it derives its revenue in part from taxes (Mejía et al. 2017). The federation funds the research institute CENICAFÉ, which provides research to guide industry-wide policy on climate change, plagues and pesticides.

At the producer level, FEDECAFÉ supports local smallholder organisations. Fifteen of the coffee-growing departments across Colombia have coffee grower committees, and below them are local municipal coffee councils. In the case of Antioquia, 94 of the 125 municipalities have municipal boards, and they vote at departmental elections for committee members. Individual businesses in the industry, however, have limited resources. The coffee industry in Antioquia is composed of 79,000 coffee growing families. In general, 97 percent of coffee businesses are families that own five hectares or less. Two percent have plots between five and ten hectares, and just 1 percent have more than ten hectares (Asmar Soto 2020).[43] FEDECAFÉ conducts international trade negotiations on behalf of the growers,

[42] 'Federacafé' is an older form of the abbreviation 'FEDECAFÉ'.
[43] Interview with a coffee association leader, June 2019

which creates credibility and simplicity. The federation finances technical assistance, research and extension services.[44] In each municipality there is at least one agronomist which assists with the technical aspects of production.

[44] Interview with a coffee association official, July 2019

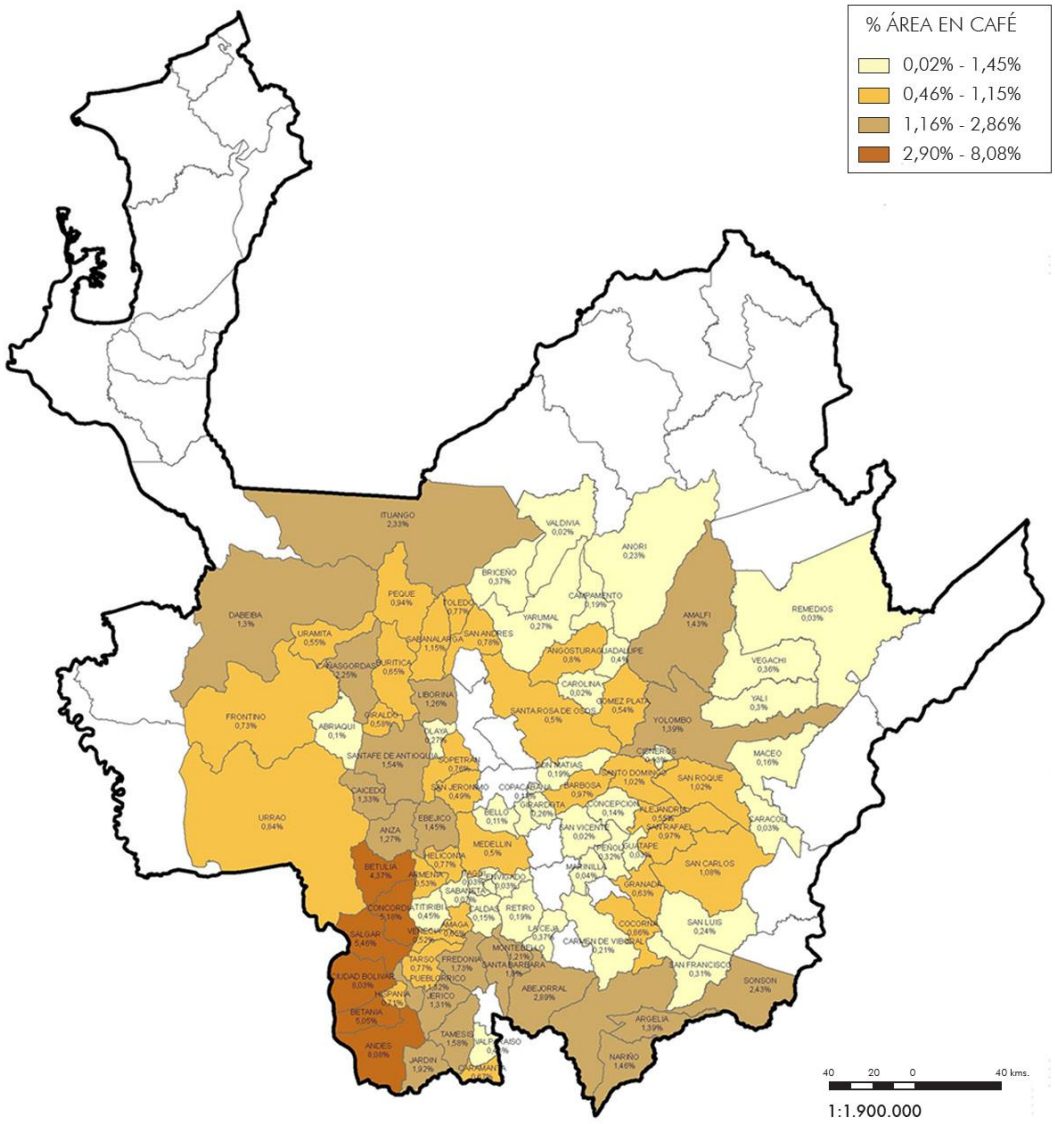


Figure 6. A map of coffee cultivation in Antioquia 2011 by municipality. Darker areas indicate higher cultivation area. Source: Federaciòn Nacional de Cafeteros de Colombia 2011.

The industry has high structural power. In 2016, Colombia produced 14.2 million sacks of coffee, valued at more than 7,000 billion pesos ($2.29 billion USD in 2016) (Federación

Nacional de Cafeteros de Colombia 2016). In terms of agricultural production, coffee is dominant. In 2013, according to the comprehensive national agricultural census, 30 percent of the total rural land used to plant agricultural crops was dedicated to coffee, the most out of any single crop (Departamento Administrativo Nacional de Estadística 2016a, 241). The industry employs 730,000 people directly, which is 25 percent of all employment in the agricultural sector (Federación Nacional de Cafeteros de Colombia 2016). However, unlike sugar, it is not used in manufacturing, so its integration into the wider economy is lower.

Coffee growers' protection quality

Coffee growers were far less affected by conflict than other industries until the 1990s, as most coffee farmers were in central Colombia, which was less affected than the departments in the periphery. However, in 2000, there was a sharp spike in confrontations between the army and armed groups, and by the mid-2000s, they confronted a growing threat from criminal groups, including drug traffickers, who sought to buy up available land to launder the proceeds from their trafficking (Rettberg 2010, 2018).

Coffee growers in Antioquia and Valle del Cauca experienced poor protection quality between 1996-2016. They were directly exposed to armed group rule. A coffee association leader explained to me that during the conflict, armed groups actively controlled the movement of the population in Antioquia where the coffee farmers were located. Coffee growers in Antioquia also suffered from limitations on their mobility due to armed clashes, which blocked sales, reducing their productivity and income.[45] In Antioquia, in the southeast,

[45] Interview with a coffee association leader, June 2019

where most coffee production is concentrated, there was severe insecurity, resulting in selective assassinations, threats, massacres and restricted movement (Gaviria and Muñoz 2007). In Valle del Cauca, the presence of the FARC, other insurgent groups and paramilitary groups generated significant conflict, which discouraged the cultivation of coffee, as the lives of the growers were often in danger. Coffee growers were the victims of paramilitary displacement.[46] In general, protection for the coffee growers was neither credible nor reliable.

Coffee growers' responses

Coffee growers' responses were constrained by their lack of individual business power, but they nonetheless attempted to use voice towards armed groups and government, and pursued accommodation. The coffee producers would make requests to the armed groups to allow an agronomist (a FEDECAFÉ official with technical expertise) to visit them, and sometimes these requests were granted. The official described the yellow-shirted agronomists as analogous to the Red Cross, in that they were perceived to be neutral in the conflict.[47] Despite minor victories such as this, coffee growers were largely forced into accommodation, paying protection to paramilitaries and guerrillas.

In an effort to manage coca cultivation in Antioquia, armed groups imposed general restrictions on agricultural inputs such as fertiliser or pesticide, which affected all types of farmers, including coffee growers. In response, FEDECAFÉ created receipts that farmers could show to armed groups as proof of their legitimate requirement for agricultural inputs. Nevertheless, some coffee growers were killed by armed groups in relation to this issue.

[46] Interview with a coffee association leader, June 2019
[47] Ibid.

Armed groups would also encourage farmers to cultivate coca, but a FEDECAFÉ official I interviewed felt that very few coffee growers had chosen cultivate coca, as this exposed them to being killed by paramilitaries.

In an example of collective voice, an official I interviewed said that in Antioquia, the coffee federation pressured state authorities to provide security on behalf of the coffee growers, and the official believed these efforts had been successful. The association made these demands on behalf of coffee growers, which preserved their anonymity so that armed groups did not know which coffee growers were complaining.[48] However, in Valle del Cauca there was less evidence of voice. An interviewee in Valle del Cauca believed that security was the state's responsibility, and the federation was unable to assist.[49] The coffee growers had not been able to spend money on their own security, as they are mostly small producers and could not afford it. The interviewee believed that the smaller coffee growers were not an attractive target for the guerrillas, while the larger ones were more desirable for extortion and kidnapping. The interviewee also felt the state had abandoned the rural regions and there was very little investment.[50]

Coffee grower outcomes

The evidence gathered here shows that coffee farmers in Antioquia and Valle del Cauca experienced the *victimisation* outcome, as the combination of low business power and low protection quality led to violence and dispossession against the coffee growers. In 2017, the

[48] Interview with a coffee association leader, June 2019
[49] Interview with a coffee association official, July 2019
[50] Ibid.

Group for the Attention and Reparation of Victims (Unidad para la Atención y la Reparación Integral a las Víctimas, RUPTA) and Fedecafé jointly identified 112,910 coffee growers nationwide that were victims, defined as a person that suffered damage from events occurring during the internal conflict since 1985 (El Colombiano 2017; Unidad para la Atención y la Reparación Integral a las Víctimas 2017). In Antioquia, the Victims group noted that in some locations, almost the entire coffee industry was affected by conflict. For example, in Peque, Antioquia, 91 percent of coffee growers were victims of the conflict (Unidad para la Atención y la Reparación Integral a las Víctimas 2017). In 2018, the Group awarded 175 coffee growing families in Antioquia with $1,105 million pesos ($373,853 USD in 2018) in project funding in recognition of their victimisation (Unidad para la Atención y la Reparación Integral a las Víctimas 2018).

Coffee growers in Valle del Cauca were also significantly affected. According to a coffee official, conflict between the paramilitaries and the guerrillas in coffee-growing areas put the lives of the coffee growers in danger and reduced production, and the interviewee considered them to be direct victims.[51] Many coffee growers were the victims of displacement by paramilitary groups, and the violence generated abandonment and fear. Drug traffickers also sought to acquire land from small coffee farmers, which was then converted to cattle ranching. In 2005, the Ombudsman's Office estimated that close to 40 percent of coffee farms were under the control of drug traffickers in Valle del Cauca (Centro Nacional de Memoria Histórica 2014b, 140).

[51] Interview with a coffee association official, July 2019

Coffee cultivation was severely reduced in Valle del Cauca over this period. Between 1990 and 2011, the coffee growing area in Valle del Cauca reduced by 58.6 percent (Centro Nacional de Memoria Histórica 2014b). According to a coffee association official, in 1998, Valle del Cauca still produced the fourth most coffee in Colombia, at 89.569 hectares, 10.31 percent of the total national area under cultivation, but by 2019 this had reduced to 55,413 hectares.[52] However, there are several factors beyond the contested authority environment which contributed to this outcome. In 1995, the chief of Research Maricel Tamayo at the Department Committee of Coffee-growers in Valle identified three challenging elements for the industry – the presence of the coffee borer beetle (*la broca*), difficult climate conditions, and the acquisition of coffee land by drug traffickers (El Tiempo 1995). Along with poor market conditions, these challenges were cited by the coffee official as being crucial problems that the coffee industry still faced in 2019.[53]

With profitability and institutional support for coffee in decline, there were clear disincentives to growing coffee in Valle del Cauca, and illicit or subsistence crops became more appealing. In addition, the state did little to support the coffee industry. A person interviewed by the Centre for National Historic Memory (2014b, 122) in Sevilla, Valle del Cauca, described the situation as follows:

> *Besides, everybody dedicated themselves to this new economy (coca) because coffee (cultivation) was abandoned, money is made through coca and the State does not say or do anything. Today there are very few crops, people have left that behind and it's*

[52] Interview with a coffee association official, July 2019
[53] Ibid.

> *the rage at the moment (...) it's even pointed out that one of the big problems is that today the State only cares about the big roads, it doesn't think about the fact that the farmer needs to get the product out, that good roads are needed to get the coffee out, the fruits, all that. The state does not help at all. How can it not want people to get into coca?*

It was therefore not purely the behaviour of coercive actors which prevented coffee growers from continuing, but also the growers' frustration with declining institutional support, and the increasing environmental and market challenges.

Despite these challenges, an official believed that other agricultural product growers were more vulnerable than coffee growers, because they did not have a strong business association equivalent to FEDECAFÉ. The coffee growers have more guarantees, as the federation always buys their product at a guaranteed price, whereas avocado, corn, cacao and bean growers do not have an equivalent mechanism.[54] Nonetheless, overall, I estimate that the coffee industry in Antioquia and Valle del Cauca experienced ongoing *victimisation*. FEDECAFÉ provides some useful services to coffee growers, but was not able to mitigate the insecurity faced by individual coffee growers. With low protection quality and low individual business power, coffee growers were victimised in the conflict.

[54] Interview with a coffee association official, July 2019

Comparing sugar and coffee outcomes in Valle del Cauca

There is a pertinent comparison to be made between the coffee and sugar industries in Valle del Cauca. Over this period, coffee farms were located either side of the sugar plantations along a north-south agriculture belt that follows the Cauca River.

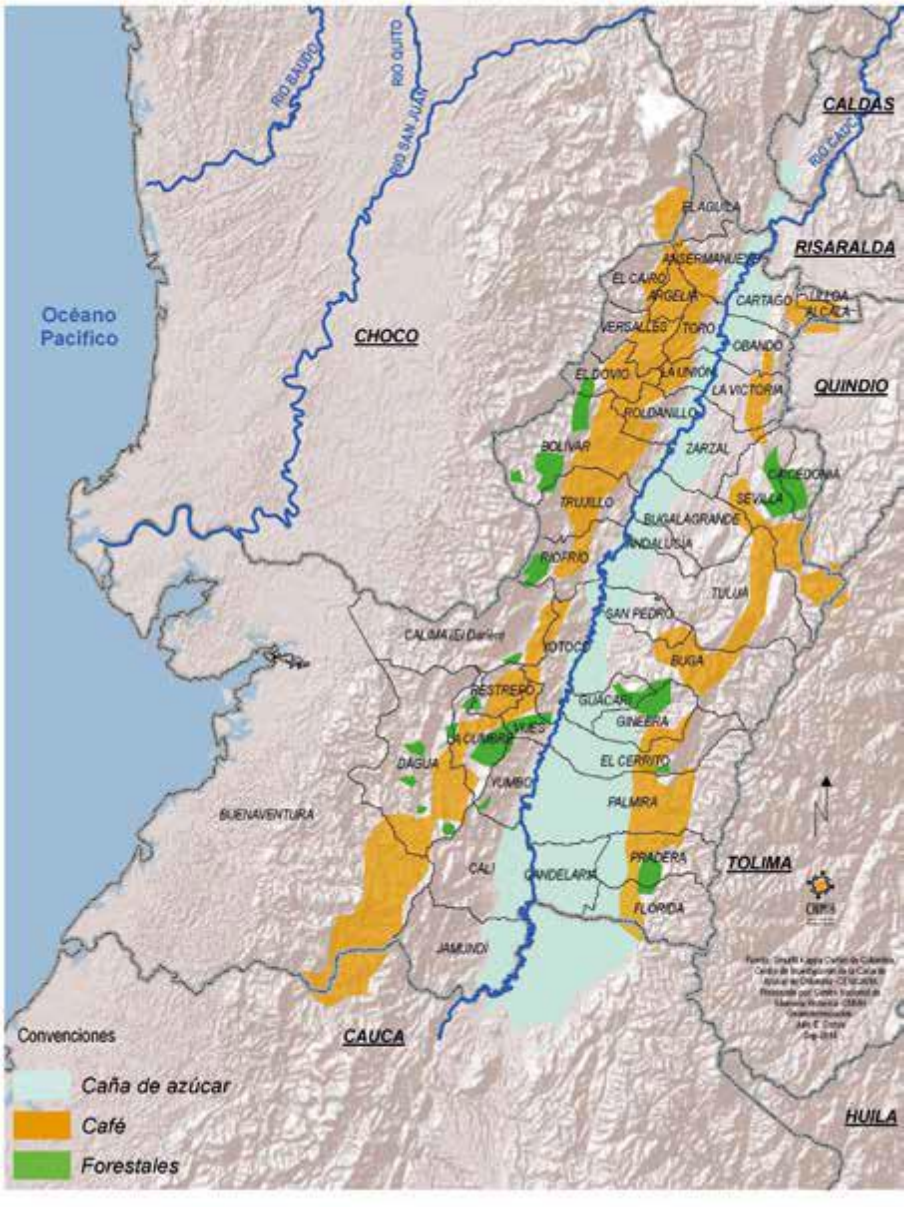


Figure 7. A map of coffee (Café, 2010), sugar (Caña de azúcar, 2012) and forestry (Forestales, 2010) cultivation areas in Valle del Cauca. Source: Centro Nacional de Memoria Histórica 2014b

As I described in the sugar section, the sugar companies only experienced limited negative security outcomes, restricted to occasional attacks by guerrillas against sugar company property, particularly vehicles in transit. Paramilitary groups based in rural Valle del Cauca from 2000-2004 did not cause visible problems for sugar companies, nor did the drug traffickers, such as the powerful North Valley Cartel.

In contrast, the coffee growers of Valle del Cauca were confronted with a range of predatory tactics, including threats and violence by drug traffickers and paramilitary groups that were designed to displace them from their property (El País 2012b). The centre and north of Valle del Cauca, areas with the most coffee cultivation, received 60.6 percent of the 2,281 registered requests for land restitution in Valle del Cauca, as compiled by the Colombian government's Land Restitution Group (Unidad de Restitución de Tierras) (Centro Nacional de Memoria Histórica 2014b). In 2017, the Land Restitution Group granted 8,000 hectares to families that were displaced, including 65 coffee farms (Caracol Radio Cali 2017). The two industries had different protection quality and responded according to their business power, resulting in one industry experiencing *coexistence* and the other *victimisation*, despite being in the same area and encountering the same coercive actors.

4.4 Conclusion

This chapter provided insights into business power under conditions of contested authority in the agriculture industry. Each industry experienced varying protection quality. Sugar companies experienced the best protection and used their instrumental power to coordinate with state forces and fund their private security. They were not targeted by paramilitary groups and drug traffickers, and guerrillas had limited capability. Banana companies

experienced low protection quality due to the relatively higher capabilities of armed groups but were able to coordinate with paramilitary groups through their business association to protect themselves. Coffee companies experienced poor protection quality and were not able to overcome it effectively, despite the efforts of their business association to provide support.

Across these three industries I observe the expected pattern of responses and outcomes, including *coexistence* for sugar companies, *entanglement* for banana companies and *victimisation* for coffee growers. In each case it is more difficult to observe the influence of structural power. I selected cases which are unlikely to exit – each industry has a strong bias towards remaining in a certain location due the need to cultivate in areas with acceptable agricultural conditions, especially given the time and resources already invested in maintaining arable land.

My framework is consistent with the history of agricultural conflict in Colombia, where patterns of land conflict varied with business power, as more powerful entities were able to protect and even expand their ownership, while smallholders were forced to leave. The axes of social conflict differ according to firm size. The large sugar companies were more at risk of labour-capital conflict, while the small coffee growers were more at risk of dispossession.

There is potentially a larger implication, not proven here by any means, but which is nonetheless worth considering. Scholars focusing on land conflicts have traditionally given overwhelming attention to conflict as a function of competition for property rights, and in the agricultural setting, land rights. Yet in this chapter, while comparing the experience of the sugar companies and the coffee growers, I observe that when the political institutions and coercive apparatus of the state is challenged, dispossession is not uniform – smallholders with

limited resources are at much higher risk. In my view, it is plausible to suggest that the presence or absence of business power is more important than political institutions in determining security outcomes. This would have implications for the institutional theorists, who argue that strong political institutions are essential for development (Acemoglu and Robinson 2012; North, Wallis, and Weingast 2009). Implicit in their claim is the assumption that the state will provide these institutions. However, for businesses in areas of ongoing contested authority, the key factor may not be property rights per se, but instead the business power of the agricultural companies, as this determines how well they can protect themselves.

Of course, I make several caveats to these conclusions. Variations in market conditions explain changes and affect incentives. International markets affected pricing for all three agricultural products. Coffee industry profitability declined from 1989 onward, meaning one cannot fully attribute the decline in cultivation to coercive actor behaviour. Endemic social conflict, limited state presence and the strong guerrilla movement in Urabá makes it unique across Colombia, and the banana companies' connections to paramilitary groups are the result of a strong political network between the military, local and national government, and the banana companies. These contextual elements mean I am cautious about drawing definitive conclusions. Nonetheless, this chapter shows that business power and protection quality help us to understand how businesses are likely to behave in areas of contested authority, as well as the likely security outcome for businesses.

Chapter 5. Manufacturing, Construction and Shipping

This chapter examines manufacturing, construction, and shipping. Unlike the agricultural sector, these industries are not as reliant on land for production, but they require strong transport links for receiving raw materials and distributing goods. They are more capital-intensive, involve greater mechanisation, and are higher value-additive industries. As with the fourth chapter, my unique contribution to this literature is to apply the business power-protection framework to understand business actors' behaviour and security outcomes. I identify business power in each case and explore business responses to coercive actors. I chose manufacturing, construction, and shipping because they represent prominent capital-intensive industries that occur in Antioquia and Valle del Cauca in areas of contested authority.

There is insightful literature that looks at the behaviour of firms that are engaged in value-added production in areas of contested authority. The most straightforward insight is that contested authority disrupts the production of firms (Corral et al. 2020). Jola-Sanchez (2022) found that warfare in Colombia, as measured by looking at conflict hotspots, reduces total factor productivity by 3.64 percent in manufacturing companies in the year after a violent episode occurs. And Rozo (2018) found that firms facing higher levels of violence experienced lower output prices, reduced production, and lower incomes for workers.

How do firms respond? McDougal (2010) finds that manufacturing firms in Liberia rapidly gathered information from across their networks to adapt to the shifting conflict frontier, which enabled them to diversify their supply chain structures to reduce their vulnerability. Dai, Eden and Beamish (2022) study firm exit, arguing that the mode of exit, whether full or

partial, depends on how the firm assesses its priorities around exit timing and its interpretation of the behaviour of peer firms. In terms of strategic decisions, Ganson and Henisz (2022) highlight the importance of assessing managerial decisions and show how these can increase conflict risk if they disrupt stakeholder networks.

My aim is to contribute to this literature by deepening our understanding of business responses and their security outcomes. Importantly, I show that powerful businesses pursue collective action in their responses to coercive actors. I also demonstrate that businesses seek to shape their strategic environment, including their relations with broader society, to improve their security. Furthermore, I suggest that powerful businesses' access to the state acts as a natural deterrent against threats from coercive actors.

Each industry that I explore in this chapter experienced the *coexistence* outcome, although the behaviour of coercive actors was costly to their operations. The manufacturing industry encountered problems with distributing products through areas under armed group territorial control, attacks against personnel, and competition from contraband goods. Manufacturing companies wield very high instrumental power through their business association, the National Association of Businessmen (Asociación Nacional de Empresarios, ANDI[55]), and they also wield high structural power, as the industry is a large portion of GDP, provides significant employment, and is heavily integrated into the economy. In the urban areas of Valle del Cauca and Antioquia, the industry experienced moderate to low levels of contested

[55] Formerly the National Association of Industry (Asociación Nacional de Industriales).

authority. In rural areas, I explore some cases in which the industry also encountered high levels of contestation.

The construction industry mainly confronted protection payment costs, driven by armed groups' ability to threaten their operations. The construction industry has high instrumental and structural power and confronted moderate to low levels of violence. The industry mainly faced criminal groups that were focused on securing protection rents, but despite this, it remained robust.

The shipping industry at the Buenaventura Port in Valle del Cauca expanded significantly between 1996-2016 despite being surrounded by very high levels of violence. The industry has poor cohesion but wields significant resources. It is not structurally important in relation to its industry size and the level of employment it provides, but it is highly strategically relevant for the economy. Armed groups imposed authority on the Buenaventura population and small merchants, but the shipping industry mostly avoided being directly affected, and received high quality protection from the state.

Industry	Business power	Protection quality	Responses	Outcome
Manufacturing	High	High	Accommodation, voice, exit	Coexistence
Construction	High	High	Accommodation, voice	Coexistence
Shipping	High	High	Accommodation, voice	Coexistence

Table 11: Case results in capital-intensive industries

Each of the cases show that business in these industries had strong access to the state, which helped them ensure their protection. Indeed, each of these industries remained robust despite the presence of armed groups in their areas of operation.

I observe several caveats at the outset. This chapter traces the circumstances of each industry as a whole, but there are likely to be differences between individual businesses based on firm characteristics. For example, Camacho and Rodriguez (2012) found that an increase in the number of guerrilla and paramilitary attacks in a municipality raises the likelihood that a manufacturing plant would close, and that this effect is stronger for younger manufacturing plants with smaller numbers of workers and lower capital levels. Although I do not explore the impact of firm size here, chapter six will explore the experience of small retail businesses in areas of contested authority in greater detail. I also acknowledge the need to be cautious concerning conclusions as to how an industry as a whole responded given the heterogeneity among businesses in each industry, particularly manufacturing and construction.

5.1 Manufacturing

For the first case, I examine manufacturing in Antioquia and Valle del Cauca. Manufacturing has very high business power, and with most production based in the cities, it experienced moderate levels of contested authority, mostly in relation to criminal groups. However, with

some factories based in rural areas, I was also able to observe their response to more intense areas of conflict. The industry's production was mostly unaffected, although general insecurity impacted their opportunities for investment. I found evidence the industry pursued accommodation strategies, for example, by outsourcing risky activities such as product distribution across contested territory to third parties. The manufacturing industry also used its voice to build relations with local communities and government, worked with public forces, and occasionally paid armed groups to protect its operations.

Manufacturing, the mechanised transformation of primary materials, has existed in Colombia since the 1830s, with early ventures working in processing cotton, sulfuric acid and ceramic factories. The industry accelerated and matured from the 1920s with female workers entering the workforce, working in textile companies such as Coltejer, Textiles de Bello and Fabricato (Mayor Mora 2002). Manufacturing grew steadily from 1945, supported by the Colombian government's import substitution industrialisation policy which protected local industry from international competitors (Garay et al. 1998). However, with the economic opening in the 1990s, which saw a sharp reduction in tariff protection, Colombia experienced a period of de-industrialisation, as many Colombian firms shut down or were acquired by foreign competitors. Manufacturing growth stalled in the 1990s, and then reversed. The value added to the economy by manufacturing in 1999 was slightly lower than what it had been in 1990 (Gómez 2000). Manufacturing continued to decline as a share of gross domestic product in the 2000 and beyond. In 1991, manufacturing constituted 21.1 percent of GDP, while in 2017 it had reduced to 10.9 percent (Dinero 2018). As of 2020, which is the most up to date year of publication for annual manufacturing survey at the time of writing, the main manufactured goods in Colombia were petroleum-refined products such as jet fuel, diesel or fuel oil,

chemical products, food products such as beverages or processed meat products, and plastic-based products (Departamento Administrativo Nacional de Estadística 2020).

Antioquia and Valle del Cauca possess comparatively strong manufacturing industries. In fact, the cities of Bogotá, Medellín and Cali together represented 70 percent of the manufacturing industry in 2008 (Amézquita 2008). In Antioquia, manufacturing companies concentrate their offices in urban areas, while their factories are in the peripheral municipalities surrounding Medellín.[56]

Large manufacturing companies and other industries in Antioquia formed an association called the Antioquia Business Group (Grupo Empresarial Antioqueño, GEA), an informal yet highly powerful coalition of large businesses. Multiple interviewees described how GEA-linked businesses invest in each other – they would cross purchase each other's shares, and Antioquia business elites sit on the boards of directors of multiple GEA-linked companies. Through the GEA, these businesses shared knowledge, capabilities, and resources amongst themselves.[57] In Antioquia during the 1990s, local companies were transformed into 'multi-latinas', companies with operations across Latin America. These companies included Sura, Nutresa, Empresas Públicas de Medellín and the Éxito Group. An interviewee credited this to a joint strategy that was executed prior to 1996, which allowed the purchase of shared capital among Antioquia business elites.[58] This created a strong business base for Antioquia. Insurance companies, banks, cement companies, food processing and commerce all benefited from this cross-ownership structure. A new management class emerged which made more

[56] Interview with an industry expert, May 2019
[57] Interview with an industry expert, May 2019
[58] Interview with a business association official, May 2019

ambitious decisions and encouraged more complex commercial arrangements through diverse holdings.[59]

Valle del Cauca also has a proud manufacturing tradition, although it has been in a state of relative decline. In the 1970s, Valle had attracted multinational companies such as Johnson and Johnson, and it was a decade of significant growth in manufacturing. However, the import substitution economic model later began to show its limits, and economic activity reduced in the following years. In the 1990s, many multinationals left and there was great difficulty attracting foreign investment.[60] The progress of manufacturing in the 1990s and beyond was very slow.[61] The 1991 Colombian constitution recognised social and labour rights to a greater extent than in the past, and consequently many multinationals left Colombia, creating opportunities for importers to expand their market share.[62]

The economic opening impacted Antioquia and Valle to differing extents. Antioquia and the GEA business coalition focused on diverse investments in non-tradeables such as banking, cement, and insurance. In contrast, the business families of Valle del Cauca focused on tradeables, such as manufacturing and industry, and thus economic opening of the 1990s had a greater impact on the Valle del Cauca economy.[63] For example, the Valle-based soap manufacturing businesses Varela and Lloreda tried and failed to merge with international partners, but were eventually absorbed by Unilever.[64] Similarly, the battery company Mac was acquired by a foreign multinational, although it still has plants in Valle del Cauca. The

[59] Interview with the director of a development agency, June 2019
[60] Interview with the president of a business association, August 2019
[61] Interview with a professor, August 2019
[62] Interview with a historian, July 2019
[63] Interview with the president of a business association, August 2019
[64] Interview with a professor, August 2019

Valle del Cauca manufacturing industry could not compete with international companies, and the region experienced a shift back to the primary sector, selling agricultural products more than manufactured goods.[65]

Manufacturing business power

The manufacturing industry has high instrumental and structural power. The evolution of the manufacturing industry's business power is crucial to Colombia's history, particularly due to the influence of ANDI. ANDI was created as an industrial association in Antioquia in 1944 and was aimed at coordinating political action to represent the interests of industry to the government. According to Saenz Rovner (2007), the aim of ANDI was to gain political control over the Colombian state, wresting it from other powerful business groups, principally the coffee growers.

The ANDI president's office is today located in Bogotá, but ANDI's headquarters remain in Medellín. ANDI companies represent 85 percent of the gross domestic product of Antioquia, which is derived from just 138 businesses.[66] ANDI was initially focused on representing industry, but became a national association of all companies, expanding to large companies across a range of industries including agro-industry, finance, insurance, and commerce. ANDI views itself as supporting the social fabric of business, and it is the primary voice of large business in government decision-making. ANDI is financed by its affiliated companies, which, in the view of an official, guarantees its independence from the government.[67] In

[65] Interview with a regional business representative, August 2019
[66] Interview with a business association official, June 2019
[67] Ibid.

Valle del Cauca, ANDI works with service businesses in recruitment, tax and law. It also supports four free trade zones: Zona America, Palmaseca, CELPA and the Port Society.[68] While ANDI is the largest and most prominent manufacturing business association, manufacturing companies also have access to other associations such as the National Federation of Merchants (Federación Nacional de Comerciantes, FENALCO) and ProAntioquia.

ANDI is arguably the most influential business association in Colombia. In the decades after its founding, ANDI cooperated with other business associations to overthrow the Rojas dictatorship (1953-1957), it was instrumental in negotiations with national labour unions during strikes, and it influenced government decisions through its presence on government committees and boards. The association has been influential on tax policy, agrarian reform and foreign investment policy (Hartlyn 1985). It also played a leading role in the National Business Council (Consejo Gremial Nacional), and was involved in the Pastrana and Santos peace processes (Bonnet 2019). This does not mean, of course, that ANDI is always politically ascendant. Its lobbying efforts failed to remove Ernesto Samper from presidential office after his links to drug trafficking were made public in the mid-1990s (Rettberg 2005).

I estimate the structural power of manufacturing to be high. Manufacturing has been in decline, but its contribution to gross domestic product over 2005-2016 remained between 12-15 percent per year (Banco de la República 2023). Manufacturing employed 726,000 people in 2016, and is highly integrated into other elements of the economy, for example, supporting

[68] Interview with a regional business representative, August 2019

mining, pharmaceuticals, and oil production (Departamento Administrativo Nacional de Estadística 2016b).

Manufacturing protection quality

The manufacturing industry encountered different challenges to agriculture due to its mostly urban location. During the 1980s and 1990s, the conflict between guerrillas, the paramilitary groups and the public forces stalled the rural economy, while urban areas continued to grow. Being located mostly in urban areas, manufacturing businesses were more insulated from the guerrillas than agri-business. Urban contested authority was heavily influenced by cartels and criminal gangs[69], although there are examples of manufacturing in rural and semi-rural areas. Additionally, there were periods in which guerrillas and paramilitaries entered Medellín and Cali.

Given that urban manufacturing regularly confronted challenges from organised crime, it is necessary to give a short overview of organised crime structure and dynamics in Medellín and Cali. Both cities are famous for the emergence of their respective eponymous cartels, which culminated in extreme levels of urban violence in the 1990s. The Medellín Cartel was a heterogenous collection of criminal groups which concentrated "enormous power based on the effective formation of networks for the production, processing and transport of cocaine to foreign markets, (and) money laundering, with the complicity of public authorities including the police, members of the army, judges and politicians" (Centro Nacional de Memoria Histórica 2017, 137). This culminated in the narco-terrorism of the cartel leader Escobar,

[69] Interview with a consultant, May 2019

until his death while being pursued by the police in 1993. After his death, criminal groups undertook substantial re-organisation in Medellín. Unlike Escobar, however, the new criminal groups did not directly challenge the state, which, along with other factors such as the demobilisation of urban militias, lowered the level of violence in the city. In 1991, there were 6,809 homicides in Medellín, but by 1998 the number had reduced to 3,124, and with some further spikes, it continued to reduce to 658 in 2014, although other forms of violence such as forced displacement remain high (Centro Nacional de Memoria Histórica 2017; Giraldo-Ramírez and Preciado-Restrepo 2015).

In Medellín from the late 1990s, organised crime has been highly sophisticated and complex, and is involved in a diverse array of economic activities. Criminal bands are involved in production, distribution and export of goods and products, and influence all points of the value chain. Criminal bands specialise in one of these activities according to the nature of economic activities in the area under their territorial control. There have been historically, and there remains, a large number of small criminal groups in Medellín. In 2019, the government estimated there were 2,000 criminal groups in Colombia, with 40 percent located in Antioquia. In total, an interviewee estimated that 350 small criminal bands operate in Valle de Aburrá (greater Medellín).[70] Organised crime in Cali, in contrast, is not as regularised or centrally controlled. Following the dismantling of the Cali Cartel in 1995, drug trafficking groups created smaller, decentralised networks (Guzmán and Moreno 2007, 174).

Criminal bands in Medellín create extractive relationships with businesses, for example, through protection rackets or alliances with the aim of laundering money. These relationships

[70] Interview with a journalist, June 2019

are based around accumulating protection rents or supporting criminal enterprise. A journalist described this as a parasitical relationship, in which criminal bands dedicate themselves to extorting businesses, but simultaneously want them to survive so they can continue to extract resources from them.[71] In Valle, drug traffickers were often involved in legal businesses as well. For example, the pharmacy store 'Drogas la Rebaja' was owned by the Rodriguez bothers of the Cali Cartel. These businesses are often blacklisted by the finance sector.[72]

For manufacturing, protection quality in urban areas was good. I found almost no evidence of attacks against urban manufacturing. An association official claimed that criminal groups in urban areas were not motivated to impose authority through coercion on the manufacturing industry. The official noted that large drug traffickers in urban areas did not attack companies. The official reasoned that this was because drug trafficking is a more attractive activity than extortion. Therefore, the official believed that the companies' security was due to the incentives of criminal groups.[73] This lack of interest also extended to some rural cases such as in Urabá, where organised crime focuses on drug trafficking and illegal mining. There is no dispute over territory in this area, and this allowed the arrival of heavy industry and companies like Conconcreto to operate.[74] While the official reasoned that criminal groups were not incentivised to conduct extortion, in the small retail chapter I will show that protection payments are in fact widespread in Medellín and affect a diverse range of small businesses. There is no straightforward reason as to why bigger businesses such as manufacturing companies should be exempted from these practices, but a plausible

[71] Ibid.
[72] Interview with a regional business representative, August 2019
[73] Interview with a business association official, June 2019
[74] Interview with a business association official, May 2019

explanation is that criminal groups were deterred from imposing protection costs due to concerns that the industry would appeal to the state for support.[75]

The industry encountered more direct physical insecurity when operating in rural areas that were being contested by armed groups. Under these circumstances, protection quality for manufacturing in rural areas was significantly lower. There were major risks for employees who were exposed to armed groups, including a higher probability of kidnapping.[76] In Rio Claro to the southeast of Medellín, a manufacturing plant had to temporarily close in 1996 due to dynamite attacks from the ELN guerrilla group (Reuters 1996). Similarly, the milk processing plant in Yarumal, north Antioquia, was bombed by the FARC in 2003 after it refused to pay the group for protection (Agencia EFE 2003). One professional with knowledge of a large manufacturing company that operates in rural areas where armed groups were competing for territorial control explained that the company faced operational stoppages due to the high level of conflict.[77] In the 1990s, the company found itself in the middle of confrontations between paramilitaries and guerrillas, and the manufacturing plant became part of the conflict. The company closed the plant temporarily after the death of two workers. The company had looked for transportation alternatives to improve the safety of the employees, but decided they were too expensive. Armed groups sought to control the local population and deter it from supporting the other side through the use of selective violence. The professional believed that working with local communities made employees vulnerable to accusations by one side or the other, and indeed several of the officials from the business

[75] Another alternative is that they did in fact pay for protection and the official was not aware.
[76] Interview with a business association official, May 2019
[77] Interview with an industry professional, June 2019

were assassinated after being accused of collaboration with paramilitaries.[78] The industry professional explained that some businesses could continue their operations if they were willing to pay protection, although this increases their risks with the opposing armed group. However, according to the professional, armed groups also faced risks when confronting a business, because if they attacked the company, an intervention by the army would become more likely.[79]

Manufacturing industry responses

The manufacturing industry exercised voice to government, society and armed groups. ANDI and other business groups coordinated closely with the government and armed forces to protect manufacturing interests, participating heavily in governance structures. A regional business association representative in Valle del Cauca explained that the association created a corporate social responsibility committee together with other business foundations, and this committee generated corporate social responsibility processes for manufacturing companies in the region.[80] For example, in Yumbo, an industrial zone in northern Cali of critical importance to manufacturing in Valle del Cauca, the association worked with local government to reduce community tensions, as many in the community were anti-business due to the influence of the M19 guerilla group. In 2001, the association decided to begin participating in local government public meetings, and the representative recalled his shock at one public meeting when the members of the audience sang the M19 anthem. The

[78] Interview with an industry professional, June 2019
[79] Ibid.
[80] Interview with a regional business representative, August 2019

representative explained that in the first meetings of the municipal council, former members of M19 would regularly criticize the industry.

The representative also provided insight into the influence of the business association on government in Valle. The business community had worked to improve the public sector, which was prone to corruption and mismanagement. For example, the association supported Valle del Cauca's development company, the Regional Autonomous Corporation of Valle del Cauca (Corporación Autónoma Regional del Valle del Cauca, CVC) based on the regional development model pioneered by the Tennessee Valley Authority. The interviewee claimed that successive departmental governments attempted to use the money from the CVC for political favours, but the business association had managed to protect this money.

In Valle del Cauca in the 1990s, the representative noted the association created relations directly with national rather than local governments because it was felt there was less corruption at the national level. But the association also realised that local government was important, and created programs to train political leaders in the region. Ties between business and the political sphere were also strengthened because people from the business sector began to run for public office on councils and assemblies, and congress members are close to the business sector. For example, the previous head of the business association was a senator as of 2019. The interviewee noted that all politicians take into account the opinion of the business sector when taking local government decisions.[81] The representative noted "a

[81] Interview with a regional business representative, August 2019

healthy company cannot live in a sick environment," and the business association serves as a meeting point, where businesses can "fight battles together."[82]

One very large manufacturing company used voice to gain community support in contested areas, building the company's social licence to operate. An industry professional stated that local communities had defended the company's reputation to armed groups, as the company's corporate social responsibility policies had helped to win the community over, and thereby protect the company from attack. The professional cited the company's operations in Bello, a suburb in northern Medellín, as an example of this. Although Bello is well known for its organised crime presence, the company's operations have not been affected. The industry professional attributed this to the company's commitment to be a 'good neighbour' by working collaboratively with local communities and promoting their well-being, as well as the company's neutral position.[83]

Voice also applied to collaboration with state forces. A business representatives said in difficult times, it was common to see army commanders at business association council meetings, creating a forum for businesses to articulate their interests. Material support was also provided to the armed forces. In Yumbo, the association provided gasoline for police patrols. The representative indicated that there was regular collaboration between state forces and manufacturing companies. The army created a committee to monitor strategic assets in the region, which included manufacturing companies, and the army and police are active in association meetings. The association also created a map which analyses the conflict around

[82] Ibid.
[83] Interview with an industry professional, June 2019

the companies, which include land, community, criminal, and environmental conflicts. The representative felt that overall, the situation had changed significantly. The association conducts regular surveys about the challenges that businesses face, and in the late 1990s and early 2000s, the answer was usually security, whereas now the problems concern Valle del Cauca's competitiveness in regional development.

Alongside formal efforts at security and relationship management, it also almost certain that at least some manufacturing businesses forged direct relationships with armed groups to ensure their safety. As one representative described it, businesses needed to guarantee their operations and ensure they could distribute their products. In terms of logistics, it was necessary to "know who to deal with to make the final delivery."[84] One industry professional also mentioned he believed that some enterprises had supported the paramilitaries, although his company did not.[85] There are certainly reports of connections between industrial businessmen and paramilitaries. According to Superior Tribunal of Medellín in its investigation of paramilitary groups, businessmen from diverse sectors, including manufacturing, promoted and financed paramilitary groups (Pinilla Cogollo 2015). In 2016, a paramilitary finance chief testified that the beverage company Postobón had made voluntary payments to a paramilitary groups in Cesar Department in the 1990s, although Postobón rejects this allegation (Semana 2016a). Additionally, paramilitary leaders testified that they received financial support from the National Chocolate Company, Galletas Noel, and the beer

[84] Interview with a regional business representative, August 2019
[85] Interview with an industry professional, June 2019

company Bavaria. This support was allegedly provided in exchange for the protection of the plant facilities in Itagüí, southern Medellín (Verdad Abierta 2019).

Manufacturing companies pursued accommodation strategies to manage indirect costs, for example, in distribution of products in contested areas, where protection payments are required to guarantee the safe distribution of goods to market. In the view of an industry expert, the costs of distribution increase with the level of conflict, as goods move from the safe zones where they are produced into unsafe areas where they are consumed. Manufacturing companies respond through accommodation by externalising the risks. Distribution activities, such as the transport of carbonated beverages, are conducted by third party contractors, who must assume the risks that come with selling products in regional areas where armed groups exert territorial control.[86] Outsourcing distribution to contractors allows manufacturing companies to avoid becoming involved with armed groups, yet continue to access markets that are under contested territorial control. Third party distributors encounter armed groups, and they create working relationships with them to reduce the risk of being attacked or impeded while distributing.[87]

The pattern of accommodation through externalising cost is similar in urban areas. Third party distributors of manufactured goods require the authorisation of criminal groups to operate in Medellín. For example, the distribution of propane gas in cylinders is extorted in most neighbourhoods. NGOs and newspapers report that beverage delivery drivers are extorted as they attempt to deliver goods to small merchants in the city centre (El Espectador

[86] Interview with an industry expert, May 2019
[87] Interview with a consultant, May 2019

2014a; Restrepo and Osorio 2017). Only a few companies are allowed to distribute the gas, which a journalist believed was a consequence of company payments to the gangs to gain monopoly distribution power. The journalist explained that several large beverage companies were extorted while they distributed products to Bajo Cauca in the north of Antioquia, and named several brands which pay the fee and another which does not, creating an imbalance in the market.[88]

Manufacturing outcomes

According to my framework, the manufacturing industry experienced *coexistence*. Manufacturing certainly was not heavily disrupted by coercive actors in these departments when we consider its location or production. In terms of the proportion of Colombian manufacturing located in Valle and Antioquia and the percentage of total value added in manufacturing, there was almost no change in either department between 1996-2016. In 1996, Antioquia hosted 20.05 percent of Colombia's manufacturing establishments and produced 18.4 percent of manufactured value, while in 2016 it hosted 21.5 percent and produced 19.7 percent. Valle del Cauca shows similar stability in its position. In 1996 it hosted 13.77 percent and produced 17.91 percent, while in 2016 this had slightly reduced to 12.8 percent hosted and 16.2 percent of national value produced (Departamento Administrativo Nacional de Estadística 1996, 2016b).

However, competition between coercive actors was certainly a constraint on the industry due its general and indirect effects. In one business association official's view, the presence of

[88] Interview with a journalist, June 2019

armed groups damaged the local business climate and generated uncertainty in the 1990s, which resulted in a reduction in investment, and in Colombian exported products being highly regulated at their destination.[89] In Valle del Cauca, multinational manufacturing companies left the country owing to the insecurity or relocated their administration and commercial offices to Bogotá.[90] Businesses increased their investment in security, which made the entire value chain more expensive, because it increased the political, economic and time costs of production in manufacturing.[91] Urban manufacturing faced challenges regarding the creation of contraband and smuggling of car parts, cigarettes, and textiles by criminal groups. This reduces the competitiveness of formal businesses in the market, as they struggle to compete with the price, quantity, and diversity of the supply of contraband.[92] Contraband was a key challenge for alcohol producers such as 'Licores del Valle', the state-owned alcohol company of Valle del Cauca.[93]

The evidence outlined here shows a complex picture of manufacturing in areas of contested authority. The industry's instrumental power appears to have provided a range of strategic options. They deployed resources to build better relations with local communities and used their business association to gain highly privileged access to state protection. They also forged relations with armed groups where necessary. They pursued accommodation to cope with indirect costs, such as the challenges of distribution. The industry experienced good protection in urban areas, but there were more challenges in rural areas where protection

[89] Interview with a business association official, June 2019
[90] Interview with the president of a business association, August 2019
[91] Interview with an industry expert, May 2019
[92] Interview with a journalist, June 2019
[93] Interview with a Valle del Cauca Businessman, August 2019

quality reduced severely, resulting in attacks and work stoppages. Interviewees cited cases in which organised crime coexisted relatively peacefully with manufacturing, both in urban and rural areas. In sum, the industry demonstrated strong instrumental power and good protection quality, resulting in the expected *coexistence* outcome. However, this did not prevent it from occasionally suffering direct attacks, nor from having to absorb indirect costs, such as market distortion and restricted distribution.

5.2 Construction

Alongside manufacturing, construction is one of the largest industries in Colombia. Naturally, there are different types of construction, from inner city residential housing to large, mega-project construction of hydro-electric plants. In this section I trace a few of the challenges that interviewees identified resulting from the conditions of contested authority. The construction industry has high business power and faced moderate contested authority, mostly due to the presence of criminal groups in urban areas. Although it was undoubtedly negatively affected, overall, the industry remained highly robust and experienced *coexistence*. To protect themselves, construction companies regularly made protection payments to armed groups, or in some cases requested military protection. They appear to chiefly grapple with armed groups taking advantage of their fixed location to extract protection rents. In Medellín, this challenge is very common. As with manufacturing, companies reduced risk by hiring third-party contractors to undertake lower skilled, more physically exposed construction activities.

In 2016, there were 520 construction businesses in Colombia, including 228 large, 251 medium, 35 small, and 1 micro business.[94] Large companies dominate the industry, earning 86 percent of all operational income (Superintendencia de Sociedades 2017a). Antioquia and Valle del Cauca have the second and third largest construction industries respectively after Cundinamarca.

Construction business power

I estimate the industry has high instrumental and high structural power. The industry is well-connected to ANDI and has its own business association, the Chamber of Construction (Cámara Colombiana de la Construcción, CAMACOL). I found that newspaper articles from the 1990s and 2000s regularly provided evidence that CAMACOL was highly influential with regards to government policy. For example, CAMACOL succeeded in gaining preferential government financing and tax policy. Notably, it received a 10 percent reduction in notary taxes in 1999, and in 2001 it benefited from $200 billion USD in loans that were provided to the Colombian government by the Inter-American Development Bank (La República 1999, 2001). CAMACOL also received sustained government support to promote the Colombian construction industry overseas (Florez Granados 2008; Portafolio 2006b). In 2006, CAMACOL publicly called for the creation of a Ministry of Housing (Business News Americas 2006). By 2010, the government had agreed to the new ministry, and then-President Santos announced that the first Minister of Housing would be Beatriz Uribe, the

[94] This number combines all construction companies in Colombia that reported their finances as per the International Financial Reporting Standards.

former President of CAMACOL (Portafolio 2010). In 2014, Santos gave the key note address at the CAMACOL annual congress in Cartagena (Foreign Affairs 2014).

Between 1993-2016, the construction industry consistently remained between 5-7 percent of Colombia's gross domestic product (Ríos-Ocampo and Olaya 2017). The government is also conscious that construction is an important source of employment. A director at one of Colombia's largest construction companies explained that when you add in the demand for raw materials, insurance and credit, he estimates that construction supports 20 percent of the economy. The government protects the industry and subsidises it for this reason.[95] According to the Colombian government, the construction industry employed 1.37 million people in 2016, more than any other industry in this study (Ministerio de Vivienda 2016).

The construction industry's protection quality

As per the manufacturing industry, most construction is concentrated in cities, consisting of public works and residential and commercial buildings, although there is construction in rural areas as well, for example hydroelectric projects and transport infrastructure. Organised crime is the main source of coercive actor competition, and the search for protection rents by criminal groups was the clearest challenge that construction faced. Protection quality is reliable and credible, as well as being highly organised and expensive. In the cities, such transactions are carried out through local group intermediaries, who work on behalf of larger criminal groups.[96] A social researcher explained that in urban Medellín, armed groups control everything that happens in their territory. Every stage of a construction operation is billed: the

[95] Interview with a director of a construction company, August 2019
[96] Interview with a social researcher, Mayor's Office, June 2019

purchasing of land, the excavation, the placement of structures and the finishing. The terms are calculated based on a calculation of the total value of the work and the final product. For example, in 2010 a construction firm in Medellín was charged almost eight million pesos ($4,214 USD in 2010) a month for protection. The protection included 24-hour surveillance, with two 'guards' at night and four during the day. The group also calculated the charges differently according to the time of day and included a different rate for Sundays. When a construction firm in Comuna 2 refused to pay, their equipment was damaged, and they were only able to resume work after the Army 4th Brigade supplied twelve soldiers to guard the worksite (Guarnizo Álvarez 2010).

Similarly in 2016, the criminal group 'La Capilla' in Belen, Medellín, demanded that the managers of a real estate project pay 600,000 pesos (approximately $3,000 USD in 2016) a month. CAMACOL representative Eduardo Loaiza stated that the extortion often begins even before construction has started, and has resulted in lengthy delays to the start of projects of up to several months (La FM 2017). In Cali, a private security businessman explained that he had worked with a construction company that was building social housing. Criminals arrived at the construction site and indicated that the company would need to pay a nominated sum of money for permission to operate. They sent a child to recover the payment, as minors are not subject to prosecution.[97]

Payments are not always a mere fixed price either. A journalist explained that construction businesses may give 10 percent of the property, for example, an apartment tower, to

[97] Interview with a private security businessman, August 2019

organised crime in exchange for their collaboration.[98] The local criminal groups in Medellín (known as 'combos') justify this as a further payment for security services.[99]

An academic explained that even the Public Companies of Medellín (Empresas Publicas de Medellín, EPM), a public utilities group that consists of twelve subsidiary companies, faces risks at the local level when they attempt construction efforts, including service installation and the use of machinery.[100] For example, in 2015, EPM contractors suspended work on a sewage network in Comuna 6 after receiving threats from an armed group (El Colombiano 2015a). Furthermore, in the opinion of the interviewee, in Medellín, the mafia has penetrated the local construction industry, particularly through the biggest Medellín-based crime group known as the 'Envigado Office' ('La Oficina de Envigado'). As a result, many construction companies are on the 'Clinton list' (the Specially Designated Narcotics Traffickers list used by the US Treasury Department to track businesses and persons linked to drug trafficking, SDN).[101] More than 800 entities in Colombia have been placed on the SDN, and I was able to identify 17 entities and 9 persons directly linked to construction in Colombia on the list as of March 2021 (Office of Foreign Assets Control 2021). This evidence suggests that construction firms either need to secure state or non-state protection at good terms – under these conditions of contested authority, it would not be possible to operate without some type of protection agreement.

[98] Interview with a journalist, June 2019
[99] Interview with a social researcher, Mayor's Office, June 2019
[100] Interview with a professor, May 2019
[101] Interview with a professor, June 2019

It is difficult to measure the extent of protection demands due to chronic under-reporting. In 2016 there were 243 reported incidents, a figure then-mayor Aníbal Gaviría said was probably the equivalent of "extortion in only one day in one suburb" (Semana 2016b). A social researcher working for the Mayor's Office in Medellín explained that protection rackets in Medellín have become more professional due 'criminal learning' (*aprendizaje criminal*), as criminal groups have created a more streamlined, efficient, low risk and logistically simple protection payment process. Reporting these practices is rare because there is a large criminal structure that manages the collection of payments, and reporting increases the risk of displacement, murder or violence against the business by that structure.[102]

As with manufacturing, protection quality reduces in rural areas, where the Colombian state has a smaller presence and it is easier for armed groups, including guerrillas and paramilitaries, to impose authority. Strategic construction projects in rural areas typically encounter high risks, but nonetheless receive dedicated state protection. For example, the Ituango hydroelectric project in northern Antioquia, created by EPM, is heavily protected by the army. The costs of protection are very high, but the state assumes these costs due to its strategic economic importance. Thirty soldiers were killed and fifty were injured in the first week of Ituango's construction.[103] In 2012, Jorge Mario Pérez Gallón, EPM's Power Generation Manager in Ituango in 2012, claimed that the guerrillas were disrupting traffic, attacking personnel and extorting contractors (Gualdrón 2012a). Another incident occurred in 2014, when the FARC detonated two bombs that damaged two concrete mixing trucks near the plant (Agencia EFE 2014). High levels of contestation also impacted the local

[102] Interview with a social researcher, Mayor's Office, June 2019
[103] Interview with a journalist, June 2019

community, as local people who protested against the hydroelectric plant were killed. For example in 2014, Nelson Giraldo, a local activist against the construction site, was assassinated by an unknown group (Europa Press 2013).

Construction industry responses

According to the insights from my interviewees, most responses from the construction industry converge around voice and accommodation strategies. Voice is not only directed at coercive actors, it is also used with local communities to build trust. Generating goodwill within the community is a method of securing protection by entrenching their social licence to operate. As armed groups also seek to win support from the local community, a company that has a strong social licence enjoys a natural disincentive for armed groups to threaten them. A director that works in a large construction company explained that when they conduct construction in poor municipalities, they often take steps to support the local community. For example, they create public works, such as financing a municipal light show in Yumbo, Valle del Cauca.[104] The director described the Yumbo as insecure, as the company encountered difficulties due to site invasions. To address this, they participated in a local meeting with social leaders. They decided to partner with a cement company and pave the roads in the community. The director described their approach as to be a 'good neighbour'.[105]

The same company uses voice to maintain good relationships with state forces. They requested support from the military in rural municipalities, or if the company is working in a dangerous neighbourhood, they asked for police escorts. For example, a topographer that

[104] Interview with a director of a construction company, August 2019
[105] Ibid.

works in the company asked for a police escort to go to Agua Blanca, a poor neighbourhood in Cali, so that he would be protected from robbery.[106] The director said he had heard that in the 1990s, a company would be required to get the permission of a local criminal group to be able to work in Agua Blanca. The best way to address this, in the director's view, was to work with community leaders who can act as an intermediary with the criminal group.

Another way of building ties to the community is to hire locally. A private security businessman with construction industry clients explained that when the private security company needs to protect companies working in housing construction for local communities, they hire guards locally. The logic of this decision is that local security guards are likely to have family and connections to illegal groups, and their local knowledge and connections will diminish the risk of conflict or attack for the construction company and the private security provider.[107] The businessman also mentioned that the company chooses not to operate in some areas due to the presence to drug trafficking, particularly in Cauca.[108]

Construction outcomes

The continued growth of the industry, as well as its access to reliable protection from the state or local mafia groups, indicate the industry experienced *coexistence*. Construction played a consistent role in Valle del Cauca and Antioquia's economies. For example, between 2005-2016, construction was 3-5 percent of the Valle del Cauca's domestic product per year and 5-8 percent in Antioquia (Departamento Administrativo Nacional de Estadística

[106] Ibid.
[107] Interview with a private security businessman, August 2019
[108] Ibid.

2019). The industry encountered high protection costs, but the protection that was provided by criminal groups was reliable.

The Medellín suburb of Bello provides an example of these trends. In 2014, CAMACOL reported that building permits had increased by 10 percent in Bello compared to 2013, the highest increase out of all Medellín's suburbs that year. At the same time, Bello is controlled by the 'brick mafia' ('la mafia del ladrillo'), who demand payment for any construction activity. During this period, Bello was relatively peaceful, with a lower murder rate than other Medellín suburbs, which reporters at *El Colombiano* attribute to the peaceful truce between criminal gangs, in contrast with open gang conflict in other parts of Medellín. A trader explained "the business continues to be very profitable, the profit margin is enough to pay for the *vacuna*[109] and there is plenty to spare." An architect added "it is the end client who is affected, because the builder is not going to lose. For him, the cost of extortion is added to the final budget and is paid by the person who buys the flat…" (Matta Colorado 2014).

As with manufacturing, risk is borne differently by the various parts of the construction value chain, and it can be externalised to reduce the risks to the business. A director who works in a large construction company based in Cali stated the company had not encountered many security challenges, although he suggested that third party contractors who do most of the unskilled labour were probably more exposed.[110] There are similar patterns between construction and manufacturing, where protection is higher quality in the cities, but then

[109] 'La vacuna' ('the vaccination') is a colloquial term for paying an illegal armed group for protection.
[110] Interview with a director of a construction company, August 2019

reduces in the countryside, increasing the risk of attack, as there are less state forces and a higher presence of competing armed actors. In Medellín, construction companies were regularly forced to pay protection, which appears to have been genuine, albeit expensive. In contrast, the construction industry requires significant state protection in rural areas. This was especially necessary because the armed groups in rural areas did not offer reliable protection in the same way that the criminal groups in the cities did – they were more predatory and unpredictable.

Beyond the physical threat to the industry, criminal actors also distort the market and reduce the quality of construction by penetrating businesses. A consultant believed that the construction industry is involved in criminal activities through money laundering, as there is limited regulation and a huge demand for capital in construction.[111] A journalist that specializes in organised crime believed that illicit money enters a construction project when the company has been unable to finish the project. This reduces the quality of the project offered, and affects the end buyer, who assumes the cost of extortion, as it is reflected in an increase in property prices.

Construction, then, is a powerful industry that is generally protected, either by criminal groups that apply protection rackets to companies in urban areas, or by state forces in rural areas. The industry found it difficult to avoid being subject to criminal demands for protection, which occurs even in places such as Medellín, where the state has strong

[111] Interview with a consultant, May 2019

territorial control. However, when one considers its unbroken and increasing levels of investment and production, I estimate it experienced *coexistence* despite these challenges.

5.3 Shipping

The final part of this chapter concerns the shipping industry in Buenaventura, Valle del Cauca. Shipping in Buenaventura is a case study of business activity carried out under severe conditions of contested authority. The shipping industry has high business power and received immense protection resources from the state. It also experienced *coexistence*, expanding profitability significantly between 1996-2016. The industry built links with the army and police, and even succeeded in having an army brigade assigned to the city. It supplied state forces with intelligence and in-kind materials, such as accommodation and vehicles. With some exceptions, I did not find evidence that the industry was significantly affected by demand for protection payment from armed groups.

Buenaventura is the principal port of Colombia. In 2016, 49 percent of total Colombian merchandise was exported from Buenaventura, including most coffee exports (La República 2016). Most imports to Colombia also enter through Buenaventura, as it serves as the key shipping hub for Colombian industry, which is concentrated in the centre of the country.[112] The Colombian government operated the port for more than fifty years until it was privatised following the economic opening launched by former president César Gaviria. The port was privatised and sold as a concession for 20 years in 1994 to the Port Society (Sociedad Portuaria), which at that time was composed of 150 private associates.[113] Under the terms of

[112] Interview with a business leader, August 2019
[113] Interview with a Valle del Cauca businessman, August 2019

the agreement, the associates would pay the government 5 million USD per year, with 80 percent paid to the national government and 20 percent to the municipal government. In 2007, the Port Society secured an extension for twenty more years from 2014 at a price of $17 million USD per year.

Buenaventura itself has severe socioeconomic challenges. It has approximately 500,000 inhabitants, 70 percent of which are migrants from the surrounding coast and region from Cauca, Choco, Nariño, Antioquia and Valle del Cauca. The urban centre of Buenaventura is divided into twelve suburbs, distributed into an island zone and a continental area (Centro Nacional de Memoria Histórica 2015). Buenaventura lacks employment opportunities and there is no developed industry apart from shipping. Unemployment is high at 60 percent.[114] The official DANE figures placed 36 percent of the Buenaventura population without their basic needs met in the 1993 census, with little change at the 2005 census at 35.9 percent (Martínez Ortiz et al. 2013). Buenaventura is therefore one of the poorest municipalities in Valle del Cauca.

Buenaventura's economy is bifurcated, consisting of the shipping economy, which is dominated by large-scale maritime trade and logistics, and the local economy, which primarily consists of small merchants (Centro Nacional de Memoria Histórica 2015, 56). There are 9,260 formal businesses, consisting of 80 percent micro and small businesses, 1.2 percent medium-sized businesses and 0.8 percent large businesses. There was previously a

[114] Interview with a Valle del Cauca businessman, August 2019

large fishing industry that employed 25,000 people, but a business leader informed me that as of 2019 there are no more than 2,000 people involved in fishing.[115]

The shipping industry has seen significant changes since its privatisation. There are now four terminals, whereas in 1994 there had been just one. The shipping industry historically generated a lot of employment, but the participation of manual labour reduced as the industry became more mechanised.[116] When it was public, the port generated 10-12,000 employees directly and indirectly, and loaded 4 million tonnes per year. After privatisation, only 3,200 are employed in the industry, but the port loads 25 million tonnes annually, a figure which has increased on average 8 percent each year owing to modernisation and greater technical efficiency. For example, an interviewee recounted, to load a ship with 250,000 sacks of coffee in 1990s, they used 40 people on eight-hour shifts, and it took 10 days to load, meaning they needed 800 workers. Today, using containers, 250,000 sacks can be loaded in one day by just 12 people.[117] Six big conglomerates are now running the port, including international firms from Singapore, the Philippines and Europe.[118] The Port Society oversees unloading, loading and administration for both imports and exports.[119]

Shipping business power in Buenaventura

I estimate the shipping industry to have high business power. In terms of instrumental power, it has significant financial resources – the Port Society is one of the five most profitable

[115] Interview with a business leader, August 2019
[116] Interview with a Valle del Cauca businessman, August 2019
[117] Ibid.
[118] Interview with a business leader, August 2019
[119] Interview with a Valle del Cauca businessman, August 2019

businesses in Valle del Cauca (El Tiempo 2019a). The Buenaventura District Comptroller's Office reported in 2013 that the Port Society had a total income of 245,683,588 thousand pesos ($131.47 million USD in 2013)[120], placing it in the top 20 companies in terms of operational revenue in Valle del Cauca. However, indebtedness and significant internal conflict over the management of the Port Society have undermined cohesion and decision-making (Dinero 2019). Several interviewees described the cohesion within the industry as mixed. While the Port Society, along with other business entities, have taken the initiative to build foundations and schools, interviewees cited several security cooperation efforts which failed due to a lack of support from shipping businesses, as they were unwilling to pay to support it.[121] Despite these problems which undermine cohesion, given its financial position, I still assess the industry to have high business power.

I estimate the structural power of shipping to be high as well. On the one hand, a huge amount of merchandise transits through the port, meaning strikes and delays have severe strategic economic impacts for Colombia. Buenaventura port transits goods to and from the 'Golden Triangle' of Colombia, the triangular area in the middle of Colombia between Bogotá, Medellín and Cali, which generates 70 percent of Colombia's gross domestic product. However, the industry itself is not economically significant. The total net income of shipping in 2016 was just 1.3 billion pesos ($427 million USD) or 0.0015 percent of GDP (ANDI Cámara Marítima y Portuaria 2019).

[120] Based on combined operational and non-operational income.
[121] Interview with an industry observer, August 2019

Shipping protection quality

Buenaventura experienced the presence of guerrilla, paramilitary, and criminal armed groups, leading to very high levels of violence and contestation. Between 1990 and 2014, 152,837 people were victims of forced displacement, while between 1990 and 2012 there were 4,799 homicides (Centro Nacional de Memoria Histórica 2015, 213). A business leader informed me that the years between 2000-2005 were particularly insecure, with 80 homicides per 100,000 inhabitants during that time.[122] In fact, according to Human Rights Watch (2014), 2006 was Buenaventura's worst year, with 121 homicides per 100,000, the highest in Colombia that year.

In the 1990s, the FARC emerged in Buenaventura through Front 30 and the Manuel Cepeda Vargas Front. The FARC decided to increase their presence in the Pacific due to its economic importance, both legal and illegal. The FARC imposed taxes on drugs that were leaving the port, extorted businessmen, and committed sabotage and kidnappings on the road between Cali and Buenaventura.[123] The FARC burned cargo loads and trucks at their checkpoints, with the aim of positioning themselves to send through drug shipments internationally.[124]

Indeed, the port became a drug trafficking corridor.[125] Since at least the 1980s, organised crime groups have operated in the port area to control the flow of drugs, mainly cocaine (Centro Nacional de Memoria Histórica 2015, 88). The mangrove forests, rivers and exits to

[122] Interview with a business leader, August 2019
[123] Interview with a Valle del Cauca businessman, August 2019
[124] Interview with a business leader, August 2019
[125] Interview with a Valle del Cauca businessman, August 2019

the sea make Buenaventura an attractive location for smuggling.[126] Speed boats are launched from Buenaventura to transport drugs to the Caribbean that transited from across Colombia in places such as Caquetá, Putumayo, Nariño and Cauca.[127] One businessman observed that territorial disputes for drug trafficking routes generate disorder and conflict. State policing efforts have been ineffective, as when a drug trafficking leader is captured, the subordinates remain and continue robbery and extortion, including in central Buenaventura.[128] More recently, large criminal groups such as Clan del Golfo and the Mexican cartels dispute the territory which acts as the drug corridors. People smuggling also occurs in Buenaventura, with boats bound for New York, Miami, and Baltimore.[129] In the view of one observer, the illegal market for drugs makes it very difficult and costly to establish a legal business in Buenaventura.[130] Criminal groups also use the official port companies, hiding their shipments among legal exports. Port employees are pressured to work with drug traffickers, who offer bribes or threaten their families (Centro Nacional de Memoria Histórica 2015).

Paramilitary groups had a significant presence in Buenaventura between 2000-2004. The paramilitaries arrived in Buenaventura through a pact with drug trafficker groups (Centro Nacional de Memoria Histórica 2015; Centro de Memoria Histórica 2012). The paramilitary group Bloque Calima fought against the guerrillas and victimised the local population, including through committing massacres. They also taxed the drug traffickers. As in Medellín, they developed alliances with local criminal groups in the Buenaventura suburbs

[126] Interview with a business leader, August 2019
[127] Interview with a Valle del Cauca businessman, August 2019
[128] Interview with a Valle del Cauca businessman, August 2019
[129] Ibid.
[130] Interview with an industry observer, August 2019

(Centro Nacional de Memoria Histórica 2015). The paramilitary groups were formally demobilized in 2004, just four years after their entry to Buenaventura, but successor groups continue to have a presence (Centro Nacional de Memoria Histórica 2015). In 2014, Human Rights Watch (2014) reported that two successor groups, the Urabeños and the Empresa, are present in the region.

Shipping received good protection from the state, which they supplemented with their own private security. In particular, cargo loads in Colombia travelling to Buenaventura receive focused state protection. The road to Buenaventura (from Lobo Guerrero, Buga and Cali) has approximately 5,000 men guarding it, including from the army. According to an observer, very few roads in Colombia have this kind of protection, and it is due to the importance of the cargo route.[131]

Indeed, it appears that the shipping industry generally avoided the worst elements of violence, which affected the poorest and marginalized groups, especially Afro-Colombians. The Centre for National Historic Memory (2015, 365) described the distinction in the following manner:

> *In reality, violence in the municipality is somewhat selective, and mainly affects communities and individuals who have direct or indirect links to illegal armed groups or reside or work in their areas of influence. In the course of the fieldwork, for example, we had the opportunity to talk with managers of the largest company in the municipality, who said they felt relatively safe in the port city and exempt from the*

[131] Interview with an industry observer, August 2019

dynamics of violence. This indicates that there are certain people and areas that are outside the networks of violence, and that the conflict falls more heavily on the shoulders of certain groups of people, namely the poorest and most marginalized.

Interviewees made limited reference to the demand for protection payments as a threat to shipping operations, even though many acknowledged it is a general problem in Buenaventura. One businessman stated that protection payments are frequent in Buenaventura, but it especially affects small businessmen, the merchants selling bananas and seafood, who are forced to pay in order to trade.[132]

Shipping industry responses

The shipping industry responded through voice and accommodation. Naturally, the port companies rely on a fixed strategic location to export goods, so exit is highly undesirable. Port companies used accommodation strategies to manage their security, internalising costs. The interviewees indicated that port companies employed a mix of private security and coordination with state forces. Inside the terminals, the port companies use private security companies. One business leader indicated that he had used bodyguards for many years, as did many executives that work in Buenaventura and Cali, especially if they were travelling on the Buenaventura-Cali highway.[133] Between 2000-2005, businessmen would arrive in helicopters because the road was too difficult to travel.[134]

[132] Interview with a Valle del Cauca businessman, August 2019
[133] Ibid.
[134] Interview with a business leader, August 2019

The port companies exercised voice by maintaining ongoing relations with the army and the police. They collaborated with police action plans when there are public disturbances that may affect operations.[135] In 2006, they succeeded in lobbying the government to position an infantry brigade in the urban centre of Buenaventura. The business associations had proposed it specifically because they believed the army had more credibility than the police. The Buenaventura business community has also pressured the national government for assistance, as there is a lack of confidence in the local government due to corruption. For example, when there is a security problem, the businessmen call the national counter-kidnapping special police group (Grupos de Acción Unificada por la Libertad Personal, GAULA) not the local GAULA unit, as the national group is considered to be more effective.[136]

Businessmen exercised their instrumental power by providing material and information support to the police. One interviewee mentioned that police also ask businessmen for money, as they do not always receive payment from the government. The interviewee felt that the police lacked sufficient intelligence and noted the business community would often supply the police with information to support their capture operations.[137] The companies also collaborate with the counter-narcotics police, including divers, sniffer dogs and intelligence units. A businessman explained to me that the Port Society would provide accommodation, food, and technology support to police. The companies must coordinate closely with counter-narcotics authorities, as they need to regularly check the port containers.[138] According to a

[135] Interview with a Valle del Cauca businessman, August 2019
[136] Interview with a business leader, August 2019
[137] Ibid.
[138] Interview with a Valle del Cauca businessman, August 2019

business leader, the business sector has financed motorbikes for the police, constructed local police stations and donated security cameras to the city.[139]

In terms of collaboration, a business leader mentioned there is limited coordination between companies, as each business manages its own efforts, and there is a lack of continuity and planning between government and police leaders. And at a broader level, collective efforts to improve security faced coordination challenges. For example, the Ministry of Defence had proposed an integrated security plan which involved all the port companies, but they were not able to reach a collective agreement to support it. The Port Society eventually agreed to pay to support the plan, but other companies refused. They were "more given to critique than support." There was little will for collective work between the companies.[140]

The shipping industry has some philanthropic ventures aimed at assisting the community. The Port Society created a foundation with public and private stakeholders, including the municipal government of Buenaventura (15% ownership), the Ministry of Transport (2%), and private actors, including the Chamber of Commerce in Cali, the sugar industry and others. It also has programs to support firefighters, parks, hospitals, and provides more than 600 university scholarships.[141] They had also tried to encourage local entrepreneurship, but these projects were short term and largely unsuccessful. Several interviewees felt that the shipping business community had been apathetic to the needs of society and was not concerned with the development of the city and society.[142] Another believed that the Port

[139] Interview with a business leader, August 2019
[140] Interview with a business leader, August 2019
[141] Interview with a Valle del Cauca businessman, August 2019
[142] Interview with a business leader, August 2019

Society had not done much for people in Buenaventura. “The businessmen have an extractive mentality; they don’t have a sense of belonging to Buenaventura. They pay taxes in Cali and live in Cali.”[143]

There is some evidence the shipping industry became involved with paramilitary groups. One of the paramilitary leaders, Herbert Veloza alias ‘HH’, did claim that small and large businessmen helped the paramilitary project in Buenaventura. This is a common claim made by paramilitary leaders about the private sector across Colombia during their testimony in the paramilitary demobilization process, and in this case it is difficult to verify (Centro Nacional de Memoria Histórica 2015).

Shipping outcomes

The shipping industry has high business power and received protection from the state despite high levels of general insecurity. The difference in protection quality between the shipping industry and the rest of Buenaventura society presents an extreme contrast. In 2014, *La República* reported that the conflict had caused tremendous restrictions on general commerce, but had not slowed port operations. The manager of Apuestas Unidas del Pacífico, a general store with 590 employees, estimated that sales decreased by 7 percent in 2014 as compared to 2013, because employees were working restricted hours due to armed group curfews. The Buenaventura Chamber of Commerce President Alexander Micolta complained that “while the money-making machine (the port) continues to print, the state will not address the problems of Buenaventura” (La República 2014).

[143] Interview with an industry observer, August 2019

While the situation of contested authority created challenges, the port operated continually at a high level. Total port traffic in Buenaventura, measured in goods moved for export and import, increased from 4.66 million tonnes in 1996 to 17.6 million in 2016. Operating income increased commensurate with this trend. Reporting on the port in 2010, the Office of the Comptroller General (Contraloría General de la República) noted that "since Port Society received the concession in 1994, it has doubled the number of tonnes mobilized, representing a cumulative operating profit between 1994 and 2008 of $1.06 billion (2009 pesos) and an average return on equity of 32.26 percent for the same period" (Arias and Gómez 2010, 37). Profitability has continued to grow since then, as according to the Cali Chamber of Commerce, the Port Society increased its income from 266,314 million pesos in 2013 to 549,648 million in 2018 ($90.1m – $186m USD in 2018) at a 15.6 percent average annual growth rate (Cámara de Comercio de Cali 2019).

Year	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Port traffic	4.66	7.65	9.46	6.63	7.23	6.83	8.80	9.05	10.13	9.01	10.93
Year (contd.)	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	
Port traffic (contd.)	11.59	10.70	11.33	10.41	13.98	15.07	16.32	15.68	17.10	17.60	

Table 12. Total port traffic between 1996-2016 at Buenaventura port, in tonnes (millions). Source: Superintendencia de Puertos y Transporte 2021.

In sum, despite experiencing heavily contested authority, the port society received high quality protection from the state, allowing them to experience *coexistence* despite the challenges. Voice and accommodation were useful, and the state was likely further motivated to provide protection due to the port's strategic importance to the economy.

5.4 Conclusion

Each of the different industries I examine add to our understanding of business responses, and the effects of protection quality and business power. Business actors in construction and manufacturing responded by using formal and informal voice, ranging from creating public works for the community, to hiring local staff, to building relationships with local state forces and armed groups. The businesses' high level of business power helped them to mitigate insecurity. They had strong access to the state and secured state protection resources in the form of police and army support, although construction companies in urban areas were forced to pay criminal groups for protection. The shipping industry also received regular and focused state protection and was not significantly affected by the high levels of violence and contestation in Buenaventura, despite its effects on the local population.

All the industries experienced *coexistence* despite their interactions with coercive actors. They did not experience *entanglement* with armed groups like the banana companies, and they avoided severe *victimisation* as in the case of the coffee growers. In general, their effects appear to be similar to the sugar industry, where strong political connections, resources, and relationships with coercive actors significantly reduced the detrimental effects of insecurity.

My findings in this chapter present new dimensions to existing literature on firm behaviour and outcomes in areas of contested authority. First, I provide more insights into the potential reasons as to why firm productivity would reduce in areas of contested authority. It is possible that the investments they need to make in security, as well as the strategic efforts they have to make to adapt to coercive actors, contributes significantly to this reduction in productivity. Second, as a complement to the existing research on how firms internally make

decisions (Ganson, He, and Henisz 2022), I observe that businesses also address these issues collectively, looking to leverage their collective power to address these threats. Third, I have shown that businesses also think about how to shape their strategic environment, including by winning favour with local communities, to lower the risk from coercive actors. In particular, investing in the social licence of firms may act as a useful defensive response which prevents violence. Finally, my research suggests that powerful businesses may also benefit from a natural deterrent against armed groups' demands that they pay for protection, because armed groups know that powerful businesses can appeal to the state for protection, and this may provoke an unwanted confrontation between the state and the armed group.

Chapter 6. Neighbourhood shops in Medellín

In this chapter I focus on how the small shopkeepers in Medellín experienced contested authority. The experience of shopkeepers provides rich insights into the experience of small businesses in areas of conflict. Small businesses are generally understudied, as research tends to focus on large multinational firms. This is an important omission which is worth rectifying, because small businesses generate the majority of employment, and are therefore vital for the wellbeing of societies in contested authority areas. By focusing on shopkeepers, this chapter provides an in-depth exploration of the business power of small businesses and how it translates into their responses. Although their power is limited, it still exists, and investigating their responses provides a clear contrast with the more powerful businesses in the previous chapters.

There are many types of small business, and I narrow my analysis to shopkeepers in order to focus on a relatively homogenous group, which enables comparison with the other industries in this study. In contrast to the case of the small coffee growers in chapter four, studying shopkeepers allows me to examine the experience of contested authority in urban environments. I chose Medellín as the primary city for research because it experienced a long period of contested authority where the circumstances of protection changed markedly, allowing me to examine how business responses and outcomes evolved over time. My interviews with journalists, academics, business owners and observers provided useful empirical material to build a rich case study.

This chapter also provides an important test for the business power-protection framework to see if it translates to the small business context. In particular, this chapter tests the salience

and uniqueness of the *survival* outcome, showing how it differs from the *victimisation* outcome. Consistent with my framework, I argue that the variation in outcomes depends on whether coercive actors offer reliable protection. When coercive actors offer genuine protection, shopkeepers experience *survival*, although they still encounter negative effects. In contrast, when coercive actors do not offer protection, shopkeepers experience *victimisation*.

This chapter proceeds in the following structure. First, I provide a brief overview of the extant literature on small business and contested authority. Second, I characterise the general business environment for shopkeepers in Colombia. Small businesses face a range of problems that threaten their operation, including informality, access to credit, and a lack of training, and these problems are important to keep in mind so as not to over-emphasise the challenges of contested authority, as it is just one of the many issues they face. Third, I describe shopkeeper business power in detail, showing that individually they have limited resources, and their attempts at collective action have had only modest success. While shopkeepers can access business associations such as the National Federation of Retailers (Federación Nacional de Comerciantes, FENALCO) and the Association for Small and Medium Businesses (Asociación de Pequeñas y Medianas Empresas, ACOPI), these organisations serve many other constituent groups, and therefore only provide limited support to shopkeepers.[144] Fourth, I explain the characteristics of contested authority and protection in Medellín, showing how they affect small shopkeepers, and fifth, I categorise their responses. Shopkeepers accommodate coercive actors in Medellín by paying for protection, but they

[144] The shopkeepers I study in this chapter are a mix of informal and formal. Business associations such as FENALCO work with both cohorts, providing informal shopkeepers with resources and training to pursue formalisation (Sanclemente Téllez 2014).

also engage in collective and individual voice, working with business associations, negotiating directly with criminal groups, and occasionally reporting threats to the police or the media. Finally, I reflect on the outcomes. I find that small shopkeepers in Medellín experienced *survival* overall, although at different times, they also suffered *victimisation*.

The primary focus of the chapter is on small shopkeepers in Medellín from 1996-2016, but I also draw evidence from Buenaventura as a point of comparison. The comparison with Buenaventura helps me to test the differences in outcomes between *survival* and *victimisation*. I chose Buenaventura because it clearly shows the impact on small shopkeepers of predatory coercive actors that do not offer protection. I judged that Buenaventura provided a more distinct difference in outcome as compared to the alternatives such as Bogotá and Cali, where the criminal dynamics have more similarity to Medellín, although they are not quite the same. In contrast with Medellín, where coercive actors provided genuine protection to shopkeepers, in Buenaventura, protection quality was poor and shopkeepers experienced *victimisation*. This shows that as per my framework, less powerful businesses experience *survival* when protection quality is high, and *victimisation* when protection quality is reduced. During my fieldwork in Cali, I was able to gather insights about contested authority in Buenaventura, which I supplement with secondary sources.

Location	Business power	Protection quality	Responses	Outcome
Medellín	Low	High	Accommodation, Voice	Survival
Buenaventura	Low	Low	Exit, accommodation	Victimisation

Table 13. Case results for shopkeepers in Medellín and Buenaventura

In this chapter I mainly use newspaper sources, government reports, court documents, business surveys and secondary sources. I also draw from elite interviews with business association and government officials with first-hand knowledge of the challenges that shopkeepers face.

Small businesses and contested authority

Small businesses play a hugely important role in economic growth and poverty alleviation because they drive employment among poorer populations (de Kok, Deijl, and Veldhuis-Van Essen 2013; Maksimov, Wang, and Luo 2017). Despite this, only a few pioneering studies have focused directly on how conflict affects small businesses (Brück, Naudé, and Verwimp 2011). Bozzoli, Bruck and Wald (2012) have made a notable contribution, finding that displacement from conflict increases the rate of self-employment in the services sector, while also reducing the hourly income of the self-employed.

Conflict stunts the potential growth of firms, meaning that smaller businesses are likely to be more common in conflict areas. In a revealing study of firms during the 1991-2002 war in Sierra Leone, Collier and Duponchel (2013) find that firms exposed to conflict remain smaller, lose key skills, regress in technical capacity and suffer reduced income. This finding is similar to a study by the World Bank in 2015, which found that most enterprises in ‘Fragile

and Conflict Affected Situations' (FCS) – defined as countries with high levels of institutional and social fragility, or countries affected by violent conflict – are small, informal and in the services sector. According to World Bank Enterprise Survey data, on average, firms in fragile situations produce less output, are less likely to introduce new products or services, are smaller, and grow more slowly (Speakman and Rysova 2015).

Quantitative and survey level data leaves unexplored the lived experience of small business people in areas of contested authority, but more recent research has begun to address this gap. Ganson and Hoelscher (2021) study the small business community in Langa, South Africa, where they report that violence is a daily part of a business life, and formal institutions such as the police, rather than being protectors, are often predatory actors that act violently against them (Ganson and Hoelscher 2021). I continue in this vein by focusing on the actions, experiences, and the divergent security outcomes that shopkeepers experience in areas of contested authority.

6.1 Neighbourhood shops

Neighbourhood shops are categorised as micro businesses in Colombian law, which defines small and medium businesses by measuring the number of employees and the company's total assets (OECD/CAF 2019):

Size	Number of employees	Total assets (measured in minimum legal monthly salaries, MLMS)
Medium	51-200	Between 5001 – 30,000
Small	11-50	Between 501 – 5,000
Micro	10 or less	Less than 500

Table 14: Business size according to MSME Promotion Law of 2000 (Law 590, modified by Law 905 of 2004). The MLMS was $7,480.8 per annum in 2016. Source: OECD 2021, USD 2019 constant prices.

According to the Ministry of Work, micro, small and medium businesses provide employment for 16 million Colombians, generating 35 percent of gross domestic product and 80 percent of employment (Ministerio del Trabajo 2019). Of these, micro businesses form most enterprises in Colombia, from the capital cities in Medellín and Cali to small towns such as Tulua and Cartago in Valle del Cauca.[145]

A business association official I interviewed in Cali further divided small businesses into fixed stores, and vendors that sell on the street. Vendors are subsistence-based businesses that sell chewing gum or empanadas in the street, and if the opportunity arises, they work as day labourers. Then there are 'traditional' fixed location small businesses, such as neighbourhood stores or hairdressers. These businesses are characterised by low productivity and high levels of informality.[146] In this chapter I focus on these neighbourhood stores. I exclude street vendors in the analysis because they represent a different category of small business – the work is more transient and opportunistic, and they often operate as sole traders. In contrast, neighbourhood stores operate in a fixed location with a dedicated staff that must be continually present, therefore exhibiting the conventional characteristics of a small business.

[145] Interview with a business association official, July 2019
[146] Interview with a business association official in Cali, August 2019

This includes formal shopkeepers – those registered with the Medellín Chamber of Commerce – and informal shopkeepers, who are unregistered.

Small shopkeepers (known as *tenderos*) – whether in Medellín, Buenaventura, or elsewhere across Colombia, are a ubiquitous feature of urban life. Often located in suburbs, they sell milk, soda, ice cream, and arepas (cornmeal cakes), to the local community. "To be a shopkeeper, one has to be patient, have good humour, be disposed to assist all classes of people, and of course, know who you can trust" a shopkeeper told El Tiempo (2014a). The National Trade Federation of Colombia (Federación Nacional de Comerciantes, FENALCO) estimates that there is one neighbourhood shop for every 100 Colombians. These shops cover most of the population, while large formal supermarkets concentrate on areas where the population has higher income, which is typically in upper- and middle-class suburbs in large cities. Ninety four percent of traditional shops serve the poor or lower-middle class, which constitutes 87 percent of the population (El Tiempo 2007b). A small business census in 2007 found that local shops thrive in areas with persistent poverty and unemployment, as they are able to offer very small quantities of goods, which suits the limited purchasing power of their customers (El Tiempo 2007b). This is consistent with my experience visiting Colombia for fieldwork in 2018 and 2019, where I found, for example, it was possible to purchase a single paracetamol pill from a neighbourhood shop rather than the whole packet. "Class one, two and three[147] depend on the (neighbourhood) shop for their purchases. In this city it is a deep

[147] Colombia has an official strata division which classifies a population's socio-economic status based on their housing location and characteristics, as codified by Law 142 of 1994 (Guevara and Shields 2019; Hudson 2010). There are six strata. The official is referring to the lower three strata of Colombian society, explaining that poorer Colombians rely on neighbourhood shops.

rooted phenomenon" explained Juan Ernesto Parra, national director of Fenaltiendas, a FENALCO programme which supports shopkeepers (Tróchez 2014). According to FENALCO, most sales are on credit due to the low purchasing power and poor cash flow of customers, and shopkeepers maintain customer loyalty because "no one knows the market better, nor values the customer as much as the shopkeeper" (El Tiempo 2011a).

FENALCO estimates that 74 percent of customers visit their neighbourhood shops every day, and there were 420,000 small establishments in 2006 (Portafolio 2006a). According to a 2005 survey, the average surface area of the shop is 23.7m^2 , and the average number of employees is 1.54 per store (El Tiempo 2005d). As of 2015 there were approximately 30,000 small traders in Antioquia, according to FENALCO (El Colombiano 2015b). Shops are family owned, and employment of family members is seen as an extension of household responsibilities, not as independent paid work (Guarín 2010). For example, the shopkeeper Fernando Agudelo Álvarez works at his store from 6:30am to 10:00pm. If he needs to leave, the shifts are divided between his wife and daughters. The shop was established in 2000 with a loan of 200,000 pesos ($95 USD in 2000) from his parents and a further five million pesos ($2,395 USD) loan from a commercial lender (Jiménez Morales 2008b). As El Colombiano describes it: "although rewarding, the work of a shopkeeper is enslaving and involves the entire family workforce" (Jiménez Morales 2008b). These are typical working hours – a 2005 survey of 6,500 shopkeepers in Medellín found that shopkeepers start work at 6.30am and end after 10pm (El Tiempo 2005d). Most shops are open seven days a week (Guarín 2010). Businesses are relatively young and experience a high turnover rate. The average age of a Medellín neighbourhood shop in 2010 was 7.4 years, while 77.9 percent were less than 10 years old, and 10.6 percent were less than a year old (Guarín 2010).

Small businesses in Colombia encounter a range of challenges outside contested authority that should be considered. First, the majority are informal. Fernández (2018) estimates that 58 percent of businesses in Colombia's 24 main cities were informal in 2015 and 84 percent of micro businesses are informal, where informality is measured as the proportion of businesses that were not registered with the chamber of commerce and had no formal accounting. Informality is associated with lower levels of compliance with tax, health, environmental and quality regulations. Businesses with low or moderate levels of productivity are disincentivized to pursue formalisation, as the costs outweigh the potential gains (Fernández 2018). Most neighbourhood shops are informal and fall into this category. As a business association official in Cali explained, hairdressers and neighbourhood stores are traditional businesses and the Colombian regulatory system is slow and deficient, which further reduces the appeal of formalization.[148] In a 2005 survey, almost all shopkeepers had completed primary education, but almost none had completed specialised training beyond high school (Guarín 2010). Ninety five percent of stores use a notebook to write their accounts, and very few have received any training in their work (El Tiempo 2005d). These challenges – long hours, informality, and a lack of training, are similar to those experienced by small businesses in other Latin American countries such as Argentina, Chile, and Ecuador (OECD/CAF 2019).

Owning a local shop is an alternative to finding salaried work, especially for people that have been displaced by conflict. FENALCO's survey of shopkeepers in 2000 found that there was a significant increase in small shops due to the economic crisis, established by people who had lost their jobs. These shops begin by selling vegetables, grains, and fruits. When the store

[148] Interview with a business association official in Cali, August 2019

becomes more popular, they start to sell dairy products, eggs and beverages. Eventually, once they have consolidated, they acquire freezers to sell refrigerated drinks such as beer, which have a higher profit margin (El Tiempo 2000a). Almost 60 percent of shopkeepers in Medellín opened a shop to escape unemployment, either before they lost their previous job or they could not find another source of work (Guarín 2010).

It was commonly predicted that with the entry of large supermarkets, small shopkeepers would decline in popularity. Instead, their share of the market has grown, as their pricing and product volume matches the spending power of their communities. FENALCO reported in 2008 that while the supermarket sales were stagnant, sales in neighbourhood shops grew by 7 percent. When activity and employment in construction and manufacturing falls, consumers with reduced spending power cannot afford to go to the large supermarkets, meaning that Medellín small shops have sustained themselves and proved to be more popular over time (Jiménez Morales 2008a). A commercial survey by Brandstrat in 2014 found that in 2010, 27 percent of respondents chose to shop in neighbourhood stores, while in 2013 the number had increased to 53 percent (Tróchez 2014).

6.2 Shopkeepers' business power

Shopkeepers possess low instrumental and structural business power. They are represented in national business associations such as FENALCO and ACOPI, but both organisations have a wide membership which includes businesses in different sectors, as well as far larger businesses. This means that shopkeepers do not receive focused, continual support for their objectives in the manner, for example, that Augura supports the banana companies or FEDECAFÉ supports the coffee industry. Informal shopkeepers are not members of business

associations and thus have limited access. Nonetheless, they are still supported by associations, who provide them with training services pertaining to key skills such as accounting, and education on business laws and regulations.

FENALCO was constituted in 1945 and is designed to defend the interests of traders and their commercial activity. Its aim was to create a trade association similar to the coffee or industry associations, that would promote a Colombian foreign trade policy which harmonised the interests of industry and commerce, make commercial credit more widely available, lower bank service rates, and influence the collection of district taxes on commerce and industry (Rodríguez Sálazar 1996). FENALCO is therefore not an association which solely focuses on shopkeepers, but it nonetheless plays an advocacy role, including by publishing information on the security of shopkeepers, and by lobbying the government to provide support to them. FENALCO surveys Medellín shopkeepers with regard to the level of threats they experience from coercive actors, and raises awareness around this issue by presenting the results in the media (Jiménez Morales 2010). FENALCO also has a subsidiary called FENALTIENDAS, established in 1994, which focuses specifically on developing programs to support shopkeepers (Fenaltiendas 2021). FENALCO provides specific training programs to formal and informal shopkeepers on upcoming laws relating to retail trade. For example, in 2010, FENALCO announced it would provide training to 16,000 shopkeepers to ensure that shopkeepers observe the appropriate regulation of tobacco sales, as per Law 1335 (2009) which regulates tobacco consumption (Colprensa 2010).

However, FENALCO also represents the interests of the large supermarket chains, with whom the small shopkeepers are in direct competition. Recognising this conflict of interest, in 2004 several associations of small shopkeepers in Colombia, including the General Union

of Colombian Retailers (Unión General de Comerciantes Detallistas de Colombia, Ugecol), sought to create a trade union for small and medium retailers (El Tiempo 2004). In 2005, the National Federation of Shopkeepers and Retailers of Micro, Small and Medium Businesses (Federación Colombiana de Tenderos y Comerciantes de la Micro, Pequeña y Mediana Empresa, FECOLTIENDAS) was created in Bogotá (El Tiempo 2005b). FECOLTIENDAS succeeded in lowering property tax for Bogotá-based shopkeepers in 2007, but I did not find evidence it has achieved notable progress since then (El Tiempo 2007a).

Besides support from FENALCO, shopkeepers do not have a strong, dedicated association which represents their interests at the departmental or national level. A 2010 survey found 94.6 percent of shopkeepers in Medellín did not belong to any association, the majority of whom said they did not know of any institutions, or did not know what their purpose was (Guarín 2010). Téllez's (2014, 12–13) research in Medellín confirms this lack of collective organisation: "The experience of (creating or participating in) associations among neighbourhood shopkeepers has been unsuccessful (at least as far as the city of Medellín is concerned) since they value above all their own identity and personality to carry out their business, they do not show much confidence in associative projects, and they do not consider themselves to be valued or appreciated by the other actors involved in their activity (customers, suppliers, governmental entities, associations, etc…) …the neighbourhood shopkeepers in Medellín have attempted to carry out associational projects among themselves, but these have failed."

In addition to their limited involvement in business associations, shopkeepers' business power is also constrained by their minimal individual resources. The 2010 survey found that 69.8 percent of shops in Medellín earned between 100-300 USD per month (Guarín 2010,

24). The margins are tight, as 65.8 percent indicated that their income was equivalent to their expenditure. Access to finance is also poor – 90 percent of shopkeepers do not use any financial products, while just 7.7 percent had a savings account (Guarín 2010).

Although they serve large numbers of customers, shopkeepers also have limited structural power. The industry is not economically significant compared to either the agricultural or capital-intensive industries of the previous chapters. In 2016, there were 29,107 retail trade micro-businesses registered with the Chamber of Commerce in Medellín, with a total asset value of 537.8 billion pesos ($176.1 million USD in 2016) (Departamento Administrativo de Planeación 2017). With high levels of informality among small retailers, it is likely there are many more small traders that have not registered with the Chamber of Commerce with similarly limited resources.

6.3 Contested authority in Medellín, 1996-2016

As this chapter focuses on urban Medellín, it is necessary to provide more context to the character of contested authority in the city between 1996-2016. During this time, Medellín moved from being in a state of multi-sided conflict between criminal, paramilitary, and militia groups towards the gradual consolidation of coercion by a unified criminal organisation called the 'Envigado Office' ('Oficina de Envigado').

At the start of this period, Medellín was one of the most dangerous cities in the world and was heavily contested by criminal and political coercive actors. In 1997, El Tiempo (1997) reported there were more than 5,000 homicides per year, with 129 explosive attacks since 1995. According to the Observatory of Memory and Conflict, between 1995-2005, there were

52,004 victims of armed conflict in Medellín (Centro Nacional de Memoria Histórica 2017). The forms of violence included sexual violence, homicides, massacres, threats, torture, and displacement. Paramilitary and guerrilla groups were present in the city, and targeted civilian population segments that they presumed to be supportive of the opposing side.

Criminal groups reorganised after the Medellín Cartel was disrupted following Escobar's death in 1993. Over time, the Envigado Office became the most powerful criminal organisation. The Envigado Office was originally established in the 1980s as an organisation whose members provided enforcement, assassination, and debt collection on behalf of the Medellín Cartel. From these beginnings as a subordinate organisation, it outlasted the Medellín Cartel and rose to prominence in the 1990s after the cartel's collapse (U.S. Department of the Treasury 2014). The Office's influence was based on a series of alliances among organised crime leaders, and the organisation established a criminal order which subjected all gangs to codes of behaviour and mandated the payment of tribute to the Office. Diego Fernando Murillo Bejarano, also known as Don Berna, came to lead the Office (Centro Nacional de Memoria Histórica 2017). The Office linked itself to 'combos', small criminal groups with strong territorial roots in areas covering a few blocks. Combos undertake surveillance and the extraction of resources through the collection of 'taxes' in their area of control, but operate as small autonomous entities (Vélez Rendón 2001). They deliver the rents to the 'Collection Offices' ('Oficinas de Cobro'), larger organisational units which transfer the payments to the Office. The Office, therefore, built a relatively novel organisational model with both network and hierarchical characteristics (Gil and Jaramillo 2014, 140).

Alongside criminal groups, there were self-defence projects involving militias with a stronger social focus, oriented towards the defence of community values or political-ideological principles, but whose actions were similar to criminal oriented groups, consisting of territorial defence, surveillance and resource extraction (Vélez Rendón 2001). There was a substantial presence of guerrilla-aligned militias in Medellín during the 1990s and early 2000s. The militias, known as Armed Popular Commands (Comandos Armados Populares, CAP) were urban armed groups linked to guerrilla organisations, but operated independently from the bulk of the guerrilla forces, which remained in rural areas (Rincón Jaramillo 2016, 55). They were formed in 1996 out of combatants that had failed to demobilise in 1994 during a previous urban peace process in Medellín. National Liberation Army (Ejército de Liberación Nacional, ELN) guerrilla militias were also present, and they shared territory with the CAP. According to a local man based in Comuna 13[149] "The ELN brought them together, took them in, protected them, influenced them, but without ceasing to be an independent group" (Centro Nacional de Memoria Histórica 2017, 146). The CAP was eventually eliminated in 2001 after the military's offensive operations in Comuna 13 in 2002 and the assassination of its two most prominent leaders (Centro Nacional de Memoria Histórica 2017).

Paramilitary groups established the Metro Bloc (Bloque Metro) in Medellín in 1997, led by Mauricio García. However, García eventually became a rival to Don Berna, the head of the Envigado Office. Don Berna assembled a paramilitary group called Cacique Nutibara Bloc

[149] A 'comuna'is an official urban division within Medellín. There are 16 comunas in Medellín and 249 neighbourhoods (Medellín Cómo Vamos 2022).

(Bloque Cacique Nutibara, BCN), which defeated Metro Bloc in 2003. Cacique Nutibara Bloc was highly successful against the militias, and gained territory across Medellín (Centro Nacional de Memoria Histórica 2017). After this victory, Don Berna established a near total monopoly on organised crime in Medellín.

Paramilitary groups benefited from the support of the Medellín Sectional Prosecutor's Office from 2001-2005 led by Valencia Cossio (Centro Nacional de Memoria Histórica 2017; Gil and Jaramillo 2014). According to the High Court of Medellín, private businessmen from different sectors promoted and financed the paramilitary groups (Pinilla Cogollo 2015). Don Berna further consolidated control in 2002 following an operation by the Colombian army in concert with paramilitary groups known as Operation Orión, which effectively eliminated guerrilla-aligned militias in Comuna 13, allowing BCN to take control. "Still leading the Oficina de Envigado, Don Berna now commanded the city's most powerful criminal organisation with an armed territorial monopoly from which it coordinated a range of lucrative illicit activities" (Moncada 2016, 78). In 2003, BCN agreed to demobilise in order to take advantage of the government's demobilisation program, which provided amnesty, resources and incentives to support demobilised combatants. However, the Office remained in place. Don Berna sought to reduce violence in the city, ordering armed groups to refrain from conflict (Moncada 2016). In 2003, the rate of homicides fell below 100 per 100,000 inhabitants for the first time in twenty years (Giraldo Ramírez and Fortou 2014, 80).

Despite the decrease in homicides, there was an increase in forced disappearance and displacement. From 2006-2014, the Observatory of Memory and Conflict estimates there were a further 68,310 victims of violence associated with the armed conflict (Centro Nacional de Memoria Histórica 2017, 205). There also remained threats, curfews, and intra-urban

displacement, techniques which had been learned during the previous decades of conflict in Medellín. Don Berna was captured for drug trafficking offences and extradited to the US in 2008, leaving a leadership void which led to a power struggle between factions within the Office. In 2010, an organised crime group called the Urabeños entered Medellín and initiated a conflict with the Office. The homicide rate increased above 100 per 100,000 again at the end of 2008 and in early 2010 due to fragmentation and competition between organised crime groups and a crisis in the police which led various commanders to be arrested (Giraldo Ramírez and Fortou 2014). A pact between the Urabeños and the Envigado Office was reportedly agreed on 23 July 2013 after negotiations between the groups. The agreement included a ceasefire and consensus on the respective groups' zones of influence, as well as agreement on the protection fees that would be charged to business in their respective areas of control (Centro Nacional de Memoria Histórica 2017). Following this pact, homicides again began to reduce.

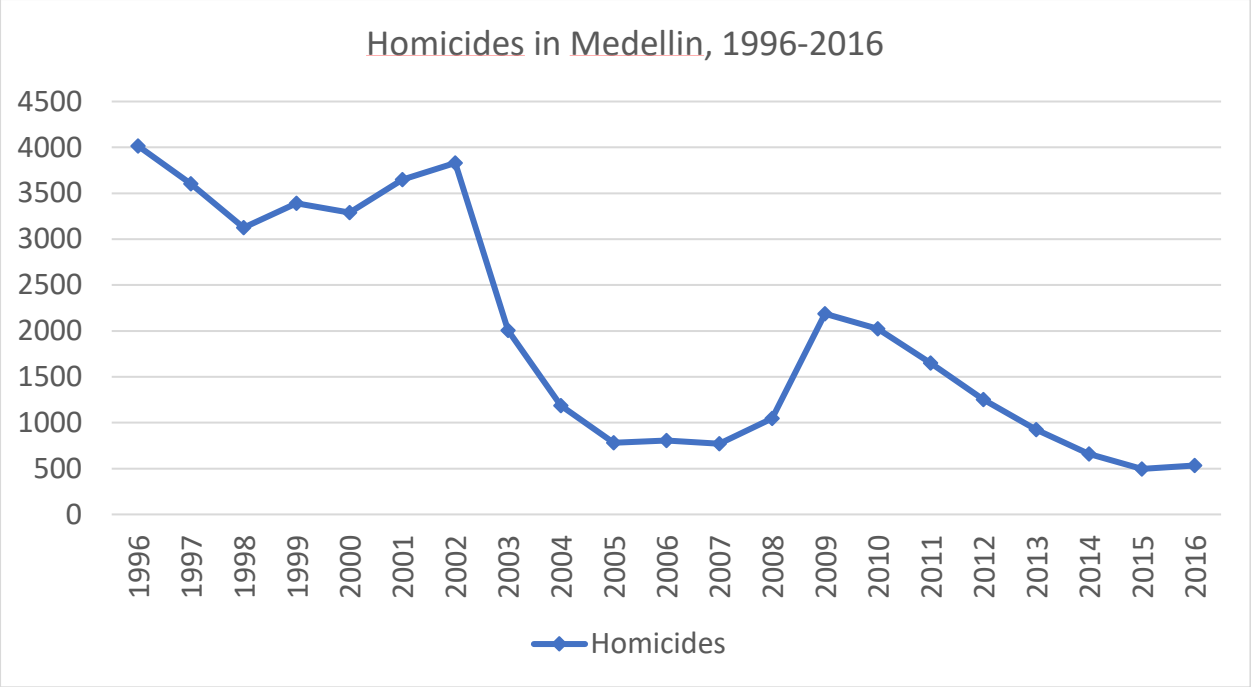


Figure 8. A graph of total homicides in Medellin, 1996-2016. Source: Compiled by author from: Giraldo-Ramírez and Preciado-Restrepo 2015 (1996-2002), Observatorio de Políticas Públicas de la Alcaldía de Medellín 2016 (2003-2015), and Medellín Cómo Vamos 2018 (2016).

The Office remained dominant, overseeing the behaviour of smaller combos and managing its relations with other large criminal groups that operated in Medellín.

Time period	**Contested authority characteristics**
1996-2002	Intense conflict between criminal groups, paramilitary organisations, guerrilla aligned militias and the Colombian armed forces.
2002-2008	Guerrilla groups are eliminated and paramilitary groups demobilise. The Office becomes the dominant criminal group and monopolises territorial control, reducing homicides.
2008-2016	The Office's control is challenged by outside criminal groups, leading to increased homicides. Pacts between criminal groups help to bring violence down from 2010 onward.

Table 15. A description of the evolution of contested authority in Medellín.

In the most extensive examination of Medellín criminal groups undertaken in the last decade, Blattman et al. (2021) identified 380 active combos in 2019, and described that combos form the base of the pyramid of criminal organisation, with 17 mid-sized groups called 'razónes'

sitting above them and managing the drug trafficking distribution. In summary, from 1996-2016, Medellín experienced a transition from a setting of highly contested authority and open conflict among criminal and political armed groups towards an increasing consolidation of coercion and territorial control by a single organised crime apparatus.

6.4 Shopkeepers' protection quality

Shopkeeper protection quality fluctuated as the nature of contested authority in Medellín changed. They were caught up in conflict while it was intense in the late 1990s, but as the Office established its control, they began to receive higher quality protection. Shopkeepers were violently targeted, especially if they were suspected of collaborating with an opposing armed group. However, they also received genuine protection in exchange for regular payment to coercive actors in Medellín. Coercive actors also inserted themselves into the economic life of shopkeepers by controlling the sale of local goods and offering easy access to credit with predatory terms of interest.

Given their exposure to areas of conflict and crime, shopkeepers are a particularly vulnerable group that can easily be subject to arbitrary violence. In contrast to large businesses such as manufacturing and construction, shopkeepers are often more exposed to coercive actors, as they can be located in suburbs under armed group control. This means armed groups possess significant influence over the economic activities of the merchants. Four of my interviewees made this point. According to a business association official, concern for security in Medellín is strongest among small and medium-sized businesses, which are affected by the combos.[150]

[150] Interview with a business association official, May 2019

A business association official in Cali made a similar observation, noting that he had not received complaints from large companies about extortion, as small companies are the ones that tend to suffer from it.[151] This was echoed by another business official with knowledge of Tulua in Valle del Cauca – microenterprises in Tulua are easier for armed groups to access, and therefore extort. In contrast, large companies have their administrative offices in Cali, and are therefore inaccessible to these groups.[152]

Shopkeepers also perceive insecurity in their daily life. 65.3 percent of shopkeepers surveyed in Medellín cited insecurity as a problem that needs to be addressed by the state, the second most cited problem after unemployment (Guarín 2010). As a local professor explained, one reason for this is that smaller companies face higher costs from extortion in proportion to their income.[153] ANDI (2012) found that extortion of small traders increased in 2012, as they lacked the resources to manage their own security. This also aligns with Rettberg's (2008) survey of 1,113 businesses of diverse sizes in the six most important Colombian cities, in which small and medium companies reported higher rates of extortion payments than larger companies.[154]

In Medellín, although I cannot draw from direct data which measures the level of shopkeeper victimisation, it is very likely they were affected by the high levels of violence, especially as this occurred in the lower- and middle-class city suburbs. The Centre for National Historic Memory measured the number of victims in Valle de Aburra (greater Medellín) by

[151] Interview with a senior business leader, August 2019
[152] Interview with a business association official, July 2019
[153] Interview with a professor, May 2019
[154] Note this data is not necessarily representative, as just 43 businesses admitted to making protection payments.

occupation. Shopkeepers would be likely to fit into two categories, either informal economy workers or merchants. From 1996-2016, 667 informal economy workers and 574 merchants were recorded as victims of the conflict in Valle de Aburra, most of whom were the victims of targeted killings (Observatorio de Memoria y Conflicto 2021). Both categories show a reduction in incidents as the conflict reduced in intensity.

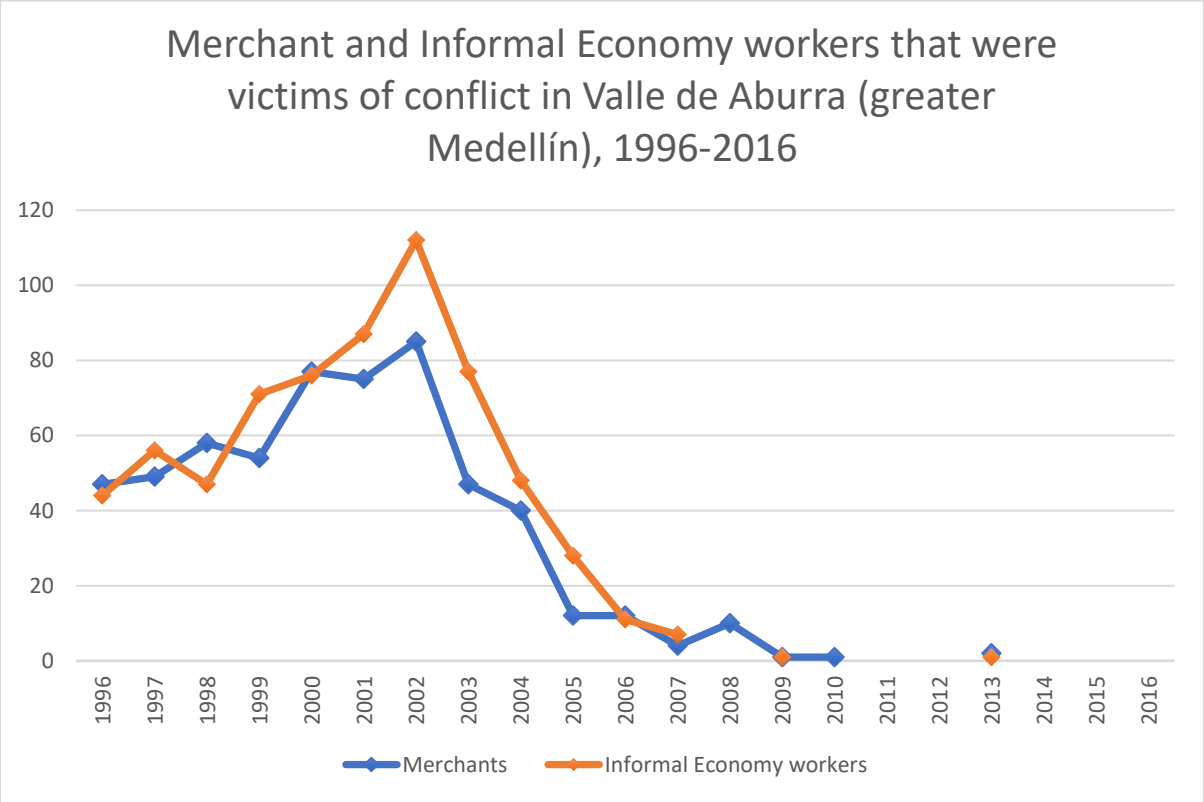


Figure 9. A graph of merchants and informal economy workers victimised by armed groups in Valle del Aburra, 1996-2016. Data is not available for some years. Source: Sistema de Información de Eventos de Violencia del Conflicto Armado Colombiano (SIEVCAC). Observatorio de Memoria y Conflicto 2021.

Shopkeepers were caught up in collateral violence, and they also suffered direct violence when they were suspected of collaboration with armed groups. For example, in August 2000 in San Rafael, a small town located several hours drive east of Medellín, FARC guerillas burned vehicles and businesses, including a petrol station, killing a local shopkeeper. They

left graffiti on the walls which accused traders and transport companies of collaboration with paramilitary groups (El Tiempo 2000b).

Notwithstanding this violence, there is also evidence that all coercive actors, including criminal, militia and paramilitary group, offered genuine protection to shopkeepers throughout 1996-2016. By genuine protection, I mean that coercive actors provided a credible and reliable commitment to protect shopkeepers.

Several sources suggest that the guerrilla-aligned militias in Comuna 13 initially did not demand payments, but requested them on a voluntary basis (Grupo de Memoria Histórica 2011, 66). According to the narrative in the sentencing of the former CAP militant Fredi Alonso, this taxation system was initially well regarded by locals, but as time went on, it became excessive, reducing support for the CAP (Rincón Jaramillo 2016, 56). In other cases, shopkeepers have occasionally expressed their support for the protection that coercive actors provide. A shopkeeper in a lower-class neighbourhood demonstrated public concern over the demobilisation of the BCN paramilitary group in 2003: “The boys (combos) looked after this sector, they protected us, we helped them with some money. God-willing the guerrillas don’t come in to take revenge and control of this area” (Acosta 2003). Interviewees in Comuna 2 that spoke to the Mayor’s Office in 2017 similarly explained the payments as a form of genuine protection: “When they (the criminal groups) were defending a house, defending a family, defending a block, when they had to defend the neighbourhood, the shops began to finance them… they gave them money to carry a weapon or to have ammunition, so that they could be safe, because a shopkeeper in the midst of violence goes bankrupt” (Alcaldía de Medellín 2018, 74).

Protection payments were ubiquitous in Medellín, and remained so even after the guerrilla and paramilitary groups were eliminated or demobilized and criminal authority was consolidated. In 2010, the Executive Director of FENALCO Antioquia, Sergio Ignacio Soto Mejía, estimated that shopkeepers were paying between 10,000-20,000 pesos ($5.27-$10.53 USD) per week (Jiménez Morales 2010). By 2014, FENALCO was reporting even higher rates, stating that 90 percent of Medellín's 20,000 shopkeepers were paying between 50,000 to 250,000 pesos ($24.98-$124.89 USD) in protection payments per week, representing an annual income of 50 billion pesos ($24.97 million USD) for criminal groups (Valencia Gil 2014).

Time period	**Contested authority**	**Protection quality**
1996-2002	Intense conflict.	Poor protection quality. High likelihood of being caught up in conflict.
2002-2008	The Office monopolises territorial control.	Protection becomes more reliable, and payments become more regular due to the Office's territorial monopoly.
2008-2016	The Office's control is challenged.	Shopkeepers are caught up in some conflict, but protection is usually reliable.

Table 16. The evolution of contested authority in Medellín and its impact on shopkeepers.

The downtown centre of Medellín in La Candelaría, known colloquially as 'the egg' ('el hueco') presents a unique case study of this phenomenon. Shopkeepers, bus drivers and mobile phone minute sellers are approached by combos to pay for protection or surveillance. These groups are known as 'convivirs' but have no connection to the formal CONVIVIR groups. Instead, they are supported by the larger organised crime apparatus. A man who has worked in the centre for 18 years said he was initially charged 2,000 pesos per week for the right to operate on his block, but by 2012, he was being charged 15,000 pesos a week, approximately the profit of one working day (Matta Colorado 2012). The convivirs

predominantly use the area to engage in drug trafficking – police identified 88 drug dealing points in Comuna 10, and 25 collection points, where merchandise arrives by the kilo and is distributed in doses. Nonetheless, some reporting indicates that combos provide genuine protection. They punish petty thieves severely with immediate violence – one person indicated they had seen the convivirs assault a petty thief. Some shopkeepers are generally supportive, as "These people keep an eye on the stores and watch out at night" (Matta Colorado 2012). Several shopkeepers in Prado Centro stated that the combos protect them against the encroachment of homeless people (Matta Colorado 2012).

Apart from racketeering, criminal groups insert themselves into the economy by controlling the local distribution of goods that shopkeepers can stock and sell. Going back to at least 2011, shopkeepers and associations were expressing concerns that combos effectively controlled the egg market. “They have taken over the distribution by threatening the shopkeeper because they cannot receive any eggs other than the ones they distribute” according to one shopkeeper (Ortiz Franco 2014). Criminal groups established their own companies to facilitate this, and shopkeepers are afraid to identify these companies to authorities. Rather than threatening poultry farmers or the distributors, criminal groups focus on threatening shopkeepers so that they do not buy products other than those marketed by the combos (Ortiz Franco 2014). An egg distributor estimated that of the 300 pesos that an egg sells for, the producer receives 100, the distributor receives 70, the shopkeeper keeps 50 and the combos secure the remaining 80. The combos also authorise who can sell the eggs, meaning that ‘unauthorised’ producers are unable to sell without their permission (Ortíz Franco 2016).

There are similar requirements across other goods. Shopkeepers in Comunas 5, 6 and 8 are forced to sell bootlegged liquor that the combos manufacture themselves (El Espectador 2012). Shopkeepers are also forced to buy arepas – a traditional Colombian food made from ground maize – that are produced by the criminal groups' preferred factories. In 2018, a local criminal group leader Marín Valencia was accused of forcing shopkeepers to purchase arepas from the Asdrúbal factory. A shopkeeper told El Tiempo "Three men came to me and told me that in Comuna 2 no other arepas could be sold. And that if I did not understand this well, they would beat me unconscious" (El Tiempo 2018). Combos also dictate which vendors are permitted to sell gas bottles. "In some areas a bottle could not be sold without payment of a *vacuna*, as there were sectors where the criminals drew invisible barriers for the provision of the service, and in others they established the obligation to buy gas wholesale only at points authorised by them" (Lozano Perafán 2016).

Criminal groups also insert themselves by 'assisting' consumers, providing unwanted transport services and controlling alcohol production and distribution. In Itaguí, combos guide customers to their preferred stores, and if there is a purchase, the shopkeeper must pay a commission. In a similar fashion, combos make transport companies purchase services such as cleaning. A transport company manager estimated that about 20 percent of their profit goes to combos (Ortíz Franco 2016).

Finally, criminal groups offer credit to shopkeepers with highly predatory terms, known locally as 'gota a gota' (drop by drop). People use these loans because they are distributed quickly, and their credit rating is not taken into account. However, the interest rates are

extremely high. “If they asked for a million, they end up paying ten million in interest.”[155] About a third of the 380 combos surveyed by Blattman et al. (2021) in 2019 indicated that they engage in loan-sharking.

In summary, shopkeepers were occasionally targeted directly, especially if they were suspected of collaboration with rival armed groups. They were forced to pay for protection, which many perceived as genuine. Coercive actors also interfered intensively in their business activities by controlling daily goods that they could sell. Compared with other sectors, they have the least power relative to coercive actors. Nonetheless, as we shall see in the following section, they still actively pursue strategies to minimise the harm caused by insecurity.

6.5 Shopkeepers’ responses

Accommodation

The evidence I gathered suggests that accommodation is the dominant response that shopkeepers adopt. Primarily, this is expressed through the widespread payment for protection. Accommodation carries the least risk, as denouncing protection rackets would result in potential reprisal. Vendors believe that if they report their crime, the police will make a deal with the criminal group, and for an extra payment, the police will let the criminal group know who the informant was so they can be killed (Moncada 2020). A shopkeeper said

[155] Interview with a business association official in Cali, August 2019

that a racketeer informed him “Of course, you could call the police, but even if they show up, it’s more likely that they work for us than that they’ll work for you” (Moncada 2020, 713).

Another form of accommodation is to engage in calculated informality. According to a business association official in Medellín, businesses must navigate between formal and illegal authority. First, in the formulation of one interviewee, they may not be able to cope with both legal and illegal taxation simultaneously. If the state is not providing services and will only impose costs, it may be better to avoid it. Therefore, they remain deliberately outside state authority to avoid the cost of regulation.[156] Furthermore, they may choose not to become too successful to avoid attracting higher protection payments. A business official in Cali explained to me that in Buenaventura, small businesses deliberately do not attempt to succeed, as appearing to be successful would make them a bigger target for protection racketeers.[157]

Voice

Although accommodation is the dominant response, shopkeepers do use voice. Formal associations pressure the government to improve security on behalf of shopkeepers. For example, in 2013 FENALCO signed an agreement with the Ministry of Defence which created a framework for business people to report protection rackets anonymously (La República 2013). FENALCO also pressures the government to do more to protect small businesses. In 2011, FENALCO President Botero said the government was focused too much on the homicide statistics, and not on perceptions of insecurity or crimes such as extortion (El

[156] Interview with a business association official in Cali, August 2019
[157] Ibid.

Tiempo 2011d). It not clear that these efforts have had any substantial effect, although the police have made some efforts at intervention. In April 2013, the Valle del Aburrá anti-kidnapping police unit captured 30 individuals accused of extorting small traders and bus drivers. The government also established working groups with small traders, transport and builders (Martínez 2013). However, the Gaula unit is composed of just 80 men, which is insufficient to address the scale of organised crime. Blattman et al. (2021, 11) estimate "there are roughly a dozen combo members for every poorly-paid officer."

Shopkeepers also pursue voice by complaining about their treatment at the hands of coercive actors. Notwithstanding the risks, shopkeepers do occasionally report protection rackets, especially if the shopkeepers are experiencing *victimisation*. For example, in 2018, a poultry distributor reported as follows: "We, a group of legal egg traders and distributors in Medellín, denounced to the Public Prosecutor's Office that we were displaced by means of armed threats, robberies and extortion from 30 neighbourhoods in the city, while in another ten neighbourhoods they (shopkeepers) can still sell, but must pay the '*vacuna*'" (Valencia, Ávila, and Aldana 2018). On another occasion, the small traders of Picacho complained that the combos were forcing them to each provide a pig to celebrate a holiday in Comuna 6 (Macías 2014). Similarly, in 2018, the criminal group leader Marín Valencia was arrested after he was identified in eleven separate complaints from individuals and companies for his role in organising a network of extortion and predatory loan sharking that targeted small businesses (El Tiempo 2018).

Notwithstanding these examples, I could not find much further evidence of collective protest against protection payments. This is noteworthy because when other issues become highly salient, small shopkeepers use their voice collectively. In Medellín in 2015, for example,

there were large scale protests against the Contraband Law, which would have imposed severe penalties for shopkeepers selling contraband goods (Rojas 2015). Similarly, in 2017 in Barranquilla, 6,000 shopkeepers marched in protest after police had shut down 800 stores because they failed to present up to date registration documents (Herrera Delgans 2017). I could not find a similar level of protest against criminal authority by shopkeepers in Medellín. By way of comparison, transport companies, which similarly are forced to make protection payments, conduct large strikes. For example, in 2014, a transport union in Comuna 13 went on strike to protest against criminal gangs. The drivers perceived that the protection price had increased after the police captured the leaders of the local combo (El Espectador 2014b). One potential explanation for the lack of collective action is that the fear of violent reprisal may function as a strong deterrent for pursuing collective protests, especially as stores risk being vandalised or attacked. Transport workers may also be better organised, and therefore more able to pursue collective action. On the other hand, one could equally argue that shopkeepers could be broadly satisfied with the level of protection they receive. Police often do not provide any form of protection to shopkeepers, and combos are therefore sometimes viewed as an effective alternative.

At an individual level, shopkeepers use voice by taking a leadership role in their neighbourhoods, including with regard to security issues. For example, the shopkeeper John Giraldo led a government-sponsored truce in Medellín in 1997, brokering peace between six gangs. He reported that the truce had produced at least three months without a death, whereas 188 people were killed in the three years prior to the pact (El Tiempo 1997). In his study of the vendors in central Medellín between 2016 and 2017, Moncada (2020) found that shopkeepers negotiate with coercive actors over the terms of their protection, using collective

and individual tactics. When combos visit to collect their payment, the shopkeepers claim that their sales are poor, and therefore they have little they can pay. Collectively, they hold small rallies to emphasise that they are citizens with political rights, even though it is highly unlikely the state will enforce these rights. These rallies occur on Saturday, the same day that the criminal groups collect their security taxes, which has succeeded in lowering the amount that the groups demand. As one vendor explained, "We don't have guns. We don't have politicians. But we do have dignity and rights and this (pointing to her head), and so you need to use it to make them (the racket's collectors) realise that they haven't cornered us—that we are citizens" (Moncada 2020, 714–15).

Exit

It is difficult to observe how and if shopkeepers exercised the exit option. Exit by shopkeepers was likely undesirable, as it is challenging to establish a neighbourhood shop, and once established it provides a reliable source of income. Many neighbourhood shops are established as a means of survival in any case, where the owner has not been able to find a more financially rewarding form of employment.

6.6 Outcomes for neighbourhood shops

I turn to consider the outcomes for small retailers. The shopkeepers experienced *survival* and *victimisation* according to the protection quality they received. These outcomes require careful analysis to distinguish. They sit on a spectrum, where in the most extreme cases of *victimisation*, it is impossible for businesses to operate, while at the other end of *survival*, it is

possible, and potentially not even particularly costly, for a neighbourhood shop to operate in a situation of contested authority.

The increasing reliability of protection in Medellín after 2003 enabled the *survival* outcome for many businesses. Protection becomes more efficient where there is consolidated territorial control by a single coercive actor that levies predictable costs, and this occurred in Medellín with the consolidation of criminal authority by the Office, the ordering of criminal groups into a hierarchy, and the regularisation of protection payments.

Under the circumstances, shopkeepers may be receiving protection at a subsidised price – combos may be providing protection to shopkeepers for less than it costs the group to provide, because this protection is a by-product of their chief focus, which is maintaining territorial control to transport and sell drugs. By far the most valuable activity for criminal groups in Medellín is drug trafficking, while protection is a secondary income stream. Moncada's (2020) focus group research with vendors in Medellín suggests the criminal groups strategically impose authority on shopkeepers to camouflage their illicit activities. As one vendor explained "We bring lots of noise and congestions and lots of things that don't look pretty, and that helps the Convivir (criminal groups). It lets them hide among us, take from us, but also profit from us in other ways, selling drugs, guns, all sorts of bad things. We are like the dogs, they are like the fleas. Where we go, they go" (Moncada 2020, 712). The gangs use the vendors' merchandise to hide cocaine doses that they sell at the market, coercing shopkeepers into complicity with their drug trafficking activities.

Blattman et al.'s (2021) interviews present similar results. They suggest that combos provide protection due to three motives: to earn direct revenue from protection, to win local support

and thereby deter police presence or rival gangs, and for the intrinsic reward – the feeling of pride and moral legitimacy – of providing safety. Blattman also reports that payments are modest – the median weekly payment is US $2 for businesses (equating to 3 percent of business profits and 1 percent of sales). Just 27 percent of businesses said the protection payments are too high, compared to 54 percent who said city taxes were too high. Half of businesses surveyed think their neighbourhood would be in a worse position without combos. Blattman et al. (2021) even report that combos avoid charging businesses whose loyalty is fragile, and abuses are restrained primarily by their need for community loyalty, collaboration and respect, which underpins their acceptance in the community, making it easier to conduct drug trafficking. In this sense, criminal groups behave in such a way as to make accommodation, rather than voice or exit, more attractive, presenting themselves as providing a social good. This finding is similar to the views of a local professor, who stated that while payment for informal security used to be mandatory, it was now voluntary, and shopkeepers chose to pay it to prevent against theft and other risks.[158] However, this is difficult to verify, and most other sources I consulted indicated that the payment was not voluntary. Blattman et al.'s (2021) research and local interviews contrast with the pronouncements of FENALCO and other newspaper reports, who routinely report far higher payments and highlight instances of abuse of the population. As Carlos Andrés Cardona, a human rights leader at Itagüí Nueva Gente Corporation, describes "People have told us that very young people come to their businesses on Fridays and Saturdays who say: 'we come for the quota, for the contribution to security'. And that security is something that no one has asked for, but is imposed by them" (El Tiempo 2010b). This underlines the difficulty of ascertaining a true

[158] Interview with a professor, June 2019

picture of the effects of criminal governance, and also potentially demonstrates that it can be highly variable depending on the behaviour of the local criminal group.

While business power remained constantly low, protection quality varied. When protection quality reduced, shopkeepers experienced the *victimisation*. 1996-2003 appears to be a period of mixed *victimisation* and *survival* for shopkeepers depending on the protection quality they received. The risk of *victimisation* increased due to shifting territorial control and open conflict, where groups would consider them to be collaborators of their enemies, as well as the risk of being caught in the crossfire. For example, in 2002, Porfirio Gomez Vargas, owner of a shop in San Javier, testified that he had to leave his neighbourhood in a police vehicle because his shop had been turned into a combat site. When he attempted to return, he found his shop had been occupied by an armed group. Vargas said "the problem is that our neighbourhood is at the centre of the fighting that is taking place in the area, by two groups operating outside the law in the area, which is why most of the people had to leave their homes and we found ourselves in the school of La Independencia" (Corte Constitucional 2003). Conflict also caused stoppages to retail trade. During operations in 2002 in San Javier, the area was cordoned off to control the entry and exit of people in places where the guerrilla group was being pursued. The siege caused transport blockages and shortages in grocery shops. (Comisión Nacional de Reparación y Reconciliación (Colombia), Área de Memoria Histórica 2011).

It is highly likely that shopkeepers were experienced *victimisation* through forced displacement, as per the coffee industry. There were high rates of forced displacement in Medellín between 1996-2016. The Single Register of Victims (Registro Único de Víctimas, RUV) identified 128,065 victims of displacement between 1996-2016 in Medellín (Red

Nacional de Información 2020). Displaced persons often did not consider themselves to be direct victims of conflict and therefore did not report their situation, so the real number of displaced people is likely much higher.

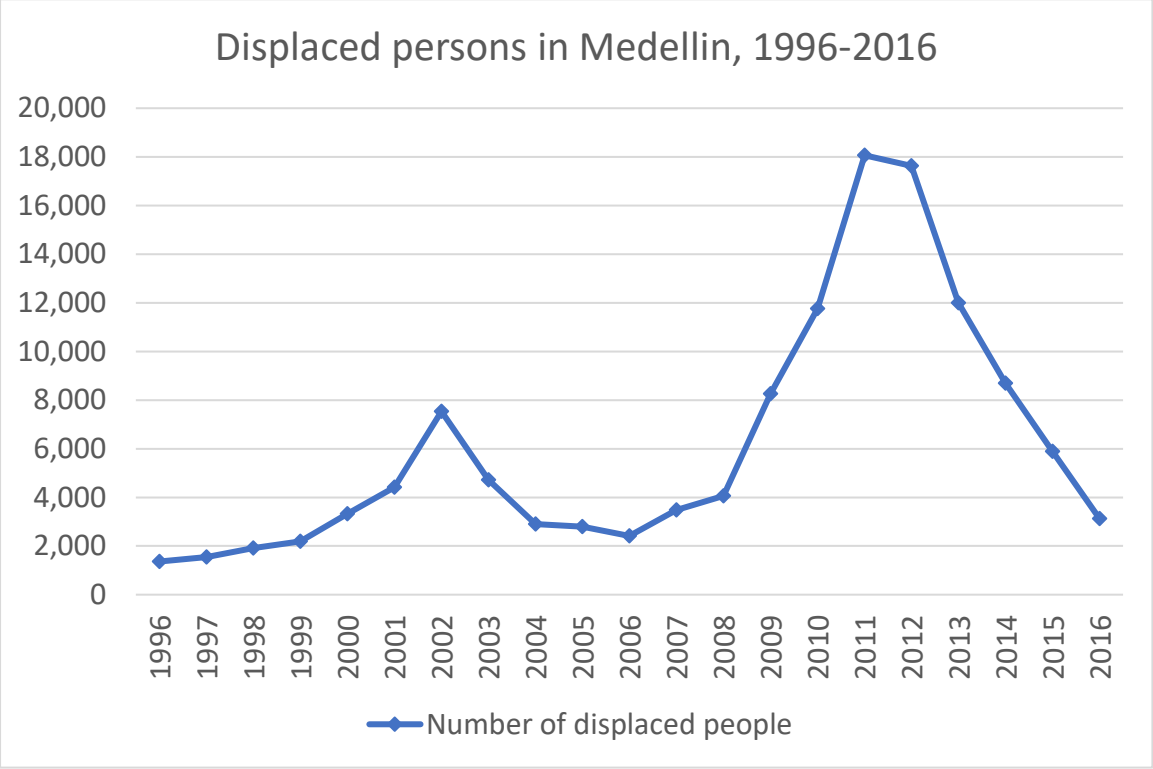


Figure 10. A graph of displaced persons in Medellín registered by the National Information Network. Source: Red Nacional de Información, Unidad para la Atención y la Reparación Integral a las Víctimas 2020.

Shopkeepers faced *victimisation* whenever local criminal groups deviated away from protection towards predation. Criminal authority was not imposed in a uniform manner, and shopkeepers suffered if criminal groups decided to alter their strategy. Finally, there was also *victimisation* when a shopkeeper refuses to comply with criminal authority. In February 2018, 25-year-old shopkeeper Roberto refused to sell arepas from criminal groups in his small store in Comuna 2. He was beaten severely, and left the area to for safety reasons (El Tiempo 2018). All these situations produced the *victimisation* outcome for the shopkeepers.

In Medellín, with the consolidation of criminal control after 2003, it appears that more shopkeepers experienced the *survival* outcome. Protection payments increased their operating costs, they were forced to accept combo-sponsored products distribution channels, and they were punished severely if they resist criminal authority. Despite this, they survived, and the sources I draw from suggest that the protection provided by criminal groups was more genuine and reliable overall.

Comparing criminal authority in Medellín against Buenaventura

In my typology, the two probable outcomes for businesses with low power are either *survival* or *victimisation*. The *survival* outcome occurs when businesses are forced to pay protection rents, but they can sustain their activities and continue to operate. The *victimisation* outcome occurs when businesses are not offered genuine protection. This occurs when coercive actors are not interested in offering protection at all, or when the price they charge exceeds the business's ability to pay. In both scenarios, the business becomes vulnerable to being attacked by the coercive actor.

In this section, I compare shopkeepers in Medellín with those in Buenaventura, Valle del Cauca, as this presents a direct comparison between the *survival* and *victimisation* outcomes.[159] Around 52 percent of companies in the Buenaventura are engaged in retail activities, generating 35 percent of formal employment. In general, however, the retail industry is characterised by high levels of informality among street vendors and small

[159] Buenaventura is the same port city that I discussed in chapter five with reference to the shipping industry.

shopkeepers. The Buenaventura Chamber of Commerce recorded that 96 percent of registered companies are micro businesses in 2013 (Martínez Ortiz et al. 2013).

In Buenaventura, there is more evidence of ongoing predation rather than protection by criminal groups, producing the *victimisation* outcome. Protection is unreliable and expensive, as coercive actors in Buenaventura did not achieve the same efficiency in organisation and consolidation of control as in Medellín. Instead, there was greater competition between groups. Shopkeepers must pay armed groups, but are still subject to high levels of crime, and the price of protection exceeds their ability to earn.

As in Medellín, criminal groups control commerce tightly. According to statements from the local leader Héctor Epalza in 2013, criminal groups charge taxes against informal sellers of all types including fish vendors, transporters, and shopkeepers, each according to the profitability of the business (Centro Nacional de Memoria Histórica 2015). All businesses are affected by demands for payments from coercive actors, but the small businesses who sell bananas and seafood are the most affected.[160] The payments are made on El Piñal bridge, which links Cascajal Island to the mainland, in order to capture traders that move between rural and urban areas. Criminal authority is severely imposed – citizens and businesses are subjected to curfew, meaning they are not allowed to be present on the street during the evening. Criminal groups also interfere directly in prices. “The new bosses set the price of the products to the public, the rental fees for the stalls, and the value of the real estate, in such a

[160] Interview with a Valle del Cauca businessman, August 2019

way that the difference between the real value and the decreed value is one of the sources of their income" (Centro Nacional de Memoria Histórica 2015, 135).

Payments are often unaffordable, leading some shopkeepers to exit by closing their businesses. A shopkeeper in Independencia neighbourhood explained "These guys (criminal gangs) broke me, they not only asked for money, but also for liquor and food, always threatening to kill me" (Centro Nacional de Memoria Histórica 2015, 366). The shopkeeper subsequently closed his business and became a bus driver.

Shopkeepers in Buenaventura appear to be caught up in conflict between criminal groups to a greater degree than in Medellín. A series of articles by El País between 2012-2014 portray a severe level of *victimisation* in Buenaventura. The Urabeños criminal group arrived in Buenaventura in 2012 and declared war on the incumbent group called La Empresa. "…Shopkeepers claim to be almost hostages of armed men who break into their businesses every day, at any time, and demand that they pay money they don't even have." The Urabeños dropped pamphlets which explained that any shopkeeper that paid for protection from La Empresa would be killed. Two shopkeepers were killed in subsequent months after the Urabeños arrived in October 2012, and the situation forced many shopkeepers to leave (El País 2012a). By May 2013, six shopkeepers were reportedly killed for refusing to pay for protection, and many others had left. "One day they came for two pounds of rice, the next day they asked for a beer, and on the weekend I had to give them money, because they threatened to kill us and our family if we didn't, that's why I left" said one of the shopkeepers in Bolivar neighbourhood (El País 2013). Violence against shopkeepers continued in 2014. El País reported that 14 shopkeepers were killed between January to August 2014, while 60 retailers left due to fear of violence. A banana seller and two butchers were killed in a three-day

period in August. Traders resisted paying for protection because it is unreasonably expensive. In one case, a local butcher "… began by paying a fee of one million pesos, then they raised it to two million, until in the last few days they asked him for three million, a figure that Llinny (the butcher) resisted. They threatened to kill him, and they followed through." In Comuna 12, approximately 50 further shopkeepers closed their businesses permanently in the following months (El País 2014). The result of this *victimisation* is that local communities have shifted from legal to illegal activities to earn income. Illegal businesses have become a major employer of local communities living in poverty and under the control of armed actors. In effect, criminal violence in Buenaventura has pulled the community's economic incentives towards activities in illicit trade, such as drug trafficking, illicit cultivation and illegal mining (Centro Nacional de Memoria Histórica 2015).

In sum, the Buenaventura traders face a situation of predation, in which expensive and unpredictable costs are imposed on them, with highly punitive reprisals that follow if they fail to comply. In contrast with the shopkeepers of Medellín, they are experiencing *victimisation* rather than *survival* due to the absence of genuine protection.

6.7 Conclusion

This chapter traced the experience of shopkeepers in areas of contested authority, showing that their experience fits within the wider business power-protection framework. Shopkeepers have low business power compared to the previous industries that I explored, and are in that sense most similar to the coffee growers. This constrained the effectiveness of their responses and therefore their ability to secure higher quality protection. The sugar companies, banana companies and capital-intensive industries exhibited a higher ability to influence coercive

actors. Whereas the other industries have dedicated business associations, shopkeepers have only indirect access to umbrella organisations which represent multiple industries.

Shopkeepers responded by accommodating criminal groups' demands for protection payments. They used different forms of voice to armed actors, including through negotiating their payments, complaining to the government, or holding small rallies. But they were not able to substantially influence armed groups, and therefore they were forced to accept the protection terms that were offered. The deterrent effect that larger businesses enjoy is absent for shopkeepers. In fact, as combos know that state authority is unlikely to offer protection to shopkeepers, they have more freedom to impose terms as they see fit.

The primary outcome I observed for shopkeepers in Medellín was *survival*. This occurred once the dominant criminal group had created a consolidated organisational hierarchy, which resulted in them being able to run an efficient protection racket. Survival entailed costs which severely limited shopkeepers' autonomy. Shopkeepers had to make protection payments, and they were forced to buy and sell goods that were authorised by criminal groups. Paradoxically, this occurred even in central Medellín, where one would expect state authority to be dominant. While criminal groups did not appear to view protection as their dominant source of income, they were motivated to control territory to camouflage their lucrative illegal enterprises. In some places, shopkeepers appear to have been abandoned by the state as part of the tacit arrangement between organised crime and the state to achieve a harmonious coexistence. As Lessing (2020) observed, criminal governance and state authority often present a duopolistic form of governance, where authority is shared according to goals and interests of the respective coercive actors.

In Medellín, I also observed *victimisation* outcomes when authority was being heavily contested, and shopkeepers were targeted as collaborators. This occurred when they were caught up in the severe conflict between 1996-2003, as well as when individual criminal groups changed their attitude towards predation, and thus failed to offer credible protection. In Buenaventura, *victimisation* was the dominant outcome for shopkeepers, as protection was neither genuine nor affordable.

By investigating coercive actor-small business interactions, this chapter adds further nuance to previous studies which found that geographic proximity to violence was the key indicator which affected firm security (Collier and Duponchel 2013). In addition to the severity of the conflict, the attitude of coercive actors heavily affects the outcome for small businesses. Small businesses can survive when coercive actors offer genuine protection, and indeed in these circumstances small businesses may even welcome the certainty that these guarantees bring, especially if it is affordable. In contrast, when protection is unreliable, they are victimised. As has been shown in this chapter, coercive actor attitudes evolve over time – situations of extreme insecurity can eventually change into the provision of tolerable protection. However, even these situations where protection is occurring, interventions by coercive actors reduce the profitability and viability of small firms. In short, when analysing small businesses in areas of contested authority, exposure to direct violence is only the most obvious social and economic effect. There are also ongoing, often hidden costs that small businesses bear due to the quiet coercive power of criminal or insurgent groups that police them, even in areas of relative peace.

The research presented here alludes to another potential insight. Whereas the academic literature conceives of informality as a problem that afflicts small businesses in areas of

contested authority, it may also be a calculated strategy. Small businesses are trying to escape from all forms of coercive authority, whether state and criminal authority, to protect their income from racketeering, as both state and criminal authority induce costs without providing acceptable services. This means that in areas of contested authority, orthodox support measures for small business, such as access to finance or programs that encourage formalisation, potentially fail to recognise the underlying strategic threats that small businesses face from coercive actors, which may deter them from attempting to grow their business or become more formalised, regardless of whether these services are available.

I acknowledge the limitations of the sources that I use. The newspaper sources I quoted likely have some biases. Powerful business associations such as FENALCO have privileged access to media, while it is possible that local collective groups and associations are a more meaningful channel for shopkeepers to organise than my analysis concluded, as their activities may be less easily observable from the sources I accessed. Further ethnographic research similar to Moncada's (2020) excellent study of retailers in central Medellín would reveal the precise role of local business groups and associations in confronting coercive actors.

Media reporting may also focus on unique stories which are not representative. For example, if newspapers reported that combos threaten and displace shopkeepers in a certain area, this may not necessarily be a generalisable experience. On the other hand, public statements of support for criminal groups by shopkeepers may be strategically calculated to win their favour, not to report their true perception of the situation. This is further complicated because, as Varese (2014) notes, it is difficult to discern the difference between voluntary support and forced acceptance, which may in any case be subjective. One interviewee neatly

summarised this paradox while speaking to the Mayor's Office: "on Saturdays they (the combos) charge a surveillance fee which is voluntary, *but people are afraid not to pay it anyway*"[161] (Alcaldía de Medellín 2018, 34). This is reflected in the mixed evidence that shopkeepers offer as to whether they are the victims or beneficiaries of combo rule. Further ethnographic research, under strict ethical standards, would help us to understand the extent of *victimisation*, whether payments are voluntary, and whether the service rendered is genuine.

Survey research which captures business closure and compares it against protection payments would also likely provide more granular insight into when and how systematically excessive protection costs convert into *victimisation*. This research would need to be different in design to previous studies of small business in conflict, which focus only on homicides or violent deaths, as other forms of violence such as forced displacement also affect shopkeepers immensely. Simply an absence of violence does not mean there is good protection, as coercive actors can impose authority through intimidation and exemplary punishment for transgression without having to commit high levels of violence. Given they employ the majority of workers and are an essential feature of economic life in Colombia and across the world, there is a pressing need to continue research into the experience of small businesses in areas of contested authority.

[161] Italics inserted by author.

Chapter 7. Gold Mining in Antioquia

In this chapter I explore gold mining in Antioquia. As we shall see, compared to the other industries, the relationship between mining and conflict has received extensive attention from conflict and development scholars. My contribution complements this literature by adding the dimension of business power. The resource conflict literature finds that resources lead to heightened competition between the government and armed groups, and I add nuance to this by showing that armed group-business interactions differ depending on the business power of the companies involved, and this yields distinct outcomes. To be precise, I find that powerful mining companies can deploy their resources to bring the state's coercive apparatus into the area to secure protection, while less powerful informal groups often succumb to armed groups' direct control. This chapter is also a test to see if see if the business power-protection framework applies in the resources industry, which is important because the resources industry is often located in situations of contested authority. The framework is strengthened if it has general applicability here, and weakened if it does not.

The preceding chapters in this thesis analysed businesses in each industry as relatively homogenous groups. The limitation of this approach is that there is likely variation in responses within industries according to business power. This variation is not captured because I code an entire industry with 'high' or 'low' business power. There are likely important differences within firms, but these cannot be explored at that level of abstraction.[162]

[162] However, as noted elsewhere, focusing on the business sector does yield the benefit of being able to analyse cohesion and the potential for collective action against common threats.

In contrast, this chapter contributes a within-industry comparison. It explores how different businesses experience different outcomes, even when they are in the same industry, which assists me in drawing out the important differences in responses and outcomes according to variation in business power.

I compare the business power of formal mining against informal mining through a matched comparison. There is a wide gap in business power between the two forms of mining, but they occur in precisely the same areas. Both have long histories in Antioquia. Unlike other mineral sectors, there is a strong presence of small and medium businesses, meaning it is possible to compare large, formal companies against smaller enterprises in the same industry.

I observe the expected result, which is that formal mining businesses, with higher business power, experienced *entanglement* with coercive actors, in this case the state, and secured state protection for its activities in dangerous areas. In contrast, informal mining, also known as 'small-scale', 'artisanal' or 'traditional' mining, experienced *victimisation* by criminal and state authority. Consistent with research on natural resources and conflict, armed groups adopt a highly extractive attitude towards informal mining, forcing payments from informal miners and expropriating their mines in some cases. The state also fails to provide adequate protection for informal miners. Between 1996-2016, ambiguous laws on informal mining, failed formalisation processes and pressure from formal companies led the state to shut down and arrest many informal miners.

Formal mining responded to coercive actor competition primarily by securing protection through direct agreements with the Colombian armed forces. Informal miners pursued accommodation through paying protection to armed groups. They also articulated their

interests through local and national associations, negotiated for formalisation, and conducted protests. Both informal and formal mining companies avoided exit unless it was forced upon them.

Business type	**Business power**	**Protection quality**	**Response**	**Outcome**
Formal mining	High	Low	Voice, accommodation	Entanglement
Informal mining	Low	Low	Accommodation, voice	Victimisation

Table 17. Comparing gold mining industry characteristics according to the business power-protection framework

This chapter begins with a brief review of the literature concerning conflict and resources. I then describe the context of the mining industry in Colombia, explaining its development and role in the national economy and in Antioquia specifically. The chapter then moves to focus on formal mining businesses, examining their business power, experience of contested authority, responses and outcomes. The second half focuses on the same variables for informal businesses, and I finish with a comparison of the two.

Mining, contested authority and resource conflict research

Of all the potential connections between economic activity and conflict, the relationship between natural resource extraction and conflict has received the most attention. At the macro-level, Collier and Hoeffler (2005) argue that low-income countries with abundant natural resources are more prone to conflict, as there is greater incentive for armed groups to seize and profit from natural resources owing to the lack of opportunity to earn other forms of income. But while these studies show correlations, there is an overwhelming number of plausible mechanisms as to how natural resources influence conflict (Humphreys 2005). Indeed, in Ross's (2004) sample of thirteen cases of conflict in countries with natural

resources, he identifies nine causal mechanisms, such as: natural resources increase the likelihood that rebels can loot resources to begin a rebellion, resource extraction creates grievances among locals which leads to civil war, or that the state depends on resource revenues, which in turn leads to state weakness and increases the possibility of civil war. Ross (2004) noted that most case studies were influenced by at least several mechanisms simultaneously, leaving no dominant pathway to explain the relationship. The literature has also not escaped the possibility of endogeneity. That is, it may be that conflict provokes a reliance on natural resources, rather than natural resource abundance creating the conditions for conflict (Ross 2004).

Scholars have also explored this relationship by examining how the presence of resources affects armed group behaviour. Weinstein argues that rebel groups which emerge in environments with natural resources commit higher levels of indiscriminate violence compared to those in resource-poor contexts. The presence of natural resources, in Weinstein's view, creates an opportunistic organisational strategy where armed groups appeal to members' short term material interests, use coercion on civilians, and employ violence indiscriminately to punish indiscipline (Weinstein 2007).

Le Billon presents a contrasting, sociological view of the resource-conflict relationship. He argues that countries that have high levels of per capita resource revenue are not necessarily vulnerable to armed conflict. Instead, the social relations of resource production – especially the presence of historical inequalities – heavily affect the propensity for conflict. Furthermore, the characteristics of the resources, such as whether they are easily available for extraction, also known as their 'lootability', affects their suitability to be used for financial gain by insurgents, and therefore influences their impact on conflicts (Le Billon 2014).

Finally, others have identified the quality of institutions as a key variable which influences the propensity for the resource curse to take hold. High quality institutions help to manage the benefits of natural resources and reduce the likelihood of conflict (Elbadawi and Soto 2015; Ross 2015).

Apart from conflict involving armed groups, mining also provokes social conflicts between local populations, state authorities and mining companies. Rather than armed group violence, these conflicts more closely approximate contentious politics, involving protests, attempts to stop construction, expansion or operation of mining sites, work strikes, and other forms of resistance (Tilly and Tarrow 2015). For example, in Ghana there is ongoing conflict over mineral-rich land between the mechanised foreign mining companies and the local informal mining groups that focus on alluvial deposits (Patel et al. 2016). Haslam and Tanimoune's (2016) study of mining in five countries in Latin America across 640 sites found that firm-community mining conflicts are associated with scarcity of economic opportunities – the less opportunities, the higher propensity for conflict. The distribution of rents from resource extraction is another key factor. Arellano-Yanguas's study of Peruvian mining policy finds that the Peruvian government's decision to channel mining revenues to subnational governments in mining areas exacerbates conflict between the government and the local population over spending priorities (Arellano-Yanguas 2011). These social conflicts are also common across Colombia, including in the gold sector (Le Billon, Roa-García, and López-Granada 2020; Dietz 2019).

The unique element that I offer to this research is my focus on businesses as actors in contested areas. I show that in Colombia, rather than a direct military contest for resources, competing strands of authority exist alongside one another and regulate the behaviour of

companies. Criminal and armed groups regulate informal mining, while the state focuses on protecting large mining companies.

7.1 Mining in Antioquia

This section provides a general overview of mining in Colombia, and then describes its characteristics in Antioquia. Colombia is one of the world's top twenty gold producers, and gold mining is one of the oldest business activities in Colombia. Mining production increased in the twentieth century as equipment improved, and Colombia sustained a high level of mineral exports during this period (Giraldo Ramírez and Muñoz Mora 2012).

During this period, industrial-scale mining was undertaken by state-owned companies, as well as private companies backed by foreign capital. State-owned mining companies, particularly the Colombian Mining Company (Empresa Colombiana de Minas, Ecominas), formed part of a state-driven development strategy (Ministerio de Minas y Energía 2016).

Between 1990-2005, the Colombian government adopted a range of measures to liberalise and simplify mining. Law 9 of 1991 and Law 31 of 1992 ended the Banco de la República's[163] control over gold holdings in Colombia, meaning gold could be exported directly by mining companies or through international trading agencies. Prior to 2001, licences were required for all phases of mining, but a new code developed in that year loosened these restrictions, meaning that environmental authorisation was only required for operating activities. Law 685 of 2001, known as the Mining Code, established that the

[163] The Banco de la República is Colombia's central bank, equivalent to the Bank of England in the United Kingdom.

concession contract would be the only mining title required to regulate exploration, exploitation, transportation and profit from mining operations. In addition, the exploration phase was allowed to begin before approval was granted (Vicente et al. 2011). The framework was therefore simplified, encouraging more entrants to the industry.

The adoption of the new Mining Law in 2001, together with a dramatic increase in international gold prices, motivated the expansion of formal and informal gold mining in Colombia. Titles were granted at an increased rate. An average of 160.1 titles were granted each year between 1990-1999, while the annual average between 2000-2009 was 632.9. Mining titles granted for gold followed this trend. The average number of titles granted for gold from 1990-1999 was 19.3, while from 2000-2009 it was 136.18 (Rettberg, Felipe, and Cardenas 2017). Despite these increases, foreign investment in gold mining in Colombia was far lower than other gold-producing countries, even as prices rose (El Tiempo 2008a).

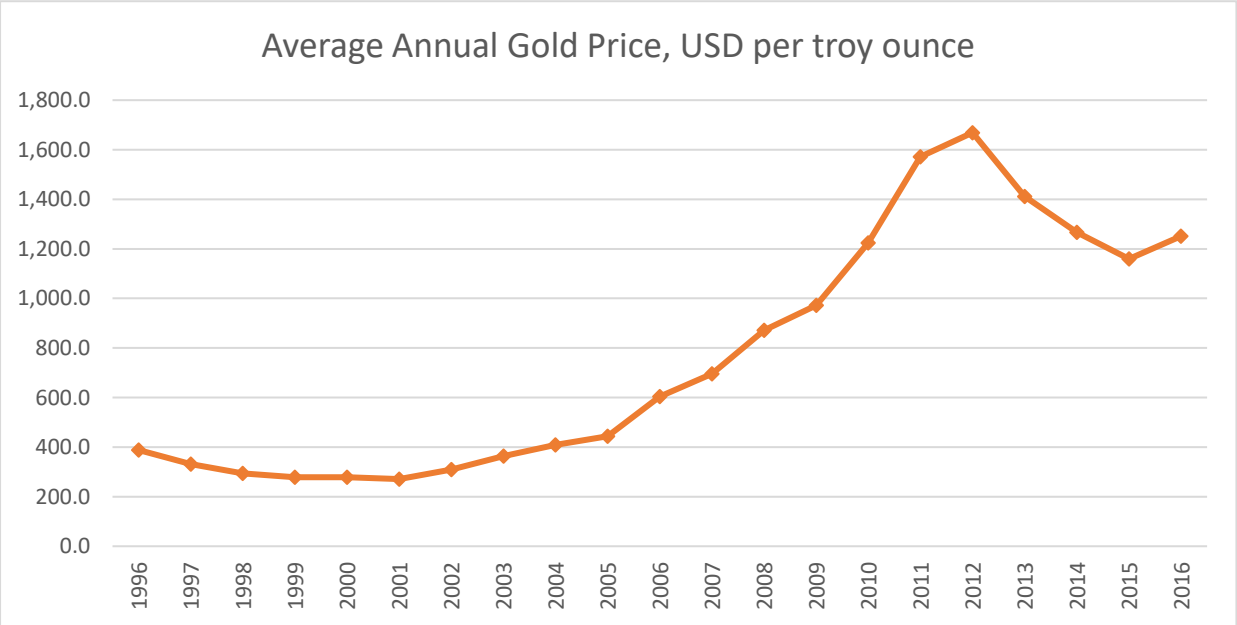


Figure 11. A graph of the average annual gold price in USD per troy ounce, 1996-2016. Source: World Gold Council 2021.

Mining consists of three stages: extraction, processing and commercialisation. Commercialisation can occur at the regional or local level. Formal companies conduct negotiations directly in Medellín with the gold foundries or the Banco de la Republica. Informal miners sell through intermediaries that are based in local towns or Medellín (Giraldo Ramírez and Muñoz Mora 2012). Gold buyers operate under license, and they buy gold from small miners in small quantities. This gold is then sold to a smelter, who is responsible for its export.[164]

In Colombia, mining is subject to a royalties mechanism, which is paid from formal mining to municipalities where the extraction is taking place. In accordance with the Decree 600 of 1996, Articles 5 and 6, municipal mayors' offices must keep a registry of miners, traders or buyers of metal to guarantee the collection of royalties (Giraldo Ramírez and Muñoz Mora 2012). However, given the difficulty in certifying the origin of gold, it is almost impossible to determine the quantities and prices traded, and relatively easy to misreport in order to avoid paying royalties (Giraldo Ramírez and Muñoz Mora 2012). One executive estimated that Colombia exports 60 tonnes of gold per year, of which only 10 tonnes are from formal mining.[165] Local mayors have limited administrative means to enforce mining legislation, and often collude with armed groups to avoid royalties and launder money (Giraldo Ramírez and Muñoz Mora 2012). In Antioquia, which produced 47.3 percent of national gold production between 1996-2016, the majority of gold producing municipalities are the worst-ranked in terms of government fiscal performance (Giraldo Ramírez and Muñoz Mora 2012; Unidad de Planeación Minero Energética 2010, 2015, 2016, 2018). Using the census figures from 2005,

[164] Interview with a former mining executive, June 2019
[165] Interview with a former mining executive, June 2019

Giraldo Ramírez and Muñoz Mora (2012) found there was a slightly higher rate of Unsatisfied Basic Needs (39.36%) in gold-producing municipalities compared to municipalities which do not produce gold (36.39%). This underlines that while the state liberalised the mining industry, it has great difficulty enforcing and applying its own policy framework (Rettberg, Felipe, and Cardenas 2017).

Antioquia itself has a long historical tradition of gold extraction. The first Spaniards that arrived were searching for the famous Buriticá mine that was operated by indigenous people. Jorge Robledo founded Santa Fe de Antioquia in 1541 around this time. Early 'conquista' mining was based on the exploitation of slaves, and declined in the mid-17th century, but was replaced by independent miners. Mining declined during the wars of independence, but then re-emerged after 1850 due to greater foreign and domestic capital investment, around the same time that gold discoveries were made in Canada and Australia (Botero Restrepo 2003).

The production of gold in Antioquia was a driver for industrialisation and regional development (Giraldo Ramírez and Muñoz Mora 2012, 53). Antioquia has historically provided the majority of Colombian gold production, contributing on average 73.7 percent of national production between 1971-1990 (Giraldo Ramírez and Muñoz Mora 2012).

Medellín possesses Colombia's most important smelters and international traders. As of 2016, mining concessions cover 18 percent of the department's territory, but production is concentrated primarily in the northeast in Bajo Cauca, and in the southwest. South West Antioquia was traditionally a coffee and cattle region, but has seen an increase in mining interest after Continental Gold began exploration in 2007, followed by AngloGold Ashanti

(Massé and Munevar 2016).[166] Areas with gold production often lack other forms of economic activity, and the socio-economic conditions are notably poor in Bajo Cauca. In 2015, the percentage of people in Bajo Cauca with Unsatisfied Basic Needs was 45.74 percent in rural areas, and 82.69 percent in urban areas (Defensoría del pueblo 2015).

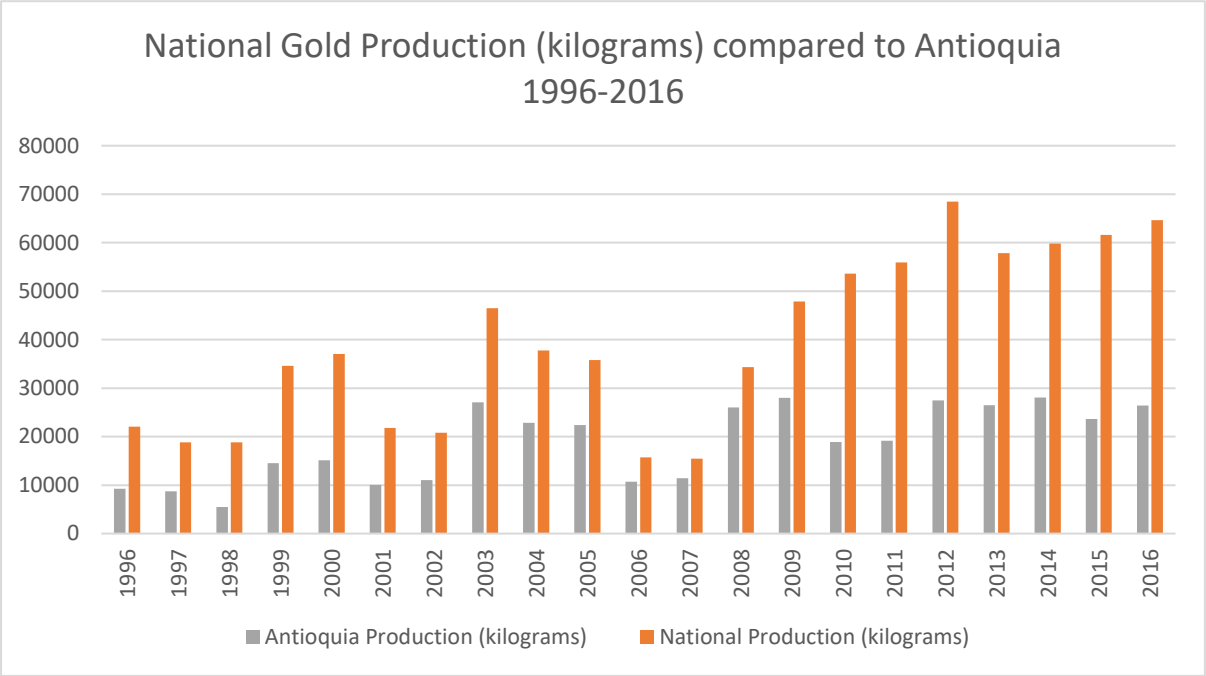


Figure 12. Comparing national gold production (kilograms) with Antioquia 1996-2016. Source: Boletin Estadístico de Minas y Energía, Unidad de Planeación Minero Energética 2010, 2015, 2016, 2018.

7.2 Formal mining

The formal mining industry, including all forms of mining, is mostly composed of large companies. In 2016, there were 49 large, 11 medium and 5 small or micro companies, and the industry contributed approximately 8 percent of Colombia's GDP (Superintendencia de Sociedades 2017b). Mining companies have existed in Antioquia for centuries. Mineros S.A.

[166] Interview with a professor, June 2019

(then known as Mineros de Antioquia) was established in 1874 and became the first joint stock company in Antioquia. The company benefited from advances in railways, mechanisation and the professionalization of distribution and sales channels, which made it possible for gold to be extracted at an industrial scale (Botero Restrepo 2003).

In terms of formal gold mining companies, from 1996-2016, Mineros S.A. and Gran Colombia Gold were the only large, formal companies involved in gold extraction in Antioquia. Mineros S.A. remained the largest gold producer in Antioquia, owning 40,000 hectares in mining titles as of 2016. It has flagship operations in El Bagre, which produce 14 percent of Antioquia's gold. Legally produced gold equates to just 6 percent of overall national production – informal miners produce the vast majority of gold in Colombia (Massé and Munevar 2016). Gran Colombia Gold began operating in Segovia and Remedios in 2010, producing less than three tonnes annually (El Tiempo 2011b). Rather than totally owning their operations, Gran Colombia outsources a significant portion of excavation to small and mid-scale sub-contractors.[167] Three further projects began their exploration phase in 2016, involving Red Eagle Mining, Antioquia Gold and Continental Gold respectively (Massé and Munevar 2016).

Formal mining business power

The formal mining companies have high business power. This is primarily due to their resources, as they have access to substantial capital and assets. In 2016, Mineros S.A.

[167] The smaller-scale companies could be formal or informal companies, and in many cases the precise classification is difficult to determine. They may have some formal mining titles but are not necessarily fully compliant with legislation.

reported total assets of 879,006,683,000 pesos ($287.81 million USD in 2016) (Grupo Mineros S.A. 2016). Gran Colombia Gold, which operates in Segovia, reported CAD $184.1 million ($144.98 million USD) in revenue for 2016, with CAD $84 million ($66.15 million USD) in outstanding debt (Gran Colombia Gold 2017a). Mineros S.A. and Zandor Capital S.A., the Colombian subsidiary of Gran Colombia Gold, were ranked as the second and third largest Colombian metal mining companies respectively in 2014 by operating income (Superintendencia de Sociedades 2015). Gran Colombia Gold is clearly able to mobilise significant capital. For example, it acquired the medium-sized mining company Frontino Gold Mines for US $200 million dollars in 2010 (El Tiempo 2010a).

The formal mining companies also have strong connections to government, and the government has consistently supported the gold mining industry by helping it to attract foreign investment. Beatriz Duque, Director of the Ministry of Mines and Energy, led a campaign to promote mining to international investors in partnership with Proexport, the Colombian state body which promotes foreign investment. These efforts produced significant success, as Greystar, Anglo Gold Ashanti and Cambridge Mineral Resources increased their investments in Colombia in 2006 (El Tiempo 2006). In addition, an executive noted that the government of Antioquia has shown special support for the mining company Continental Gold to help the company with formalising mining in their area of operation.[168]

Mining business associations are effective advocates of mining interests, seeking to legitimise mining and improve its image. The high profile joint public events between mining associations and the government suggest that mining associations have strong access to, and

[168] Interview with a former mining executive, June 2019

support from, the national government. For example, in 2012, the Association of Large-scale mining (Asociación del Sector de Minería a Gran Escala, SMGE) signed a commitment to self-regulation, which was witnessed by the President Juan Manuel Santos and the Minister of Mines Mauricio Cardenas. The agreement was signed by 13 mining companies in Colombia, including AngloGold Ashanti, Gran Colombia Gold and Mineros S.A. (Eje21 2012).

Similarly, the Colombian Chamber of Mines (Cámara Colombiana de la Minería, CCM) wielded significant authority on behalf of large-scale mining. The CCM organised conferences, such as the International Mining, Oil and Energy Congress to support foreign investment in Colombian mining (Agence France Presse 2010). Indeed, these efforts appeared to be successful, as 424,799 hectares of mining land were acquired by foreign investors in the first half of 2010 (Noticias Financieras 2010). In 2014, the three main business associations, the CCM, the SMGE and the Association of Miners (Asomineros) united to form the Colombian Association of Mining (Asociación Colombiana de Minería, ACM) (El Tiempo 2014b). The ACM has strong connections to ANDI, and the executives of mining companies sit on the board of the ACM.

Of course, mining companies have not been entirely satisfied with the government's policy towards the industry. Business associations have complained about the lack of regulation and institutional support, noting that Colombia has consistently ranked below other countries in terms of mining competitiveness (La Información 2012). Overall, however, the formal gold mining companies are well integrated into broader business associations, which give them access to government. The government is highly supportive of the mining industry, as can be

seen from the passage of several mining law reforms, efforts to promote the industry internationally, and support for the mining association's policy preferences.

Overall, I estimate the mining industry has high structural power. In 2016, the mining industry represented 11.16 percent of Colombia's GDP. The majority of mining activity is in coal, while the extraction of metallic metals, including gold, constituted approximately 2 percent of GDP (Superintendencia de Sociedades 2017b). In Antioquia, mining is only a small portion of the department's gross product. Although it increased in real terms from 1,359,000 million pesos ($58.56 million USD) in 2005 to 2,827,000 million ($92.56 million USD) in 2016, it reduced as a proportion of Antioquia's total gross product during this period from 2.66 percent 2005 to 2.24 percent (Departamento Administrativo Nacional de Estadística 2019). The mining industry's structural power is strengthened by its relative success in attracting foreign capital. Between 2000 and 2010, 25.7 percent of the total foreign direct investment received by Colombia was focused on mining (Rettberg, Felipe, and Cardenas 2017). However, formal mining is not a large source of employment. The mining census recorded that there were 50,916 people employed with a formal mining title associated to their work. In contrast, the Colombian government estimated that between 200,000-250,000 people were involved in informal mining (Ministerio De Ambiente y Desarrollo Sostenible 2012, 63).

Formal mining protection quality

I now describe the conditions that mining companies faced in rural Antioquia. The main challenge for formal mining is that it is a target for armed groups, primarily because its

activities are carried out in rural areas with a reduced state presence.[169] Mining has historically focused on Bajo Cauca, a northern region of Antioquia with a history of insecurity. The ELN guerrilla group was present in the region as early as 1969, and the FARC arrived in 1983. Protection quality was extremely poor. Coercive actors did not offer protection to formal mining, instead they treated the companies as military targets. In 1983, the FARC assaulted Mineros S.A.'s installations in El Bagre, and in 1985 they planted explosives against a dredger. In 1986, the EPL attacked Mineros as well. These efforts were aimed at economic sabotage and extracting protection rents (Giraldo Ramírez 2017). In 1988 the ELN attacked a power line, leading Mineros S.A. to close operations for a short period and temporarily lay off 550 workers (Reuters 1988). Indeed, again in January 2000, management at the mining company Mineros S.A. decided to cease their operations in Zaragoza and El Bagre, which included 450 workers, after it was notified that army troops were to be withdrawn from Operational Command 9 in El Bagre, leaving a reduced presence to guard the facilities (El Tiempo 2000c). In 2001, the ELN kidnapped twelve workers from the Frontino Gold Mine company, and threatened to dynamite the company's operations (Business News Americas 2001a).

Paramilitaries first appeared in Bajo Cauca in 1992. In 1998, they formed a group known as the Mining Bloc (Bloque Mineros) led by Ramiro 'Cuco' Vanoy. The Mining Bloc was supported by the AUC paramilitary umbrella organisation (Giraldo Ramírez 2017). In the municipality of Segovia within the Bajo Cauca region, a separate group called Central Bolivar Bloc (Bloque Central Bolivar) was established. The leader of the group Macaco was

[169] Interview with a former mining executive, June 2019

estimated to own 50 mines himself (Morales 2010). Paramilitaries seized these mines from the ELN, and Macaco was then able to obtain mining titles to legalise his ownership (El Tiempo 2017). By the year 2000, Mining Bloc was the dominant armed group in the region.

Paramilitary groups involved themselves fully in the economic life in the region. They charged protection payments to gold miners, and through their relationships with local government, they redirected mining royalties from government to the Mining Bloc. They also facilitated informal mining and drug trafficking.[170] "While the Mining Bloc ruled the gold, its power in the region came mainly from coca and, of course, weapons" (Giraldo Ramírez 2017, 142). Mining Bloc demobilised in 2006, but this led to greater competition among coercive actors. The FARC returned to the region, and new criminal groups emerged. At the same time, the government commenced offensive operations aimed at eradicating coca in the region, displacing many farmers from working in the coca fields, which encouraged them to join informal gold mining. Along with the increase in international gold prices and the fragmentation of coercive power, this increased insecurity. By 2011, the FARC guerrilla group, and the Paisas, Rastrojos and Urabeños criminal groups were all active in Bajo Cauca (Giraldo Ramírez 2017, 142). Consistent with the resource rents literature, coercive actors located themselves near gold mining sites. Giraldo and Muñoz (2012) found a positive correlation between the location of mining titles and the location of illegal armed groups, including the FARC and criminal groups.

[170] Interview with a business association official, May 2019

Time period	Contested authority in Bajo Cauca
1969-1992	Guerrillas contest authority against the state.
1992-1998	Paramilitary groups begin to establish territorial control.
1998-2006	Paramilitary groups dominate Bajo Cauca.
2006-2016	Paramilitary groups demobilise, violence increases as criminal groups and guerrillas compete for territorial control.

Table 18. An approximate periodisation of contested authority in Bajo Cauca, Antioquia.

Beyond the presence of armed groups, formal mining companies faced expectations from local communities, who demanded that the mining companies provide services in the place of the state.[171] A former mining executive explained that the social licence to operate of mining companies was contested, and local communities often did not support the presence of the large mining companies. The extractive nature of the companies undermined their legitimacy and created social tension between the mining company and the local community, who perceived that the companies were taking the region's wealth without reinvesting in the community. The executive's mining company attempted to respond by providing resources to local government where possible.[172] In contrast to the efforts of the construction companies that I interviewed, mining companies failed to build a strong social licence, and therefore did not build incentives to deter armed groups from threatening them.

Formal mining operations were also disrupted by informal mining. An executive explained that 'illegal' mining is a challenge because the miners invade the company's areas of operation, generating environmental damage. Criminal groups did not necessarily attack the company directly, but they were involved in these invasions, which disrupted company

[171] Interview with a former mining executive, June 2019
[172] Ibid.

operations.[173] The executive also noted that the local government is co-opted by criminal groups.[174] Coercive actors support mayoral campaigns, and in exchange local officials pass on royalty payments to them.[175] Mining companies therefore face a range of unique challenges. They are sometimes direct targets, but they also face the encroachment of informal mining and coercive actors on their operations.

Formal mining responses

Formal mining companies responded to these challenges through exercising their voice, primarily through securing protection from the Colombian police and military. With large capital outlays, fixed assets and high security risks, there was a strong incentive to secure reliable, high-quality protection. Furthermore, given their significant financial resources, mining companies had the means to invest heavily in their security. To this end, mining companies organised formal agreements – known as 'convenios' – directly with the army, which set out the terms under which they receive protection. In 2015, the congressman Iván Cepeda Castro identified 20 Special Energy and Highway Battalions (Batallones Especiales Energéticos y Viales, BAEEV) dedicated to protecting highways, mining and energy projects, including six battalions dedicated to the mining and energy sector. Castro found at least 1,229 agreements nationally, and claimed that 68,255 soldiers, representing between 15-20 percent of the armed forces, were dedicated to protecting mining, energy, hydrocarbons and transport links (Castro 2015). Concerning gold mining, BAAEV 5 is stationed in Zaragoza, dedicated

[173] Ibid.
[174] The executive explained these dynamics in general terms. One can observe some supporting evidence for these claims by looking at the situation in Buriticá, Antioquia in 2016, where an anonymous source informed El Espectador (Güesguán Serpa 2016) that the authorities had been co-opted by criminal groups.
[175] Interview with a former mining executive, June 2019

to protecting Mineros S.A., while BAAEV 8 is in Segovia, protecting Frontino Gold Mines. In Antioquia, Continental Gold signed agreements with the army in 2012 and 2015. Mineros S.A. has agreements, as do Touchstone Colombia, Quintana SAS, Gran Colombia Gold and Anglo Ashanti Gold. According to an interviewee, these agreements with the Ministry of Defence assure the safety of operations in return for financial contributions.[176] They are explicit in the amount that the mining company will pay, and some even provide line-item costings for how the funds will be spent. For the example, Continental Gold signed an agreement with the Colombian military in 2012 to protect its activities in Buriticá to the west of Medellín. The agreement states:

> *"Fourth Brigade will pay special attention, at its discretion, to the works destined to maintain the conditions of protection and security of the activities and of the infrastructure and fixed and mobile industrial installations of the company, in the sectors indicated in Annex No. 1 of this Agreement; areas in which THE COMPANY develops activities of exploration and exploitation of minerals"* (Ministerio de Defensa 2012, 3).

The agreement specified that Continental Gold will pay 540,000,000 pesos ($141,028 USD in 2012) in exchange for this protection (Ministerio de Defensa 2012). Several interviewees also made reference to these agreements. Formal mining is also supported by the army in its execution of risky operations, such as the transport of dynamite, through Order of Service Provision contracts.[177] An interviewee described this practice as part of the company's risk

[176] Interview with the director of a development agency, June 2019
[177] Interview with a professor, June 2019

management protocols. Rather than only a financial payment, the company also provides in-kind material to the army to service their transport and maintenance needs and receives protection in return.[178][179] Mining companies facilitate these cooperative practices by hiring former officers who can act as intermediaries between the armed forces and the company to coordinate their activities.[180]

Such close coordination was necessary because, as an executive described, their mining company was constantly targeted by guerrillas. These attacks sought to make the company pay for protection, which, according to the executive, the company never agreed to. Instead, the company collaborated directly with the army. The army established a command unit inside the company's facilities, and in exchange the company provided equipment for the army's operations. For example, the army would monitor dredging activities, which often occurs in remote places that are highly insecure. This close collaboration can be confirmed through newspaper reporting, which reveals that several soldiers were killed when a Mineros S.A. dredger sank in El Bagre in 1999 – there had been eight soldiers supervising the mining activity (El Tiempo 1999). The executive noted that the company had only been able to operate thanks to the presence of the army. Without army support, the company would have disappeared.[181]

Formal mining companies also succeeded in using their voice to get the state to take action against criminal groups. In 2015, Clan Úsuga distributed threatening pamphlets against the

[178] Interview with an operational risk consultant, June 2019
[179] Interview with a professor, June 2019
[180] Ibid.
[181] Interview with a former mining executive, June 2019

directors of Gran Colombia God, Zandor Capital and Damasa Group, which resulted in the resignation of 250 employees (El Tiempo 2015). Following complaints to the police from formal companies, Jhon Hanry Góez, a high-ranking member of Clan Úsuga, was arrested in connection to the distribution of these pamphlets. Investigators explained that the mass resignation led formal mining companies to complain about Góez's activities, which resulted in his eventual arrest (El Tiempo 2015). Similarly, in 2016, Continental Gold and Gran Colombia Gold, in Buriticá and Segovia respectively, were declared to be military targets by Clan Úsuga, who accused the companies of exploiting miners and forcing mine closures. In response, the national government transferred 1,300 police and 300 soldiers to close more than 100 'illegal' mines located in the vicinity of the Continental Gold project (El Tiempo 2016)

Formal companies pursued accommodation with local government officials and armed groups simultaneously. A former executive explained that their mining company attempted to stay neutral in local politics to guarantee their independence. The company assisted in the development of local administrative capacities, without supporting political campaigns.[182] Some interviewees also stated that mining companies agreed informal protection arrangements with criminal groups. These agreements could be fairly described as an accommodation strategy. For example, one interviewee cited an alliance between Luis Adolfo Cortés Pérez, alias "Piedra", a criminal gang leader, and a mining company in western Antioquia. The interviewee explained that there are also alliances in Bajo Cauca between mining companies and the armed groups. These agreements are aimed at minimising the

[182] Interview with a former mining executive, June 2019

potential for conflict, ensuring that criminal groups and mining companies can work simultaneously. However, as my interviewee noted, there is little hard evidence of these connections. The interviewee believed this was because local government had been coopted by armed groups, so there was no chance that they would be reported. The interviewee described it as an arrangement of "hagamos pasito" (treat us softly), a mutual truce which allows both sides to continue their activities.[183] A business association official stated that mining companies jointly participate in 'shared governance' with armed groups. The official believed that neither legal nor illegal actors were concerned with establishing territorial control as an end in itself, but were instead seeking to reduce the risks of their economic activities – legal mining in the case of the companies, drug cultivation and informal mining in the case of armed groups.[184]

In addition to collaborating with coercive actors, formal mining companies sought to expand their operations by seeking the formalisation of informal miners. From a formal company's perspective, the presence of informal miners with links to armed groups threatens company operations and reduces the area available for expansion. In contrast, formalising small mining groups would create additional access to labour through subcontracting and reduce the risk of mining invasions. The CCM was effective at lobbying for the prevention of informal mining and encouraging the state to accelerate the legalisation of mining titles. For example, in 2011, the Ministry of Mining and Energy declared that eliminating 'illegal' mining was a 'high value objective', and the government would guarantee safety in certain mining regions, a position which was publicly supported by CCM (Martinez 2011). Similarly, in 2012, a new

[183] Interview with a professor, June 2019
[184] Interview with a business association official, May 2019

scheme used by the government to grant mining titles won praise from CCM. Executive director César Díaz stated that the scheme will encourage more companies to become involved in mining, and noted that the mining ministry had strengthened its control and administration of mining titles (Ahumada Rojas 2012; Nuñes Vargas 2012). CCM also supported the government during their negotiations with the national informal miners' strike in 2013. Díaz stated that the "mining industry is willing and committed to continue working with the national government, local authorities and communities, within the framework of the formalization policy" (NOTIMEX 2013). Gran Colombia Gold also actively campaigned for formalisation, and subcontracted small-scale miners (El Tiempo 2011c). By 2012, Gran Colombia Gold signed contracts with 42 small-scale miners, which they claimed benefited 3,200 informal miners (El Tiempo 2012b). Finally, it should be noted that beyond occasional stoppages in production, formal mining companies did not exit from Antioquia.

Formal mining outcomes

As they paid and organised their security and managed to continue to operate successfully, I mainly observe the *entanglement* outcome with formal mining companies in Antioquia between 1996-2016. Large-scale companies insulated themselves from criminal and armed groups by securing military protection. On certain occasions, the outcome resembled *coexistence*, for example where criminal groups and the mining company are involved in mutual truces and neither party is intruding on the other's activities.

When they are threatened, mining companies often succeed in securing meaningful state responses. Protection from the military is essential – in 2000, a formal mining company director explained that military protection had been provided to the company for the past ten

years, and work could not continue without it, as mining machinery would be an easy target for guerrillas (El Tiempo 2000c).

Despite these conditions, the mining companies still made substantial revenue. Mineros S.A. achieved reasonable business performance by the beginning of the 2000s. In the year 2000, they produced two tonnes of fine gold, an output worth $16 million US dollars, 41 percent more than revenue in 1999 (Business News Americas 2001b). In 2004, they maintained their output of two tonnes per year, and saw a slight improvement in revenue, which rose to $18.3 million US dollars (El Tiempo 2005c).

In 2002, Mineros S.A. President Beatriz Uribe explained that net production costs were $280 per ounce, "which is a lot better than what we've obtained in previous years, since we previously couldn't obtain gold for less than US$300 per ounce… We hope things remain like this, that the market price doesn't deteriorate and we can at last have a good year after so many years with bad results" (Business News Americas 2002). In 2003, Mineros S.A. indicated it would invest $7 million US dollars to expand mining operations in El Bagre, aiming to increase its production by 30 percent (Elsevier Engineering Information 2003). Uribe stated that the devaluation of the Colombian peso and the rise in gold prices were supporting its operations (Business News Americas 2003). By 2008, gold prices were at $713 US dollars per ounce, and the Mineros S.A. production cost level had expanded to $450 per ounce. Mineros S.A. built a further mine 'La Y' with an investment of 40 billion pesos ($20.33 million USD). The company indicated that an improvement in 'law and order conditions' had been fundamental to its growth (Portafolio 2008; El Tiempo 2008b).

Gran Colombia Gold likewise experienced improvements in performance. In 2011, Gran Colombia produced 2.3 tonnes of gold, and by 2016 it was producing 3.5 tonnes per year in Antioquia, while Mineros S.A. had grown its annual volume to 2.9 tonnes (Gran Colombia Gold 2017b; Grupo Mineros S.A. 2016; El Tiempo 2012a). Mineros S.A. reported that they invested $3,586 million pesos ($931,041 USD) in 2016 for security, and $6,026 million pesos ($1.56 million USD) in insurance premiums. This shows that, on paper at least, security spending is a relatively small proportion of total operating costs, approximately 1.3 percent (Grupo Mineros S.A. 2016).

The promise of strong revenue in gold mining means that investors are prepared to support gold mining companies despite the challenges of insecurity. An executive explained that there are no investment problems if a project is viable in technical and economic terms, regardless of its location, as investors give priority to profitability over the risks of conflict.[185] As the gold market supply is always lower than demand, gold mining companies are profitable and there is sufficient incentive to maintain the company regardless of the risk of interference from armed groups.[186] In fact, this is just one of the additional costs that companies face, as they also fund and support institutions and local development and pay to generate their own energy, both of which also create cost overruns. The high profitability of gold, however, means that the company is able to support all of these costs and continue to operate.[187]

[185] Interview with a former mining executive, June 2019
[186] Ibid.
[187] Ibid.

In sum, despite occasional attacks and threats, formal mining companies experienced *entanglement* with coercive actors to achieve security, in this case by creating agreements with the Colombian military. This meant they were able to successfully operate despite the presence of guerrilla and criminal groups. On an international scale, Colombian gold mining still underperformed relative to its neighbours such as Chile, who were able to expand their operations more aggressively during this period. Insecurity likely deterred the potential for even greater investment into the industry. But for those gold mining businesses that did establish themselves in Antioquia, they received the state's protection, which they fostered through direct provision of financial and material resources to the armed forces, as well as lobbying through powerful business associations. These agreements were essential to maintain company operations.

7.3 Informal mining

I now turn to what I term 'informal mining'. There are many different definitions and terms to describe mining, including 'artisanal', 'small-scale', 'emergent', 'traditional' and 'illegal'. The World Bank defines artisanal mining as 'the exploitation of mineral deposits on a small scale using manual methods and simple equipment' (Ministerio De Ambiente y Desarrollo Sostenible 2012, 8). More than 100 million people in 55 countries depend on the artisanal and small-scale mining as a means of subsistence. Most of these countries are located in Africa, Asia and Latin America. It is estimated that artisanal mining activities constitute between 20 and 30 percent of global annual production of gold, involving an estimated 15 to 20 million miners, including women and children. Informal miners either pursue their activities as independent groups of miners, or they form associations to pool their resources, often with a

view to commercialising extracted gold through shared distribution channels. For those without the capital to engage in large-scale mining, informal mining has some competitive advantages. It does not require large capital reserves, it is comparatively faster to begin extraction, and it generates income quickly (Ministerio De Ambiente y Desarrollo Sostenible 2012).

As with formal mining, the value chain is divided into three stages: primary activities, processing and commercialisation. Both small and large companies conduct extraction and processing. Informal miners use significant quantities of chemicals such as cyanide and mercury while in the processing stage (Giraldo Ramírez and Muñoz Mora 2012). The use of mercury creates a range of health and environmental problems, including contamination of river beds, fish, air pollution, and health problems including respiratory, gastrointestinal, immunological, haematological and reproductive issues (Ministerio De Ambiente y Desarrollo Sostenible 2012, 9).[188] Large mining, by contrast, does not use mercury. Artisanal miners selectively mine primary or seam deposits, recovering only free gold and using in many cases rudimentary tools and machinery. Small-scale miners are more sophisticated and organised, exploiting these deposits by applying superior technology and extraction techniques (Ministerio De Ambiente y Desarrollo Sostenible 2012).

There are several reasons for the existence of informal mining. Firstly, there is a strong historical and cultural component. Traditional mining practices have supported household

[188] Between 2007-2011, the Colombian government's Public Health Surveillance System (Sistema de Vigilancia en Salud Pública, SIVIGILA) recorded 450 cases of poisoning with chemical substances. Antioquia had the highest number of cases in the five years, with 407, more than 90 percent of the total cases (Ministerio De Ambiente y Desarrollo Sostenible 2012).

incomes for generations and are therefore entrenched in local economies in developing countries. Secondly, there are very high start-up costs associated with large-scale mining, which deters its widespread adoption. Third, the high transaction costs of formal markets, which requires companies to control and mitigate the environmental and social damage that mining creates, generates incentives for individuals to remain in informal mining structures (Giraldo Ramírez and Muñoz Mora 2012). Despite the risks, in 1994, the UN viewed small-scale mining as a potentially productive form of development. In decision 1994/308, the UN Economic and Social Council, Committee on Natural Resources stated that small-scale mining can act as a safety net by providing income during difficult times, preventing rural poverty. It urged governments to create an enabling environment for miners and provide social assistance to the industry (Avila 2003).

Informal miners in Colombia are supported by small-scale service providers, such as processing plants, usually located near small mining sites. 320 of these plants are located in the top gold producing municipalities (Massé and Munevar 2016). In Antioquia, the extraction process is carried out with machinery such as backhoes, loaders, and bulldozers. This is relatively expensive equipment, with a market price ranging between 300 and 600 million pesos ($109,000 – $218,000 USD in 2015) each. The equipment can be rented for between 170 and 200 thousand pesos per hour ($62 - $73 USD) (Defensoría del pueblo 2015). Another method of gold extraction is through the use of divers. Divers submerge themselves in the river at a depth of 12 to 40 metres with rudimentary equipment, directing a hose connected to a car engine, which is connected to a mini dredge located on the surface. The hose acts as a vacuum which extracts the sediment on the bottom of the river. This is gruelling work – the divers have almost no visibility, they work long hours, often up to six

hours underwater, and they are at risk of being trapped by landslides as they extract the sediment (Defensoría del pueblo 2015).

Mining has become more popular for informal companies due to the increase in gold prices and the military pressure on coca leaf cultivation and cocaine processing. Those with access to small amounts of capital view mining as a quick way to make money, and they left other legal or informal activities such as commerce or livestock raising. In addition, workers who were involved in the illicit economy, such as coca cultivation, were also attracted to mining. The high returns on gold, the ability to commercialise gold through informal channels, and the territorial overlap between coca and gold in Antioquia, made it an attractive substitute for workers that previously were involved in coca cultivation (Giraldo Ramírez and Muñoz Mora 2012). Traditional and emerging miners have taken advantage of the increasing prices in the industry to mine without mining titles in areas that are difficult to access and were abandoned by large companies for security reasons (Giraldo Ramírez and Muñoz Mora 2012).

Informal mining business power

One might imagine that informal miners, being composed of smaller groups, wield limited power due to being relatively fragmented. In fact, they do have at least some business power for several reasons. First, they have been able to organise collectively. They established associations locally, such as the Association of Bajo Cauca Miners (Asomineros de Bajo Cauca). This association articulates the interests of informal miners on television and in newspapers, and can organise strikes (Massé and Munevar 2016). At the national level, they are supported by the National Confederation of Miners (Confederación Nacional de Mineros de Colombia). Both organisations also conduct negotiations on behalf of informal miners

with the government and formal mining companies. These organisations often play a quasi-union role, as they represent informal groups that are contracted by larger companies as well as the itinerant workforce that mining companies employ on short contracts. The ability to strike, which effectively disrupts formal mining production, is a powerful tool to articulate their interests. Nonetheless, on balance, they have far less access to state officials than the formal mining industry.

Second, informal mining also wields some structural power. They own the vast majority of mines, represent the bulk of the gold mining workforce, and produce most of Colombia's gold. According to the Departmental Census of 2011 by the Department of Mining and Energy, 63 percent (9,041) of mining production groups did not have a mining title. In Antioquia, of the 2025 mining groups surveyed, 79.1 percent did not have a mining title, and 68.8 percent of mining groups surveyed in Antioquia had between just one and five employees (Cárdenas et al. 2012). The 2010-2011 mining census estimated that 11,000 workers are employed in operations without a mining title, although the real figure could be much higher. (Massé and Munevar 2016). The Census also showed that of the 4,113 gold mines in 16 departments, only 549 (13.3%) have a formal mining title assigned to them (Cárdenas et al. 2012). Gran Colombia and Mineros S.A., the only large formal companies involved in gold extraction in Colombia, contributed just 11 percent of total gold production between 2011 and 2014. Most of the growing gold production came from small-scale, artisanal, and mechanised informal miners (Rettberg, Felipe, and Cardenas 2017).

	Total		1 – 5 employees		6 – 100 employees		More than 100 employees		No information	
Antioquia	2025	14.1%	1394	68.8%	611	30.2%	20	1%	0	0%
National	14357	100%	10384	72.3%	3858	26.9%	98	0.7%	17	0.1%

Table 19. Mining companies segmented by the number of employees. Small companies provide most of the employment. Source: Mining and Energy Department Census 2011, Cárdenas et al. 2012.

Informal mining protection quality

In general, areas of mining experienced high levels of insecurity, and this directly affected informal miners. Across Colombia, between 2005 and 2013, the homicide rate for mining municipalities was 68 per 100,000, while the national rate was 35 per 100,000 (Romero Hernández 2016). In contrast to formal mining companies who benefited from the support of the armed forces and were able to keep armed groups at a distance, guerrilla and criminal groups heavily penetrated the informal mining economy. Informal mining experienced poor protection quality overall.

There are a range of coercive actors that contest authority in informal mining areas, including guerrillas, paramilitary and criminal groups. Antioquia's main mining region, Bajo Cauca, was highly insecure from 1996-2016, with peaks in violence due to conflict between groups. In fact, in May 1996, the Bajo Cauca community wrote a letter to the regional governor complaining about the increase in violence due to paramilitaries, who they alleged were murdering people accused of collaborating with guerrillas, noting that the army and police were indifferent to the arrival of the paramilitary groups (El Tiempo 1996a). Miners were targeted in the conflict. In July 1996, unknown persons killed six miners in the village of Providencia. Unidentified sources then claimed that the ELN killed an army reservist just hours later in retaliation (El Tiempo 1996b).

As described in the formal mining section, the paramilitary groups Central Bolivar Bloc and Mining Bloc were dominant in Bajo Cauca from their inception – in 1997 and 1998 respectively – until their demobilization, leaving the ELN to retreat to mountainous areas of Paramillo and San Lucas. In December 2005, Central Bolivar Bloc demobilized with 1,924 men, and then in February 2006, Mining Bloc demobilized with its further 2,790 men. Until 2008, the leaders of the respective paramilitary blocs, Carlos Mario Jiménez and Ramiro Vanoy, were able to control the remaining armed groups in Bajo Cauca. However, after Jiménez and Vanoy were extradited in 2008, the criminal groups began to contest territorial control more intensely (Zapata Cardona 2017). Residents reported there were "daily deaths in rural and urban areas" in the municipality of Caucasia. The Secretary of Government Jairo Alberto Mejía estimated more than that 70 combatants were killed between January-October 2008 in Caucasia alone (El Espectador 2008b). In November 2009, at least 8,000 people protested against the insecurity in Caucasia due to the conflict between criminal groups. The mayor of Caucasia estimated that there had been 236 murders from January-November 2009, an extreme figure given the total population of Caucasia in 2009 was just 76,352 (Secretaría Seccional de Salud y Protección Social de Antioquia 2009; Veloza Cano 2009). The conflict was heightened due to competition between criminal gangs that were competing for control over informal mining and coca cultivation (Monroy Giraldo 2008). For example, between 2012 and 2013, the Gaitanistas, Rastrojos and 'Heroes del Nordeste' criminal groups all competed for control of informal mining in Remedios and Segovia (Verdad Abierta 2015b). In 2015, the police identified the presence of the Urabeños, ELN, and FARC 4th front in the municipality of El Bagre in Bajo Cauca (Verdad Abierta 2015a).

Protection imposed on informal mining by armed groups was expensive and often unreliable. Guerrilla, criminal and paramilitary groups demanded two separate protection payments from informal miners, one to allow the entry of machines into the territory, and the second to allow the operation of the mines. The payments were made monthly, and the groups promised not to intervene in production in return. These terms are imposed according to the armed groups' territorial control, and if there are multiple groups, miners may have to pay two or three times to different groups (Giraldo Ramírez and Muñoz Mora 2012). Criminal groups may also ask to use the mines for themselves as part of the arrangement, or simply take control of the mines themselves. The government agency Corantioquia estimated that of the 680 alluvial mining sites in Bajo Cauca, 480 belonged to informal miners, and 200 were being exploited directly by the FARC or criminal groups (Gualdrón 2012b). In addition to threatening the miners, they made other parts of the supply chain, such as the local processing plants, pay for protection as well (Massé and Munevar 2016).

These forms of income mean that armed groups benefit substantially from informal mining. Giraldo Ramírez and Muñoz Mora (2012) conducted a thorough study of the potential earnings of armed groups in Antioquia in 2012. According to unofficial estimates, there were 200 backhoe loaders in Bajo Cauca in 2012, which represented a monthly income for illegal groups of between 200 million and 2 billion pesos. In the Northeast sub-region, there was an average of 100 backhoes, which translates to a monthly income of 100 to 600 million pesos. In the West, there were 150 pieces of equipment, earning groups a monthly income of 150 million to 750 million pesos. In total for Antioquia, the illegal groups could be receiving between 650 million and 3.45 billion pesos (approximately $361,000 - $1.9m USD in 2012) per month. And once all other protection payments are included, based on 2009 figures, it

would mean that in Antioquia, up to 70 percent of informal mining revenue was potentially being paid to armed groups (Giraldo Ramírez and Muñoz Mora 2012).

Subsequent estimates have produced similar conclusions. The Antioquia Governor's office estimates the department produced 24 tonnes of gold in 2012, 65 percent of which is from Segovia and Remedios in Bajo Cauca. In Segovia alone – which has 190 small mines – criminal gangs fought to control informal mining rents of over 5 billion pesos ($2.78m USD in 2012) a month (Verdad Abierta 2012). These figures are confirmed by miners themselves. During a field visit in 2015, the Antioquia Government Ombudsman's Office established a direct dialogue with the miners in the area, who reported that the illegal groups extort them with payments of between one million and seven million pesos ($365 – $2,553 USD in 2015) per month for each backhoe loader working in the area (Defensoría del pueblo 2015, 29). As these numbers indicate, more than any other industry in this study, and consistent with the resource conflict literature, informal gold mining in Antioquia presented an opportunity for armed groups to extract highly lucrative revenue streams from the industry (Ross 2004).

In addition to penetration by armed groups, informal mining faces pressure from the state. Despite their long history and tradition in Antioquia, informal miners work without official titles, which places them at risk of legal action. The state's approach to informal miners has oscillated between tolerance and punishment. It has pursued largely ineffective formalisation strategies in an effort to get informal miners to pay tax and comply with regulations. The Antioquia government began a concerted effort to formalize small-scale miners in 2012, where the goal was to legalise 150 small and medium scale mining groups in Bajo Cauca. But by 2015, none had been legalized, and most groups abandoned the process (Verdad Abierta 2015a). The state has also employed punitive measures, occasionally issuing threats and

using military and police to forcibly close mines, as will be detailed in the outcomes section. Finally, it also seems that local state actors charge informal miners for protection. An inhabitant of Cáceres informed Verdad Abierta on the condition of anonymity about their experience with police corruption: "What if the police also charge? Of course, they do too, otherwise how else do you think mining is done in Bajo Cauca?" (Verdad Abierta 2015a). With multiple coercive actors interested in capturing the rents from lootable resources, it does not appear that there are real incentives for protecting the informal mining businesses themselves. Even though informal miners pay huge costs, neither state forces, paramilitary groups, or guerrillas offer credible protection. Instead, armed groups were able to coerce informal mining businesses to extract huge rents from their excavation activities.

Informal mining responses

The predominant response to coercive actors is accommodation – informal miners pay coercive actors for protection. Occasionally, informal miners do not see the payments as an obstacle to their profitability, and treat them as a cost of doing business. According to a local observer interviewed by Giraldo and Ramírez (2012, 89) "the (mining) business continues to be profitable because even though you have to pay, well, everything involved in production, pay the respective contributions [vaccines] [...], it still leaves money, otherwise there would be no mines, because then we would only be working to pay *vacunas*."

While these protection payments might just be acceptable, I found little evidence that this protection is viewed as a valuable service. Informal miners perceive themselves to be victims, with no option but to comply. Ramiro Restrepo, president of the National Confederation of Miners, which is composed of informal miners from different departments, stated: "The

security forces persecute us for being illegal, for being allies for the armed groups, when in reality we are victims of them… An armed group arrives with their rifles, forces the miners to lie down on the ground and tells them: 'for such and such a day we need so much, and if you don't pay, you know what will happen.' What can the poor miner do there? Pay" (Verdad Abierta 2015a).

While informal miners appear to mainly adopt accommodation with armed groups, they can express more influence through their business associations when negotiating with the state. These associations negotiate with the state to influence formalisation procedures and prevent mine closures. For example, the Mining Table of the Northeast (Mesa Minera del Nordeste) reached an agreement with Zandor Capital to avoid the closure of several informal gold mines. In January 2016, in concert with the Mayor of Buriticá and Continental Gold, the association convinced many miners to leave their sites voluntarily in exchange for a new process of formalisation with more favourable terms for the miners (Martínez Arango 2016).

When negotiations fail, informal miners employ strikes. For example, in July 2013, 100 small and medium-sized mining groups initiated an indefinite stoppage. They were protesting against changes to the law which allowed security forces to destroy equipment that belonged to miners that do not have titles or licences (Portafolio 2013). The strike was concentrated in Bajo Cauca. It lasted for 40 days and was eventually resolved through negotiation with the national government and the National Confederation of Miners (Conferación Nacional de Mineros de Colombia). The government agreed that security forces would need to first prove the link between mining operations and illegal activities before destroying equipment, and committed to a renewed formalisation process (El Espectador 2013). Gran Colombia faced another large strike of 15,000 miners in 2016, after the government decreed informal miners

must register with the Single Registry of Minerals Traders (Registro Único de Comercializadores de Minerales, RUCOM) within six months. Rubén Darío Gómez said that the decree "practically annihilates, eradicates and wipes out the country's small-scale informal miners." Gran Colombia, through its subsidiary Zandor Capital, stated that it was losing 2 million US dollars a day due to the strike (Portafolio 2016).

I did not observe evidence of exit as a strategy, although, as I detail below, there were many cases of forced exit. The fixed location of resources means that exit is undesirable, as the opportunity for business activity is constrained by the availability of gold deposits. In fact, following state pressure against coca cultivation in 2006 and rising gold prices, mining became more popular despite the insecurity. As with the situation of the shopkeepers, it is probably inaccurate to argue that an increase in the number of people engaged in informal mining is evidence of its inherent desirability, as it simply may have been a more attractive option than the available alternatives, such as cultivating coca. In general, as the price of gold rose, it became more attractive to pursue informal gold mining, and this factor appears to have outweighed the safety considerations.

Informal mining outcomes

Despite their strategies of voice and accommodation, small scale miners mostly appear to experience the *victimisation* outcome overall. This is because protection is unreliable and expensive, and armed groups adopted a predatory attitude. This contrasts with the protection offered to shopkeepers in Medellín, which is relatively inexpensive and reliable. Small-scale

and subsistence miners were often victims of displacement.[189] According to Colombia's Victims Unit, there were over 124,000 cases of forced displacement in the main gold-producing municipalities of Antioquia. For example, conflict between the Urabeños and Rastrojos led to 2,319 cases of displacement in 2012 (Massé and Munevar 2016). In addition to being caught in the conflict between groups, miners are also displaced through direct threats. In mid-July 2012, a splinter criminal group of Los Rastrojos known as Héroes del Nordeste ordered local miners to leave the La Roca mine in Segovia (Verdad Abierta 2012). Another former miner that spoke with Verdad Abierta said that he had left his mine after he was told by an armed group that he no longer had any rights to it. "That's the way it is over there. We small and medium-sized miners have to pay 10, 20 or 30 percent of what we extract and if the mine is good, like mine, nothing, we just have to hand it over. To whom? Well, to those people, to the 'paracos'" (Verdad Abierta 2012).

There are some examples of resistance to criminal groups, but these often resulted in greater victimisation. In Segovia 2015, a group of miners refused to pay for protection imposed by the criminal group Clan Úsuga, which led the group to forcibly close two larges mines that employed 1,600 workers daily. Similarly, a group calling themselves the Gaitanistas declared the 'gun plan' against the miners and workers of Damasa Group, the company responsible for the exploitation of the Providencia, El Silencio and El Castillo mines, after the company refused to pay for protection. The Gaitanistas murdered two Damasa workers and threw a grenade at the work site. Gustavo Lezcano, previously president of Mesa Minera de Segovia

[189] Displacement is an example of forced exit. Under the circumstances, the business is not choosing exit as a strategy, but it is being forced upon them. Thus, displacement does not qualify as an observation of the exit business response.

said: “In June, a pamphlet appeared in which all the members of the Mesa Minera de Segovia were declared military targets. There have already been several murders. Many businesses are closing because the economy has declined a lot. I know of cases of people who have left the region because of the threats” (Verdad Abierta 2015b). As a result, 2,000 miners were laid off and two mines, El Silencio and El Castillo, were closed (Verdad Abierta 2015b).

The rest of the local economy also faced closure due to the very high protection payments that were demanded by criminal groups. The Segovia council president said that “Coffee shops, bakeries and restaurants have to pay between 400,000 and one million pesos ($222 - $556 USD in 2012) a month. And if you add to that the fact that sometimes you have to pay two or three sides, then the situation becomes unsustainable” (Verdad Abierta 2012).

Unlike other industries in this study, informal miners were also threatened by state authority, which was hostile to their operations and also created the *victimisation* outcome. Since at least 2010, the state has created displacement among miners. The Carabineros and Rural Security Directorate (Dirección de Carabineros y Seguridad Rural) led the government’s enforcement efforts against ‘illegal’ mining. In 2010, the National Unit Against Illegal Mining of the Carabineros (Unidad Nacional Contra la Minería Ilegal de los Carabineros) was established with 450 men, working with 22 prosecutors and 220 judicial police. Between 2010 to August 2014, the unit suspended 1,240 mines and arrested 5,911 people (Zapata 2014). In 2012, in Segovia and Buriticá, Gran Colombia Gold and Continental Gold reported the presence of unauthorised miners in their concession areas, which triggered the police to pursue evictions (Massé and Munevar 2016). A similar operation occurred in November 2013, leading to two people killed and eleven injured, including several police officers

(Valencia 2016). This also occurred in April 2016, when 1,300 police and 300 soldiers deployed to Buriticá, went into gold mines to evict 3,500 miners (Valencia 2016).

In conclusion, informal mining companies experience *victimisation* when criminal groups enforce predatory protection payments, and when the state imposes evictions. *Victimisation* also occurs when there is intense competition between armed groups. Protection quality is poor and miners and receive few credible security guarantees. The level of payment is very high, particularly when miners have to pay multiple groups. Of course, they can individually experience *survival* if protection payments do not totally consume their income, but this is a highly uncertain situation. It is remarkable that under these strained conditions, informal mining continued to produce most of the gold mined in Colombia between 1996-2016.

7.4 Comparing formal and informal gold mining

Several observations are salient when I compare the experience of the formal and informal gold mining in Antioquia. First, the evidence presented here suggests that informal mining was severely penetrated by armed groups. Paramilitary groups heavily involved themselves in informal mining, by appropriating mines and imposing protection payments. In addition, the competition for resource rents among criminal groups especially affected informal mining, and therefore informal mining companies suffered intensely from 2006 to 2016 when competition between groups became severe. In contrast, the chief threat to formal mining appears to have stemmed from guerrilla groups that explicitly treated mining companies as military targets. As guerilla groups receded, these companies were able to expand their presence by relying on the armed forces for protection and potentially making tacit deals with armed groups. Neither group could avoid being involved in the conflict, but the formal

mining companies succeeded in achieving a greater level of insulation. It is noteworthy that both informal and formal mining did not choose exit, although they were occasionally forced to due to the security conditions. The high gold prices, fixed location for extraction, and heavy investment costs made exit a highly undesirable option.

From the evidence I outlined here, large mining companies experienced *entanglement*, especially through their special agreements with the armed forces. Despite the high risks, they were able to secure foreign investment and achieved significant revenue. At the same time, it should be noted that the gold companies that operate in Antioquia are relatively small by international standards, and they are faced with higher than normal costs of doing business due to the conflict. It is reasonable to argue that if coercive actor competition had not been so intense in Antioquia between 1996-2016, there would have been even greater investment and returns from gold mining. While formal mining overcame the challenges of securing protection, it nonetheless experienced severe costs.

Informal mining companies experienced *victimisation* by coercive actors, both state and non-state. Informal miners were caught up in the territorial conflicts between criminal groups, and were forced to make protection payments to armed groups that either resulted in unreliable protection or extracted almost all the revenue from their operations. At the same time, they faced punitive eviction campaigns from state forces. Informal miners organised effectively, which created space for negotiating their conditions with the state, delaying evictions, and pushing back against severe formalisation conditions. However, their lack of overall business power, combined with coercive actors' strategic focus on securing rents from natural resource extraction, meant they were unable to avoid *victimisation*.

7.5 Conclusion

This analysis of gold mining businesses in Antioquia features many of the dynamics that the armed group literature identifies concerning conflict and resources. Competition between coercive actors does appear to be more intense due to the presence of a natural resource, gold in this instance, that can be easily extracted and is highly valuable, which is consistent with the general resource curse theory. It gels with Weinstein's (2007) findings, that groups which focus on extraction tend to commit more violence and provide fewer public goods. From the evidence I gathered, the armed groups involved in mining do not appear to provide governance or security to mining companies. One can also see parallels with Arjona's (2016) argument concerning the conditions for 'Rebelocracy'. Arjona argues that rebels with a short time horizon – prioritizing short term outcomes due to heightened armed competition in a given territory – are less likely to provide governance. Armed groups in the mining region, especially those that migrated to the region to take advantage of higher gold prices, fit this description.

What I have uniquely shown is that the two types of mining businesses had entirely different experiences with coercive actors. Powerful resource businesses that can secure credible protection – in this case the formal gold mining companies – prevent armed groups from benefiting directly from lootable resources by securing protection. Formal companies were also able to broker tacit bargains which allowed them to operate alongside armed groups in relative peace. While armed groups likely still benefited from tacit agreements with formal companies, they were far more successful in extracting large rents from informal mining companies. More than other industries in this study, in the gold mining sector, formal

companies were able to benefit significantly by using their business power to influence state authority, firstly to secure special protection from the armed forces, and secondly through their influence on mining laws. In contrast, informal mining companies faced severe threats from state forces and non-state armed groups, and were unable to secure credible protection from either.

Chapter 8. Conclusion

The objective of this discussion is to summarise my findings, compare them to other cases, and explore the theoretical implications of my research. I summarise the outcomes of the empirical chapters, and then explore outcomes in Colombian cases that were not included in the thesis using secondary sources. I also describe cases from other countries and consider whether they fit my framework. I finish by discussing the theoretical implications of my research for state formation, conflict, and development scholars, and outline potential extensions of this research project.

This thesis set out to answer the following research questions:

1. What are the most important conditions that affect business behaviour and security outcomes in areas of contested authority?
2. How do businesses respond to coercive actors in areas of contested authority?
3. What types of security outcomes do businesses experience in areas of contested authority?

To answer these questions, I built the 'business power-protection quality' framework, drawing from theoretical principles in the business politics and state formation literature. I used this framework to examine conditions, responses, and outcomes across eight industries in Colombia. I focused my research and fieldwork on Antioquia and Valle del Cauca, as they have the most diverse economic activity, allowing me to compare businesses in different industries in similar locations.

8.1 Summary of findings

All the cases in this project fit into the business power-protection quality framework. When protection quality and business power is high, as in the case of the sugar, manufacturing, construction, and shipping industries, they experienced *coexistence*. When business power remained high, but protection quality was reduced, as in the case of formal gold mining and the banana industry, these companies experienced *entanglement* by actively engaging with coercive actors, either legal or illegal. When protection quality is good, but businesses have limited power, as with the shopkeepers of Medellín, they experienced *survival*. When businesses have limited power and poor protection quality, they are likely to experience *victimisation*, as in the case of the coffee growers, the shopkeepers in Buenaventura, and the informal gold miners.

Industry	**Business power**	**Protection quality**	**Business Responses**	**Outcome**
Sugar	High	High	Accommodation, Voice	Coexistence
Bananas	High	Low	Voice, Accommodation	Entanglement
Coffee	Low	Low	Exit, Voice	Victimisation
Manufacturing	High	High	Accommodation, Voice, Exit	Coexistence
Construction	High	High	Accommodation, Voice	Coexistence
Shipping	High	High	Accommodation, Voice	Coexistence
Shopkeepers (Medellín)	Low	High	Accommodation, Voice	Survival
Shopkeepers (Buenaventura)	Low	Low	Exit, accommodation	Victimisation
Formal gold mining	High	Low	Voice, Accommodation	Entanglement
Informal gold mining	Low	Low	Accommodation, Voice	Victimisation

Table 20. Summary of findings

8.2 Colombian cases that were not included

What about other business industries in Colombia? Where would they fit within the framework? Based on the secondary literature, I provide below a brief survey and summary of industries that did not feature as case studies and estimate their outcomes. This summary functions as a preliminary external validity check, allowing me to explore whether other cases within Colombia might be compatible with my theory.

Industry	**Business power**	**Protection quality**	**Responses**	**Outcome**	**Sources**
Palm Oil	High	Low	Voice	Entanglement	Maher 2015
Coal mining	High	Low	Voice	Entanglement	Ángel 2018
Oil	High	Low	Voice, accommodation	Entanglement	Rettberg and Diego Prieto 2018, Dube and Vargas 2013
Emeralds	High	Low	Voice	Entanglement	Leiteritz and Riaño 2016
Large cattle ranchers	High	Low	Voice, accommodation	Entanglement	Ponce de León-Calero 2019, Gutiérrez Sanín and Vargas 2017
Small cattle ranchers	Low	Low	Exit	Victimisation	

Table 21. Potential results from Colombian cases that were not selected.

Palm Oil

The cultivation of palm oil is an extreme case where powerful businesses experienced *entanglement* with coercive actors. In Urabá, Antioquia, the palm oil cultivators paid protection to paramilitary and criminal groups. In contrast, small agricultural producers could not afford these payments, and under the threat of insecurity, they chose to leave, allowing palm oil companies to expand their cultivation area. Sometimes the process was more direct, where coercive actors created forced displacement so that cultivation could expand

(Goebertus 2008). This is consistent with Maher's (2015a) research, which shows that the palm oil municipalities of Meta simultaneously experienced high levels of displacement and rapid expansion of palm oil cultivation between 2007-2009.

Coal

Colombia's coal industry has been dominated by two companies, Drummond Limited and Carbones de Cerrejon, which together have constituted more than 80 percent of coal production in Colombia since 2004 (Ángel 2018). The FARC and ELN both sought to extract rents from coal companies in La Guajira and Cesar. Paramilitary groups, initially backed by cattle ranchers, merchants and landowners, also emerged in the coal region. The conflict was intense in Cesar, with more than 5,000 homicides per year at the peak of the conflict in 2002 (Ángel 2018). La Guajira experienced similar spikes in violence. The coal companies were able to build relations with all coercive actors. They massively invested in private security and created agreements with the armed forces. Paramilitary groups also claim there was extensive collaboration and protection payments, which the coal companies deny (Ángel 2018). By paying and collaborating with a range of coercive actors for protection, coal companies in Colombia in La Guajira and Cesar experienced *entanglement*.

Oil

There were similar trends in the oil industry in Colombia. Like gold mining, oil produces royalties, which leads to competition between armed groups for control over local government. Oil company infrastructure – especially pipelines – was targeted by the FARC and ELN. While paramilitary and criminal groups did not attack directly, they stole petrol for re-sale at illegal petrol stations and processing narcotics. As Dube and Vargas (2013)

showed, when the price of oil increased, it was correlated with a rise in violence in the oil region. This is similar to the trend observed in gold mining, where increasing gold prices made the industry an attractive source of rent for armed groups. Oil companies used their own security schemes, and also experienced *entanglement* with armed groups (Rettberg and Diego Prieto 2018).

Emeralds

The emerald region of Western Boyacá represents a fascinating edge case. Rather than being penetrated by coercive groups, emerald miners controlled their own private armies to protect their operations. Rather than conflict between guerrillas, armed forces and paramilitary groups, most of the conflict in the emerald region has been between the emerald mining networks themselves, until in 1992 they established an informal peace agreement, in which the government tacitly allowed them to continue the emerald industry without interference. With such heavily armed and mobilised economic actors, neither the guerrillas nor paramilitaries were able to establish a presence in the region. Rather than relying on the government or armed groups, emerald miners internalised their coercive capacity – predominantly to ensure their safety from other emerald miners – thereby experiencing *entanglement* with the private armies they created (Leiteritz and Riaño 2016).

Cattle

Ponce de Leon Calero's (2019) careful study of the cattle ranching industry shows within-industry differences, depending on the economic power of the ranchers.

> *"…Ranchers who lacked resources or relied on fragile economies, reported being victims of violence against their personal safety or way of life in greater proportions than those with more resources, who were able to engage in complex strategies of cooperation with armed actors and thus safeguard their farms, their lives and those close to them"* (Ponce de León-Calero 2019, 24).

Small ranchers that lacked sufficient resources were forced to abandon their businesses after losing their animals and resources. Small ranchers therefore fit into the *victimisation* outcome, and then responded with exit. Ranchers with large operations that were able to pay for protection and still produce profit were able to remain in business.[190]

In contrast, elite cattle ranchers in Colombia also represent an extreme case in which business actors experienced *entanglement* with coercive actors. Rather uniquely, they directly participated in conflict through becoming the leaders of paramilitary groups. In the two main paramilitary movements of the 1980s and 1990s, "cattle ranchers constituted the overwhelming majority of the leadership" (Gutiérrez Sanín and Vargas 2017). It is not typical for business owners to be so directly involved with armed groups, and as Gutiérrez Sanín and Vargas (2017) point out, state institutions encouraged cattle ranchers to participate.

The *entanglement* outcome is prominent generally among studies of companies in areas of contested authority. This is perhaps because it is the most visible and consequential form of business-coercive actor interactions. There are limited studies of cases in which businesses

[190] Ponce de Leon Calero (2019) defines small ranchers as those with 50 or less head of cattle, while large ranchers possess greater than 251, and medium size ranchers own between 51-250.

were well protected despite existing in a situation of contested authority, resulting in the *coexistence* outcome. Although the *entanglement* outcome is the most common, the form of protection that businesses secured varied depending on the circumstances. Palm oil companies and cattle ranchers were most closely associated with paramilitary protection. Extractive industries were able to obtain protection from the public armed forces, paramilitaries, and they also paid guerrillas to avoid being attacked. There is limited research on how industries with less powerful businesses are affected by situations of contested authority, which is an important omission given that small and medium size enterprises employ most Colombians. Overall, based on this brief survey of secondary literature, the cases that were excluded from this study provide further support for the business power-protection quality framework.

8.3 Global cases

What if I examine the global universe of cases that would fit into the framework? I review the following global cases, treating them as a further preliminary external validity check of my theory. As above, I consider what instances of business-protection I can categorise based on secondary research.

Industry (Country)	Business power	Protection quality	Response	Outcome	Sources
Oil (Angola)	High	High	Accommodation	Coexistence	Le Billon 2001a
Large diamond Companies (Angola)	High	High	Accommodation	Coexistence	Le Billon 2001a, 2001b, Hoekstra 2019
Multinational interests in rubber (Liberia) Post-war trade in timber, rubber and diamonds (Liberia)	High Low	High High	Accommodation Accommodation	Coexistence Survival	Rosenau et al. 2009, Ellis 1999, Cheng 2018
Mining (Philippines)	High	High	Accommodation	Coexistence	Quimpo 2014, Keister 2011
Bananas (Somalia)	High	Low	Voice	Entanglement, Victimisation	Webersik 2005
Large business owners (Somalia)	High	Low	Voice	Entanglement	Ahmad 2014,
Kiosk owners (Russia)	Low	High Low	Accommodate Exit	Survival, Victimisation	Varese 2001
Small business (Mexico)	Low	Low	Exit	Victimisation	Perdomo and Fondevila 2018

Table 22. Potential results from global cases of business in areas of contested authority

Angola's oil and diamond industries both experienced *coexistence*. The People's Movement of the Liberation of Angola (MPLA) won government at Angola's independence in 1975 and retained control of the oil industry throughout its tenure. Oil companies accommodated the MPLA government by providing contractual stability and contract bonuses in exchange for protection and access (Le Billon 2001a). In contrast, the rebel group National Union for the Total Independence of Angola (UNITA) controlled the diamond trade, earning hundreds of millions of dollars per annum during the war (Hoekstra 2019). The companies it dealt with were often owned or controlled by UNITA members, who forged partnerships with foreign

companies such as De Beers to sell the diamonds. De Beers was able to reach useful agreements which allowed it to purchase diamonds from rebel-controlled diamond extraction operations (Le Billon 2001a). The coercive actors in Angola were clearly heavily invested in the success of these extractive industries. The diamond and oil companies, protected by the insurgent UNITA and the government MPLA respectively, had high business power and high protection quality, meaning that they experienced *coexistence*.

Liberia

In Liberia, both sides of the civil conflict from 1989-2003 forged protection deals with the business community. Charles Taylor's National Patriotic Front of Liberia (NPFL) secured deals with the Liberia's large iron ore mine, the rubber plantations, and diamonds, gold and timber industries for protection (Ellis 1999). In fact, some foreign businessmen felt that conditions in the early days of the civil war in areas controlled by Taylor were well organised and comparatively safe, thereby making it easier for them to pursue accommodation (Ellis 1999). In post-conflict Liberia, Cheng (2018) has explored how deficiencies in the state, combined with local trade in diamonds, timber and rubber all encouraged the development of 'extra-legal' groups, with a proven capacity for violence, that would provide contract enforcement and local order. These are plausibly *survival* cases, where less powerful businesses or commercial activities are provided with mostly reliable protection by coercive actors.

Philippines

In the Philippines, payment for protection by mining companies is direct and ongoing. The insurgent group New People's Army (NPA) requires regular 'revolutionary taxation' payments from mining companies in Mindanao in order to be allowed to operate. If the NPA does attack mining companies, it justifies this on the grounds that the company causes environmental damage, human rights abuses, or pay poor wages (Quimpo 2014). Protection is reliable, with some notable exceptions. Businesses accommodated the NPA by making protection payments and experienced the *coexistence* outcome.

Somalia

Webersik (2005) describes the banana trade in Somalia, in which large multinational banana companies Dole and De Nadai were entangled when they funded competing militias during the Somali civil war from 1991 onwards. Protection quality proved to be poor. Rival militias levied attacks on Dole and De Nadai, eventually prompting the exit of Dole in 1996 due to a dispute over payment for militias. Unlike the banana industry in Colombia, banana companies in Somalia did not succeed in using their voice to secure reliable protection despite their significant resources. This presents a unique case where the intensity of insecurity created by competition among coercive actors proved to be too great for it to be mitigated by companies investing in protection. Due to a combination of factors, including a trade dispute between the US and the EU, the Somali banana export trade eventually collapsed altogether in 2002. To account for this, I coded this case as *entanglement* when the companies were in operation, but then the case ultimately resulted in the *victimisation* outcome (Webersik 2005).

In contrast to the banana industry, Ahmad's (2014) detailed study of the wider Somali business class – which includes traders in all manner goods and services – during the civil war from 1991 to 2006 reveals that – frustrated with the uneven system of checkpoints and taxation which made it highly unprofitable to do business – they experienced *entanglement* when they used their voice to fund a new coercive actor, the Islamic Court Union. This made protection less expensive and higher quality for business. "Prominent businesspeople from every sub-clan faction in Mogadishu confirmed that cost of security under the courts was lower than it had been under clan warlords" (Ahmad 2014, 112). Unfortunately, the lower prices did not last, as the ICU then established a monopoly on protection, and began to charge higher prices from 2006.

Russia

In Varese's classic study of the Russian mafia in Perm, he finds that some small kiosk owners were successful in finding appropriate protection and experienced *survival*. Kiosk owners in the Visim sub-district secured protection from a local boss known as a *brigadir*:

> *"The kiosk owners are asked to pay a fixed sum at regular intervals, usually monthly. The sum paid was 10,000r. per day, a sum which they considered rather small, and one which did not affect their overall earnings (a little more than $US2.00). Kiosk owners praised the 'fair' tax system managed by the brigadier and despised the predatory state equivalent"* (Varese 2001, 107).

This protection, however, was very limited. Kiosk owners were still harassed by state officials and the local militia, while the mafia offers some protection against competitors and

assistance in obtaining credit (Varese 2001). Kiosk owners also experienced *victimisation* by militia men, who imposed fines which resulted in bankruptcy.

Protection in Perm is even worse when a mafia group is unreliable. For example, a local shop owner opened a shop that sold stereo equipment and was approached by a predatory racket. They charged roughly $1,000 USD a month and asked for advances on the payment. The local eventually had to close the shop. “Arkadii came to the conclusion that this particular ‘roof’ (protection group) was made up of drug-addicts who harassed businesses because they needed a constant supply of money to buy drugs” (Varese 2001, 96).

Mexico

Perdomo and Fondevila’s (2018) review of the criminal victimisation of businesses in Mexico notes that micro and small businesses are the most vulnerable to crime, resulting in lost profits due to reduced productivity, increased prices and insurance costs, job losses, reluctance to invest and expand, and business closure. According to a survey on the victimisation of business in Mexico in 2014, of the 880,679 businesses that closed due to insecurity, 98.2 percent were micro businesses (Instituto Nacional de Estadística y Geografía 2015).

These are diverse, complex cases, and I have only provided brief summaries based on existing secondary research. Further empirical research would be needed to classify the cases precisely and test their suitability for the framework. Nonetheless, as with the Colombian cases, these global cases appear to be compatible with my theory, increasing my confidence in the framework’s potential external validity.

8.4 Business, capital and coercion: theoretical implications

In this section, I consider the theoretical implications of this research for the wider literature, including hybrid political order, state development, critical, and institutionalist scholarship.

There are benefits to analysing business power, not just powerful networks

Scholars who study business in hybrid political orders are becoming increasingly sophisticated in their approach to assessing behaviour and outcomes, rightly identifying the influence of business-political networks in shaping conflict and development (Ngin and Verkoren 2015; Stel and Naudé 2016). They are aware of how these networks can warp incentives, for example, when activities such as business-led peacebuilding projects can often reinforce elite interests (Miklian and Schouten 2019).

However, rather than looking at businesses in areas of contested authority only as an extension of political networks, there are substantial benefits to directly analysing their political power, as this helps us to understand a wider range of business responses and security outcomes. For example, this approach means that we can analyse less powerful businesses which often sit outside the networks, and as previously mentioned, this consists of most of the small business community in areas of contested authority.

There may also be useful ways in which an analysis of business power could complement the research on business-political networks. For example, using business power as a building block, one could potentially construct an analysis of when political networks would be likely to form. For example, deeper networks between coercive actors and powerful businesses may be more likely in the *entanglement* outcome due to the need for businesses to involve

themselves in finding protection, and less likely if protection quality is already good, as in the *coexistence* outcome.

Finally, a political-business network analysis may also over-emphasise the role of building political networks in business strategy. In my research, I showed that businesses strategically form alliances with criminal groups, insurgents, government, as well as civilians and society generally. Businesses exercise their power to find protection, and will leverage many networks, not just their relations with governments and politicians, to achieve this objective.

Capital does not encourage the consolidation of coercion

There has been a tendency to link the interaction of capital and coercion with a process of state development and consolidation. In Tilly's (1992) history of Europe, he argues the increased need to protect capital creates the impetus for the centralisation of coercion in the hands of the state. Volkov (2002) makes a similar point about Russia's evolution from state fracture and chaos towards consolidation through the 1990s. In Volkov's view, the logic of capital accumulation impels the consolidation of coercion:

> *"From below, the consolidation of protection agencies was and continues to be driven by the 'invisible hand' of competition and capital accumulation; from above, it is quite visibly being shaped by actors who distinguish themselves from banditry and other violent entrepreneurs by calling themselves gosudarstvenniki, state builders"* (Volkov 2002, 191).

This argument is consistent with the work of critical scholars who perceive that the interactions between coercion and capital create a development pathway for state formation.

For example, Grajales (2011, 771) explains that in his analysis "crime and violence are not considered as extraneous factors, separated from the political game; they are analysed as constitutive of logics of competition, accumulation and economic development, ultimately, elements in the process of state formation."

My research challenges the direction and scope of these arguments. In the cases I observe, capital accumulation does not lead to a consolidation of coercion or accelerated state formation. In the Colombian case, it appears that businesses purchase protection in fractured environments where there is no clear pathway for coercion to consolidate. If scholars assume that state formation is the march towards a monopolistic control of legitimate violence by a single entity, the business-coercive actor interactions in Colombia do not contribute much to this process on their own. Even in more consolidated areas where there is no open conflict, businesses often have to deal with situations in which more than one coercive actor can exert authority, where there is a form of co-governance. This is consistent with Lessing's (2020) research, where he examines duopolistic forms of authority, in which criminal and state governance uneasily coexist.

Why didn't capital encourage the consolidation of coercion? This is a relevant question in Colombia not only during the period of study, but throughout its history. I suggest an untested but plausible explanation. In Volkov's analysis of Russia, coercive actors prioritised securing protection rents from businesses, treating them as a primary source of income. In Colombia, securing rents from businesses is not as lucrative as drug trafficking, and winning protection payments is often a secondary activity. There is therefore less incentive to provide reliable protection, nor to focus on bringing down the costs of providing protection by eliminating rival coercive actors. If drug trafficking is the most lucrative source of income, a

coercive group's profits would be better served by ensuring it receives reliable supply and maintains control of its distribution channels, rather than preventing rival groups from extorting business. Even in Medellín, where protection payments and organised crime are consolidated, protection payments are a secondary income stream for criminal groups.

However, even if they do not enable states to achieve the consolidation of coercion, businesses do influence state formation. Many interviewees noted that the state would likely not exist at all in many parts of Colombia if it were not because businesses required them to be present, for example in mining and oil areas. This creates a state aligned to protecting business, not to serving the population as a whole. To do this, it does not need to monopolise legitimate coercion, instead it simply seeks to provide enough coercion to satisfy the protection requirements of business. Total consolidation is not necessary to achieve the goal of protecting businesses.

Against a top-down view

The findings here also challenge the 'top-down' view of the capital-coercion relationship, which links the presence of large, globalised business interests in areas of contested authority with increased conflict (Hristov 2014; Maher 2015a, 2015b; Maher and Thomson 2011). One can see how certain cases support this reasoning. For example, multinational banana companies funded coercive actors in Somalia (Webersik 2005), as did oil companies in Nigeria, diamond companies in Angola, and rubber companies in Liberia, to name just a few examples (Le Billon 2001a; Ellis 1999; Zimmer 2010).

I suggest that this argument is not precise enough. For example, Colombia's economic liberalisation, which allowed more foreign business interests into the country, was not

directly linked to increasing violence (Gutiérrez 2010). And it does not appear that connection to global capital is a strong requirement for business involvement in conflict. The cattle rancher connection to the global economy is negligible, yet cattle rancher involvement in violent conflict was very intense (Gutiérrez Sanín and Vargas 2017).

When globalised capital funds powerful businesses in areas with low protection quality, there is a higher probability that they will experience *entanglement*. But it is unclear if the globalised nature of the capital is relevant, or if it is more directly a function of business power. Many state-run companies, such as Ecopetrol in Colombia, experienced direct involvement in conflict, despite not being directly involved with foreign capital (Rettberg and Diego Prieto 2018). To understand the outcomes and how businesses will behave, I argue that what matters first is protection quality and business power.

With this in mind, there are two key factors which make it more likely that global capital will become involved in conflict. First, international businesses often have more business power than domestic ones. Second, they may view the risk-reward relationship differently to local businesses, potentially because they perceive they will benefit from scale economies, superior technology, or expertise, which means they can bear higher protection costs and still generate profit. Contested authority may even create a competitive moat, in which a company that has learned how to navigate contested authority effectively can operate in areas that competitors less familiar with the environment would be reluctant to enter. This could be a deterrent for global businesses if they are considering investment, but also a potential buffer from competition if existing companies have already developed the operational practices and expertise that is required to navigate situations of contested authority. Of course, there may also be unique reasons as to why international businesses would seek to avoid areas of

contested authority. International businesses may be more concerned about their reputation than local businesses, especially if they are listed on international stock exchanges where shareholders expect high standards of governance, if they are required to comply with anti-corruption legislation, or if they have publicly committed themselves to sustainability standards such as Fairtrade. Such considerations vary by industry. For example, in Colombia, global businesses moved away from value-added industries such as manufacturing in Valle del Cauca in the 1990s, in part due to heightened conflict, and focused instead on extractive industries. Overall, areas with contested authority generally suffer from reduced investment (Speakman and Rysova 2015). One can see this clearly when comparing the foreign investment that Colombia received for gold extraction to the rest of Latin America (El Tiempo 2008a). In sum, globalised capital does not benefit from contested authority, but certain businesses will choose to operate in areas of contested authority if they calculate it is feasible to bear the heightened cost of protection.

In dialogue with institutionalist scholars

This project owes a great debt to the scholars that have produced excellent work concerning the relationship between conflict and the economic conditions in Colombia, such as Rettberg et al. (2018). With that said, my analysis differs to many of these scholars because I place less emphasis on the role of institutions in conflict. A large strand of scholarship on conflict and development has come to embrace institutions as a core component which drives development and helps to reduce or regulate conflict (Acemoglu and Robinson 2012). The argument is that institutions regulate transactions, provide justice and create cohesion in society. The absence of a state that provides these goods leads to a higher probability of conflict. In the formulation of North, Wallis and Weingast (2009, xi):

> *"In most societies, political, economic, religious, and military powers are created through institutions that structure human organizations and relationships. These institutions simultaneously give individuals control over resources and social functions and, by doing so, limit the use of violence by shaping the incentives faced by individuals and groups who have access to violence*."

My project departed from this approach by focusing narrowly on protection, leaving aside more expansive institutional authority, which would include governance or service provision. This helped me to compare how businesses responded to coercive actors, which was not a focus for the previous scholars.

Although I did not test institutional capacity systematically, it is not immediately clear that institutional capacity would affect business-coercive actor interactions. In areas where I would characterise institutional capacity as comparatively strong, we still find that businesses are forced to secure protection from coercive actors that threaten them. Compared to peripheral areas, there is plenty of institutional power in Medellín, yet protection is still a precarious resource that must be purchased from criminal groups by local shopkeepers. The focus on institutions also draws attention away from business power as a variable. The sugar cane and coffee companies of Valle del Cauca both lived through a period of heightened conflict, yet sugar cane companies thrived through this period, while coffee farmers were forcibly displaced. The institutional environment was the same, but the business power of the two business groups was quite different. This points to the need to be concrete about which institutions affect peace and conflict, and how they relate to other critical variables.

8.5 Implications for future research

There are many promising avenues for future research, and below I detail my views on the most important progressions that could be made. First, until recently, economists made limited systematic efforts to quantify the impact of protection payments by private enterprise to illegal actors in Colombia or globally. As I have shown, businesses will always seek protection from coercive actors, and the state's failure to capture these protection rents allows them to accrue to its competitors, reinforcing the cycle of contested authority. Quantifying this process has historically been a challenging exercise given the paucity of data. But recent research by Blattman et al. (2021), Estévez-Soto, Johnson and Tilley (2021) and especially Brown, Montero and Schmidt-Padilla (2020) show significant progress towards sophisticated research methods that will reveal more precise quantitative insights. This will help researchers understand how much protection rent is accruing to coercive actors from business due to the state's failure to consolidate coercion. Given these funds represent a substantial loss to the state and a windfall to its competitors from the legal economy, they should be treated as a critical factor to account for when researching state development, crime, and conflict.

In terms of deepening my own line of enquiry, the most important step would be to peel back general observations about industries and look at the variation of outcomes within each industry. For example, did certain construction companies respond more effectively than others? What determines the variation within an industry? This research could yield some highly interesting insights. It might be possible, for example, for smaller companies in a powerful industry to free ride by obtaining a better value protection deal that was secured

through its collective industry association than could have been achieved on their own. On the other hand, this research could potentially reveal a consolidation effect, where small and medium size businesses in areas of contested authority must close due to high protection costs, while those companies that can bear the cost will benefit by being able to capture the market that smaller businesses abandoned.

Third, political scientists researching conflict could extend this research by raising questions about how businesses affect armed groups' efforts to impose governance. Does the armed group aim to achieve a governance project which privileges private economic power, does it promote a genuine public project, or a mix? Whether they privilege private economic interests, including businesses, or attempt genuine public governance helps us to understand their motives and behaviour. Mampilly (2011) and Arjona (2016) have done extensive work in this area that could be enhanced by further research into how businesses interact with armed group governance.

Methodologically, there is scope for tightening the categories that I deployed in this project. I deployed the binary categories 'high' and 'low', operationalizing these categories through qualitative reasoning. This approach had the advantage of allowing me to compare different industries and scenarios. To refine the framework, business power and protection quality could be operationalised more precisely. For example, one could define standards for protection quality, focusing on reliability and price. 'Reliability' could be defined as less than one attack against a business per year. A 'reasonable' price could be defined as less than 5 percent of a businesses' monthly earnings. Imposing costs above this could be coded as predation, while costs level or below 5 percent could qualify as affordable protection.

It would also be valuable for future researchers to tease out the distinctions between instrumental and structural business power. Is one more important than the other in situations of contested authority? Are they deeply linked, or could they be thought of as almost entirely separate forms of power? Future scholarship could develop greater precision on the impact of each type of business power, and this would benefit our understanding of business behaviour.

To test the importance of contested authority as a scope condition, it would be useful to research matched comparisons between similar business industries, comparing industries located in areas of contested authority to those that are not. According to my theory, the businesses that are located outside areas of contested authority should experience better outcomes, at the very least because they do not have to pay for protection. Survey research which compares, for example, small shopkeepers in the central markets of Medellín with markets in Bogotá or elsewhere would bring this to light. Previous research has shown that the central markets in Medellín, known as 'El Hueco', are controlled by local gangs. Comparing results in Medellín with a Bogotá market that has shopkeepers with similar socio-demographic characteristics, but is not controlled by criminal groups, would create an effective matched comparison. Surveys could also help to measure the effects of protection payments more precisely.

8.6 Implications for policy

Below are some observations on the implications of this research for policy. There are potential implications for encouraging resilient business communities, avoiding capital allocation to areas where it can easily be extracted by coercive actors, and encouraging businesses to build a genuine social licence to operate. This project was not directed to

answer policy questions, so the following suggestions should be understood as requiring further validation.

International organisations such as the United Nations have increasingly become aware of the need for businesses to operate with social licence. In 2000, the UN launched the Global Compact, which features ten principles that promote human rights, harmonious labour relations, respect for the environment and the avoidance of corruption. There are also national-level Global Compact networks, including in Colombia (United Nations 2023). Alongside policy, we have also seen the establishment of rights-based frameworks that are designed to guide business behaviour. In 2011, the UN established the Guiding Principles on Business and Human Rights (UNGP), developed by the late Professor John Ruggie in his capacity as Special Representative of the UN Secretary-General (United Nations Human Rights Office of the High Commissioner 2011).

First, these principles typically focus on how the state should behave towards individual businesses, but in this research, I have shown the importance of collective behaviour. In general, businesses are stronger and more resilient when they are part of a cohesive community. A thoughtful application of policy would therefore be to promote and encourage the development of socially responsible business communities.

Second, the principles already acknowledge the need for states to identify when companies are operating in conflict environments and be aware of the perverse incentives these environments create. While my research did not focus on this issue directly, the business-coercive actor interactions that I uncover confirm the need for extreme caution before financing development initiatives in areas of contested authority. Injecting capital into

development projects in areas of contested authority may simply create incentives for coercive actors to extract resources from business, cycling the funding into strengthening armed groups rather than improving development outcomes.

In terms of implications for companies themselves, my research provides further evidence that fostering a genuine social licence does indeed lead to better security and therefore the sustainability of the company. Planning and executing a strategy which considers a range of stakeholders and seeks to build a meaningful, positive relationship with the local community is plainly in the interests of the community and the company.

8.5 Conclusion

This project revealed the importance of businesses in areas of contested authority, not simply in their aggregate as economists have done, but through examining the way that businesses influence coercive actors. This is quite different to the lens which traditional political science places on civil war and contested authority, which usually tackle the implications for democracy and governance. Scholars such as Keen (1998), Berdal & Malone (2000), Cramer (2006), have highlighted the economic functions of conflict. Building on their insights, this project sought to directly examine how businesses deploy their power in areas of contested authority. I not only explored complicity or victimisation, but investigated a wider range of responses and outcomes.

This project eschewed broader debates about global changes in economic relations and conflict, including arguments which posited that increasing globalisation, and especially the greater number of multinational companies involved in areas of contested authority, was

exacerbating or fomenting conflict. While there are some cases where this argument is empirically correct, particularly concerning mining and oil interests, it did not bring the field towards a theory of business behaviour and security outcomes in areas of contested authority. Furthermore, it had a tendency to assume that the violence was 'top-down' and ignored local 'bottom-up' sources (Keen 1998). Patterns of predation that are outlined in the literature thus became only one category of outcome, fitting within my broader framework. This provides a more robust theoretical foundation which explains the cases and demonstrates the importance of thinking about businesses as actors in their own right.

List of Interviews

Below are listed the interviews carried out during fieldwork for this study in order of first appearance. All interviews were conducted in Colombia. Interviews not cited in the thesis are also listed below.

Interview with a regional business representative, August 2019

Interview with a sugar cane entrepreneur, August 2019

Interview with a professor, August 2019

Interview with a senior business leader, August 2019

Interview with a consultant, August 2019

Interview with an academic, July 2019

Interview with a businessperson in the sugar sector, August 2019

Interview with a businessperson in private security, August 2019

Interview with a public servant, August 2019

Interview with an observer, August 2019

Interview with a banana entrepreneur, June 2019

Interview with a coffee association official, July 2019

Interview with a coffee association leader, June 2019

Interview with an industry expert, May 2019

Interview with a business association official, May 2019

Interview with the director of a development agency, June 2019

Interview with the president of a business association, August 2019

Interview with a historian, July 2019

Interview with a business association official, June 2019

Interview with a consultant, May 2019

Interview with a journalist, June 2019

Interview with an industry professional, June 2019

Interview with a Valle del Cauca businessman, August 2019

Interview with a director of a construction company, August 2019

Interview with a social researcher, Mayor's Office, June 2019

Interview with a private security businessman, August 2019

Interview with a professor, May 2019

Interview with a professor, June 2019

Interview with a business leader, August 2019

Interview with a business association official, July 2019

Interview with a business association official in Cali, August 2019

Interview with a professor, May 2019

Interview with a former mining executive, June 2019

Interview with a professor, June 2019

Interview with a professor, June 2019

Interview with an operational risk consultant, June 2019

Interview with a professor, June 2019

Interviews not cited in the thesis

Interview with a researcher and analyst of human rights and peace, May 2019

Interview with a Senior Manager of family compensation fund, June 2019

Interview with a political science researcher with expertise in utilities, June 2019

Interview with a businessperson in the tourism industry, June 2019

Interview with a senior manager in the finance sector, June 2019

Interview with a senior knowledge management professional in an investment promotion agency, June 2019

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