The Business of Peace in Colombia:
Assessing the Role of the Business Community in the Colombian Peace Process*

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Introduction

When a bomb blast rocked exclusive Club El Nogal earlier this year in Bogotá, few doubted the attack was targeted at Colombia’s business elite. There were hardly any business people among the more than thirty dead, but the damaged club house in a high-scale residential area symbolized a frontal attack against the country’s urban economic establishment.

The attack against El Nogal represents an escalation of the Colombian conflict. Downplayed for decades as a rural phenomenon, the conflict has begun to seriously affect overall business prospects in the country, even in the cities. Different authors coincide in estimating the overall cost of conflict to the Colombian economy between 2 and 4 GDP points per year (Badel y Trujillo, 1998; Granada y Rojas, 1995; Rubio, 1997). While the specific cost to the business community is difficult to establish and varies by sector, several indicators suggest this cost has been climbing, as revealed by rates of capital flight, rates of infrastructure destruction, kidnappings of business executives, and tax payments to support the war effort, among others (Coinvertir, 2000).

As suggested by other Latin American cases, growing conflict intensity—and awareness that ongoing conflict is responsible for lost opportunities—may generate a process of maturation within the business community leading to a consolidation of a critical mass that will favor a negotiated solution to conflict. This group will increasingly link its own livelihood and chances of economic success to ending conflict because the cost of conflict is considered too high. Thus, it will become a crucial promoter and/or ally in seeking a negotiated solution to conflict. Notably, the critical mass need not include all the business community but only a few key well organized and well positioned sectors with the capacity to mobilize politics in the desired direction.

El Salvador offers a good example of a case where a critical mass within business became the crucial force behind ending a country’s conflict. After over a decade of civil war, fractions of the Salvadoran business community realized they were missing out and lagging behind on opportunities offered by the international economy in a context of growing competition. As a result, a new generation of business leaders, who emerged in non-traditional sectors (such as commerce, finance, and services) and who questioned the ideological justification of conflict, began to link their continued economic prosperity to peace. Led by and closely tied to president Alfredo Cristiani (elected in 1989), this group was a crucial force behind negotiations that led to the signing of a peace agreement in January 1992 (Rettberg, 2003a; Wood, 2000). The group did not represent a consensus view among Salvadoran business. However, the intensity of their economic interests and their strategic access to the decision-making process—most importantly to the president himself—were key factors behind their ability to support, oversee, and direct the negotiation process.

1 “During a long time, the war of guerrillas took place somewhere out there, in remote mountains and valleys, where neither society nor the State have been present, which is why their impact on urban life was of little significance”, said an important business leader in a public address (Gómez, 2000, p.6).
This paper argues that Colombian business is undergoing a process of maturation towards the formation of a critical mass of business supporters of a negotiated solution. While qualitatively different from other conflicts in numerous aspects (such as number of actors involved, size of combating armies, and revenues extracted from the control of illegal narcotics), the Colombian conflict shares with others the growing cost it exacts on business and the positive correlation between high cost and business propensity to support a negotiated solution to conflict. Like in other conflicts, Colombian business has become progressively more involved in questions and discussions of peace and conflict and in peacbuilding activity.

The rationale underlying business peacbuilding activity is simple, as stated by one Colombian executive: “Peace is better business”. In fact, this paper argues that more business members today realize that the Colombian conflict scares away foreign investors and prevents domestic capital from being used more productively. While Colombia has been able to maintain levels of economic growth similar or higher than the Latin American average despite its internal conflict (Echeverry, 2002), for many business people the long standing Colombian conflict has turned into a liability affecting the country’s competitiveness in the region and worldwide. Accurate or not, the widespread assumption that—in the absence of conflict—the Colombian GDP would grow at an additional 2 percent a year has caused many in the business community to consider the convenience of investing in peace or supporting a negotiated solution to conflict.

As a result of this realization, business has experimented two peaks of “enchantment”: one with a prompt negotiated solution at the beginning of the Pastrana government, and, when Pastrana’s peace process failed, with the expectation that a strong hand approach under the new government of Álvaro Uribe would end conflict rapidly. This paper suggests that both simplistic expectations have given way to an increased understanding by business of the complexity of the Colombian conflict and of its possible solutions. In the process, elements for the consolidation of a critical business mass have been emerging. As conflict exceeds business’ willingness to pay, as is likely to happen and as there are signs of, this may foster the consolidation of the critical mass. The paper concludes that it is not likely that business will relive the extremes it has experimented at the beginnings of the Pastrana and Uribe governments, and that it is maturing towards the consolidation of a critical mass. The paper predicts that an eventual resumption of negotiations will be supported and, probably, sponsored, by this critical business mass.

The paper seeks to make several overarching contributions. Commonly, analyses of the Colombian conflict focus on the behavior and strategies of actual combatants. Civil society, when it is considered, is often lumped together in one uniform category. By focusing on the private sector as one fraction of civil society, this paper seeks to broaden our understanding of the multiple strategies undertaken by non-combatant actors in response to conflict. In addition, the paper seeks to address the growing literature on private sector and conflict. Where the literature often focuses on the contribution of international corporations to conflict escalation, this paper proposes a focus on local business and the consideration of motivations and strategies underlying peacbuilding—as opposed to conflict-enhancing—activity. Finally, the emphasis on a critical mass as the key partner in peacbuilding—as opposed to the whole business community—forces us to break down business into sub-
groups in order to identify those most likely to seek and support an eventual negotiated solution to conflict.

This paper will first outline the general context of conflict in Colombia and its impact on business operations, in order to identify the factors that have more or less firmly pushed business into a more active role. Then, it will present, in chronological order, the evolution of business’ position faced with peace negotiations. In doing so, the paper will introduce some distinctions in business involvement between the processes undertaken with the FARC and the ELN. The paper ends with a look ahead, pondering business’ position in the event peace talks should resume.

**Business as a target of conflict**

The business community is increasingly feeling the burden of the Colombian conflict. Companies hesitate to invest and face difficulties to attract foreign partners. In part, this can be derived from Colombia’s high risk rating (whereby investments in a given country are conditioned to the payment of an extra interest to compensate for the added risk). Colombian risk ratings of companies such as Standard & Poors’s and Moody’s have fluctuated around BB on a scale that ranges from AAA to C. In addition to variables such as the size of the fiscal deficit and the implementation of pension reform, rating companies consider the added risk due to internal conflict (El Tiempo, 6 November, 2002; Portafolio, 6 November, 2002). The destruction of the infrastructure—mainly energy and communication towers and roads—further complicates conditions for business because it interrupts the production and flow of goods. Particularly affected sectors have been retail, transport and tourism.

In addition, the general climate of insecurity leads companies to spend between 4 and 6 percent of their budgets in their safety and protection (Coinvertir, 2000, p.11, The Economist, 2000). A recent report in *La Nota Económica*, a popular business magazine, provides advice on how to best protect companies against the threat of terrorism (*La Nota Económica*, March 2003). Different factors explain the causes of this concern with security. On the one hand, Colombia has the highest kidnapping rate in the world: Since 1998, more than 3,000 people have been kidnapped each year (País Libre, 2002). Business people are preferred targets. According to the NGO *País Libre*, 15 percent of the kidnapped population are business people. Of these, the hardest hit are retailers (63 percent), cattle ranchers (20 percent) and farmers (16 percent). Kidnapping is not the only form of extortion experienced by business in Colombia. Especially on the countryside, the practice of charging regular fees to landowners (called “boleteo”) is a common phenomenon. According to Fedegán, the association representing cattle ranchers, between 1999 and 2001 the sector spent 299,560 million pesos on extortion, approximately 1 percent of the sector’s product (DANE, 2002; Portafolio, 26 de julio, 2001). Completing the picture is “Law 002”, by means of which asset holders of more than USD 1 million in any sector are “taxed” up to 10 percent of their assets by FARC, in exchange for exemption from attacks (FARC-EP 2000). Since implementation in March 2000, the “law” has been an effective revenue-raising mechanism: Until April 2001, the FARC had been able to collect more than USD408 million (Reyes, 2001).
Business has also been pressed for resources from government. Since the mid 1990s, business has paid more than USD900 million in different forms of security taxes, some termed “peace” or “solidarity” bonds (see Table 1). Recently, president Uribe increased the tax burden to support the war effort (or provide “democratic security”, as designated in the budget) against the Colombian insurgency by implementing a tax of 1.2 percent on liquid net assets in the case of working capitals of 169.5 million pesos or higher (approximately USD60,000). The category fits only 400,000 tax payers, due to high evasion and sub-declaration rates, but the perspective of having to reach deep into their pockets in order to contribute to the re-establishment of order and security matters to business overall.

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<th>Table 1. Security-related taxes since the 1990s</th>
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<td>1992. A fiscal reform during the Gaviria government approved the issuance of 270,000 million pesos in “Social Development and Internal Security Bonds”, which were purchased by companies with working capitals over 30 million pesos. The issuance was declared unconstitutional by the Constitutional Court and funds were accepted as down payments towards future taxes.</td>
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<td>1997. During the Samper government, “Peace Bonds” (with maturity periods of five years) were issued to be purchased—as forced investment—by taxpayers with liquid assets over 150 million pesos. 412.000 million pesos were collected, which rendered 80 percent of inflation per year. Investment was over 0.5 percent of total working capitals.</td>
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<td>1998. The 1998 fiscal reform of the Pastrana government approved an investment in “Solidarity Bonds” up to 2 billones de pesos. The goal was later modified and only 1.23 billones were collected. Contributions were fixed at 0.6 percent of liquid assets of companies and individuals owning working capital over 210 million pesos. Maturity rates for the bonds were 7 years, rendering 110 percent of inflation per year.</td>
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<td>2002. The government of Álvaro Uribe proposes a tax (not bonds) for “democratic security” to support the war effort against the Colombian guerrillas. The measure implements a tax of 1.2 percent on liquid net assets in the case of working capitals of 169.5 million pesos or above (approximately USD60,000).</td>
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As shown, few companies can extricate themselves from a context of conflict. Given its multiple manifestations, conflict affects their financial results and shapes their calculations and strategies. Several surveys confirm this suggestion and hint at the widespread perception that only a better security climate will bring improved conditions for investment. Figure 1 provides an example by illustrating how public order (or, better, the lack thereof) stands among the most important problems perceived by industry, as measured by the industrialists’ association’s survey. In addition, the figure indicates this perception has been rising between 2000 and 2002.

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Business responds to conflict

The growing interference of conflict with economic activity has sparked a variety of business responses (Rettberg 2003b). Capital flight reached USD 10 billion in the past five years, (El Tiempo, 14 March 2003; Portafolio, 14 March 2003). Migration figures showed that more than one million Colombian citizens have left the country in the past five years (OIM, 2002; BBCNews, 2001; Forero, 2001), many of them prosperous and highly educated (Semple, 2001). In reaction to extortion and the operations of a well-oiled kidnapping industry, some companies, especially in rural areas, have resorted to financing paramilitary groups and other private militias for protection. At the same time, many companies have managed to remain unaffected by conflict, representing one of the mysteries of a country engulfed in conflict.

Notably, the context of increasing conflict intensity has also generated an increased involvement of the business community in peacebuilding. On the one hand, different business-led peace initiatives at the regional and local levels have launched projects which are motivated by the belief that the development of conflict-ridden areas will likely bring peace sooner than official negotiations. This may develop into an important private sector contribution to sub-national development, and possibly, peace. On the other hand, business involvement in peace negotiations has been on the rise. Although formal talks between the government and the Fuerzas Armadas Revolucionarias (FARC) broke down in February 2002 and contacts between the government and the Ejército de Liberación Nacional (ELN)

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3 According to a survey of small and medium-sized entrepreneurs in 2000, 38.9% hoped to leave the country. This number had climbed to 53.6% in 2001 (El Tiempo, 13 March 2001).
are stagnating, both processes witnessed an unprecedented interest and participation by business executives and association leaders alike. Overall, Colombian business today is more concerned than ever with questions related to its economic viability and stability in a violent context. The following sections will focus on the second aspect, assessing and describing the role of the business community at the level of the Colombian peace process.

Business in Peace Negotiations: Not a Newcomer

“We have to insist on the issue of security. Without security there is no investment—at the most there is speculation—there will be no employment and economic reactivation cannot occur” (Echeverry, cited in Kalmanovitz, 1991, p. 209). Present day observers of business participation in peace processes in Colombia may be surprised the above citation is from a 1985 announcement of then president of the industrial association (ANDI for its Spanish acronyms), Fabio Echeverry Correa. Although almost twenty years have passed since then, little appears to have changed in the public discourse of business faced with conflict in Colombia.

Indeed, business participation in peace negotiations in Colombia is not a new phenomenon. Even before president Belisario Betancur (1982-1986) formally launched peace talks, ANDI, then the private sector’s main association and spokes organization, sustained at its annual meeting that peace should be a national purpose (Kalmanovitz, 1991, p.202). “Without social justice we will not regain peace and tranquility” said ANDI’s president.

While not combined with willingness to pay—either higher taxes for security or for greater social investment, as suggested by president Betancur’s emphasis on the ‘objective’ causes of violence—private sector associations, especially ANDI, occupied important positions in the government negotiating team (Interview with Juan Sebastián Betancur, 2002; Orozco, 2002, pp. 112-132). In addition, business associations met regularly in the presidential palace to discuss the government’s peace negotiations strategy (Kalmanovitz, 1991, p. 216).

However, this participation did not reflect a widespread concern with conflict or peace on behalf of the whole Colombian private sector. Conflict levels were still low as compared to current standards and Colombian society’s attention was more concerned with the growing drug trade and its impact on domestic criminality (Kalmanovitz, 1991). As recalled by the president of ANDI’s office in Bogotá, “at that time there was no awareness among business people that we should be a part of this [effort to negotiate peace] (…). The private sector in the 1980s was either skeptical or clearly opposed to peace negotiations. (…) This was during the Cold War” (Interview with Juan Sebastián Betancur, 2002).

Despite overall business reluctance to participate in negotiations, guerrilla leaders were aware of the advantages offered by the presence of capital owners at the table. “They [the FARC guerrilla] had a strong preference for discussions with business people. They saw us as their opponent, (…), they got dialectic anxiety. (…) They saw the need to hold discussions with the private sector, but the private sector had no interest to discuss anything with them, they were viewed as something in the woods” (Interview with Juan Sebastián Betancur, 2002). This was reflected in the associations’ reluctance to accept key aspects of
Betancur’s peace policy, including reforms of the Police code and an amnesty for ex-combatants (Kalmanovitz, 1991, p.210). As suggested by the citation at the beginning of this section, security weighed stronger on business considerations than ending conflict by peaceful means.


Lukewarm support of peace negotiations by business continued throughout the following administrations of presidents Virgilio Barco (1986-1990) and César Gaviria (1990-1994) (Gómez, 2001). However, the rise in business activism that has marked the past years began in the final months of the administration of Ernesto Samper (1994-1998).

The presidency of Ernesto Samper is better remembered by the corruption scandal that clouded his administration (Rettberg, 2002). Faced with evidence that drug money had poured into Samper’s presidential campaign and with the possibility that the U.S. government would impose economic sanctions, business associations mobilized to demand the president’s resignation. In their efforts, they were joined by numerous civil society organizations, explaining why Samper’s government also became known as a time of civil society revival. Opposition against Samper was unsuccessful and Samper finished his constitutional mandate. However, faced with a surge in conflict intensity, the momentum gained by these organizations served to nurture an incipient movement determined to seek a negotiated end to the Colombian conflict. In this sense, while the government itself was too busy fending off opposition to pursue any meaningful peace strategy, civil society organizations—primarily business—took on a leading role in this matter.

An important result of this fervor was the movement surrounding the Citizen Mandate for Peace, Life, and Freedom, a civil society initiative against conflict, which, in a nationwide poll on 26 October, 1997, collected 10 million votes in an informal voting process. The National Business Council (Consejo Gremial Nacional, an organization that congregates the largest and most important business associations) became a key player in the movement.

Participation in the Citizen Mandate movement became the seed of business participation in the peace processes that marked the following years. Following the Mandate poll, business associations renewed efforts to resume contacts with guerrilla groups in search of a negotiated solution. While the Mandate initiative had been society-centered, the government formalized civil society participation in peace policy-making by means of Law 434 of 1998, which created the National Peace Council. The Council, which congregates “different expressions of Colombian society”, was convened to search for peaceful solutions and advise the Colombian state’s peace policy (Gómez, 2001, p.66). The Council includes members of the indigenous and Afro-Colombian communities, several NGOs, academic institutions, labor unions, religious organizations, as well as representatives of Colombian state institutions, such as the Procurador General de la Nación (eng?) and the Defensor General del Pueblo (eng?). The private sector is represented in the Council through the associations of retailers (Federación Nacional de Comerciantes—FENALCO), the association of industry (Asociación Nacional de Industriales—ANDI), the association of transport (Confederación Colombiana de Carga y Transporte—COLFECAR), and the
association of cattle ranchers (Federación Nacional de Ganaderos—FEDEGAN). A representative of the private sector also sits on the National Peace Committee, the Council’s directing body.

Beginning in 1998, this Committee began to establish contact with captive ELN leaders, in order to seek a negotiated solution with this group. Following meetings in Colombia, several preparatory meetings in Germany—sponsored by the German Catholic Church—led to a first large congregation of Colombian civil society and representatives of ELN in Mainz, in June 1998.\(^4\) Results of the meeting were summarized a month later in the Accord of Heaven’s Gate (in reference to the monastery which hosted the meeting), basically the commitment to seek a solution to the Colombian crisis. The accord, which marks the beginning of a peace process with the ELN, was signed by representatives of the following business association: ACOPI (Small and-Medium-sized Companies), FENALCO (retailers), CONFECÁMARAS (chambers of commerce), ANDI (industry), and FEDEGAN (cattle ranchers).

Since Mainz, the peace process with the ELN has been marked by the dominant role of business associations, most importantly FENALCO, the retailers’ association. Its president, Sabas Pretelt de la Vega, has been active in peace issues since the late 1980s, when he was part of the negotiating team with then guerrilla movement M-19 (Interview, Sabas Pretelt, 5 December, 2002).


The arrival of Andrés Pastrana in the presidential palace in August 1998 marked a turn in the peace process with the ELN. Pastrana was more inclined to bringing an end to the conflict with FARC than with the ELN, which was reflected in his widely publicized meetings with FARC leader Manuel Marulanda as part of his campaign strategy. Although contacts with the ELN continued, the government’s preference to reach an understanding with FARC gradually put the process with the ELN on the government’s backburner, where it remains until today.

Pastrana’s high impact peace publicity and his boldness in approaching FARC leaders spread optimism among the general public and earned him the Presidency. In particular, he enjoyed full support among business, which held high expectations as to his ability of reaching a negotiated solution. As illustrated in Figure 2, expectations that he would win and, then, his electoral victory were accompanied by a surge in favorable perceptions regarding sociopolitical conditions for investment, as measured by Fedesarrollo’s tri-monthly business survey (Fedesarrollo is a prestigious privately funded economic think tank).

\(^4\) The meetings were facilitated by Werner Maus, a German entrepreneur who had become a bridge between the ELN and the state. His contacts on both sides and the suspicion that he had profited from his mediation in kidnappings made him a problematic figure later.
In contrast with business association activity as part of civil society, president Pastrana privileged the active involvement of prominent business executives—instead of association leaders—in his negotiation team. In January 1999, when he officially launched negotiations in the Caguán—a large area in the South of the country where peace talks were held and which was exempt of Armed Force surveillance—he appointed Nicanor Restrepo, president of the country’s largest insurance company and head of one of the country’s four largest conglomerates as part of the 4-member negotiating team (Pastrana, 6 January, 1999). In June 1999, he appointed real estate owner Pedro Gómez Barrero for the same job. Following Gómez, he appointed former Exxon executive Ramón de la Torre as member of the negotiating team.

Business and Pastrana’s peace process: From hope to disenchantment

As stated above, Pastrana owed a large part of his victory to business support. This support, in turn, derived from business expectations that he would be the one to finally sign peace accords with the guerrilla. These expectations explain some of the manifestations of business enthusiasm, some more credible than others, in the months preceding and following Pastrana’s victory. For example, the cattle ranchers’ association proposed to donate land. More specific was the main business associations commitment to support

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5 The distinction is important as it points out the difference between an actual capital owner and a representative, who may not be an actual business man. In this regard, Colombia is different from other countries, such as El Salvador and Guatemala, where association leaders are, at the same time, managers of their own companies.

6 A part of the National Crusade against Poverty, the proposal “recognizes the need to redistribute wealth by those sectors which generate it, in a demonstration not of generosity but of unilateral and unselshless justice, by giving up part of their wealth for compatriotas who do not possess anything” (cited in El Tiempo, 8
“peace bonds”, a forced investment to collect revenues for social investment as part of the private sector’s contribution to Plan Colombia (Gómez, 2001; Semana, 12 junio 2000).

In addition, from the beginning of Pastrana’s term it became fashionable among business to be involved in discussions of peace. Numerous congresses, workshops, and other public appearances saw business people refer to the importance of a peaceful solution to conflict. Several prominent business leaders even referred to the private sector’s responsibility in peacebuilding. President of Suramericana de Seguros and visible head of one of the country’s four largest conglomerates, Nicanor Restrepo, gave several public addresses and later published “The Right to Hope” ("Derecho a la Esperanza"), a 45 page booklet discussing the causes and costs of the Colombian conflict and lining out steps towards overcoming conflict (Restrepo, 1999). In his book, Restrepo estimated that a ceasefire would generate 800,000 new jobs per year and would allow the Colombian economy to grow an additional 1.5 percent per year. In four years, according to Restrepo, the economy could be growing at 7 percent a year (El Espectador, 19 August, 2000, pp.1B, 2B). Similarly, during his address to alumni of Universidad del Rosario, real estate owner Pedro Gómez Barrero made a point to underscore shared responsibility in analyzing the causes of conflict while also pointing at the costs of conflict for business (Gómez, 2001). Finally, Javeriana University and Confecámaras, with the sponsorship of the U.S. Agency for Internacional Development (USAID) organized a series of events that approached the private sector’s role in conflict and conflict solution from a sectoral perspective (focusing on transport, energy, and electricity).

Much of this enthusiasm was combined with actual peacebuilding activity which has been on the agendas of both companies and associations in Colombia more than ever. In contrast with other Latin American countries, more Colombian companies have been involved in peacebuilding and philanthropic activities (Villar 2001). Particularly during the past three years, different business-led peace initiatives at the regional and local levels have spawned projects which are motivated by the belief that the development of conflict-ridden areas will likely bring peace sooner than official negotiations. While most private companies do not invest their own financial resources, but rather serve as intermediaries of international and public funding, the projects reflect a genuine willingness to invest managerial know-how and time in peace.

Fundación Ideas para la Paz: A statement of big business

A reflection of private sector interest in supporting peacebuilding both from a ground-level development perspective as well as a negotiation perspective, a small number of company presidents representing over 300 large companies founded Fundación Ideas para la Paz (FIP) (Ideas for Peace Foundation) in 1999 (Interview with Rodrigo Gutiérrez, 13 September, 2000). The purpose of the foundation is to advise government negotiators in the
design of a negotiation agenda and promote a negotiated solution to conflict. In addition, the foundation seeks to promote development projects in conflict areas in order to foster local development.

The make-up of FIP’s founders is significant. “The companies represent a very high proportion of the Colombian GDP. They have the capacity to finance. They have impact, it is a very select group” explained one of his founders (Interview with Rodrigo Gutiérrez, 13 September, 2000). Indeed, FIP founders and members are actual capital owners and company presidents and represent Colombia’s “big” business class.

FIP’s effectiveness in gaining access to the policy making process was demonstrated by the inclusion of Ramón de la Torre, one of FIP’s founders, into the government’s negotiating team (see above). “Just imagine the channel we have”, said one of FIP’s founders (Interview with Rodrigo Gutiérrez, 13 September, 2000). In addition, Nicanor Restrepo, first business negotiator, was also later among FIP founders.

Splits within business: “Real” business versus associations

FIP members distinguish themselves in yet another way. As was already made clear during the Samper government, when conglomerate leaders supported Samper in spite of association opposition, big business in Colombia often prefers a different path of action than that lined out by associations when core interests are at stake (Rettberg, 2001a; Rettberg 2001c). The proper approach to peace provides a good example of this split. One FIP founder explained: “Associations are always more concerned with their own sectoral interest. Their purpose is how to get advantages from government, from legislation, how to get a tax exemption. They say they want to help and contribute. But they really have little credibility, and they know it. […] We are taking on a role [in the peace process] they were unable to” (Interview with Rodrigo Gutiérrez, 13 September, 2000). In contrast with high profile association leaders, who are “employees”, as critics use to say, and who fulfill a more visible, politically-oriented role, FIP members share an interest in low profile, high impact action.

Illustrating this split between organized business and independent business executives were events in March and April 2000. On March 17, 2000, only a few weeks after FIP’s foundation, big business leaders met with FARC leader Manuel Marulanda himself under a tent in the Caguán. The widely publicized meeting was planned as an opportunity to build channels of communication between groups. According to one FIP member, the purpose was to send a very clear message to the guerrilla: “Private companies are committed to this” (Interview with Ramón de la Torre, Bogotá, 7 November, 2002). The meeting was considered a success by both sides.8 “If we felt like we were talking to saints before [when other prominent national and international figures visited FARC in the Caguán], now it feels like talking to God” said one of FARC’s negotiators, alias Joaquín Gómez (Castrillón, 

8 Even the president of the New York Stock Exchange (NYSE) visited FARC during those days.
“If they could, they would have rolled out a red carpet” to receive these representatives of capital, remembers one participant at the meeting.\(^9\)

This contrasted with the very different response to the visit of association leaders, a few weeks later. In April 2000, a group of associations was invited to present their point of view at the Public Audiences, agreed by the negotiating sides as an opportunity to include views from civil society in their talks, according to an agenda agreed to by Pastrana and Marulanda in May 1999. The first audience was held on April 9, 2000, and was planned to deal with issues related with employment and economic growth policy. The issues were of central relevance, with unemployment levels bordering 20%.

Associations, in consultation with members and executive boards, had spent significant time preparing their document (Interview Sabas Pretelt, 5 December 2002). However, in contrast with big business leaders a few weeks earlier, association leaders were not greeted by leading FARC commandants. Their presentation was interrupted by whistles and shouts. On their way out, guerrilla soldiers attempted to search their bus. Although they resisted successfully, they could not avoid the humiliation (Interview Jorge Visbal, Bogotá, 30 January 2002; Interview Sabas Pretelt, 5 December 2002; El Tiempo, 13 April, 2000). Several days later, an offended Consejo Gremial sent a letter of protest to the coordinators of the Thematic Committee, Iván Ríos (FARC) and Néstor Humberto Martínez (Secretary of the Interior). “Our participation was sistematically sabotaged. We didn’t expect applause, but a minimum of respect towards ourselves and our opinions, and, of course, a more energetic position on behalf of the organizers to guarantee the development of the audience according to plan” they said. In addition, they warned that they might reconsider further participation in meetings of this kind.

The contrast is significant for several reasons. Most importantly, it points at a division within the business community between big business—actual owners of capital—and associations. As mentioned, the split is not new, but it has important implications for business’ contribution to peace negotiations and peacebuilding. While associations seek to have the leading voice and certainly are the most visible representatives of the private sector, the fact that associations have faced increasing problems of representativeness (Rettberg 2003c) calls into question their ability to express the concerns of their members and to pull along substantial numbers of business people on to the peace wagon. In contrast, business executives in command of actual companies—some of them among the largest in the country—may be less visibly but more effectively involved in peace policy. As described by one FIP member, “it’s more important to talk to the owner than with an association. The association leader is an employee like any other, not the owner of the factory” (Interview with Ramón de la Torre, Bogotá, 7 November, 2002). This, as

\(^9\)Truly, the group’s composition was remarkable. Among participants in the meeting were Julio Manuel Ayerbe (president Corona Organization), Hernán Echavarría (patriarch associated with Corona Foundation and major assetholder in Corona Organization), Rodrigo Gutiérrez (president of FIP’s executive board), Manuel José Carvajal (of Carvajal y Cía.), José Alejandro Cortés (president Seguros Bolívar), Henry Eder Zambrano (president Ingenio Manuelita), Edmundo Esquenazi (representative of Grupo Sanford), Jairo Gómez (president Postobón), Eduardo Pacheco (president Colpatria), Andrés Obregón (president Grupo Empresarial Bavaria), Juan Sebastián Betancur (Sindicato Antioqueño), Nicanor Restrepo (Sindicato Antioqueño), Luis Carlos Sarmiento Angulo (president Grupo Aval), and Ramón de la Torre (ex-president of Exxon).
illustrated by the very different reception granted to each group, is something that even the FARC can appreciate.

**Business peace disposition is challenged**

April 2000 sent a warning sign to business willingness to support negotiations. That month, FARC launched “Law 002”, which “taxed” asset holders of more than USD 1 million in any sector up to 10 percent of their assets, in exchange for exemption from attacks (FARC-EP 2000). The law caused uproar among the business community. “Law 002 is a cynical act by FARC that demonstrates their lack of commitment to the process. How can they pretend to legislate from the Caguán? They are now doing publicly what they have done for forty years, kidnapping and extorting. [But] they will not throw us out of the country with a rifle” said the leader of FEDEGAN (La República, 15 May, 2000).

They had good reasons for concern. One year later, resistance to pay dues under Law 002 had effectively prevented distribution of goods of Colombian companies in 100 municipalities nationwide (10 percent of the total territory) (Portafolio, 26 June, 2001). More immediately, Law 002 showed that peace talks with FARC would not be an easy bargain. In addition, it confronted business with the prospect of a deterioration of the conflict, hinting at the likelihood of increased costs of production and distribution that would be carried by them. As stated by one business executive, “Law 002 [made people think]. Instead of saying ‘keep shooting [echen bala]’, they say ‘fix this fast, we can’t resist this’” (Interview with Rodrigo Gutiérrez).

The year brought additional challenges to business peace disposition. In January, ELN kidnapped over 100 participants at a religious service in a wealthy residential area of Cali. Later, it kidnapped a plane with all its occupants. In September, ELN kidnapped over 50 people at an upscale restaurant outside the city of Cali. FARC also put business patience to the test, when it kidnapped the daughter of ANDI president, Luis Carlos Villegas, in November 2000 (she was liberated in March 2001). Overall, growing doubts as to the use FARC was giving to the demilitarized zone made it difficult for the government to defend ongoing talks. Peasants denounced they were being harassed by guerrilla and their sons pulled in, while intelligence sources found evidence that FARC was using the zone as a safe haven to hide captives and to grow and harvest coca plants.

In response to several of these actions, ANDI’s executive board announced it would cease to participate in further meetings with ELN as they had in Mainz and later in Geneva, because ELN was threatening civil society, which it had said it wanted to participate. Other associations followed suit. In addition, associations began to question the usefulness of the demilitarized zone and the possibility to grant a similar zone to ELN. “I have been instructed by the executive board of ANDI to ask government to suspend talks with ELN until it liberates all those it has kidnapped”, said Luis Carlos Villegas, president of ANDI (El Tiempo, 20 September, 2000). “ELN terrorist acts have made our continued participation in meetings with these guerrilla leaders unpresentable. Also, abuses of FARC in the Caguán have made it almost impossible to grant a similar zone to ELN” (Cambio, ref).
In July, the discussion at the negotiation table of conditions that could lead up to a possible ceasefire triggered an enthusiastic response by associations, who offered to serve as intermediaries with the international community to raise funds to sustain demobilized guerrilla combatants. Estimations were that to maintain an army of 20,000 demobilized would cost USD 7 billion (La República, 20 October, 2000).

However, by the end of 2000 a turning point had been reached in business disposition towards negotiations. While a Gallup poll of 500 executives in March 2000 showed 70 percent to be in favor of negotiations with the guerrilla (El Tiempo, 20 March, 2000), the percentage had dropped to 11 percent and 60 percent believed the Armed Forces could defeat the guerrillas (Economist.com, 2000). The prospects in early 2001 were even grimmer: At a congress of financial think tank ANIF (Asociación Nacional de Instituciones Financieras), only 6 percent of participants said they thought a peace treaty would be signed during the government of Pastrana. 29 percent expected peace to be signed in the next government, and 36 percent expected peace to be signed some time after that. 17 percent never expected a peace treaty to happen in Colombia (ANIF, 8 February, 2001). Following widespread business enthusiasm in the early days of the Pastrana government, results of these surveys illustrate a gradual return by business to skepticism faced with the possibility of reaching a negotiated end to conflict and to diminished willingness to participate.

Causes for frustration were multiple. On the one hand, business, as many other among the Colombian population, doubted the guerrilla’s sincere interest in ending conflict. Many objections and special conditions put forth by FARC were interpreted as efforts to delay the process. In addition, news of the Caguán was discouraging. As proved later, FARC were using the territory for criminal purposes—in addition to negotiating. In addition, attacks against the infrastructure, kidnappings, and extortion continued. This put the government in the difficult and awkward position of justify an increasingly illegitimate process. The government, too, was ridden by problems. Most importantly, as described by a close business observer of the process, the participation of business executives in the negotiating team was no guarantee for the consideration of private sector interests nor for the application of private sector principles of strategic planning to the design of the peace process. On the contrary, peace policy-making by the Pastrana government was criticized for its insulation from the advisory team, improvisation and lack of planning. This caused frustration among interested business leaders (Interview Juan Sebastián Betancur).

Early to mid 2001 saw renewed efforts by government and FARC to revamp the lingering peace process. A new meeting between Pastrana and Marulanda in the Caguán in Los Pozos extended the duration of the demilitarized until October and commissioned a group of “Notables” to design mechanisms of verification and specific recommendations to help build mutual trust between the sides and avoid further delays in negotiations.

On the business side, national and regional forums—sponsored by government and the private sector—were held to keep underscoring the point that there would be no investment—domestic and foreign—in the absence of peace (Ministerio de Comercio Exterior, 2001). A similar point was made during a series of Business Workshops for Peace, organized by Confecámaras and Universidad Javeriana and sponsored by USAID.
Despite their unhappy memories of their past visit, in May 2001 associations returned to the Caguán to resume discussions on employment policy. Insistently, they made the point that “for there to be employment opportunity there needed to be investment, and for there to be investment, there needed to be security” (El Tiempo, 11 May, 2001). In addition, growing demands for a ceasefire were echoed by associations.

However, the lack of concrete results in the peace process, the perception that the government did not seem to be following a clear strategy and that FARC was not really willing to engage in negotiations, and the realization that the demilitarized zone was being used for criminal purposes generated growing criticisms and the progressive hardening of the business community. As illustrated in Figure 2, the slumping perception of socio-political and economic conditions after 2000 reflects growing business disenchantment. In August 2001, business associations convened a national, publicly broadcast meeting to pay homage to the Armed Forces (El Tiempo, 28 August, 2001; 29 August 2001) and to support their request for added funding in order to bolster their war effort against the guerrillas. November 2001 saw one more meeting of associations with the ELN in Havana, Cuba, seeking to salvage from failure whatever remained of that process. However, it was clear that the mood in which the Pastrana government was drawing to a close was much different from how it had started.

In February 2002, FARC kidnapped an airplane and its occupants. In addition to previous acts of provocation, this action provided the government with the final justification to bring an abrupt end to peace talks with this group. In a televised address, a frustrated president Pastrana announced that in a matter of 48 hours, Colombian Armed Forces were to recover control of the once demilitarized Caguán region. There ended yet another effort to end the Colombian conflict in a negotiated way.

As at the beginning of his government, when peace talks stood at the top of the agenda, Pastrana enjoyed full business support when he decided to cancel them. Four years of an increasing cost in material and human terms had taken their toll on business enthusiasm for a negotiated solution, and, most importantly, on expectations that such a solution would arrive promptly.

Álvaro Uribe: New hope, new disenchantment?

Against this background, it appears logical that someone who promised the reestablishment of authority and an emphasis on security would enjoy the widespread support of the Colombian business community in the presidential elections of 2002 (El Tiempo, 1 July 2002; Semana, 19 August 2002). Elected with a wide margin over his rival, Álvaro Uribe embodied the promise that a strong hand approach to conflict would bring more tangible results in precipitating an end than the four preceding years of lingering talks.

Increased costs to business and the failure of Pastrana’s efforts also explain why Uribe was able to gain support for a harsh fiscal reform, requiring the private sector to take on a significant part of the financial burden in the coming war effort against the guerrillas. In contrast with contributions required during previous administrations, Uribe’s was not a bond (a forced investment that will be repaid with interests) but an outright tax, designed to
raise USD790 million (El Tiempo, 22 July, 2002). To promote “democratic security” against the Colombian insurgency, Uribe implemented a tax of 1.2 percent on liquid net assets during the first months of his administration. Aimed at assets of 169,5 million pesos or higher (approximately USD60,000), the category fits only 400,000 tax payers, due to high evasion and sub-declaration rates.

Given the concern with security, the tax gained the widespread support of the business community. Jorge Visbal, the president of FEDEGAN, said his association was ready to make the “necessary fiscal sacrifices to support the Armed Forces in their defense of democracy” (El Tiempo, 22 July, 2002). However, the president of the Consejo Gremial warned that money should be used appropriately to fund security and not nurture the bureaucratic apparatus (El Tiempo, 22 July, 2002). According to the Consejo Gremial, in the past eight years business has paid over USD 550 million in taxes to finance defense, most of which has been invested in operation and bureaucracy, not in actual technological improvement and offensive capacity (El Tiempo, 22 July, 2002).

Six months after Uribe’s coming to power, the honeymoon is not over but a more sober mood has set in. Already there are signs that President Uribe’s security strategy is not yielding its intended effects: the number of kidnappings is stable while conflict rages on in the countryside and expands to the cities (as most recently witnessed in the bombing of El Nogal). Hints that the government might transform the exceptional compulsory and government-issued “war bonds” into permanent taxes in order to gain better results in the counterinsurgency campaign has met business criticism. In this sense, while business has supported (and paid) the new tax burden (La República, 25 February, 2002; Portafolio, 23 August, 2002), its large amount and the possibility of turning into a permanent tax has generated splits and weariness in business support for Uribe. As a result the fiscal reform process has been marked by negotiations over exemptions and payment plans, in which even large companies are taking part (El Tiempo, 27 October, 2002).

In addition, the Contraloría General has revealed that the government has invested “democratic security” tax resources in Treasure Bonds (Títulos de Tesorería – TES) and to supplement resources in other areas of the state apparatus (El Tiempo, 26 November, 2002; El Tiempo, 23 February, 2003). This has caused business criticism and fears that Uribe’s promise of greater security may succumb in the face of demands for administrative expenditures.

The spectre of this possibility has introduced a measure of sobriety into business expectations as to the real capabilities of the Uribe government to emerge victoriously from his war effort. As when business was first enchanted and then disillusioned by Pastrana’s promise of a prompt negotiated solution, business now also appears to have moved from enchantment with Uribe’s promises to a more cautious position, as it becomes clear that conflict will last and that its cost will keep burdening business.

Conclusions

This paper has argued that through the Pastrana and Uribe administrations the cost imposed to business by conflict has increased. As a result, business has undergone a process of
maturation which has produced a shift away from simplistic expectations that conflict cessation will occur in the short term, either through negotiations or military action. In the process, a critical mass—one that links its own livelihood and chances of economic success to ending conflict because the cost of conflict is considered too high—has begun to form. Should there be renewed efforts to launch a peace process in Colombia, this mass will be a crucial promoter.
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