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A Critical Analysis of Multinational Oil Companies’ Corporate Social Responsibility in Colombia and Venezuela

The Dynamics of Two Models

Susan Florence KERR

Volume I of II

Submitted for the degree of
Doctor of Philosophy

School of Social and International Studies
Department of Peace Studies
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Abstract

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A Critical Analysis of Multinational Oil Companies’ Corporate Social Responsibility in Colombia and Venezuela

The Dynamics of Two Models

Keywords: Corporate Social Responsibility, Multinational Oil Companies, Colombia, Venezuela, Critical Realism

One key to CSR’s success has been its fuzzy definition, whereby its meaning is constantly (re)defined by practice and through the dialectical relationship between companies and their stakeholders. This thesis focuses upon the influence of MNOCs’ socio-political field upon their CSR (rather than upon specific CSR projects), from a critical realist perspective, contributing to existing research in three key ways. Firstly, I present original explanatory models that outline the practice of CSR in Colombia and Venezuela. From these models, I develop further models that categorise the types of CSR practiced in each country. I argue that Colombia follows a conventional model of private-led CSR; by contrast, the Venezuelan model pushes the boundaries of more traditional CSR definitions. Given the government’s dirigiste approach, I categorise the Venezuelan model as an example of a new form of CSR, that I call Regulated CSR (RCSR), noting the inherent contradictions of regulating to increase responsibility. Secondly, I produce original research on MNOCs’ CSR reports, examining how MNOCs’ agency is affected by global socio-political discourses. Paradoxically, whilst CSR is an important element of corporate communication, many MNOCs only disclose limited CSR-related information. Thirdly, this thesis contributes to the growing discussion of CSR’s role within the neoliberal paradigm. I argue that CSR is not and cannot be a panacea for social absences and can have negative social effects. Therefore, appropriate regulation is necessary, starting with greater corporate transparency at an international level to level-up MNOCs’ practices, and national oversight of MNOCs’ CSR budgets and practices.
Acknowledgements

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I am also grateful for the help of each interviewee, as well as to those who actively helped me with my research including: Edward Jardine, Dr Francisco Monaldi, Maria Miquilena, Padre Armando Janssens, Marc-André Maukisch, Miguel García Jones and Osvaldo Ardilla. One organisation, which I wish to thank by name, is Redsoc, which presented me with an opportunity to discuss my ideas with a large group of representatives from different Venezuelan NGOs.

Finally, I would like to express my gratitude to my friends and family: to my husband Sylvain, who has not yet known married life without a PhD student as his wife, to my father Wesley, my mother Florence, my brothers David and Jonathan, to Liz, Eric, Eleanor, Henry, Martine, Bernard, Nana and Granny whose love, support and prayers have been, and continue to be, invaluable.
Table of Contents

Abstract ........................................................................................................................................... i
Acknowledgements ............................................................................................................................ ii
Table of Contents ............................................................................................................................... iii
List of Figures ...................................................................................................................................... xiii
List of Tables ....................................................................................................................................... xiv
List of Abbreviations ............................................................................................................................. xv

Volume I

Chapter 1 Introduction ......................................................................................................................... 1
1.1 Thesis overview: purpose and relevance ...................................................................................... 1
1.1.1 The research question, research objectives and the contribution of this research to the existing academic literature .................................................................................................................. 1
1.1.2 Structure .................................................................................................................................... 2
1.1.3 Relevance ................................................................................................................................... 8
1.1.4 Case selection .............................................................................................................................. 11
1.1.5 Defining CSR .............................................................................................................................. 13
1.2 Thesis overview: introducing the methodological framework ................................................. 14
1.2.1 Philosophical underpinnings: critical realism .......................................................................... 14
1.2.1.1 Ontological realism ............................................................................................................... 15
1.2.1.2 Epistemological relativism .................................................................................................... 17
1.2.1.3 CR’s methodological considerations ...................................................................................... 20
1.2.2 Research methodology: collecting real data ............................................................................ 23
1.2.2.1 Constructing theory and abstraction .................................................................................... 25
1.2.2.2 Approaching texts ............................................................................................................... 28
1.2.2.3 Approaching comparative research ..................................................................................... 29
1.2.2.4 Conducting interviews ......................................................................................................... 30
1.2.2.5 Analysing data ...................................................................................................................... 35
Chapter 2  The oil curse as the outcome of presence and absence: rentier states, civil violence and societal challenges for MNOCs ............... 38
  2.1  The paradox of plenty: a dialectical approach ................................................. 40
  2.1.1  Bhaskarian dialectic .................................................................................. 41
  2.1.2  The emergence of a curse: an economic paradox of plenty ......................... 42
  2.1.3  The political curse: structure and agency based explanations ....................... 44
  2.1.4  The curse of conflict: emergence, form and duration ...................................... 50
  2.1.4.1  Conflict emergence .................................................................................. 50
  2.1.4.2  Conflict form and duration ...................................................................... 56
  2.1.4.3  Oil and conflict: a laminated system of local, regional and global interconnectedness ........................................................................... 59
  2.2  Transformative agency ..................................................................................... 61
  2.2.1  Transformative Interests in a neoliberal paradigm ........................................... 62
  2.2.2  Specific policy proposals and their rationale .................................................. 69
  2.2.2.1  Economic measures .................................................................................. 70
  2.2.2.2  Socio-political measures ......................................................................... 74
  Chapter conclusion ................................................................................................. 77

Chapter 3  The evolution and discourse of CSR ....................................................... 79
  3.1  What is CSR? ..................................................................................................... 80
  3.2  Profit, profitability, PR, norms and pressure as causal reasons ............................ 84
  3.2.1  The business case: profit, profitability and PR .............................................. 85
  3.2.2  Norms and pressures in a globalised world ................................................... 87
  3.3  Legislated and voluntary standards ................................................................... 94
  3.3.1  National governments and regional and international institutions .................. 95
  3.3.2  Civil society based initiatives ....................................................................... 101
### Chapter 4: Case study 1: Colombia, neoliberalism and CSR

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Colombian oil policy and special interests</td>
<td>115</td>
</tr>
<tr>
<td>4.2 The weak state: what are the causes?</td>
<td>126</td>
</tr>
<tr>
<td>4.2.1 A history of political divisions and violence before 2002</td>
<td>126</td>
</tr>
<tr>
<td>4.2.2 The rise of protostate actors</td>
<td>134</td>
</tr>
<tr>
<td>4.2.3 International military influence</td>
<td>135</td>
</tr>
<tr>
<td>4.2.3.1 The US and its war against communists, drugs and terror</td>
<td>136</td>
</tr>
<tr>
<td>4.2.3.1.1 War on communism</td>
<td>136</td>
</tr>
<tr>
<td>4.2.3.1.2 War on drugs</td>
<td>142</td>
</tr>
<tr>
<td>4.2.3.1.3 War on terror</td>
<td>142</td>
</tr>
<tr>
<td>4.2.3.2 The FARC’s external support</td>
<td>143</td>
</tr>
<tr>
<td>4.3 Challenges to governance post-2002</td>
<td>144</td>
</tr>
<tr>
<td>4.3.1 Uribe’s election, the security situation and its impact on governance</td>
<td>144</td>
</tr>
<tr>
<td>4.3.2 State abandonment of people and land</td>
<td>148</td>
</tr>
<tr>
<td>4.3.3 Friend/enemy dichotomies</td>
<td>149</td>
</tr>
<tr>
<td>4.3.4 Is Colombian a democracy?</td>
<td>152</td>
</tr>
<tr>
<td>4.4 MNOC agency amidst violence and as a quasi-protostate actor</td>
<td>154</td>
</tr>
<tr>
<td>4.4.1 MNOCs as agents and victims of violence</td>
<td>155</td>
</tr>
<tr>
<td>Section</td>
<td>Title</td>
</tr>
<tr>
<td>---------</td>
<td>-------</td>
</tr>
<tr>
<td>4.4.2</td>
<td>MNOCs’ development and peace efforts</td>
</tr>
<tr>
<td>Chapter conclusion</td>
<td></td>
</tr>
<tr>
<td>Chapter 5</td>
<td>Case study 2: the Bolivarian Republic of Venezuela and MNOCs’ CSR</td>
</tr>
<tr>
<td>5.1</td>
<td>The pre-1998 Venezuelan petro-state</td>
</tr>
<tr>
<td>5.1.1</td>
<td>Venezuelan political history and oil policy until 1998</td>
</tr>
<tr>
<td>5.1.2</td>
<td>MNOCs’ impact upon the Venezuelan social fabric in pre-1998 Venezuela</td>
</tr>
<tr>
<td>5.2</td>
<td>What is 21st century socialism?</td>
</tr>
<tr>
<td>5.2.1</td>
<td>The overarching principles of social emancipation: participatory and protagonistic democracy</td>
</tr>
<tr>
<td>5.2.1.1</td>
<td>Protagonism: overcoming empire and installing democracy</td>
</tr>
<tr>
<td>5.2.1.2</td>
<td>Protagonism: the media</td>
</tr>
<tr>
<td>5.2.1.3</td>
<td>Participatory democracy: elections and the balance of powers</td>
</tr>
<tr>
<td>5.2.1.4</td>
<td>Participatory democracy: the communal councils and social restructuring</td>
</tr>
<tr>
<td>5.2.1.5.</td>
<td>Protagonistic democracy: Chavistas</td>
</tr>
<tr>
<td>5.2.1.6</td>
<td>Protagonistic democracy: reforming old judicial structures</td>
</tr>
<tr>
<td>5.2.1.7</td>
<td>Participatory democracy: the cooperatives and the missions</td>
</tr>
<tr>
<td>5.2.1.7.1</td>
<td>The missions in practice: healthcare and education</td>
</tr>
<tr>
<td>5.3</td>
<td>The oil sector in post-1998 Venezuela: from empire to local communities</td>
</tr>
<tr>
<td>5.3.1</td>
<td>PDVSA</td>
</tr>
<tr>
<td>5.3.2</td>
<td>MNOCs and CSR: a new partnership with the state</td>
</tr>
</tbody>
</table>
5.3.3 Corruption and clientelism .................................................. 226

Chapter Conclusion: the nature and scope of CSR in Venezuela .......... 227

Chapter 6 How do MNOCs portray their CSR? An analysis of 18 CSR reports ........................................................................... 230

6.1 CSR reports: an overview ....................................................... 231

6.1.1 The appropriation of global social trends and discourses in CSR policies ............................................................................... 233

6.2 MNOCs’ descriptions of their CSR decision-making .................. 238

Chapter Conclusion: what do MNOCs’ CSR reports reveal about their authors? .................................................................................. 243

Volume II

Chapter 7 Two models: agents, structures, policies and the dynamics of CSR. .................................................................................... 245

7.1 The Colombian model ............................................................ 249

7.1.1 Level 1: the agents ............................................................... 251

7.1.1.1 MNOCs ........................................................................... 251

7.1.1.2 The government ............................................................. 262

7.1.1.3 Communities (and local associations) .............................. 263

7.1.1.4 Civil society .................................................................... 264

7.1.1.5 The international community ........................................ 266

7.1.1.6 Armed groups ............................................................... 266

7.1.1.7 Ecopetrol ........................................................................ 267

7.1.1.8 The media ....................................................................... 267
7.2.1.5 The international community .............................................................310
7.2.1.6 The new PDVSA ..................................................................................311
7.2.1.7 The media ...........................................................................................312
7.2.2 Level 2: policies, structures and events ...................................................312
7.2.2.1 PDVSA’s nationalisation .....................................................................313
7.2.2.2 Mixed companies ................................................................................313
7.2.2.3 Increased royalties and changes to the tax burden ..............................314
7.2.2.4 Government centralisation ..................................................................316
7.2.2.5 The replacement of traditional society by new means of participation ..................................................................................................................316
7.2.2.6 Creation of parallel welfare structures: the missions .............................317
7.2.2.7 Enabling laws ......................................................................................317
7.2.2.8 The robust PR machine ........................................................................317
7.2.2.9 Creation of new international alliances ................................................318
7.2.3 Level 3: reasons ......................................................................................318
7.2.3.1 New socialist society ...........................................................................319
7.2.3.1.1 Participatory and protagonistic democracy .......................................319
7.2.3.1.2 Permanent revolution ......................................................................319
7.2.3.1.3 Oil ownership ..................................................................................320
7.2.3.1.4 Rejection of neoliberalism and empire ..............................................320
7.2.3.2 International causes ............................................................................321
7.2.3.2.1 Displaying international solidarity ..................................................321
7.2.3.2.2 Influence of international markets ....................................................322
List of Figures

Figure 1  Implicit and explicit CSR ................................................................. 95
Figure 2  The Colombian model of CSR ...................................................... 250
Figure 3  The Venezuelan model of CSR ..................................................... 293
Figure 4  Contribution to social development by mixed companies .......... 315
| Table 1 | Interviewees                                                                 | 31 |
| Table 2 | Interviewees                                                                 | 247|
| Table 3 | Interview questions’ explanatory importance vis-à-vis MNOC’s dialectical relations with their socio-political field | 248|
| Table 4 | MNOC spending                                                                | 252|
| Table 5 | What CSR do MNOCs conduct?                                                   | 253|
| Table 6 | Why do MNOCs conduct CSR?                                                    | 254|
| Table 7 | Why do MNOCs conduct specific types of CSR?                                  | 256|
| Table 8 | Do the following agents influence CSR policies?                              | 258|
| Table 9 | With whom do MNOCs work to determine CSR projects and policies?              | 259|
| Table 10| Which partners are retained by MNOCs to execute CSR programmes?              | 259|
| Table 11| Should or do MNOCs cooperate in conducting CSR programmes?                   | 261|
| Table 12| What CSR do MNOCs conduct?                                                   | 296|
| Table 13| Why do MNOCs conduct CSR?                                                    | 297|
| Table 14| Why do MNOCs conduct specific types of CSR?                                  | 298|
| Table 15| Do the following actors influence CSR policies?                              | 302|
| Table 16| With whom do MNOCs work to determine CSR projects and policies?              | 302|
| Table 17| Which partners are retained by MNOCs to execute CSR programmes?              | 303|
| Table 18| Should or do MNOCs cooperate conducting CSR programmes?                      | 304|
| Table 19| Production rates & royalties per barrel                                      | 328|
### List of Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACP</td>
<td>Asociación Petrolera de Petróleo (Colombian Oil Association)</td>
</tr>
<tr>
<td>AD</td>
<td>Acción Democrática (Democratic Action Party)</td>
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<tr>
<td>ALBA</td>
<td>Alianza Bolivariana para los pueblos de nuestra América (Bolivarian Alliance for the peoples of our Americas)</td>
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<tr>
<td>ANH</td>
<td>Agencia Nacional De Hidrocarburos (National Hydrocarbons Agency)</td>
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<tr>
<td>ARPEL</td>
<td>Asociacion Regional de Empresas del Sector Petróleo, Gas y Biocombustibles en Latinoamérica y el Caribe (The Regional Association of Oil and Natural Gas in Latin America and the Caribbean)</td>
</tr>
<tr>
<td>ATCA</td>
<td>Us Alien Tort Claims Act</td>
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<tr>
<td>AUC</td>
<td>Autodefensas Unidas De Colombia (United Self-Defence Groups of Colombia)</td>
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<tr>
<td>AVHI</td>
<td>Asociación Venezolana De Los Hidrocarburos (Venezuelan Hydrocarbons Association)</td>
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<td>BCR</td>
<td>Basic Critical Realism</td>
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<tr>
<td>B/D</td>
<td>Barrels Per Day</td>
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<td>BSCI</td>
<td>Business Social Compliance Initiative</td>
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<tr>
<td>CDA</td>
<td>Critical Discourse Analysis</td>
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<tr>
<td>CF/D</td>
<td>Cubic Feet per Day (measurement of natural gas)</td>
</tr>
<tr>
<td>CONCAWE</td>
<td>Conservation of Clean Air and Water for Europe</td>
</tr>
<tr>
<td>COP</td>
<td>Communication on Progress (For the UN Global Compact)</td>
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<td>COPEI</td>
<td>Comité De Organización Política Electoral Independiente (Committee of Independent Political Electoral Organization)</td>
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<tr>
<td>CPPP</td>
<td>Comisión Permanente Del Poder Popular (Permanent Commission for Popular Power)</td>
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<td>CPTA</td>
<td>US-Colombia Trade Promotion Agreement</td>
</tr>
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<td>CR</td>
<td>Critical Realism</td>
</tr>
<tr>
<td>CRBV</td>
<td>Constitución de la República Bolivariana de Venezuela (The Constitution of the Bolivarian Republic of Venezuela)</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<tr>
<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>---------</td>
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</tr>
<tr>
<td>CVP</td>
<td>La Corporación Venezolana Del Petróleo (Venezuelan Oil Corporation)</td>
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<tr>
<td>DAS</td>
<td>Departamento Administrativo De Seguridad (Administrative Department of Security)</td>
</tr>
<tr>
<td>DCR</td>
<td>Dialectical Critical Realism</td>
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<tr>
<td>DVC</td>
<td>Dividendo Voluntario para la Comunidad (Voluntary Dividend for the Community)</td>
</tr>
<tr>
<td>ECOPETROL</td>
<td>Empresa Colombiana De Petróleos (Colombian Petroleum Co.)</td>
</tr>
<tr>
<td>EH&amp;S</td>
<td>Environment, Health and Safety</td>
</tr>
<tr>
<td>EIA</td>
<td>US Energy Information Administration</td>
</tr>
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<td>EITI</td>
<td>Extractive Industries Transparency Initiative</td>
</tr>
<tr>
<td>ELN</td>
<td>Ejército de Liberación Nacional (National Liberation Army)</td>
</tr>
<tr>
<td>EO</td>
<td>Equitable Origin</td>
</tr>
<tr>
<td>EPL</td>
<td>Ejército Popular De Liberación (Popular Liberation Army)</td>
</tr>
<tr>
<td>FARC-EP</td>
<td>Fuerzas Armadas Revolucionarias De Colombia-Ejército Del Pueblo (Revolutionary Armed Forces of Colombia-People’s Army)</td>
</tr>
<tr>
<td>FCPA</td>
<td>Foreign Corrupt Practices Act</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>FEDECAMARAS</td>
<td>Federación Venezolana De Cámaras Y Asociaciones De Comercio (Venezuelan Federation of Chambers of Commerce)</td>
</tr>
<tr>
<td>FLN</td>
<td>Front De Libération Nationale (National Liberation Front)</td>
</tr>
<tr>
<td>FONDEN</td>
<td>Fondo Nacional Para La Desarrollo Endógeno (National Development Fund)</td>
</tr>
<tr>
<td>FOPO</td>
<td>Fondo Especial Para El Poder Popular (Special People’s Fund)</td>
</tr>
<tr>
<td>FSBT</td>
<td>Fuerza Socialista Bolivariana De Trabajadores</td>
</tr>
<tr>
<td>FTAA</td>
<td>Free Trade of the Americas</td>
</tr>
<tr>
<td>GC</td>
<td>Global Compact</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GPF</td>
<td>Norwegian Government Petroleum Fund</td>
</tr>
<tr>
<td>GRI</td>
<td>Global Reporting Initiative</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
</tr>
<tr>
<td>GRI OGSS</td>
<td>Global Reporting Initiative Oil and Gas Supplement</td>
</tr>
<tr>
<td>IACHR</td>
<td>Inter-American Commission on Human Rights</td>
</tr>
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<td>IBEC</td>
<td>International Basic Economy Cooperation</td>
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<tr>
<td>ICC</td>
<td>International Criminal Court</td>
</tr>
<tr>
<td>IESA</td>
<td>Instituto de Estudios Superiores de Administración (Institute of Advanced Studies in Administration)</td>
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<tr>
<td>IFI</td>
<td>International Financial Institution</td>
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<tr>
<td>ILO</td>
<td>International Labour Organization</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>IPIECA</td>
<td>The Global Oil and Gas Industry Association for Environmental and Social Issues</td>
</tr>
<tr>
<td>ISO</td>
<td>International Organization for Standardization</td>
</tr>
<tr>
<td>M-19</td>
<td>Movimiento 19 Abril (The 19th of April Movement)</td>
</tr>
<tr>
<td>MAS</td>
<td>Muerte A Secuestradores (Death to Kidnappers)</td>
</tr>
<tr>
<td>MBR-200</td>
<td>Movimiento Bolivariano Revolucionario-200 (Revolutionary Bolivarian Movement-200)</td>
</tr>
<tr>
<td>MERCOSUR</td>
<td>Mercado Común del Sur (Southern Common Market)</td>
</tr>
<tr>
<td>MNC</td>
<td>Multinational Corporation</td>
</tr>
<tr>
<td>MNOC</td>
<td>Multinational Oil Corporation</td>
</tr>
<tr>
<td>MVR</td>
<td>Movimiento Quinta República (Movement for the Fifth Republic)</td>
</tr>
<tr>
<td>NCP</td>
<td>National Contact Point (for the Global Compact)</td>
</tr>
<tr>
<td>NIAG</td>
<td>New Illegal Armed Groups</td>
</tr>
<tr>
<td>NOC</td>
<td>National Oil Company</td>
</tr>
<tr>
<td>OAS</td>
<td>Organization of American States</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>OGP</td>
<td>The International Association of Oil and Gas Producers</td>
</tr>
<tr>
<td>OHSAS</td>
<td>Occupational Health and Safety Assessment Series</td>
</tr>
<tr>
<td>OPEC</td>
<td>Organization of Petroleum Exporting Countries</td>
</tr>
<tr>
<td>PDVSA</td>
<td>Petróleos De Venezuela, Sociedad Anónima (Petroleum of Venezuela)</td>
</tr>
<tr>
<td>PEMEX</td>
<td>Petroleos Mexicanos</td>
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<td>PMR</td>
<td>Philosophy of meta-Reality</td>
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<td>Acronym</td>
<td>Description</td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
</tr>
<tr>
<td>PROVEA</td>
<td>Programa Venezolano de Educación-Acción en derechos humanos (Venezuelan Program in Education-Action on human rights)</td>
</tr>
<tr>
<td>PRT</td>
<td>Partido Revolucionario de los Trabajadores de Colombia (Workers’ Revolutionary Party of Colombia)</td>
</tr>
<tr>
<td>RCSR</td>
<td>Regulated Corporate Social Responsibility</td>
</tr>
<tr>
<td>RSE</td>
<td>Responsabilidad Social Empresarial (Corporate Social Responsibility)</td>
</tr>
<tr>
<td>SAI</td>
<td>Social Accountability International</td>
</tr>
<tr>
<td>SEC</td>
<td>Securities and Exchange Commission</td>
</tr>
<tr>
<td>TCC</td>
<td>Transnational Capitalist Class</td>
</tr>
<tr>
<td>TINA</td>
<td>There Is No Alternative</td>
</tr>
<tr>
<td>TMSA</td>
<td>Transformational Model of Social Activity</td>
</tr>
<tr>
<td>TNC</td>
<td>Transnational Corporation</td>
</tr>
<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
</tr>
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<td>UNHCR</td>
<td>UN Human Rights Council</td>
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<tr>
<td>UP</td>
<td>Unión Patriótica (Patriotic Union)</td>
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<tr>
<td>VBEC</td>
<td>Venezuelan Basic Economic Company</td>
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<td>VP’S</td>
<td>Voluntary Principles on Security and Human Rights</td>
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Chapter 1

Introduction

This introduction is divided into two parts: i) the aims of the thesis and its relevance; and ii) the framework used to conduct the research.

1.1 Thesis overview: purpose and relevance

1.1.1. The research question, research objectives and the contribution of this research to the existing academic literature

In this thesis I set out to answer the following question: How is MNOCs’ CSR influenced by the socio-political field in which MNOCs operate?

To answer this question, I examine the dialectic relationships between MNOCs and their surrounding socio-political fields and how these determine MNOCs’ CSR, using Colombia and Venezuela as case studies and MNOCs’ CSR reports. More precisely, I identify the space occupied or left by/for MNOCs to determine and execute CSR programmes, whilst locating the causal mechanisms that underpin and explain the status quo with regards to CSR in each country. This thesis is thus concerned with the relationships that ultimately alter MNOCs’ practice of CSR. I do not focus upon specific CSR projects or upon an individual company, but mostly refer to MNOCs as a group, although various companies and projects are discussed throughout the thesis.

In order to show how different structures and agents interact to produce certain types of CSR, I present original explanatory models that illustrate how the practice of CSR differs in Colombia and Venezuela and why this is the case. From these models, I develop further models that categorise the types of CSR practiced in each country. I argue that there are two distinct models in operation in both countries: i) the Bolivarian, Venezuelan, state-led model of CSR (which I refer to as regulated or ‘R’ CSR); and ii) the neoliberal, Colombian, laissez-faire model of CSR (private-led CSR). I show why these models are distinct by identifying the causal mechanisms that underpin them. Whilst the Venezuelan model pushes the boundaries of what can be
considered as CSR (as the Venezuelan government has increasingly defined its own specific CSR model and reduced the space available to MNOCs), I show that this still qualifies as CSR. By contrast, the absence of government interference in Colombia may question the existence of a local CSR model. I argue, however, that this is in-keeping with a wider neoliberal, laissez-faire paradigm, and, as such, that a CSR model exists.

This thesis contributes to the existing literature in the following ways. I have conducted an extensive review and analysis of the existing academic literature and debates with regards to the oil curse and CSR, alongside reviews of the literature on Colombia and Venezuela. This thesis uses critical realist analytical tools to discuss several key theories covered in this literature, showing their relevance and explanatory power to analyse social phenomena in these fields. I also offer an original critical analysis of 18 MNOCs’ CSR reports to illustrate how companies portray their practices and how global discourses influence their CSR. Moreover, I have produced original primary research collating feedback and perspectives on MNOCs’ CSR practices in Colombia and Venezuela. Building upon the literature reviewed and my own field research, I have created two sets of models. The first illustrates the dialectical relations between MNOCs’ CSR and the socio-political field in which MNOCs operate in Colombia and Venezuela. The second categorises the types of CSR being practiced in these countries. Considering the identification of RCSR model with its specific features, I have also expanded the domain of research on CSR models and on companies’ practices.

1.1.2. Structure

The first chapter of this thesis is used to establish the framework of this research, outlining the research methodology and philosophical underpinnings. Chapters 2-5 offer a critical review of the literature on oil and its social impact, CSR, Venezuela and Colombia to situate the research question in the context of the different debates surrounding these topics. Chapter 6 contains an analysis that I conducted based upon my own survey of 18 MNOC CSR reports. Chapter 7 offers an analysis of the data I
collected in the field and contains the two models that I have created to show the dialectical relations between MNOCs’ CSR and the socio-political field in which MNOCs operate in Colombia and Venezuela. It also introduces the concept of RCSR. Chapter 8 outlines my conclusions.

This thesis results from a non-linear, self-reflexive research process. As such, the format and order of chapters 2-5 are chosen primarily for convenience. The reader is invited to read these chapters in whichever order is most helpful, although I recommend reading chapters 2 and 3 before chapters 4 and 5. These chapters also contextualise the data analysis and provide an understanding of the conclusions reached that may not be clear from a cold reading of the data-analysis chapter alone.

**Outline of each chapter**

*Chapter 1: Introduction*

The remainder of this chapter introduces this research and discusses its methodological and philosophical framework.

*Chapter 2: The oil curse as the outcome of presence and absence: rentier states, civil violence and societal challenges for MNOCs*

Chapter 2 presents and critiques the academic literature on the *oil curse* in oil-abundant, developing countries. I take from this literature that the *paradox of plenty* is essentially a paradox of the presence of significant oil income and the absence of oil-led development that benefits the citizens of oil-rich countries. I discuss the causes of the curse suggested in the academic literature, ranging from the weak state of institutions and poor governance to greedy rebels, community grievances and the mere feasibility of conflict. The phenomena discussed in this chapter thus help to explain some of the rationale for the development of CSR, as a means to redress social absences, in addition to the challenges that MNOCs can face whilst operating in oil-rich, developing countries. I conclude that there is no consensus in the literature as to how to solve the oil curse and show that attempts to remedy the curse that do not account for local cultures and open systems are likely to fail.
Chapter 3: The evolution and discourse of CSR

This chapter argues that the elusive concept of CSR is part of the dominant neoliberal response that is proposed at an international level to remedy the oil curse, but that it is insufficient to do so within a neoliberal context. Indeed, I will show that MNOCs not only have various motivations for conducting CSR, but that CSR and the profit-motive can induce a corporate schizophrenia, whereby companies can contemporaneously negatively impact their surrounding environment through their operations and yet be committed to CSR that focuses upon positive social development. In this context, I will argue that existing voluntary standards are insufficient to significantly change corporate behaviour. Moreover, appropriate regulation has a role to play, starting with greater corporate transparency at an international level to level-up MNOCs’ practices, and national oversight of MNOCs’ CSR budgets and practices.

Chapter 4: Case study 1: Neoliberalism, Colombia and CSR

In chapter 4, I argue that the Colombian government’s US-backed, neoliberal approach to policy-making, has enabled MNOCs to follow a private-led model of CSR that fits within this laissez-faire framework. I also discuss how the Colombian socio-political field has been marked by (i) neoliberal policies, (ii) violence, and (iii) the presence of various protostate actors, which contextualise the emergence of the Colombian CSR-model. In Colombia, mechanisms linked to the greed/grievance duality have causally linked oil to, for example, conflict onset and duration, clientelism, corruption and a changing social fabric in oil areas. However, I show that they are insufficient to explain the complex conflict dynamics that have emerged within the country. In this context, I contend that the Colombian government cannot rely upon CSR, as it is currently practised to provide social welfare needs, social justice or repair the damaged social fabric in remote oil areas.

Chapter 5: Case study 2: Bolivarianism, Venezuela and CSR

In this chapter, I argue that the Venezuelan governments’ distinctly Bolivarian approach to policy-making has captured CSR as a state-led programme and
significantly diminished MNOCs’ autonomy to implement their own CSR-like projects. Moreover, it has transformed both the socio-political field in which MNOCs operate and their relationships with this field. Venezuela is a textbook example of an oil curse sufferer and I show how Bolivarian governments have taken steps to reduce inequality, whilst Venezuela still remains oil (and thus international market) dependent and characterised by clientelism and corruption, amongst others. I note that the Venezuelan socio-political field has been marked by: (i) the project to create a new socialist society; (ii) the nationalisation of the oil industry; (iii) the delegitimisation of private initiative; and (iv) the re-branding of CSR. These factors have in turn created the context in which the Venezuelan CSR model has developed and led to a regulated form of CSR, which I refer to as RCSR and discuss in chapter 7.

Chapter 6: How do MNOCs portray their CSR? An analysis of 18 MNOC CSR reports

By critically analysing the discourse found in the CSR reports of 18 MNOCs, I will show the increasing importance that MNOCs attach to CSR, although the CSR related practices they set out are often inadequately described and indicative of: i) the appropriation of discourse as speech-act; and ii) the piecemeal and ideologically-determined nature of CSR and its unsuitability as a means of welfare within a neoliberal context.

Chapter 7: Two models: agents, structures, policies and the dynamics of CSR

Whereas chapter 6 illustrates the influence of socio-political discourses at a global level upon MNOCs’ CSR-related agency, chapter 7 more specifically addresses how MNOCs’ CSR is affected by the field in which they operate in Colombia and Venezuela. In this chapter, I present two models that I have created to explain the dialectical-relational dynamics of MNOCs’ CSR in Colombia and Venezuela (i.e. the ways in which MNOCs’ CSR affects and is affected by MNOCs’ dialectical relations with their socio-political fields in the Colombian and Venezuelan contexts). It uses data that I collected during field trips to these countries, alongside the materials found in previous
chapters, to create these models. I have identified and analysed four levels to each model beginning with: i) the analysis of the agents in the models that affect MNOCs’ agency; before moving on to ii) the policies that impact MNOCs’ agency; iii) other observable structures and mechanisms that influence MNOCs’ agency, the presence/absence of other agents within the models and the practice of CSR; and iv) the causal mechanisms that underpin these models. Based upon my research, I identified reasons/causes that describe the patterns of agents/structures interaction in both countries, using a process of abstraction that sought to consider and resolve some of the tensions in the academic literature discussed in preceding chapters and the field data that I collected. Moreover, based upon these models, I developed further categorisations of the types of CSR practiced in both Colombia and Venezuela. I identified a set of patterns in Venezuela that led me to identify the existence of a type of regulated CSR, which I refer to as RCSR.

Chapter 8: General Conclusions and Future Work

The concluding chapter draws together important elements from the previous chapters to address the question of how MNOC’s CSR is influenced by the socio-political field in which MNOCs operate, whilst also looking at the advantages and disadvantages of each model in this light. It also offers recommendations for further research in this field.

The key findings can be summarised as follows:

1. Different CSR models prevail in Colombia and Venezuela, which reflect the existing socio-political field:
   i) In Colombia, the CSR model is private-led and CSR activities are conducted voluntarily. The causal mechanisms that underpin this model are neoliberalism and a struggle for sovereignty.
   ii) In Venezuela, the CSR model is state-led. The causal mechanisms that underpin this model are a drive for emancipation, caudillismo and capitalism.
   iii) The CSR model prevalent in Venezuela, which I have labelled RCSR, has specific features that differentiate it from what is
generally described as CSR in the neoliberal paradigm; these features include mandatory social contributions, a disconnection between the funding of CSR and the decision to fund projects, and the active role played by the state.

iv) I show that appropriate regulation is needed: i) as a first step, at an international level, to apply transparency requirements to MNOCs in view of creating a level playing field and levelling-up MNOCs’ CSR practices; and ii) at the level of oil-producing countries to empower national governments to exercise oversight of MNOCs’ CSR budgets and practices in their countries.

v) My analysis of corporate CSR reports shows that MNOCs appropriate language from other international agents, affecting both their corporate communication and their praxis.

2. The key recommendations for policy-makers and for future research are:

   i) Research is needed to determine the success of new international transparency measures and to see where they could be improved.

   ii) Research is needed to enable national governments to choose between different models of CSR (e.g. private-led CSR v. regulated CSR), determine appropriate CSR-related legislation, as well as on how governments could enforce this legislation on a case by case basis.

   iii) Future research should be done on CSR reporting and the changes in corporate reporting over the coming years. This would enable an understanding of how MNOCs are affected by outside discourses and new transparency legislation.

My conclusions are neither air-tight nor definitive in a social world that is dynamic and changing (Danermark et al., 2002:54). In this vein, research is a never-ending process. It should be noted that my interpretation of the data exists in the real, but it is epistemologically relative. As Fairclough (1989:24) states, analysis comes with: "(...) what people have in their heads and draw upon when they produce or interpret texts, including their knowledge of language, representations of the natural and social worlds they inhabit,
values, beliefs, assumptions, etc.”. Thus, I invite the reader to critically assess what I have written to further this research in the future.

1.1.3. Relevance

Corporate (ir)responsibility and the normative acceptability of the corporate profit-making motive have gained increasing attention in light of the recent financial crisis, but viewed as an ethical or moral crisis. Businesses' social legitimacy has plummeted to levels unseen in recent history (Porter & Kramer, 2011:4). Whilst the media and political leaders have conveniently emphasised the moral hazard of bankers placing their personal greed before the interests of those they represented, the financial crisis has also brought to the fore the importance of the real (non-financial) economy of which the oil industry is an important actor and the weaknesses of capitalism to bring good governance, social justice and healthy and equal power relations.

I argue that Corporate Social Responsibility has been a key means for industry to communicate to the outside world that beyond its cold, capitalist exterior, it ultimately cares. However, amidst redundancies and reduced CSR budgets, as the debate turns towards whether profit-driven companies with transnational value chains do care about their impact upon the societies in which they operate, Fleming and Jones (2013:337) herald the end of CSR, noting that at, "the very moment that Corporate Social Responsibility (CSR) appears to be more needed than ever, its legitimacy, credibility and broader appeal has reached an all-time low". As many left-wing voices globally take advantage of public interest in the crisis to advocate a solidaristic rather than a greed-driven approach to modernity, CSR increasingly highlights the Achilles heel of capitalist ideology, in that irrespective of a company's intentions, it cannot consistently submit its need for profit to broader social ethics.

I argue that the oil industry epitomises such weakness. As a commodity, oil is essential to the capitalist economy's survival and to the sustainability of the major global powers' geopolitical advantage. Whilst oil companies work to discover new reserves and invest heavily in developing alternative energy-sources, global oil demand will remain strong. Oil is a finite resource;
whereas supplies were once funnelled to the West, growing economies such as China now want their share. Moreover, oil extraction and transport have always been highly polluting activities as evidenced by accidents such as Deepwater (2010) reminded the general public. As conventional oil reserves decrease, industry is increasingly prospecting in previously protected wildlife conservation areas for non-conventional oil. Oil not only has an economic and environmental impact, but also a political and social impact as controversial reports on, for example, the Niger Delta have shown (see chapter 3). Such reports of corporate malpractice imply that CSR is primarily a public relations' exercise. This is compounded by the fact that many companies have placed CSR within their public relations departments (Ilieş, 2011).

Is CSR over? The answer is both yes and no. As Fleming and Jones (2013) assert, it never began whole-heartedly due to the profit-motive. CSR initiatives can positively benefit communities, but CSR's existence can serve as window-dressing that detracts attention from wider social problems. It is important to be clear that the goal of CSR is not to act as a panacea that cures social ills. Such CSR is illusory and has never existed. However, as Crane and Matten (2007:208) argue, dismissing CSR as merely PR is to reject all business ethics management; highlighting the tensions in this field and the relevance of researching this topic. Despite the recent global trend for companies to cut back on CSR, internationally, it is still actively practiced and remains an essential element of most MBA and management courses. Moreover, there has been an increase in the corporate uptake of global reporting and of wider-ranging CSR with companies such as Statoil entering trendier and broader areas such as human rights (see chapter 2). The current practice of CSR will not disappear overnight.

From the outset of this research, I was interested in the extent to which MNOCs' CSR was influenced by local ideologies and conflict dynamics. I was curious to determine whether MNOCs' corporate CSR standardisation processes were stronger than their localisation processes in both content and form of delivery, especially amidst physical violence. Moreover, I was interested in questions of legitimacy, for example, the reasons why MNOCs,
which have no democratic legitimacy, take on certain state functions and whether this is generally accepted or resented by actors on the ground. I did not set out to expose or denounce the negative causal effects of oil multinationals that have been much publicised, sometimes without taking into consideration the environments in which these companies operate, nor to produce a piece of neoliberal propaganda, but to untangle and portray the relationships between different actors that define the scope of MNOCs' social action.

As the research progressed, I became increasingly aware of the importance of the divergence in approach to CSR between the Venezuelan and Colombian governments i.e. that these approaches were not merely rhetorical, but real and causal of further divergences in practice. In this context, the Chávez’ government in Venezuela took a more critical stance vis-à-vis MNOCs' CSR and its reforms of MNOC praxis (see below), following a model of RCSR, which received vast popular support. The significance of these measures becomes more obvious when contrasted with neighbouring Colombia under former President Uribe, which saw MNOCs conduct more traditional CSR, adapted to survive amidst the Colombian violence.

From my own normative standpoint, MNOCs, to the extent that they determine and execute CSR programmes, cannot claim to be responsible by simply implementing practical projects (content of CSR), but they should also consider their dialectical relationship with the socio-political framework within which they conduct these projects (form of CSR).

Comparison between the Venezuelan and Colombian CSR models is often highly political. On the one hand, neoliberals, who despite the financial crisis, argue that capitalism remains the best system with no other viable alternative conceived to date, may argue that the Bolivarian model of governance and of society, is doomed to fail as it cannot escape the global effects of the capitalist market. On the other hand, however, left-wing supporters, who prefer a model with larger state intervention, unconvinced that the market
should be left to provide welfare, often disagree with the Colombian model and find that they can more readily accept the Venezuelan model.

This thesis transcends such basic normative foundations to uncover the causal mechanisms that have led each government to choose the CSR models that they have chosen, more purposefully in Venezuela (RCSR) and rather passively in Colombia (private-led CSR). By identifying causal mechanisms that underpin the models, it enables a discussion of each model’s foundations and finds that both have elements which are beneficial to, and elements that hinder, the potential of MNOCs’ CSR to contribute to human flourishing.

I am aware that some readers will pre-judge the outcome of this research as they may adhere to the political orientation or ideologies that prevail in either Colombia or Venezuela. Bhaskar (1993;2000;2002) rightly asserts that ideology is based on false consciousness or lived illusion. As such, I would ask each reader to attempt to critically challenge their assumptions and biases, exercising epistemic relativism and judgemental rationality. My research even shows that neither ideology is perfectly practised without some contradiction within the country that champions it. My hope is that as an underlabourer for science (Locke, 1690; Bhaskar, 1998), I have not only produced an original piece of research, but research that is useful to policy-makers, companies or academics investigating similar questions.

1.1.4. Case selection

This PhD is not a strict comparison between Colombia and Venezuela, where one country would serve as the reference point to measure the other one. Rather, each country has been chosen because it displays a relevant characteristic: i) in Colombia, MNOCs perform their CSR activities in areas suffering from violence, whilst the official economic and political line fervently supports neo-liberalism; and ii) in Venezuela, MNOCs operate within a political context that is more influenced by left-wing Bolivarian discourse and in which the state has placed MNOCs’ social legitimacy in question.
I first became interested in the social field of the oil industry's operations on a visit to Barrancabermeja in Colombia in 2003 when I began to ponder the ability of the oil industry to operate, let alone conduct CSR, amidst the obvious physical and structural violence. Contemporaneously in Venezuela, the coup attempt against President Chávez, the latter's anti-Western discourse and the paralysis caused by the strike of PDVSA's oil workers heightened my interest in Bolivarian socialism.

Prior to commencing this research and looking at patterns across different oil countries, it was apparent that a macro-level approach would be necessary to discuss the impact of oil (in its widest sense) upon individual states, focusing less upon internal corporate decision-making habitus (although I did collect some data on how CSR is determined within a company) or upon the precise content of specific CSR projects and more upon the field in which companies operate. This is due to: i) the cross-border nature of multinational oil companies' agency; ii) the macroeconomic features of the oil trade; iii) the interests of third countries vis-à-vis oil; and iv) international power balances. Interestingly, despite similar external pressures, the internal structures and agents have not responded in the same way in both Venezuela and Colombia.

These countries lend themselves well to comparative study and were selected due to their similarities as much as their more recently mediatised contrasts. They are both considered to be two of Latin America’s oldest democracies. They shared military dictatorships until the late 1950s, pacted transitions, the appearance of democratic stability and violent challenges to the government. Whilst Venezuela has more significant oil resources, both countries invited MNOCs to operate in their territories in the early 1900s, developed oil cultures, suffered from elements of the resource curse and peaceably established NOCs within nine years of each other (Ecopetrol in 1951 and PDVSA in 1960). As neighbours, they share common problems and Venezuela has been affected by the Colombian left-wing struggle, in terms of the drugs and arms trades amongst others, whereby Venezuela is a

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1 I refer to political transitions that took place in each country due to a coinciding of elite interests and that were held together due to the agreement ('pact') of powerful elite groups.
key pipeline. Their paths have diverged in terms of the prevailing democratic governance paradigms over the past decade. Moreover, MNOCs face different challenges in each country. Whereas Colombia welcomes US intervention and foreign investment activities, Venezuela has been cautious about non-socialist intervention by imperialists.

My field research was conducted pre-financial crisis in Venezuela under Chávez (2007) and in Colombia under Uribe (2008). In hindsight, I was fortunate in the timing of my research. The data was collected when government support and oil prices were strong in both countries, enabling both governments to follow policies in line with their political positions. It has been interesting to note that despite presidential change, the financial crisis and fluctuating oil prices, there is a continuum in terms of the oil policies followed by both countries under Presidents Maduro and Santos. From the current literature on these two countries, it would appear that the underlying mechanisms driving the two models of CSR and causing powers to emerge (or not) in both countries have not yet significantly changed since the research was conducted.

1.1.5. Defining CSR

In this research, I use the term CSR to refer to the non-core-business related projects and actions that MNOCs’ undertake within the communities surrounding their operations to show that they care about their external stakeholders. It is not used here to describe companies’ internal policies that affect internal stakeholders.

As there is no universally accepted definition of CSR, it is often determined through corporate practice (see chapter 2). Whilst Colombian CSR initiatives have not been consistently socially responsible, there is greater ambiguity surrounding whether what MNOCs do in Venezuela is real CSR or whether it is CSR by means of a speech act. It could be argued that what MNOCs do in Venezuela, in an RCSR model, no longer constitutes CSR, but is rather tax-driven with MNOCs as mere passengers of government welfare. I show that MNOCs actions still constitute CSR. Reasons for this include: i) MNOCs, the state and other stakeholders refer to this action as CSR; ii) MNOCs still have
some input in this process, however limited; and iii) from a legal perspective, there are grounds to claim that it is not a tax as it is mostly paid to PDVSA and not to the state budget and spent without the comprehensive oversight of a representative body.

1.2. Thesis overview: introducing the methodological framework

1.2.1. Philosophical underpinnings: critical realism

Below, I explain the critical realist philosophical parameters that underpin this research, thereby guiding my methodology by determining: (i) its underlying social ontology; (ii) what is acceptable as social explanation; and (iii) my choice of research/analytical methods.

I chose Roy Bhaskar’s philosophy of Critical Realism as it is more systematic than that proposed by other realist authors (Price, 1997:4) and suited to research in a real world that is dynamic and changing; i) avoiding the epistemic fallacy\(^2\); (ii) offering conceptual tools that enable the study of real social objects and their relationships; iii) advocating a critical, judgmental rationality vis-à-vis the object(s) studied; and iv) encouraging an emancipatory drive focused upon human flourishing. I have incorporated elements from CR’s three main phases: (i) Basic Critical Realism (BCR); (ii) Dialectical Critical Realism (DCR); and (iii) the Philosophy of meta-Reality (PMR), as each of these stages enriches and deepens the former (Hartwig, 2009:xiii). BCR and DCR provide the primary foundations for the (i) ontological; (ii) epistemological; and (iii) methodological assumptions in this thesis. However, I also use some insights from PMR.

As Hartwig (Bhaskar & Hartwig, 2010:206) states, CR comes from the tradition of the left, but wants to transcend left/right oppositions. Bhaskar advocates a “critical realist embrace” of engaging with, learning from and working with scholars from different philosophical traditions (Bhaskar & Hartwig, 2010:78). As such, CR is being applied by scholars to diverse spheres to encompass different perspectives (Danermark et al., 2002:1;

\(^2\) This epistemic fallacy refers to the analysis or definition of statements about being in terms of statements about our knowledge of being (Hartwig, 2007:173).
Bhaskar & Callinicos, 2003). Since its conception, CR has been adapted and interpreted by various scholars including Archer (et al., 1998; et al., 1999; 2000; 2003; 2007), Collier (1994), Cruickshank (2002; ed.2003; 2004), Harré (1989), Harré and Madden (1975), Hartwig (2007; et al., 2010), Sayer (1992; 1995; 2000) and Patomäki (2002), and the field is growing. However, to the best of my knowledge, this is the first study that uses Critical Realism (CR) to underpin a comparative analysis of Colombian and Venezuelan socio-political phenomena and of CSR in these countries.

1.2.1.1 Ontological realism

CR sees the world as “structured, differentiated, stratified and changing” and proposes a stratified ontology to deal with the social world in which social reality is emergent, constituted prior to our knowledge and understanding of it, and partly unknown to the social scientist (Danermark et al., 2002:5). This unique ontological approach includes and distinguishes between: (i) the real generative or structural domain; (ii) the actual; and (iii) the empirical (Bhaskar, 2008:13). Objects or noumena are located in the real alongside their structural and causal powers, generating what actually takes place, whilst existing independently of actual patterns of events (Baert, 2005:93). The actual reality refers to what happens if powers are activated and is composed of events, behaviours and happenings in the world, i.e. that which actually takes place, despite how we experience or interpret occurrences empirically. The empirical is defined as the domain of experience, perception and impression of the events, behaviour, and occurrences in the world. Thus, causal mechanisms exist in the real, events in the real and the actual and experiences in the real, the actual and the empirical (Bhaskar, 2008:56).

CR claims that social scientists commit the epistemic fallacy if they allow the ontological, that which exists, to be simply reduced to the epistemic, our knowledge of what exists, when it should be the other way round (Hartwig, 2007:173-175; Bhaskar, 2008:37). Thus, CR refutes ontological relativism or arguments based upon an anti-realist acceptance of the empirical world (Bhaskar, 2008:28). This concept primarily responds to epistemological questions of what one can know about the world, yet it causes an unresolved
ontological tension that has divided logical positivism and actualism; neither acknowledges the real or generative domain, nor do they distinguish between events and the often unobservable underlying mechanisms that generate those events (Archer et al., 1998:6). Many post-positivist approaches also fail to resolve these tensions and having rejected positivism still accept its empiricism; relativist approaches go further and posit that since an external world neither exists nor is accessible to us, it should neither be postulated nor considered (Robson, 2005:23). Relativists, thus, limit reality to what people interpret as being in the world, thereby undermining scientific practice as the facts alongside scientists’ assumptions of reality are reduced to surmisal. Bhaskar (1998:123) claims, for "the positivist, science is outside society; for the hermeneuticist, society is outside science". Such anthropocentric accounts of a mind-dependent reality not only overlook the underlying existence of intransitive (non-perceived) objects, but they also challenge the meaning of knowledge and truth, which become subjective. As a result, new approaches are not always analysed in terms of their predictive power, explanatory value or ability to identify truths, but rather by their ability to interpret meaning, experience and behaviour (Robson, 2005). Thus, critical realists reject arguments by social constructionists that omit an underlying intransitivity (Westerhuis in Hartwig, 2007:419-420) and, thus, omit any concept of alethic truth or the “undoing of oblivion” (Bhaskar & Hartwig, 2010:130).

DCR adds to the epistemic fallacy and ontological actualism, the problem of ontological monovalence, whereby everything positively exists. Bhaskar, argues that “[a] world without absence, without boundaries, punctuations, spaces, and gaps between, within and around its objects would be a world in which nothing could have determinate form or shape, in which nothing could move or change, and in which nothing could be differentiated or identified” (Bhaskar & Hartwig, 2010:15). Indeed, if everything exists, one cannot argue

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3 The "death" of positivism (Passmore, 1967:52-57) and rise of post-positivist approaches in the social sciences is much documented and, thus, will not be re-addressed here. For a more detailed account of the different strands of positivism see Ayer (1959) or Smith (2003).

4 Actualism recognises both the domains of the empirical and the actual denying “the existence of underlying structures which determine […] events, and instead locates the succession of cause and effect at the level of events” (Collier, 1994:7).
that something does not exist, much less claim that its absence is causally efficacious (Bhaskar, 1993:234; Norrie, 2010). As shown, for example, in chapter 3 on oil, both sides of the absence/presence and scarcity/abundance dualities are important in establishing causality.

1.2.1.2 Epistemological relativism

Based upon its ontological assumptions, science is seen as an evolving process to discover ever more strata of a transient reality, some of which are not directly observable (Bhaskar, 1989:13). Whereas relativism explores a subjective reality void of fundamental truth and positivism reasons that the goal of science is to uncover the truth, critical realism argues that science must aim to uncover the truth about reality, even if this cannot be accurately done in a constantly changing world (Robson, 2005:41-4). CR agrees with positivism that science can help to discover knowledge, that all scientifically acquired knowledge is fallible and that scientists should build upon other scientists' work, criticising existing statements to challenge their validity (Sayer, 2000:2). Nevertheless, critical realists claim that knowledge is not all equally fallible (Danermark et al, 2001; Sayer, 2000:68). Scientific laws are statements about the characteristic patterns, activities or tendencies of given mechanisms, which are not expressed at the level of an event (Bhaskar, 1989). Bhaskar (1989:185) claims that “the most significant epistemological feature of the social sciences is that social phenomena only ever occur in open systems”. Assuming that research is conducted in open systems with unobservable phenomena, Humean causal laws, based upon constant conjunctions of events, cannot be sustained (Neuman, 2000:67). Resultantly, experimental designs that manipulate independent variables to see whether dependent variables change are irrelevant in the real world of multiple causal mechanisms (Campbell & Stanley, 1963). Moreover, CR argues that the existence of objects independent from human observation is a critical transcendental condition for the possibility of science (Potter, 2000:204).

Despite positivists’ claims of objectivity, the empirical cannot exist objectively and critical realism incorporates epistemological relativism, arguing that
objectivity in social science is a false, unattainable aim. This relativism is moderated by judgmental rationality, whereby one can distinguish claims to knowledge and their validity (Bhaskar, 2008:248). As Archer et al., (1998) assert, facts do exist and not everything is relative, ambiguous and open to multiple interpretations as in post-modernism. Nevertheless, observations, and indeed the foundations of science, are viewed as theory-laden and scientists, as humans, are inherently biased by their cultural experiences, prejudices, misgivings etc. (Dean et al., 2006:7; Hughes, 1990:158; Robson, 2005:20-21). Indeed, individual scientists are not naturally objective, abandoning personal biases and beliefs, and no individual can see the world perfectly as it really is (Dean & al., 2006:6). Scientists have to contend with the existent episteme, which offers an apparently self-evident interpretation of the world and taken-for-granted beliefs about what constitutes this world and how it works, which Foucault refers to as the "positive unconscious" of knowledge (Foucault, 1966). Thus, I, as a social object, even as a subject conducting research, do not exist independently from social phenomena and approach research with linguistic, cultural and past experiences alongside my own social constructs.

For post-positivists, scientific reasoning and common sense reasoning are essentially the same process. There is no difference in kind between the two, only a difference in degree (Harvey, 1990:5). However, for critical social scientists there is a need to integrate social criticism into social science and thereby to challenge what may have previously been identified as common sense. Whilst critical realists argue that phenomena have to be interpreted by starting from the researcher's own frames of meaning, they also acknowledge that these generally exist independent of a researcher's interpretations of them (Sayer, 1992:6). Thus, critical realists argue that it is important to follow some procedures to assure that common sense observations are verifiable, accurate and consistent, even in areas of social activity where much can be taken for granted (Harvey, 1990:5). Critical realists should have a critical relationship vis-à-vis the foundations of science and aim to ensure that their facts are beyond dispute (Robson, 2005:32). Due to the large number of potential variables involved in social studies, it is
almost impossible to make valid generalisations. In this research, the data collected on Venezuela and Colombia is time and country specific research. Therefore, restraint should be used when applying this research to infer wider generalisations outside of these spatio-temporal boundaries. Such specificity, rather than indicating methodological weakness, should be viewed as an epistemological strength, demonstrating the attempt to make social research scientific.

Can social scientists know the truth? Bhaskar argues that “science gives us knowledge of truth” (Bhaskar, 1994). This may appear hubristic until its meaning is unpacked. Bhaskar’s alethic truth is much misunderstood and falsely taken to imply a metaphysically-based, epistemological absolutism based upon a belief in an ultimate truth that we can know and that will set us free. However, despite his spiritual turn, this is not what Bhaskar means. For Bhaskar (1994:251), alethic truth is: “a species of ontological truth constituting and following on the truth of, or real reason(s) for, or dialectical ground of, things, as distinct from propositions, possible in virtue of the ontological stratification of the world and attainable in virtue of the dynamic character of science”. Thus, alethic truth, as the “real reason(s) for”, appears to be synonymous with the underlying process, real essence or the generative mechanism in the non-sensate world that gives rise to an event in the sensate world (Groff, 2004). In the Bhaskarian view, such a truth is possible due to ontological stratification, given that causality can only be explained in the real. The goal of identifying powers at ever-increasing depth presupposes exactly the model of scientific progress that he has proposed, although what is now considered to be an alethic truth (a causal mechanism), counter-intuitively, may turn out not to be ‘truth’ given the fallibility of social science (Groff, 2004:74). This is especially the case given the dynamic nature of much knowledge (Harvey, 1990:3).

1.2.1.3 CR’s Methodological considerations

Given CR’s ontological assumptions, critical realists differentiate between methodological approaches for natural and social science (Smith, 2003:297; Robson, 2005). Indeed, social scientists relate to social phenomena before
researching them in ways that natural scientists cannot and deal with open systemic phenomena (Robson, 2005:34). The goal of critical realist research is to study and understand research objects that exist in the *real* and possess real internal mechanisms that can be actualised to produce certain outcomes, whilst remembering that their essential nature may vary over time and space (Bhaskar, 2008). As these objects can and do produce a range of effects, research is an ongoing process that is irreducible to the identification of a coincidence between an independent and a dependant variable (Robson, 2005). Mechanisms may exist, but go unactivated, unperceived or be counteracted by other mechanisms (Baert, 2005:93). The inability to detect or measure a mechanism, or the non-realisation of a posited mechanism, is insufficient to signify its non-existence and room must be left for absence.

Critical realism encourages the critical examination of the intransitive and transitive objects of research (Bhaskar, 2008). In critically examining an object, it is useful to establish whether social phenomena have essential and accidental properties and how to differentiate between these aspects. For example, regarding groups as essentially having the same properties is risky (Sayer, 2000:86). As the world is dynamic and social phenomena change, these can be subject to reinterpretation. However, where phenomena do have essential properties, and are prone to act in certain ways as a function of their basic structure, this can help to explain causation.

Understanding social phenomena and gaining access to the meanings that guide behaviour requires critical examination, as these are infused by social meanings such as intentions, motives, beliefs, rules and values (Hammersely & Atkinson, 1995:8). Social phenomena such as actions, texts and institutions are concept-dependent and subject to causal explanation, even if they are not concept-determined (Danermark et al., 2002:38). Methodologically, from this conceptual framework, objects should be

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5 Science needs intransitive objects that exist and act independently of our descriptions including real structures, processes and mechanisms, which are mostly independent of us to avoid the epistemic fallacy (Archer et al, 1998:292). Transitive objects include models, theories and methods used to acquire new knowledge (Bhaskar,2008:21; Hartwig, 2007:263-265).
criticised in their existent and potential forms, their preconditions, reliance upon another object and what enables the object to do specific things (Sayer, 2000:16). This is complicated as objects can be physical or structural and can generate activity and events (Sayer, 2000:11), so that objects are “often themselves the subjects of power struggles over who may control the rules, relations and resources that constitute them in the first place” (May, 1997:35).

Individual decisions lack the predictability of actions in the natural sciences. Agency is both facilitated and constrained by social structures, some of which are a necessary condition for human agency (Bhaskar, 1989), determining the conditions for action and yet also requiring reproduction (Cruickshank, 2002:1; Robson, 2005). Archer (2007) offers an interesting contribution on the structure-agency dilemma, elevating the importance of an often neglected agential reflexivity in deliberately responding to certain structures, which links macro and micro scale social theorising. This is directly applicable to the selected case studies in explaining deviance from prevalent universally received ideological stances and the development of counter-ideology. It also highlights the importance of not taking for granted a structure’s influence over an agent. Whilst structures are formed of their constituents, they may exist without generating regular patterns of events (Sayer, 2000:11). Moreover, structures may precede and be unobservable to an agent and yet the agent, when given knowledge of them, may continue to (re)produce them through his/her activity or decide to dismantle them (Fay, 1996; Cruickshank, 2004:574; Sayer, 1992:122-123).

Bhaskar (1998:37) notes that an “ontological hiatus” exists between structures and agents as neither is reducible to the other and both are real independently. Social structures are emergent properties as they birth through individual agency and thereafter become causal powers themselves (Cruickshank, 2004:574). Underlying strata can also combine to create new objects with their own structures and powers known as emergent powers (Danermark et al., 2001:60). Sayer (1992:89) usefully distinguishes between external or contingent relations and internal or necessary relations. In the latter, individuals or groups are so intrinsically linked together that “the
existence of one necessarily presupposes the other”. Such relations (which in the context of this thesis include those between MNOCs and stakeholders) are for Bhaskar (1998:41) the main focus of social explanation, and help to explain power balances between agents. Importantly, in this context, some agents are more powerful than others. As Harré (2009:134-135) notes, “The next state of the world does not just happen – it is brought about by the activity of powerful particulars”; hence the prime rule in science: “Cherchez la puissance!”

Whilst critical realists do not propose a handbook of methods, nor favour intensive or extensive research design, many critical realists have argued for methodological pluralism in order to deal with the complexity in the world (Sayer, 2000:21; Olsen, 2009:14; Carter & New, 2004). In order to take a truly critical approach, however, methods must be critically selected in order to appropriately fit their object and conditions of study. In uncontrolled research conditions, the methods selected should enable social scientists to critically cross-examine data. In choosing methods, researchers should try not to disturb the social world being examined in order that data are not affected by their presence (Hammersley & Atkinson, 1995:6). It is also important that a researcher uses methods that best help to identify underlying social issues or conditions, which acknowledge both conscious and subconscious motivations of the researched (Bhaskar, 1989). Given the complexity of agency and the plurality of unequally weighted causal powers, reliance upon quantitative or qualitative data alone does not appear to suffice. Quantitative research alone can restrict experience (Bhaskar, 1986:30-31). Over-reliance on quantitative methods may hinder the capturing of a real meaning of social behaviour, failing to grasp the social nature of acting individuals with wishes, perceptions and interests. Agency cannot be explained by quantitative methods alone.

In CR, immanent critique and knowledge are intertwined in a way that has emancipatory potential (Harvey, 1990:3; Sayer, 2000:18; Bhaskar, 1993:335; Hartwig, 2007:24-27). Critical realists argue that it is important not just to observe the world or acquire knowledge for the sake of knowledge, but they re-inject Kantian moral duty into research (Hostettler & Norrie, 2003). In this
sense, CR is not just a philosophy, but aims to promote freedom by enabling individuals that inhabit social structures to consciously reflect upon them and choose whether to maintain or transform the actions that produce them, using knowledge from social scientific research (Bhaskar, 1986:170). Indeed, Bhaskar proposes that in order for knowledge to emancipate, the researcher should depend on research to explain what is, why it became so and how it ought to be. Hume stated that ought cannot always be logically derived from is and, indeed, it is difficult to always understand what is socially beneficial (Hammersley, 2002:42). Whilst emancipation is not the central thread that ties this thesis together, nevertheless, DCR’s emancipatory pulse with its notion of human flourishing has enriched my reflexive process, providing me with a conceptual measuring stick against which to view social agency and praxis, and encouraging me to reflect upon how things could be.

1.2.2 Research methodology: collecting real data

Regarding research methodology, this research did not begin with a hypothesis. Given the number of independent variables involved, a hypothesis seemed reductive and my research aims evolved during the research through a process of self-reflexivity with a critical realist logic of reality and research objects. Thus, in answering the research question, I have engaged with a real and dynamic world, where objects are viewed as both causal and produced by causal mechanisms. As such, I consider that social objects are not in themselves a starting point for research, but that it is necessary to focus upon relationships (Bhaskar, 1989;1993).

I began this research with certain empirical insights into MNOC agency and field relations based upon actual events and the personal experience of having spoken to people in the oil industry and Colombian and Venezuelan diplomats. In seeking to establish the real underlying causal mechanisms that underpin these relations, I deployed both intensive and extensive methods simultaneously.

The main data I have used in this thesis comes from interviews, academic literature and MNOCs’ CSR reports. I have approached these through an iterative process of data reduction, display and conclusion drawing (Miles &
Huberman, 1994:10-12) and critical analysis of the CSR discourse (Fairclough, 2010a; 2010b) in order to enable abstraction that focused upon understanding and explaining the social processes surrounding CSR. As Miles and Huberman (1994) and Fairclough (2010a; 2010b) advocate critical realist approaches, their methodologies leant themselves to use in this work.

I used multiple measures and observations to help to reduce error and improve the quality of theoretical construction. My impression, before conducting the field research, was that qualitative methods may be best to abstract the causal mechanisms, which quantitative methods overlook. On the other hand, quantitative analysis offered a practical means of comparing respondents’ answers. Indeed, by researching the different facets of a concrete phenomenon through a combination of methods, this enabled later comparison and triangulation that could better establish the practical adequacy of the causal mechanisms identified.

I also faced the challenge that MNOCs’ CSR is a sensitive, value-laden issue that engenders polarised reactions based on individual political persuasion and/or worldview in both countries studied. Thus, I had to consider the ideological constructs that this topic could evoke when identifying appropriate methods to gain knowledge of the objects under investigation and to identify elements of a social reality of agency, strata, structures and causal mechanisms in accordance with a CR approach. The methods used to respond to the research question and to analyse the collected data are discussed below.

This research does not offer in-depth discussion of specific MNOCs’ CSR projects in Colombia or Venezuela. The reasons behind this decision are as follows: i) such research had already been conducted (and was being conducted) by other scholars in both countries, providing me with critical academic material on specific oil companies’ CSR projects. These works have been cited throughout the thesis and the outcomes of the more recent research are used to illustrate projects in chapter 7 in particular; and ii) the existence of available previous micro-level research enabled me to take a different approach and to focus my research differently to look at a more
macro level, looking at MNOCs as a collective group in both countries, whilst not reducing them to each other. Indeed, my reasons for choosing Colombia and Venezuela as case studies were based upon my interest in the overarching CSR policies and the ways in which competing ideologies may impact CSR. I was also interested in the fact that MNOCs may change their CSR discourse and stakeholder relations based on the country in which they operate. I should note that I was able to see examples of CSR in Venezuela and to meet people who had benefited from CSR in both countries.

1.2.2.1 Constructing theory and abstraction

Critical realist abstraction, involves theoretical construction given its need for verstehen and its focus upon causality and consequent emphasis upon erklären (Sayer, 2000:17; Fairclough et al., 2010: 205). As Fairclough (2010: 356) argues, “Social research proceeds through abstraction from the concrete events of social life aimed at understanding the pre-structured nature of social life, and returns to the analysis of concrete events, actions and processes in light of this knowledge”. Thus, I engaged in a process of devising and developing theory throughout this research, based upon a constant reflection and critique in order to better understand MNOCs’ CSR and be able to explain this social practice. As Sayer (1992:88) argues, "neither objects nor their relations are given to us transparently, their identification is an achievement and must be worked for". I did not adopt a given theory about MNOCs’ CSR practices at the outset of this research project, as to do so could be deemed uncritical and/or produce an attempt to fit the real world into a theory rather than the development of a theory that fits the real world. Instead, theory has constantly evolved throughout this research process.

Abstraction is one of the most used methods in critical realist research and theory development (Sayer, 1981), which unlike positivist methods that order appearances and reify them, goes further beneath the surface of a phenomena identifying structural relationships (Harvey, 1990:21). In this thesis, abstraction and conceptualisation were used to help to identify real powers and mechanisms and to isolate them from other phenomena,
especially as facts/values were at times polarised and did not accumulate within a steady conceptual framework. Abstractions have been conducted throughout the research process, from the initial stages of literature reviews to the field research and data analysis. Abstraction is a retroductive process of thinking through the components that compose social phenomena and analysing how the diverse facets of an object might associate and interact with each other, thereby making sense of the object (Sayer, 1992:87). It "moves from a description of some phenomenon to a description of something which produces it or is a condition for it" (Bhaskar, 1986:11). Thus, abstraction formed a key part of the research process as I attempted to ascertain the causality at the heart of the field, in which structures and agents operate, that make MNOCs agency possible in its current form. It involved moving beyond the stereotypical/surface descriptions of MNOCs to trying to understand them and from descriptions of their CSR programmes to identifying what these are and what appears to be their scope and limits. In this vein, I was careful to differentiate between the MNOCs and their CSR. Having identified the latter, further abstraction and reconceptualisation were necessary to better understand the possible formal and informal aims of MNOCs' social action programmes in Colombia and in Venezuela and the influence of supporting and/or competing aims within the field.

As indicated above, MNOCs are generally referred to as a group in this thesis. However, they vary in terms of factors such as origin, company culture, years of operation and views of CSR. Thus, even though I was interested in a whole group with similar characteristics, abstraction was necessary to identify the constituent parts of the concept of MNOC, beginning with the concrete phenomena and stripping it back. Understanding the nature of MNOCs therefore involved understanding key differences between them, in particular, regarding their CSR practices, the factors that impact their choices and the scope and limits of their action.

The research question has a relational logic and so my reflections have focused upon the relational and dialectical logic of MNOCs' CSR agency within the social field. In analysing the practice of CSR, dialectic has been a useful tool. Notably, intentional action is dialectical as it seeks to eliminate a
want or relieve a need whatever its rationale (Bhaskar & Hartwig, 2010:127). Moreover, in Bhaskar’s dialectical Transformational Model of Social Activity (TMSA), agency depends upon transitive underlying relations rather than transitive positive objects. In immanently critiquing the literature and constructing my own models (shown in chapter 7), I have sought to examine the preconditions of existent problems, shifting analysis away from overly simplistic patterns of cause and effect towards the identification and analysis of such underlying relations.

In this context, I analysed the structures present in both countries to determine the substantial relations between the main object under study and other objects and to identify where they have real or formal relations. Isolating necessary relationships is key to rational abstraction and to avoiding what Sayer (1992:88) refers to as “chaotic conception”, which fails to recognise an external or an internal relationship between noumena or mistakenly identifies essential or incidental properties of an object.

Abstractions have been systematically revised and refined throughout the research process, in order to produce realistic concepts or categories that left the realm of the chaotic behind and grasped the concreteness of objects (Hartwig, 2007:71). The process ended when the causal mechanisms seemed to be “practically adequate” to explaining the concrete phenomenon. “To be practically adequate, knowledge must generate expectations about the world and about the results of our actions which are actually realised [and it must be] intersubjectively intelligible and acceptable in the case of linguistically expressed knowledge”(Sayer, 2000:69). In order to form the models outlined in chapter 7, therefore, I inspected the explanatory power of the theory produced vis-à-vis the social phenomena discussed in order to check its internal validity as suggested by Bhaskar (1986:168) to confirm relevance.
1.2.2.2 Approaching texts

Whilst it has been argued that research data should be collected and analysed before researchers examine existing field literature, so that a researcher remains objective and uninfluenced by reading materials (Witt, 2001), this approach is unrealistic in practice (Flick, 2006:59). Indeed, some prior knowledge of Colombia and Venezuela was important in this research given the levels of violence present in both countries. Moreover, it would have been unproductive to hold interviews with people working in and around CSR without knowledge of the prevailing discourses or comprehension of their work and it would have seriously stunted the flow of discussion and acquisition of information. Pre-interview, I used the literature and multi-modal texts on the topics being researched to prepare my data collection methods as thoroughly as possible. These served as a useful source of concepts, ideas and historical background amongst others and by critically studying official and non-official positions and opinions, conflicting interests or agendas embedded within the texts began to emerge.

Due to the sheer scale and interdisciplinary nature of the topic, reading the literature on oil and conflict, CSR, Venezuela and Colombia, in particular, proved useful in pinning down a research question as well as the questions to be asked in the field during the interviews. As I began an initial analysis of the texts to conceptualise and produce theory, I was able to identify connections and patterns that I, at first, noted down and then critiqued as my understanding grew, i.e. on the greed/grievance duality (see chapter 3).

In approaching the topic of CSR, I borrow from Fairclough’s (1989; 2010a; 2010b) work to show and analyse the dialectical relations of the discursive and social practice of CSR. Thus, chapter 2 discusses the CSR literature, the prevailing neoliberal political and business order of discourse and its relationship to counter-discourses, before proceeding to analyse MNOC agency as outlined by 18 MNOC CSR reports. In so doing, I use

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6 Fairclough (2010a:164) describes orders of discourse as “particular configurations of different genres, different discourses and different styles".
Fairclough’s (2010b:7) method of textual analysis, based upon the dual character of texts as: i) *interdiscursive* (analysing genre, discourse and styles drawn upon in a text and their articulation, although these categories also relate to the order of discourse in which the texts are situated); and ii) *linguistic*. In this vein, I look at the extent to which the reports indicate that discourse has been inculcated by MNOCs as new ways of being or enacted as new ways of (inter)acting with other social actors (Fairclough, 2010a:165).

However, the literature alone would not have sufficed to answer the question at hand. The use of extensive methods, including comparative case study research and interviews in the field, helped to deepen my understanding of the literature, its motivations and its use in portraying reality. Whilst in the field, I encountered various slogans, murals and advertising/propaganda, especially in Caracas, as to the exploitation of *Empire* and the current use of the oil monies; this visual text also informed my research.

1.2.2.3 Approaching comparative research

I used case study as a method and looked at MNOCs’ agency in both the Colombian and Venezuelan contexts. Case study is not without its particular challenges. Porter (1970:144) noted that it “is surprising, for all that has been said about the value of comparison that a rigorous comparative methodology has not emerged. The reason for this lack may be the great difficulties that a rigorous comparative method would impose”. Indeed, this still appears to be the situation forty-three years later, yet the value of some comparative analysis of causal mechanisms across sets of cases is no less in doubt today. As such, I have applied the term *comparison* loosely in this research as it is not possible for two sets of social circumstances to ever be exactly the same, meaning that a strictly explanatory comparison of two different models may not have the scientific predictive power to be able to generate a normative conclusion that a *better* model from one society should be imposed upon the other society.

However, case study provides a useful framework for loose comparison and facilitates a non-linear, multi-method approach (Robson, 2005; Huberman & Miles, 2002). As stated above, due to the specific and yet complex aspects
of the study, no single method could provide the information needed to explain the phenomena addressed. Practically, case study helped me to reduce the scope of research from too general into a workable size for data collection, enabling in-depth analysis. In this thesis, theoretical knowledge is based on fact-based research and not merely on a priori knowledge. Case study reduced the problem of how many independent variables to include, allowing for the inductive identification of variables as well as their deductive specification within the given contexts.

1.2.2.4. Conducting interviews

As Gillham (2000:59) argues, interviews are an indispensable part of case study research. Indeed, they offer insight from other agents' on the research topic and are necessary to abstract the causal mechanisms of which Sayer (2000:22) claims statistical methods alone can only offer formal rather than substantial association. In this research, interviews have been conducted, using both open and closed questioning techniques, starting with pre-set questions that provided structure to the interview and followed by open questions prompted by the responses of the individuals to earlier questions. I was also fortunate enough to be able to informally address a group of approximately forty NGO representatives in Caracas to learn from their experiences and I met representatives of a communal council, who explained how they were benefitting from oil monies. Interviews were conducted predominantly in Spanish, but also in English, when the interviewee felt more comfortable using this language. I have translated any interview material cited in chapter 7 into English.

I interviewed a total of 89 respondents, as shown in table 1:
TABLE 1

<table>
<thead>
<tr>
<th>INTERVIEWEES</th>
<th>Venezuela</th>
<th>Colombia</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Closed Questions/ Open Questions</td>
<td>Closed Questions/ Open Questions</td>
</tr>
<tr>
<td>Oil Multinationls</td>
<td>10/10</td>
<td>10/11</td>
</tr>
<tr>
<td>Pipeline/Service Operators</td>
<td>1/1</td>
<td>2/4</td>
</tr>
<tr>
<td>Oil Foundations</td>
<td>0/0</td>
<td>1/1</td>
</tr>
<tr>
<td>Company Union/Oil Association</td>
<td>2/2</td>
<td>2/2</td>
</tr>
<tr>
<td>National Oil Company</td>
<td>4/4</td>
<td>1/1</td>
</tr>
<tr>
<td>Government Experts</td>
<td>2/3</td>
<td>2/2</td>
</tr>
<tr>
<td>United Nations</td>
<td>0/0</td>
<td>1/1</td>
</tr>
<tr>
<td>European Union</td>
<td>1/1</td>
<td>1/1</td>
</tr>
<tr>
<td>Western Embassy Oil Experts</td>
<td>4/4</td>
<td>0/0</td>
</tr>
<tr>
<td>Trade Union</td>
<td>1/1</td>
<td>3/3</td>
</tr>
<tr>
<td>Oil Consultant</td>
<td>½</td>
<td>1/0</td>
</tr>
<tr>
<td>Oil Journalist</td>
<td>0/1</td>
<td>0/0</td>
</tr>
<tr>
<td>University</td>
<td>0/1</td>
<td>1/1</td>
</tr>
<tr>
<td>Church</td>
<td>2/2</td>
<td>0/1</td>
</tr>
<tr>
<td>NGO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment</td>
<td>2/2</td>
<td>1/1</td>
</tr>
<tr>
<td>Human Rights</td>
<td>2/2</td>
<td>5/5</td>
</tr>
<tr>
<td>Indigenous Rights</td>
<td>0/0</td>
<td>1/1</td>
</tr>
<tr>
<td>Monitoring Oil Industry Activites</td>
<td>0/0</td>
<td>1/1</td>
</tr>
<tr>
<td>Social Development</td>
<td>10/9</td>
<td>5/5</td>
</tr>
<tr>
<td>Transparency</td>
<td>1/1</td>
<td>1/1</td>
</tr>
<tr>
<td>Total Interviewed</td>
<td>43/47</td>
<td>37/42</td>
</tr>
</tbody>
</table>

For the closed, opinion-based questions, respondents were asked to indicate a numerical response, based on a Likert scale of 1-7, where 1 is completely disagree, 2 is strongly disagree, 3 is disagree, 4 is neither agree nor disagree, 5 is agree, 6 is strongly agree and 7 is completely agree. The quantifiability of these questions/responses enabled their easy comparison post-interview. Robson (2005:293) notes that “people often enjoy completing a scale of this kind”; this is important as respondents who want to participate are more likely to consider their responses. The decision to number the scale from 1-7, instead of for example 1-5, was taken to enable more nuanced responses and 4 sat as a middle point for answers with which respondents did not want to either agree or disagree. The pre-set questions
dealt with attitudes about the oil industry and its social action, which social issues MNOCs’ focus upon and why, who most impacts the decision-making process surrounding MNOCs’ CSR and which agents are most involved in the execution of social action programmes. The open questions that followed: i) allowed in-depth answers where appropriate; ii) enabled me to pose/omit sensitive questions freely, in a way which a questionnaire would not; iii) enabled me to pose new questions that arose from previous questions asked; and iv) gave interviewees the opportunity to add anything they thought I may have overlooked. The open questions aimed to collect information that would help me to understand the potential underlying mechanisms that affect MNOCs’ relations with other actors including the state, civil society and its components, other companies, MNOCs’ overseas headquarters and international institutions regarding CSR. These questions were posed based on the interviewees’ responses to the closed questions and the role and work experience of the interviewee.

I was aware that I needed to gain information about an object that is independent of that which exists in the mind of those who, as subjects, experience it. Thus, I wanted to interview a wide-range of actors. In the end, I conducted 89 interviews. In selecting interviewees, I used purposive sampling. I began by listing each category of person that I wanted to meet, based on their relevance to the study. From this list, I tried to locate as many people directly corresponding to these criteria as possible, whilst trying to maintain a balance and ensure that a good number of each category were represented. To ensure balance amongst the different categories of interviewees, as interview requests were accepted, I kept a tally of the sectors to which interviewees belonged and subsequently focused my efforts towards obtaining interviews with relevant actors from other sectors.

Before conducting field research, I established contact with people in Brussels who work in NGOs, trade unions, MNOCs and the Colombian and Venezuelan embassies in order to refine my interview questions and to acquire the contact details of potential interviewees. This helped me to establish sets of accepted terms, meanings and norms for interaction. It also meant that on arrival in Colombia and Venezuela, I had already arranged
several interviews in both countries. In each country, I contacted MNOCs’ CSR representatives, NOC representatives, trade unionists, international and national NGO workers, church leaders involved in human rights work, academics, journalists, embassies from MNOCs home governments, politicians from opposition parties, government officials and oil consultants/specialists. Regarding the CSR representatives, I interviewed representatives from both newer and traditional MNOCs. The NOC employees that I interviewed in each country were working on, or had worked on, CSR. I also contacted the main oil company unions and the trade unions dealing with oil workers to gain a wider picture of the corporate responsibility. NGOs too were able to provide me with this information. I selected NGOs based upon: i) their topic of focus; ii) their having worked with oil companies to determine or execute CSR; iii) their monitoring of oil companies; iv) their support/opposition to oil companies’ CSR; and v) their size. The NGOs selected were thus chosen to cover these categories in a balanced way. The categories chosen also broadened once I was in the field. For example, in Venezuela, given the importance of oil to its international relations, several Western embassies had staff working on oil policies. Whilst I was aware of their potential political biases, and of the potential influence a home government can have on MNOCs’ actions, these interviewees offered very interesting insights into oil operations.

As a rule, I interviewed all relevant people who accepted to meet me, and this allowed me, for example, to interview representatives of the vast majority of MNOCs and oil companies operating in the country at the time of my research. I also established contact with the Instituto de Estudios Superiores de Administracion (IESA) in Caracas, which allowed me access to their facilities during my stay in Venezuela. Moreover, I had help from a couple of friends in both countries who were well placed to facilitate initial interviews. Venezuela, in particular, is a country where personal connections are important. In this vein, I was fortunate to have contact with a well-connected businessman, who facilitated introductions with the first CSR and NGO representatives that I met. This was useful in terms of establishing my legitimacy and credibility. The first CSR representatives that I met facilitated
meetings with at least one other CSR representative and an NGO partner. Subsequent interviewees were contacted through cold calling or by subsequent recommendations from other interviewees of contacts working in the same or in other sectors. In each interview, I asked the interviewees whether they could identify anyone else with whom I should speak. For example, it was on the recommendations of one of the NGO interviewees that I contacted a politician with experience of working on MNOCs’ CSR. In Colombia, I was able to tap into an existing network of personal NGO contacts, which helped to facilitate meetings with people of interest. However, most of the interviews were obtained by cold calling, preceded by an e-mail explaining the objectives of my research.

Given the sensitive nature of the topic, interviewees did not wish to be recorded. Thus, I took notes during the interview process and typed her notes onto a computer immediately after each interview had taken place. In terms of confidentiality, I promised each interviewee that their name would not be linked to anything they said during interview without my expressly receiving their permission first. Some interviewees were happy for me to mention the name of their organisation, others were not. I also reminded each interviewee that they did not have to participate and that they could stop the interview at any time. Access to the data collected is strictly controlled and the names of those interviewed are stored separately from the data itself.

At interview, I tried not to share my personal opinions with those being interviewed. Equally, in constructing the interview questions, I avoided potentially leading questions. As Harvey (1990:12) argues, researcher-respondent relations are generally hierarchically structured with the researcher directing the information flow and exchange. However, interviewees have no obligation to present the objective truth (Berry, 2002:680). Not only may they lie, or suffer from memory loss/bias, but their reasoning may be framed by hidden (i.e. political/ideological) agendas. For example, several interviewees illustrated their arguments by recounting events at which they were not present. This raised issues of reliability and validity. Indeed, as I interviewed, for example, MNOCs’ CSR representatives, I had the impression that some of them had used the time
between having accepted the interview and the interview itself to prepare a list of company success stories. For example, one CSR representative had arranged to show me a promotional video to better understand the company's social action before I was able to interview them. Most others were armed with promotional materials as some CSR representatives wore the double-hat of CSR and communication. Whilst these representatives were very amiable, knowledgeable and offered detailed answers, which made them appear more credible, it was apparent that they approached the interviews with something they wanted to say. From this perspective, the use of both closed and open questions was useful. I reminded interviewees that the numerical values they provided would be aggregated and were to reflect all MNOCs and that I had no intention of conducting a witch-hunt to vilify any particular company. This visibly relieved a few of the interviewees, even if I still had to remain critical of their subsequent statements. I also encouraged interviewees to differentiate between their own organisation and those around them and to critique their own case, by asking why people might hold specific views, different to their own, thereby distancing interviewees from their own somewhat pre-determined perspective without appearing to be sceptical of what they were saying as suggested by Berry (2002:680). In essence, however, the most helpful technique in this regard, was in selecting a wide-range of interviewees with (radically) different viewpoints to further my own critical analysis of the information. Following each interview, I tried to determine where I needed further clarification on certain points or where I was unsure of the validity of what had been said and made prompt notes to remind myself to ask other interviewees questions on the same or related points.

1.2.2.5. Analysing data

As a critical approach is taken vis-à-vis the research, analysis is a process that continues throughout the PhD process. The overarching approach to data analysis in this thesis uses three analytical processes: (i) data reduction; (ii) data display, and; (iii) conclusion drawing and verification (Miles & Huberman, 1994:10-12).
I reduced data from the beginning of this process by choosing a research topic, refining the topic, deciding who to interview, which questions to ask at interview, how to code the data, what to display, what to write and how to organise all of the material. I also used different formats to display the data such as lists, graphs and charts to provide different overviews of the data and reveal patterns between interviewee responses. Conclusion drawing occurred in a basic form rather early on in the research process as I started to assemble useful literature and to sift through it, deciding what to discard and what to read. Later on in the process, I drew and discarded conclusions to explain the data as I examined patterns in the literature, the interview data and from personal observations, in order to identify potential structures and mechanisms that were either verified or rejected as the research progressed. These processes of data reduction, data display and conclusion drawing as outlined above are used for both qualitative and quantitative data collected throughout the research process and alongside data collection form a continuous iterative process (Robson, 2005:476).

Throughout the process, I took notes as I read relevant articles and books that helped to identify that which I still needed to understand. In analysing such qualitative data, I aimed to incorporate discourse into theorising without reducing real social life to discourse (Fairclough, 2010b). During the data collection phase in the field, I took notes of what data was already collected and noted where further clarification was still needed to help to avoid “death by data asphyxiation” (Pettigrew in Huberman & Miles, 2002:17) and to better deal with the quantity of data. Having collected sufficient data, I started to devise coding categories for the qualitative data in interview transcripts in order to manage the information collected. I began by analysing the interview transcripts manually, applying first stage descriptive coding to the transcripts based upon the themes and ideas that emerged. These were then entered into the computer software NVivo 8, which has been used to help facilitate further coding and analysis of quantitative data into categories that tackle the research question. In terms of the quantitative data, I initially stored it in a large table, from which numerical responses were compared. In helping to identify patterns in the quantitative data, the statistical software
package SPSS 17 was used. This enabled the comparison and display of data in a manageable way. These tools proved useful in keeping track of the research and in terms of understanding the data for theory construction.

As I conducted all of the interviews personally, the data analysis process started in the field in the interviews. Inevitably, post-interview, interviewees are unable to speak for themselves in the final thesis, but can, as objects of the research, only speak through my interpretation of them even if their words are not reducible to what I convey. Nevertheless, I have tried to contextualise any quotations used. In selecting interview quotes, equally, I assessed them in context, critically examining them against data collected from other social actors with similar and different agendas and looked for common patterns between the different pieces of interview data. Thus, I selected quotations based upon their representativeness and consistency with regards to statements from other interviewees and/or scholars.

As Price (2007:107) notes, the idea of the transitivity of truth is useful in analysing social data such as interview transcripts, as whilst there may be different ways to interpret a text (transitivity), some interpretations are better than others (intransitivity). In terms of assessing the quality of data collected, i.e. the validity and reliability, I checked the data's representativeness by triangulating the quantitative and qualitative data (Robson, 2005). What is necessary in the process of triangulation is to compare and contrast different sources of findings that address the same phenomenon. The closed questions in the data set collected at interview lend themselves well to this process as different actors answered the same set of questions with statistical responses that can be compared and contrasted. To this end, I looked at the answers of different categories of respondents independently and together in identifying patterns. Thus, the view of reality is more reliable and the conclusions showing what is happening in reality are more accurate.

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7 See Sayer (2000:17) for a discussion of this problematic.
Chapter 2
The oil curse as the outcome of presence and absence: rentier states, civil violence and societal challenges for MNOCs

This chapter presents and critiques the academic literature relating to the oil curse in oil-abundant, developing countries such as Venezuela and Colombia. I take from this literature that the paradox of plenty is essentially a paradox of the presence of significant oil revenues and the absence of oil-led development that benefits the citizens of oil-rich countries. These same dynamics are present in the literature that focuses upon the antonym of plenty, i.e. oil scarcity. This literature centres upon the consequences of certain oil importers’ scramble for available oil, whereby consumer countries prioritise the benefits of oil-led development in their own countries over the effects of the oil curse in oil-exporting countries. To this end, the underlying energy security discourse, framed by neoliberalism, illustrates both a disregard for oil producers’ interests and the current unsustainability of the global powers' material transactions with nature. I argue that it is a fallacy to examine abundance without acknowledging scarcity, as these phenomena are coexistent and causally related, even if they are irreducible to each other. Indeed, the relationships of dependency and interdependency cannot be understood by focusing upon the oil abundance literature, given its lack of attention to capitalist superstructures and interests, which are somewhat fuelled by oil. Unfortunately, such absences directly influence the chain of causality within the oil curse literature and lead certain authors to propose inappropriate solutions to address the problems. Thus, this chapter uses the logic of Dialectical Critical Realism (DCR) to provide a framework that moves from the initial stages of scarcity/abundance or absence/presence and difference to discuss structural emergence, constraint, power relations and agential action in analysing the oil curse. It also draws from the philosophy of meta-Reality that the world should be understood in terms of the primacy of the non-dual
(peace) over the dual (conflict) state in understanding conflict within oil abundant countries.\(^8\)

Whilst this thesis focuses upon MNOCs’ agency, this chapter does not (although I note that their agency is generally under-examined within the greed/grievance literature), but rather it seeks to contextualise MNOCs’ actions within oil-rich countries and the wider global framework. It highlights the ethical tension that exists between MNOCs’ need to be physically present where oil reserves are located and the challenges of operating amidst varying levels of structural and physical violence in order to gain access to oil reserves. Whilst MNOCs only control 10% of the world’s conventional oil resources and 25% of its total production, they still attract significant international attention as, amongst others, they have increasingly had to focus on projects that NOCs cannot undertake without them. These are often high-risk exploration and production (E&P) ventures that require significant capital outlays, advanced technological capacities, and project management capabilities that NOCs do not always possess. These projects are often located in environmentally challenging, sparsely populated areas, and/or where indigenous, tribal and minority groups reside. This can lead to a disconnection between governmental plans and the aspirations of local communities, whose potential claims on the land are often side-lined by national governments (Wasserstrom & Reider, 2013:77). This trend is also relevant more generally to the mining and other extractive industries in Latin America.

MNOCs have, thus, caused, sustained and perpetuated negative structures and adverse causal mechanisms (discussed below), which has led certain authors to denounce MNOCs’ CSR as hypocritical. Moreover, in this context, CSR is in part viewed as a way for companies to compensate communities for certain oil curse effects. These discussions, which have explanatory power in both Colombia and Venezuela, are more thoroughly dealt with in the subsequent chapters.

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\(^8\) Peace can exist without war, but war cannot exist without elements of peace. Thus, the non-dual precedes the dual state (See: Bhaskar, 2002).
The chapter is divided into two main sections:

The first section discusses scholars’ claims that oil states, when compared to similar non-oil countries, are more susceptible to negative trends such as slow economic growth, inflation, low saving levels, a poor investment climate, increased unemployment, weak property rights, unstable export earnings, poor human development levels, poverty, corruption, institutional inertia, poor public bureaucracy and increased conflict dynamics (Torvik, 2009:243; Rosser, 2006; Sala-i-Martin & Subramanian, 2003; Kolstad & Wiig, 2009:5321; Fearon & Laitin, 2003; Fearon, 2005:491; Pendergast et al., 2008; Le Billon, 2003:413; Petermann et al., 2007; Karl, 1997). Thus, this section examines the reasons why these phenomena may be caused by oil access and revenues, showing that the entrenched patterns and constellationalities of spatio-temporal dependencies, power structures and agencies are not restricted to national boundaries.

The second section discusses solutions that have been suggested or attempted in praxis to decouple oil from the resource curse. Gaspar (2011) notes that international law accepts that a country’s resources should be exploited to benefit its people. However, as is shown below, abstract universalities often prevail within and outside of these countries impeding transformative praxis.

2.1 The paradox of plenty: a dialectical approach

This section introduces the emergence of the resource curse problematic and shows, using Bhaskarian dialectic, that the paradox of plenty is primarily a paradox of absence and presence. Karl (2007:3) posits that “countries that depend on oil for their livelihood eventually become among the most economically troubled, the most authoritarian, and the most conflict-ridden in the world”. These three elements of: i) negative economic growth; ii) poor governance linked to political institution or regime type; and iii) conflict are the most frequently cited signifiers of the resource curse (Brunnschweiler & Bulte, 2009:651-2; Bannon & Collier, 2003; Berdel &

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9 Constellationality is a critical realist term used to describe the coincidence of real distinctions and connections in the world (Hartwig, 2007:79).

10 The justification of an action to suit one’s own goals.
Malone, 2000; Ross, 2012). Essentially, these factors are all causally related and are addressed in turn in this section.

2.1.1 Bhaskarian dialectic

Before applying this model as a framework for this chapter, this sub-section introduces the four stages of Bhaskarian dialectic. This section uses the first two stages to identify a second paradoxical element of the paradox of plenty: that is the idea that, in oil rich countries, the resource curse stems not only from abundance of oil or oil revenue, but also from absences and differences that underline and permeate the social fabric of oil rich countries. Absences and differences are defined as scarcities and inequalities regarding tangible benefits or absences created by environmental and other types of harm. It then uses the Transformative Model of Social Agency, situated at step three of the dialectic, to explain how the first two steps are key to bringing resource-driven social transformation away from inequality towards the “human flourishing” of all (Bhaskar, 1993:284). The fourth level is emancipatory praxis. As Bhaskar notes, "it is the task of the emancipatory project to transform or eradicate the oppressive social structures we inherit from the past" (Bhaskar in Hartwig, 2010:83).

Dialectical critical realism (DCR), which rejects parmenidean monism, is based upon the four stages of non-identity (1st Moment) and negativity (2nd Edge), or absence and difference from which emerge totality (3rd Level) and praxis (4th Dimension). Whereas Hegel begins with identity, submitting it to negative critique before showing how negativity can be resolved in totality, Bhaskar starts with the real absence and difference in the world (non-identity), before moving to negativity and contradiction. Unlike Hegelian or Marxian dialectic, Bhaskarian dialectic, as an open process, does not end in a closed totality, reflecting DCR's emphasis upon open systems that contain geo-historically and spacio-temporally dependent constellations, whereby phenomena and noumena are interrelated and potentially embedded within each other, and where different mechanisms may be concomitantly operational. Absence is linked
to the structured nature of being, which changes in time and space as it transforms and ceases to be what it was. The third level (totality) is a real, open, unfinished totality to which there is a capacity for human agency to bring change and, indeed, as in Marx' dialectic, agential ethical praxis is needed at this level for positive progress and the overcoming of negative constraints (power2) (Bhaskar, 1998; 2008:155; Norrie, 2010:3).

2.1.2 The emergence of a curse: an economic paradox of plenty

Standard economic theory suggests that oil-rich countries should benefit from high oil prices as large export-driven revenue flows provide development investment opportunities through an inflow of foreign exchange (Stevens & Dietsche, 2008:57; Karl, 2007:2). In traditional economics, it is the antonym (non-identity) of abundance (scarcity) that has been recognised as the main obstacle to human well-being or flourishing as it impedes a balanced distribution of resources (Daoud, 2010; Homer-Dixon, 1994). As Perloff (2012:1) states "most of the good things in life are scarce – we can’t all have as much as we want. Thus scarcity is the mother of economics”.

In 1995, Sachs and Warner produced empirical evidence showing that the opposite was true: resource poor countries were outperforming resource-rich economies in relation to economic growth. They found that primary commodity abundance could cause economic shocks, due to the volatility of global primary commodity prices and national rent-seeking and claimed that natural resources are a curse. Their somewhat counter-intuitive findings have been widely critiqued, but nevertheless, triggered a substantial body of empirical evidence that questioned the traditional view of natural resources as capital, arguing that, when placed at the centre of an economic development model, primary commodity dependence slows economic growth (Auty, 2001; Papyrakis & Gerlagh, 2004; Kronenberg, 2004; Damania & Bulte, 2005). Subsequent, historical analyses have confirmed that the fastest-growing economies of the past decades achieved their growth with little natural resource wealth (Pendergast et al., 2008:1; Boschini et al., 2007:594; Mehlum et al. 2006:1).
Brunnschweiler and Bulte (2009) and Pendergast et al. (2008:3) note that it is important to distinguish between resource dependence and resource abundance. Whilst the dependence upon abundance appears to be more immediately causal of the resource curse (Alexeev & Conrad, 2009; Pendergast et al, 2008:3), in my view, this does not render abundance redundant as an explanatory mechanism. Indeed, when viewed from a supply and demand perspective, or more globally from the coexistence of presence and absence, it is the absence or scarcity of oil in the world that makes it a valuable commodity where it is (not) abundant and it is the abundant presence of oil within certain societies that can provoke different types of absences.

In addition, I should note that abundance is, in itself, not an absolute or intangible category. The finite nature of oil reserves from a spacio-temporal perspective entails their gradual exhaustion or constant *begging*, so that oil abundance is doomed to turn, more or less slowly, into oil scarcity. Moreover, abundance is relative to the size of a state’s economy and to the amount of globally available reserves. Thus, relatively small amounts of oil may create oil dependency, which may therefore be understood as a consequence of abundance.

The most prominent causal link established by standard economic theory to explain why certain resource-abundant countries have experienced lower growth than their resource-poor counterparts, known as the *Dutch disease*, argues that the presence of a strong oil sector leads to the increased value of real wages and oil exports that cause real exchange rates to appreciate (Van Wijnbergen, 1984; Sachs & Warner, 1995; Gulfason et al., 1999).\textsuperscript{11} The effects of oil-led development create economic distortions that encourage primary sector growth at a cost to more advanced manufacturing sectors, discouraging entrepreneurship and leading to a mono-export of oil commodities, making the national economy more susceptible to such factors as macroeconomic shocks (Stevens & Dietsche, 2008:57; Kolstad & Wiig, 2009:5318; Sachs & Warner, 2001; Barbier, 2003;  

\textsuperscript{11} Increases in export commodity prices or in commodity export volumes can cause an increase in natural resource exports (Pendergast et al., 2008:4).
Hausmann & Rigobon, 2002). The Dutch disease has also recently been attributed to the highly volatile timing of in-flowing revenue (Humphreys et al., 2007:6), although it does not comprehensively explain the negative growth effects when other variables are considered (Kolstad & Wiig, 2009:5318; Stevens & Dietsche, 2008:57; Rosser, 2006:1; Brunnschweiler, 2008).

2.1.3 The political curse: structure and agency based explanations

As Ross (2012:6) asserts, “the most important political fact about oil [is that] the revenues it bestows on governments are unusually large, do not come from taxes, fluctuate unpredictably, and can be easily hidden”. This section analyses the effects of these properties upon oil-rich countries as discussed in political-economy based analyses. As Robinson (2006:451) and DiJohn (2007) assert, whilst many papers ascribe deterministic, monotonic causes and effects to oil abundance within petro-states, such assertions contradict the reality of cross-country divergences. At best, the mechanisms discussed below are indicative of cross-country trends or patterns; however, they cannot be universally applied as law-like statements. The causes cited primarily relate to structural dysfunction and agential (mis)behaviour that affect countries’ social fabrics, and the consequences are primarily linked to social responses (Stevens & Dietsche, 2008; Kolstad & Wiig, 2009:5318; Mavrotas & Murshed, 2011; Rosser, 2006; Brunnschweiler & Bulte, 2009:652). As Alao (2007) argues, there is no direct correlation between natural resources and conflict that surpasses the structures, processes and agents associated with their management and control. Whilst certain authors focus upon one side of government-society relations to explain the resource curse (see below), causality in an open-system is complex and multidirectional. This is consistent with the logic of DCR’s TMSA, in which structures and agents are interconnected in processes, whereby structures enable or constrain agents, who simultaneously reproduce or transform existent and emerging structures. The absences and differences that trigger change are now discussed, focusing upon elitist governance and weak institutions in petro-states.
Much of the oil-curse literature links government institutions' effectiveness with the poor political, economic and social development within oil-rich countries that are part of the curse (Auty & Gelb, 2001; Isham et al., 2005:143; Sala-i-Martin & Subramanian, 2003:16; Boschini et al., 2007; Colllier & Goderis, 2007; Ross, 2012), although the exact causal mechanisms at work are contested. Countries with abundant resources have less incentive to save and invest at the state level, underestimating the need to invest in human capital, under-spending on basic public welfare as a percentage of GDP and thereby undermining social cohesion and hindering the replacement of natural capital by human capital to foster long-term growth (Pendergast et al., 2008; Bulte et al. 2005:1029; Kurtz & Brooks, 2011:748; Le Billon, 2003:417; Karl, 2007:10-11; Gylfason, 2000; 2001). Government capacity in managing oil resources is extremely important in oil-exporting countries, but many suffer from institutional erosion, gradually becoming less competent (Isham et al., 2005:143; Fearon, 2005:10). Whilst several authors link poor institutional quality to the oil curse (Auty & Gelb, 2001; Isham et al., 2005:143; Mehlum et al., 2006; Gylfason, 2001:3) Acemoglu et al. (2001;2003) and Bulte et al. (2005) argue that institutional quality may be the curse in resource-rich countries. Leaders of poor, resource-intensive countries may perceive no urgent need to modernise or reform their government or civil services due to institutional inertia and fail to act (Karl, 2007:16; Ross, 2012:6; Lowi, 2010:xii; Kojucharov, 2007:480). Governments in petro-states are less dependent upon taxes and can drown out or buy-off demands for reform. Luciani (1987) goes as far as to claim that there is "no representation without taxation and there are no exceptions to this version of the rule". However, leaders may also actively choose to suppress rather than empower their citizens where development is against their interests (Dunning, 2005:452; Isham et al., 2005:145; Acemoglu & Robinson, 2006:115). Ron (2005:447) explains that leaders of postcolonial states often suffer from low political legitimacy, prompting them to engage in neopatrimonial policies that bleed development efforts dry. Reno (1998) argues that poverty can result from repressive political power as, to make
patronage work as a means of political control, leaders may prevent ordinary citizens from gaining market access to make their lives less secure and more materially impoverished. As Shaxson (2007:1124) notes, whatever the conventional wisdom, the trend is against economic diversification. Indeed, diversification and industrialisation policies may reduce fiscal volatility and improve aggregate economic performance, but they can create alternative independent power bases that may challenge the ruling political power, especially during economic downturns or the fiscal crises that characterise resource-reliant countries (Dunning, 2005:452; Bulte et al., 2005:1038). These arguments support Friedman’s hypothetical first law of petro-politics that “the price of oil and the pace of freedom always move in opposite directions in oil-rich petro-states” (Friedman, 2006).

Furthermore, it is widely argued that the elite in oil-countries are susceptible to corruption in various forms including policy distortion, embezzlement, kickbacks and oil company bribes (Gaspar, 2011:6,13; Karl, 2007; Stiglitz, 2007), especially in areas such as defence or infrastructure. Indeed, oil provides governments with cheap money, which can be spent on patronage or unproductive projects (white elephants) that bring no growth, but support their position (Torvik, 2009:253; Karl, 2007:21). Ross (2012:3,6) argues that petro-states are more secretive than non-oil countries and that oil dictators can easily conceal their expenditures and incompetence, for example, in state oil companies. He asserts that “governments often collude with international oil companies to conceal their transactions and use their national oil companies to hide both revenues and expenditures” (Ross, 2012:5). However, NOCs, such as PDVSA, can also be politicised and serve as clientelistic vehicles through which governments can reward supporters (Manzano & Monaldi, 2008:79). The relationship between corruption and institutional quality is bi-directional; whilst well-developed institutions can reduce corruption, corruption can reduce institutional quality (Pendergast et al., 2008:14).

Poor fiscal management is identified as another cause of the curse. Dunning (2005) and Rosser (2006) contend that leaders may pursue
strategies for short-term gain, sabotaging domestic growth and expanding crippling primary-commodity reliance that renders them vulnerable to external shock and reduces their ability to maintain power long-term. For example, oil exploitation rights should rationally be sold to the most efficient company, which does not always occur (Van der Ploeg & Rohner, 2011:1). Kojucharov (2007:479) notes that revenue volatility complicates governments’ ability to plan long-term budgets and follow disciplined fiscal policies.

Throughout the literature, leadership and regime type are identified as causal and consequential of the paradox of plenty. Several cross-country analyses have supported Mahdavy’s (1970) \textit{rentier state theory} that countries with abundant natural resources are often less democratic (Rosser, 2006; Karl, 2007:20; Ross, 2001; 2009; 2012; Papaioannou & Siourounis, 2008; Basedau & Lay, 2009:775; Collier, 2007; Tsui, 2010). Jensen and Wantcheckon (2004:822-836) show that, between 1970 and 1995, natural resource dependent countries were more authoritarian, with those attempting democratic transitions or consolidation subsequently returning towards authoritarian governance, consolidating authoritarianism and undermining democracy. Murshed (2004) and Mavrotis and Murshed (2011) suggest that point resources, such as oil, delay democratic and institutional development and good governance. Aslaksen (2010) supports their findings, showing a negative correlation between oil and democracy when country-fixed effects are included. Isham et al. (2005:143) also argue that oil wealth enables minority rule over a domestic population. As Gaspar claims (2011:9), unaccountable leaders’ ability to remain \textit{eternally} in power thanks to oil revenues is yet another curse, although Haber and Menaldo (2011) refute any law-like effect. Ross (2012:1) asserts that petro-states are 50% more likely to be authoritarian than non-oil countries.

Others question the variables used by these scholars, adding different variables or nuances to explain the relationship between oil and regime type (Wick & Bulte, 2009; Van der Ploeg & Poelhekke, 2010). Haber and Menaldo (2011) find that growth in natural resource income increases democracy, arguing that many oil-rich countries had, for example, weak
state capacities before oil was discovered and, therefore, may have developed authoritarian patterns without oil. Gurses (2009) argues that irrespective of an elites’ commitment to democracy, resource wealth can enable a new social class to emerge that can pressurise a government to consider its requests. As Ross (2009:2) argues, in Latin America, specifically, oil has not inhibited democratic transitions. Dunning (2008) also claims that oil has quickened democratic transitions in Latin America. Given its high levels of inequality, the elite, who can afford some redistribution to enfranchise the poor, use democracy to reduce the expropriation of their wealth. However, he argues that without the demand for redistribution, leaders use oil rents to engage in corruption, reinforcing authoritarianism.

Similar debate surrounds whether democratic or authoritarian governments are better placed to use oil wealth to benefit society. Andersen and Aslaksen (2008:239-40) find the autocratic/democratic dichotomy too simplistic, contesting that the resource curse occurs in presidential, but not parliamentary democracies. Torvik (2009:247) argues that presidentialism can be a one-man show, captured by special interests, whereas “parliamentary regimes with their continuous vote of confidence and broader representation in the making of policy, may be better suited to putting proceeds from resources into productive use”. Damania and Bulte (2003) find that resources have a significant negative effect in autocratic countries without political opposition, whereas resources’ impact on growth is statistically less significant as democracy increases. However, Hegre et al. (2001:33) offer quantitative evidence to show that partially democratic oil regimes spark wars, hypothesising that this is due to their instability and weak coercive powers. Nevertheless, it is not always clear in the literature which elements of state behaviour constitute it being a democracy; electoral aspects or checks and balances.

12 In Latin America, the elite has much to lose with land redistribution, as its members are traditionally large land owners (latifundia patterns of agrarian organisation are not uncommon in Latin America). This has led several countries to promote agrarian reform, to favour soil utilisation and empower local farm workers. Several governments, including Brazil, Colombia, Honduras and Guatemala, have been attempting community and market-based land reform. Others, like Venezuela, have engaged in large-scale land expropriation (Ascher & Mirovitskaya, 2012:12).
Importantly, certain authors have challenged the robustness of the empirical evidence linking abundance to adverse effects (Brunnschweiler, 2008; Brunnschweiler & Bulte, 2009:653). Smith (2004) contradicts the predominant perspective in comparative politics, which suggests that fiscal crisis and poor economic contraction in petro-states often lead to regime change. Instead, he argues that governments are on average more stable than comparable non-resource exporters. Indeed, governments can use oil money to solve welfare problems or reduce social pressures by reducing taxation, targeting spending or using popular measures such as petrol subsidies (Caselli & Cunningham, 2009; Le Billon, 2003:416; Torvik, 2009:253; Basedau & Lay, 2009:761; Ross, 2009:22). As mentioned above, petro-states do not always need to forcefully collect taxes to operate (Karl, 2007:16). Additionally, countries with high per capita resource income, such as the UAE, can often offset internal conflict using distributive policies and well-equipped security services (Basedau & Lay, 2009:760,774; Lowi, 2010:xii).

Moreover, Alexeev and Conrad (2011) reject claims that resource abundance harms countries, except regarding accountability, which is significantly correlated with natural resources. They argue that by using resource abundance rather than resource dependence, a positive economic growth effect is found (Alexeev & Conrad, 2009:587). Indeed, for every resource-abundant country that achieves stagnation rather than prosperity are the textbook counter-examples of Norway, Canada, Malaysia, Australia, the USA and Botswana (Torvik, 2009:241; Karl, 2007:3; Bulte & Damania, 2005:5; Ross, 2012) so that Haber and Menaldo (2010) assert that “roughly twice as many countries have been blessed by resource booms as cursed by them”. Thus, it is important to understand when oil becomes a curse. The empirical literature mostly attributes the cause as policy failure resulting from poor governance and institutional quality (Cabrales & Hauk, 2011; Karl, 2007:3). Ross (2012:2) rightly asserts that sufferers are generally low and middle income countries. However, ascertaining exactly why there are differences between countries is challenging. As Di John (2007:968-969) notes, much analysis is
ahistorical, apolitical and selective of its variables. He asserts that generalised arguments about the state neglect the role of collective actors within society that can impose domestic conditionality on those in power. He highlights the fact that oil abundance does not preclude a despot from having developmental aspirations or from sharing wealth with opposition groups.

2.1.4 The curse of conflict: emergence, form and duration

The literature also shows that petro-states are more conflict-prone. As shown in chapter 4, oil has escalated the Colombian conflict, which has also affected neighbouring Venezuela. As such, the remainder of this section addresses mechanisms, present at a regional and global level, which may lead oil countries to experience more (or different) types of conflict, than their non-oil counterparts.

2.1.4.1 Conflict emergence

The “link between natural resources and conflict is probably as old as human settlement” (Alao, 2007). However, as Cooper (2005:465) contends, Collier and Hoeffler’s (2001) work instigated an important paradigm shift, by identifying economic activity as a primary cause of conflict and not merely a consequent or secondary effect. This thematic has permeated the resource curse literature, although how oil generates violence is contested (Said, 2004:79). As shown below, scholars have predominantly linked oil to civil or separatist conflict by means of social, political and economic causal mechanisms. In this context, most authors focus upon poor governance, and ruling authorities’ inability to manage oil wealth, which causes grievances. Several also make a case for the causality of rebel opportunism or greed. This section discusses both greed and grievance in turn.

Before addressing greed and grievance, I will briefly explain why I reject a third possible category, i.e. Collier’s et al.’s (2006) Feasibility Theory. Feasibility argues that rebellion occurs where it is materially feasible without reference to motivation. In this paradigm, agents rally around the first social entrepreneur(s) to provide the group with a political or religious
agenda. Rebellion is viewed as being most viable in weak states with features such as favourable geography or low per capita income; it could be led by non-rational, potentially insane actors, or even have begun by mistake; and it appears to be triggered by the presence of resource revenues in countries with weak state-citizen relations (Collier et al., 2006). Whilst I agree that war can occur without observable motive or with obscure narratives built upon ideological or religious demi-realities, I reject feasibility as: (i) from a Critical Realist perspective, I deem it to be a category error to class feasibility as a causal mechanism, rather unactuated powers are a condition of the world in which we live; (ii) Collier et al. are “holding motivation (of any kind) to be irrelevant to any useful understanding” (Keen, 2012: 766), whereby, the categories linked to feasibility, i.e. the notion of favourable geography, may be a determining factor in agents' strategic considerations, but in a country like Colombia, this does not remove the motives that underlie such strategy; and (iii) it is overly deterministic, if not fatalistic.

The worrying implication to feasibility, however, which is also present in Collier's work on greed (see below), is that it is politically convenient and delegitimises violence that may threaten existing power structures (Keen, 2012). As such, feasibility theory allows for a villanisation of the perpetrator who acts without good cause, merely because it is feasible to do so. In this vein, feasibility theory, which implicitly suggests the existence of other causal mechanisms such as greed, fundamentally overlooks the primacy of the peaceful, non-dual state. Indeed, as Bhaskarian meta-Reality argues, conflict (duality) is sustained by an array of peaceful actions (non-dual) (Bhaskar, 2002).

**Greed**

As with feasibility, greed can be a politically convenient cause and can be used by a state to delegitimise violence that threatens existing power structures (Keen, 2012). Indeed, rebels join organisations for a variety of motivations. Greed is undoubtedly causal, however, by reducing rebels (and, as Collier (2009:122) argues, rebels are invariably the same as
terrorists, freedom fighters or gangsters) to greedy and ignoring their grievances, there is an implicit moral judgement. This is not to say that individual rebels, or rebel leaders, cannot display atomistic egocentricity. However, greed, one of Dante’s seven sins, is generally considered to be ethically illegitimate; whereas grievances can be legitimate and/or illegitimate. In Colombia and Venezuela, this distinction is important as a rebel could also be considered a revolutionary or vice-versa. Nevertheless, the genuineness of greed as a mechanism is not contested here; indeed, atomistic egocentricity is a key driving force of modernity and the capitalist system (Bhaskar, 2002), within which the oil curse is embedded. This latter greed is, however, largely ignored in the greed-oil-conflict nexus, despite the implications of examining the relationships of dependency between oil-consuming/producing countries.

This said, I shall now turn to look at the greedy rebel thesis. Whilst greed may increase the value of a government staying in power to profit from oil rents, it is predominantly linked to the likelihood that regimes will be challenged for power by greedy rebels (Caselli and Cunningham, 2009). Collier and Hoeffler (2005) write that the greater the primary commodity dependence, the higher the probability that rebel greed, as opposed to grievances, will contribute to starting a civil war. They broaden the analysis to argue that rents can provide large non-tax income for the state, but also for any organisation able to control rent-generating territory. This economic finding has been extremely controversial, provoking rebuttals that criticise its methodological approach. Research by Weinstein (2005) supports Collier and Hoeffler’s (2001) rebel greed analogy. Weinstein’s approach has been widely praised, notably by Collier and Hoeffler (2005). His key finding showed that, whilst primary commodity rents affect the composition of rebel recruitment, when able to benefit from resource abundance, opportunistic rebel leaders squeeze out ideological leaders. Weinstein asserts that opportunistic rebellion is most attractive under the conditions where grievance should be rife and that legitimate grievances are contaminated by greed during the recruitment process. According to Collier

\[13\] Man’s self-centeredness and failure to acknowledge that s/he is related to other beings.
and Hoeffler (2005), ideologically motivated rebellions are less likely than opportunistic rebellions to have peaceful outcomes.

By claiming that rebel greed is responsible for conflict, it is possible to purposefully overlook the socio-historical and transnational dimensions of a conflict (Lujala, 2010:15; Obi, 2010:483). Thus, several scholars have worked to develop models that establish other causal links between resources and rent-seeking (Wick & Bulte, 2006; Dalgaard & Olssen, 2008; Bulte & Damania, 2005). One interesting example is Mehlum et al.’s (2006) model, which argues that entrepreneurial agents are either producers or rent-seekers, depending on the profitability of these activities and the institutional capacity to protect the rule of law. When a producer becomes a rent-seeker, the remaining entrepreneurs’ profitability is reduced and the opportunity cost of rent-seeking declines, enlarging the displacement effect. Their empirical data suggests that there are more producers where institutional quality is high and more rent-grabbers where institutions are weaker i.e. grabber friendly. Such analyses, however, link greed to the more grievance-based arguments of weak institutions.

**Grievances**

Grievances can engender both peaceful and violent responses from civil society. Domestic agents, frustrated by injustice and inequality, may act dissimilarly, not necessarily generating conflict, thus adding to the complex constellation of dynamics (DiJohn, 2007:965). For example, the Chàvez’ government gained power by democratic election, rather than by means of a violent revolution, amongst others to transform the use of Venezuela’s oil wealth (see chater 5). The identification of grievances in petro-states is important as the conscientisation of social inequality can be used as a step towards trying to overcome them.

The grievance-based arguments in the literature place absence and emergence at the heart of causality, providing several reasons why state (in)action causes grievances that may generate violence. Cabrales and Hauk (2011) show that revolutions or civil wars are more likely in natural resource rich countries with bad institutions with rising anomie, whereby
people no longer identify with the laws or government structures that regulate their societies.\textsuperscript{14} Hegre et al. (2001:33) argue that as repression and political inflexibility increase in these countries, opposition groups may perceive no other alternative than armed revolt. Holsti (1996), amongst others, makes the link to civil war, suggesting that neopatrimonialism in resource-rich countries creates the distributional conflicts that prompt violence. Cohen et al. (1981) claim that states with access to significant resource rents may initiate conflicts by expanding their administrative reach and attacking peripheral strongmen, leading to violent reprisals. A state’s military, rather than rebels, could start a civil war, creating protection rackets, which stir up opposition and justify elite payoffs (Stanley, 1996:13). In these scenarios, resource rents may not generate a direct risk of conflict, but they raise the risk of conflict.

Grievances also emerge from real changes in a country’s social fabric. Structurally, new petro-states experience accelerated social change. Citizens may perceive that internal and external actors increasingly disrupt their way of life (Karl, 2007:25; Obi, 2010:489). Communities may experience negative environmental side-effects from the oil development such as spillages, pipeline explosions or flaring. Governments do not always deal with the resultant environmental damage (UNEP, 2011; Radon, 2007:109). Moreover, income disparities have increased across many developing countries. As Stewart et al. (2007) note, whilst cultural status-related horizontal inequalities may bind groups together, socio-economic inequality between classes and social groups provides ground for conflict, and political inequality provides incentives for rebellion. In petro-states, these tensions have been heightened by the arrival of job-seeking migrants from other countries, ethnicities or religions (Karl, 2007:25; Bearce & Laks Hutnik, 2011).

Lastly, grievances can stem from unfulfilled expectations of the oil rents’ potential benefits. Collier and Hoeffler (2005:628) contend that social

\textsuperscript{14} Indeed, where asymmetric relations exist between a government and grievance-driven rebels, these may confront or overthrow the “top dog” in a Marxist dialectic to bring needed social change (see Ramsbotham et al., 2011:24).
grievances are not always caused by state misconduct as volatile growth rates from oil complicate economic management, confusing citizens’ appraisals of government performance. As Dal Bó & Dal Bó (2011) note, capital-intensive oil drilling raises oil prices, which could create grievances by increasing the relative capital return and pushing down wages. Moreover, in countries such as Venezuela, Western MNOCs’ dominance exposed citizens to Western culture and heightened their expectations of Western modernisation (see chapter 5).

For many low-income countries, harnessing resource-wealth is the only technically feasible option for growth to middle-income status. Yet such expectations are often politically infeasible and rarely fulfilled, leaving these countries with fragile, primary-commodity-dependent, low-income, stagnant economies (Humphreys et al., 2007:174; Collier & Hoeffler, 2005). The failure of such promises has led to anti-Western sentiment, grievance and conflict in several petro-states (Karl, 2007:15). Indeed, across Latin America, the political liberalisation measures introduced to respond to the anti-government riots and protests of the 1980s and 1990s, when oil prices crashed, benefitted new neo-liberal elites and further widened inequality (Keen, 1998; Lowi, 2010:4; Avilés, 2006:14).

Moreover, the visibility of oil wealth compounds the problem, especially as manpower may arrive from overseas so that society has limited contact with the oil sector and perceives a vertical distribution of the resources (Karl, 2007:15; Isham et al., 2005:148). As Karl (2007:16) argues, where leaders appear despotic, corrupt or wasteful and local people lose-out to foreigners, this is a potent political mix. Citizens see MNOCs, transnational elites and the developed world benefit from the oil, over which they may feel some ownership, even if the state, and not private parties, owns the oil in most countries (Radon, 2007:103). Indeed, the local stake in oil ownership is often ignored in contract negotiations although local communities are increasingly demanding their share of the wealth. The CSR trend (discussed in the subsequent chapter), whereby companies make social project commitments and implement these predominantly in local communities, has not redressed the oil operations’ negative effects.
and some CSR projects can have hidden negative impacts (Radon, 2007:90-106).

Another interesting perspective on oil and conflict is Reno’s (1998) contribution on the shadow economy, whereby a shadow state ruler may strengthen his position by creating local disputes so that local strongmen turn to him for help. However, shadow trade and non-formal economies can also delegitimise leadership and create other grievances and/or greed amongst local communities (Berdal & Malone, 2000).

As the grievance and greed scenarios discussed in the literature show, absence and difference in accessing oil and its potential benefits correspond to the first steps of Bhaskarian dialectic, whereby discontent creates reasons that become central to human agency and are socially causal (Norrie, 2010:10). Masked behind the rather unsophisticated greed/grievance headings are real mechanisms, which can unleash a constellationality\textsuperscript{15} of causal mechanisms that are also causal and mutually reinforcing. For example, as Fearon and Laitin (2003:78-9) contend, indiscriminate state responses to early stage rebellions can cause the formation of fresh grievances. Indeed, such secondary causal mechanisms can also trigger conflict, although these grievances alone do not explain the underlying causes.

2.1.4.2 Conflict form and duration

The literature not only discusses the origins of violence, but also the specifics of conflict type and duration. Regarding form, most political economy based models link the oil curse to civil conflict, which, if loosely defined, exists in Colombia (Torvik, 2009:252). Revising their earlier findings, Collier and Hoeffler (2004:580) use logit regression to predict the outbreak of civil war, finding that of the potential disaggregations of primary commodity export shares in GDP, "only one was significant when introduced into our baseline regression, namely oil versus non-oil". Fearon and Laitin (2003) find that countries with over a third of export revenues

\textsuperscript{15} Constellationality is a critical realist term used to describe the coincidence of real distinctions and connections in the world (Hartwig, 2007:79).
from oil have roughly twice as great an annual risk of civil war onset (controlling for income and other co-variables). Fearon (2005:491) contends that oil is the primary commodity risk given its high value vis-à-vis its production costs, thus equating higher rents with a greater risk of conflict onset. Ross (2012:2) claims that civil war is twice as likely to occur in an oil-state as a non-oil state.

Collier and Hoeffler (2005:630) suggest that rebellion will almost certainly be secessionist if oil is present. Fearon (2005:10) similarly argues that oil exports offer a greater prize for state or secessionist capture, possibly leading to civil war. This view is contradicted by Smith (2004:242) and DiJohn (2007:969,980) who note that oil can be linked to increased regime stability and thus a lower risk of civil war onset, even if oil can impact duration once a war is underway.

The literature offers several mechanisms that link oil to a particular duration and intensity of conflict (Collier & Hoeffler, 2005; Ross, 2005; Humphreys, 2005:12; De Soysa & Neumayer, 2007; Lujala, 2010). Some scholars argue that oil shortens conflicts. Building on a model created by Fearon and Laiton (2003), Humphreys (2005:2) catalogues mechanisms that he claims prove that natural resources are associated with shorter wars ending in a decisive victory for one side. Collier and Hoeffler (2001) also contend that many rebel groups exploiting natural resources lack cohesion, which could be a significant factor in shortening wars. Oil, as a deep shaft material and a point resource is difficult for rebel groups to exploit, as major capital investment and know-how are needed for extraction (DiJohn, 2007:966; Le Billon, 2005; Wick & Bulte, 2006, Bulte et al., 2005:1038).

Given oil’s value, the government may also use greater force to protect installations (Lujala, 2009:51). Indeed, there is a basic financial asymmetry, as the state has a better tax handle on oil, more easily acquiring revenues to deter or defeat rebellion (Snyder & Bhavnani, 2005:574; Humphreys, 2005:14). However, oil wealth is somewhat lootable. In the absence of a coup d’état, rebels may attempt to finance their ventures by obstructing oil flow, extortion, kidnapping oil executives, stealing, targeting vulnerable infrastructures, oil bunkering and smuggling.
oil (Ross, 2003; Ross, 2005:5; Le Billon, 2005:36; Kaldor et al., 2007; Collier, 2010:1128).

Interestingly, Ross (2005:10) links booty futures, or exploitation rights to natural resources that rebels hope to capture in battle, with the possibility of prolonged wars, due to the potential availability of increased revenue to continue fighting. Ross offers the example of ENI, which supplied money and arms to the Algerian National Liberation Front (FLN) in exchange for future considerations.\(^{16}\) However, as Di John notes, rebel groups cannot then promise to equally redistribute the oil to their supporters (2007:966). Additionally, the quantity of available oil is often unclear as proven reserves is not a geological concept (Snyder & Bhavnani, 2005:574). Le Billon (2005) cites a feasibility mechanism whereby fighting continues as, economically, agents benefit from conflict more than peace. Lujala (2009:50-68; 2010:16) notes that oil and gas, when located inside conflict zones, substantially prolong conflict and increase its severity within a country, where combat deaths more than double.\(^{17}\)

The presence of oil within a country is also linked to conflict intensity and duration. Lujala (2009:52) argues that the most deadly conflicts are characterised by two sides of equal strength, but when the rebels are the weaker side, conflicts are less intensive. Beneficiaries of the conflict may prefer to keep fighting rather than to finish the war and win (Keen, 1998; Collier, 2000). Humphreys (2005:17) argues that rebel groups make more profit in wartime than in peacetime. If one considers other variables, for example, illegal commodities such as narcotics that may contribute to this war economy, then rebel groups can thrive under war conditions where law and order is less stringent such as in Colombia (Rubin & Armstrong, 2001:37).

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\(^{16}\) Lujala et al. (2005:3) also discuss offshore oil's impact in fuelling war in Angola, showing that rebel groups do not need to control the oil to profit.  
\(^{17}\) DiJohn (2007:976) challenges battle death figures, which he claims neglect other important manifestations of political violence.
2.1.4.3 Oil and conflict: a laminated system of local, regional and global interconnectedness

State-centric analyses of the resource curse are insufficient (Berdal & Malone, 2000; Duffield, 2005; Rosser, 2006; Obi, 2010; Pugh et al. 2004:2). Indeed, without analysing the wider context, as argued in the last section, (politically convenient) irrationalities can proliferate within the literature. Intrastate agents and structures are not the only forces that affect conflict in oil-rich countries and where conflict dynamics are present, the knock-on spill over effects impact neighbouring countries, trading partners and regions, e.g. the spread of Colombian violence into neighbouring countries (Rudra & Jensen, 2011; Studdard, 2004; Rubin & Armstrong, 2001; Reno, 1998:29). As Obi (2010) argues, state-centric discourses can over-emphasise individual leaders, institutions and economic mechanisms, detracting attention from socio-historical specificities, transnational factors and regional and global interconnectedness. A geo-historical approach to conflict shows that civil war may be triggered by national and regional conflict dynamics and the repercussions of such wars are equally unlimited by national borders (DiJohn, 2007:981; Brunnschweiler & Bulte, 2009:657).

Contemporary wars are predominantly intrastate wars (Themnér & Wallensteen, 2012; Kaldor, 2005). These wars are distinguished by absent, weak or predatory state institutions, the emergence of new and overlapping centres of authority, rising poverty and resource competition (Duffield, 2005:16; Rubin et al., 2001:6). As shown above, these same qualities have been identified as potentially causal and consequential of the resource curse. However, increasingly, states find themselves embroiled in a type of network war that can occur on their own soil, the protagonists of which are no longer nation states' conventional armies, but non-territorial networks of warlords, paramilitaries, guerrilla and mafia (Pugh et al, 2004:18). In this paradigm, new wars can stem from, and reinforce, regional conflict formations, whereby conflicting agents form "mutually reinforcing linkages with each other throughout a region, making for more protracted and obdurate conflicts" (Rubin et al., 2001:3). The rise of such economic, military, political and social networks that work through and
around states has increased the cases of civil conflict and *durable disorder* in resource-rich countries, leaving those that possess such dynamics with the impossible challenge of bringing development without stability and vice-versa (Duffield, 2005:14-16). Thus, the desired outcome of a policy-maker engaging in such conflict areas is not simply peace, but the transformation of deep, transnational links (Rubin et al., 2001:5).

Oil can provide certain rebel groups, which had benefitted from superpower support during the Cold War, with alternative modes of self-financing their military objectives (Studdard, 2004:3; Pearce, 2004; Ballentine & Sherman, 2003:1; Malone & Nitzschke, 2005:1). Emerging *war economies* are increasingly linked with licit and illicit regional and global trade and finance networks (Malone & Nitzschke, 2005:1-6; Ballentine & Nitzsche, 2003:5). In this context, market deregulation has intensified parallel and transborder trade, enabling warring parties to forge local and global networks as a means of asset realisation and self-provisioning (Duffield, 2005). However, the web of social, political, economic and military networks not only affects the behaviour of conflict actors, but it can also profoundly affect local civilians. Marginalised populations on borderlands may have to rely on illegal networks and shadow activities for survival during and even after a conflict (Studdard, 2004:2-7; Cooper, 2006a:20).

Klare (2001:35) argues that oil is highly correlated with global scale conflict between the world powers and that conflict will rise as oil demand increases to outpace supply. The assumption is that, as new world powers emerge on the global markets, this strains world oil reserves and creates a global *scramble* for oil and oil profits. The current energy security paradigm is based upon this fear, securitising crude oil as a national vital interest, given its importance for economic development. Indeed, powers such as the US are ready to intervene in oil-rich states to defend their strategic interests if their supply is at risk (Obi, 2009:471; Obi, 2010:485; Partlett, 2010; Rudra & Jensen, 2011:640). Intervention has involved direct military

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18 The term "*war economies*" is problematic, as rebels, whilst controlling assets, are simultaneously dependent upon external support and supplies and thus do not actually run the war economy (Duffield, 2005).
use and indirect support of favourable groups within a country (Partlett, 2010:80; Basedau & Lay, 2009:760; Turner & Pugh, 2006:474). However, future developments in the US’ shale oil exploitation may alter the US’ current security paradigm.

Both foreign powers and MNOCs have been accused of exercising anti-transformative agency. Foreign powers are primarily blamed for intervening in oil-rich countries, providing military assistance or manipulating their governments, whilst MNOCs are accused of benefitting from asymmetric relations with oil-rich countries within the current global framework (Ross, 2012). Obi (2010:483) argues that the neoliberal hegemonic discourse obfuscates the reality of the resource curse’s transnational underpinnings and that globalised capitalist relations embed a subordination of developing countries’ resources to transnational processes and elites. Moreover, he argues that petro-states that allow MNOCs to cooperate with them in exploiting their resources, somewhat sustain these transnational ties with global powers, enabling MNOCs to take advantage of them (Obi, 2010:487). Oil companies may also benefit from instability in corrupt conflict-ridden petro-states, receiving support from home governments and international institutions (Radon, 2007:89). As shown in the subsequent chapter, not only have several major MNOCs been implicated in corruption scandals, but some have also actively interfered in the internal politics of their host countries, insulating governments from democratic pressures to protect their interests (Smith, 2008:80) or supported groups that sought to overthrow unfavourable governments (Karl, 2007:28).

### 2.2 Transformative agency

Oil is a formidable industry with USD 23 trillion worth of oil and gas pumped out of the ground in 2009 and oil by-products representing 14.2% of the world’s commodity trade (Ross, 2012:3). Given the current patterns of oil production and consumption, the reality that the absence or presence of oil

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19 Chapters 4 and 5 discuss the Colombian government’s alignment with the US, Venezuela’s discursive rejection of US imperialism and accusations of US attempts to destabilise the Chávez government.
may be directly or indirectly responsible for the emergence of causal mechanisms that negatively affect the flourishing of citizens in developing, oil-rich countries, gives rise in the literature to normative and practical questions surrounding how to break these patterns. This section discusses proposals in the literature that aim to overcome the resource curse and the transformative potential of these suggested measures. CSR as an instrument of transformative praxis is discussed in a subsequent chapter.

2.2.1 Transformative interests in a neoliberal paradigm

Transformative praxis implies replacing an existent model with a better alternative. In the oil sector, there is no consensus as to what could constitute this model; agential perspectives differ depending upon their worldview, interests and positions vis-à-vis the oil or oil-rich countries. Therefore, whilst some agents’ interests may lie in transforming the status quo, others may combine a rhetorical commitment to transformation with a praxis geared to a maintainance of the status quo or the strengthening of their own interests. These agents are, however, not transformative agents and operate primarily within the first stages of Bhaskarian dialectic. As Rosser (2006:1) argues, most policy suggestions are not even politically feasible. Moreover, successful attempts by policy-makers to respond to particular challenges of the resource curse in one environment are not necessarily transferrable or applicable to another. As such, Stevens and Dietsche (2008:63) argue that a dynamic element is missing to explain how certain countries have triggered positive institutional change and mitigated the resource curse’s effects whilst others have not. I have not found such an element within the literature; indeed, the evidence in this section points to a complex, multilevel problematic that requires a multifaceted and context-tailored set of politically supported solutions in order to alleviate these effects.

When viewed as a problem stemming from within a petro-state, the tendency is towards external solutions. As Stevens and Dietsche (2008) argue, if oil mismanagement is agency based and endogenous, normative appeals to political leaders to transform their behaviour are useless.
Instead, externally-driven solutions may be beneficial, whereby international regimes impose constraints on countries or find an international body to manage their resources. Equally, if natural resource wealth has a structurally deterministic impact upon political regimes, then domestic change without structural transformation is hopeless. They argue that this is “close to proposing that well-endowed countries with the wrong political regimes should leave their natural resources in the ground, or that external forces should drive domestic change” (Stevens & Dietsche, 2008:57).

However, such a framing of the problematic is reductive, given the exogenous interests and causal mechanisms at work. As Morrison (2011:9) argues, “it is only in a more open world- in which natural resources can be exported and borrowed against- that the tremendous revenues behind the resource curse can be generated”. Over the past decades, developing, resource-rich countries have become more active in the global economy, so that international market pressures have increasingly affected these countries resource management (Rudra & Jensen, 2011). Such global phenomena as trade revenues (Morrison, 2011), international capital flows (Jensen & Johnston, 2011) and immigration (Bearce & Laks Hutnik, 2011:711) can all exacerbate the curse. Moreover, world oil prices, strategic cartels or drilling and environmental policies in the developed world can influence a petro-state's political developmental trajectory, including the survival of regimes and individual leaders (Rudra & Jensen, 2011:649; Ramsay, 2011). Research has shown that foreign aid and external intervention into petro-states have sometimes exacerbated internal tensions (Shaxson, 2007:1127). As such, energy importers cannot circumvent this problematic, but, as Ross (2012:3) argues, they must play a role in solving it.

Certain countries’ success stories, despite their resources, have encouraged a belief that the curse is corrigible with the right policy mix. This optimism permeates some of the academic literature; as Gylfason (2001:3) argues "good policies can turn abundant natural resource riches into an unambiguous blessing". The blessing is mostly implicitly assumed
to be some form of Western-styled development and democracy. However, it is questionable whether developing countries can sustain the various elements of a modern democracy as found in oil-rich Norway, particularly amidst a global trend of democratic recession (Diamond, 2011). Where democracy is a goal, it requires active effort to endure and no existing society has achieved a perfect democracy (Smith, 2008:13). Moreover, state-systems, democracy included, always have room for further development (Bhaskar, 2002:61). Nevertheless, the assumption of corrigibility has underpinned the hands-on approach, which is part of the dominant neoliberal paradigm of international political economy. Its key proponents include the world's most powerful governments, which are predominantly oil importers, transnational corporate actors, supporting politicians and the global institutions formed by these actors (Smith, 2008). Sklair and Miller (2010) describe these agents as a "Transnational Capitalist Class (TCC)" with shared values as opposed to a geographical base.

The gospel of neoliberalism originated in the West and with its holy trinity of liberal markets, good governance and democracy, it was marketed by the dominant global powers as a wealth-creating panacea for failing states with struggling economies, underdevelopment and a predisposition towards conflict (Taylor, 2010:158). In the neoliberal paradigm, oil policies are driven by the needs of globalised capital for cheap resources, markets to which to sell goods and the provision of a safe and productive environment for global capital. The TINA formation logic suggests that non-compliers of this common sense option will end up firmly grounded in third world hell (Taylor, 2010:166; Reno, 1998:26). As neoliberals view markets and supply and demand as the most effective tool in allocating resources to society and solving emerging problems such as social distribution and ecological scarcity, theoretically governments that chose this developmental route can focus less upon redistributive policies and social welfare (Robinson et al., 2006; Smith, 2008:69-70).

20 The 2012 EIU Democracy Index lists Norway as the world’s most democratic country.
However, attempts in the international arena to socially engineer an end to the resource curse within developing countries have not been entirely successful.\textsuperscript{21} The World Bank’s management of the Chad-Cameroon pipeline illustrates this point. Chad began to exploit its oil in 2003. As Chad lacked the financial and institutional capacity to exploit its resources and place them on the market, the World Bank, together with its lending agencies and a consortium of oil companies and international creditors, intervened to finance Chad’s oil development and to demonstrate that the curse could be overturned. The World Bank developed a set of anti-curse policy measures, which they argued would foster a transparent oil economy in Chad, within the current neoliberal capitalist framework. Whilst the policies themselves were well aligned with conventional neoliberal wisdom,\textsuperscript{22} they ultimately failed to prevent the symptoms of the curse in Chad (Kojucharov, 2007). As Kojucharov (2007) demonstrates, the curse prevailed due to subversive relations between the external and internal agents and structures. The World Bank effectively stripped Chad of its sovereignty by imposing policies from outside, placing conditions on Chad’s oil revenue expenditure so that the policies lacked local ownership. Despite its own recommendations, the World Bank failed to ensure that institutional capacity was strengthened and that a well-equipped supervisory body was established; notwithstanding Chad’s civil conflict, weak civil society, nepotism and corruption, before overwhelming it with complex regulatory frameworks and management processes. Moreover, the World Bank failed to foresee the ethnic tensions that arose as the dominant Muslim population received more oil money than the less influential Christian population situated in the oil region (Kojucharov, 2007:481). As Chad moved towards servicing its debt, agitated political

\textsuperscript{21} As Cooper (2010:319) notes, certain analyses perceive such social engineering as a form of biopolitics, whereby empowerment is the carrot used to lure populations to transform or conform behaviourally.

\textsuperscript{22} Whereas, Kojucharov (2007) contends that neoliberal policies were not bad in themselves, if Chang (2010) is correct, then policy-makers should implement certain policies that neoliberals consider bad for economic development such as the “extensive use of selective industrial policy, combining protectionism with export subsidies; tough regulations on foreign direct investment; active, if not particularly extensive, use of state-owned enterprises; lax protection of patents and other intellectual property rights; heavy regulation of both domestic and international finance”; neoliberals used these exact policies to develop themselves.
leaders gradually installed their own regulatory institutions and policies, non-compliant with World Bank policies, thereby escalating the resource curse (Kojucharov, 2007:490). In 2008, the World Bank withdrew, recognising its inability to push its agenda forward in Chad. The question remains, however, whether Chad would have been better off without such external intervention at that point of its trajectory, instead of becoming one of the "dysfunctional hybrids of the liberal peace" (Cooper, 2010:318,323).

According to the literature, the Chad intervention is symptomatic of a wider failure of externally determined and imposed neoliberal policies (Cooper, 2006b:326; Turner & Pugh, 2006:477; Kojucharov, 2007). The impact of neoliberal models such as the Washington Consensus, which focused upon deregulating markets, privatisation, fiscal probity and foreign direct investment (FDI) promised to transform dysfunctional, conflict-ridden societies into stable, prosperous countries. However, it ultimately worked least for those it was supposed to help and failed to reform the agents and structures responsible for the curse (Avilés, 2006:14; Studdard, 2004:9; Cooper, 2006a:26). Moreover, the addition of governance conditionalities to this economic package, in the form of the post-Washington Consensus, smacks of imperialism. It impairs developing countries' ability to determine their own trajectory by: i) fostering asymmetric decision-making; ii) offering preferential treatment for those who behave; and iii) promoting a holistic approach, it creates an interconnected web of policies (Taylor, 2010; Turner & Pugh, 2006:473-4). In addition, as Cooper (2010:318) observes, neoliberals keep recycling the same one-size-fits-all problematic and one-size-fits-all solutions to a variety of developing countries, which ultimately fail them.

The conflation of solidarity and security is a significant part of this problematic (Cooper, 2006b:326). Cooper (2006b:316) argues that the security discourse hides an unwillingness to address the problems faced by the poor, whilst protecting the rich from imaginary threats under the mantra of mutual vulnerability, which links wealthier countries' security with poorer countries development. This is evidenced in the international community's approach to conflict trade. In this context, Cooper (2005; 2010) clarifies the
different control strategies that are currently promoted by Western countries and used in insecure resource-rich countries to this end. These range from the conditional promotion of liberal values, to prophylactic controls (liddism), which contain the insecurity in a particular area, and control-lite strategies that acknowledge the role of the developed world as a market for and participant in illicit networks, but only target rogue actors and establish minimum control mechanisms. Such control measures keep insecurity firmly in the developing world, neither addressing its causes nor the structural change that is necessary at wider levels to truly tackle such trade (Cooper, 2005; Turner, 2006:383). This abstract universality, whereby measures are proposed by the dominant world powers that may or may not benefit oil-curse sufferers, but which do not challenge the status quo of the oil trade, needs to be clear to policy-makers within oil countries.

Yergin (2008) argues that the dominant neoliberal energy security paradigm urgently needs revision. Kaldor et al. (2007) assert that within the context of new oil wars with multiple explanations, attempts to militarily control a territory or forcibly re-establish governments in conflict-ridden oil-exporting countries do not produce greater control over oil supplies or prices, but rather greater political and economic instability. Said (2004:79) and Obi (2010) question whether this paradigm is a pretext for global powers' commercial and geopolitical interests. If agents are constrained from transformative praxis by a dominant paradigmatic structure of neoliberalism and are not enabled by it, then there may be an argument to alter the neoliberal (Chang, 2011) or even capitalist superstructure (Taylor, 2010; Harvey, 2011). In particular, the expansion of economic policies to address socio-political concerns is ultimately an expansion of capitalism that should be more thoroughly questioned (Taylor, 2010). However, questions remain as to how this seemingly autopoetic structure can be altered and which viable alternatives may exist to replace it. For example, Chang (2011:xv) argues that capitalism is limited and problematic, but that the neoliberal version of capitalism must be reformed. Harvey (2011)

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23 The justification of an action to suit one's own goals.
argues that capitalism itself is crisis-prone and is the structure that needs reformation.

Smith (2008) argues that developmental globalisers, defined as transnational networks of dense horizontal connections composed predominantly of global activists, pose the main challenge to the neoliberal worldview, which they acknowledge as bringing ecological damage and widening inequalities between countries. Democratic globalisers challenge the neoliberal focus upon the market, instead seeking to advance messages of solidarity and human rights above that of profit maximisation. They take the Keynesian view that government intervention is essential in regulating capital markets.

Both the neoliberal and developmental globalisers contest the space at the international level and states and interest groups differ in their ability to influence global policy processes. Whilst developmental globalisers are active at an international level, they are constrained by neoliberal dominance in different sectors and by weak agenda-setting capacities, given their lack of coherent aims and difficulty in proposing viable alternatives. Regarding voting power at international institutions, their influence is limited. For example, whereas the UN is arguably the most democratic international institution, voting at the financial institutions of the World Bank and the IMF is determined by the shares of members’ financial contributions. Thus it is less representative of the world’s populations (Smith 2008:56,80).

However, as supplier countries gain more power in the climate of an oil scramble, they are more likely to act to protect their own interests and are increasingly reluctant to allow external powers to dictate their modus operandi (Humphreys et al., 2007; Liou & Musgrave, 2012; Ross, 2012). Thus, Ross (2012:4) argues that it is simplistic to blame the foreign powers’ intervention or manipulation of oil-rich countries for each aspect of the curse. He asserts that countries such as Venezuela, Iran, Russia, Sudan and Burma have been somewhat immune to Western pressure, actively defying Western governments, but, nevertheless, they still suffer the same
problems. Equally, he dismisses those who blame the multinationals, noting that they have caused many problems, but that their influence has significantly waned since the 1970s wave of nationalisations in oil-countries. He rightly argues that "if foreign countries were the problem, nationalisation should have been the cure" (Ross, 2012:4). Indeed, certain NOCs are richer than the MNOCs since the surge in resource nationalism (Obi, 2010:486; Partlett, 2010:78).

The literature highlights many different national, regional and international elements that should be taken into account when devising political and socio-economic policies in oil-countries. It mostly omits that neoliberal globalisers at an international level cannot and do not engage in real transformative agency within their paradigm, but rather emphasises the importance of recognising that powerful international actors have certain interests that can align or compete with the interests of a state and its citizens.

2.2.2 Specific policy proposals and their rationale

This sub-section discusses some of the mechanisms that scholars argue could reduce the oil curse. The policy suggestions are categorised under the headings economic measures and socio-political measures. These subsections reflect the current state of the literature, which offers an eclectic mixture of measures to solve specific elements of the curse, but where efforts are lacking to systemise policies with few holistic policy proposals that specifically aim to transform the deeper mechanisms at work (Lowi, 2010:xii; Gaspar, 2011; Dunning, 2005; Barbier, 2003:253). Given the difficulty in globally addressing the constellationality of causal mechanisms linked to the curse, policies are often country and context specific. As Robinson et al. (2006:448-9) assert, political leaders in developing countries generally decide relatively autonomously when and how much oil to extract and as Lowi (2010) shows they decide the pace at which to push reforms forward, so that any solution must be accepted

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24 Constellationality is a critical realist term used to describe the coincidence of real distinctions and connections in the world (Hartwig, 2007:79).
internally. This section purposefully omits any critique of the specific policies that involve industry participation such as the EITI and the Global Compact. These are discussed in the following chapter.

2.2.2.1 Economic measures

Proposed policies aimed at overcoming the oil curse include strengthening the financial system (Van der Ploeg & Poelhekke: 2008), economic diversification, maximising and cushioning resource revenues to ensure higher long-term revenues, less volatility and added stability against external shocks (Le Billon, 2005; Bannon & Collier, 2003:12), long-term contracts and insurance mechanisms to smooth out revenue flows (Ross, 2003:24), greater financial transparency in the oil sector, government and company reporting and stronger anti-corruption measures (Humphreys et al., 2007:324), fairer resource redistribution (Shaxson, 2007) and longer planning horizons (Robinson et al., 2006). Humphreys et al. (2007:325) also note that to avoid boom-bust patterns, ways to hedge oil risks should be sought and international lenders should exercise caution in allowing countries to borrow using potential future rents if they will accrue excessive debt. Collier and Hoeffler (2005:632) argue that contracts could transfer more price risk to big companies and less to governments. As Heal (2007:157) claims, oil producers are not rich per se and proper calculations of a country’s true national wealth would discourage short-term overspending and encourage countries to use capital markets wisely. Stiglitz (2007:23) notes that governments should endeavour to get full value for their resources.

Wenar (2008) proposes using international legal action to raise tariffs against unethical actors. He argues that elites, who appropriate the rents from sales, steal from their citizens so that MNOCs that buy and sell this oil are dealing in stolen goods and should face legal action in countries like the US. He argues that for countries like China, which may seek to replace

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25 Additionally, Collier and Hoeffler (2005:632) suggest that the IMF could introduce international standard budget smoothing rules to advise governments on how to save from favourable shocks and aid donors could have automatic temporary cushioning from adverse shocks.
Western interests in developing countries on the back of such legislation, an equivalent *anti-theft tariff* could be applied on their goods into the West. The idea of raising tariffs against unethical behaviour is interesting from a normative perspective, although the costs of potential tariff wars should also be considered. Nevertheless, Wenar's analysis raises some interesting assumptions. He assumes that a specific country could be a neutral global policeman and that other countries would submit to its moral authority. Wenar is not the only author to assume that Western companies are more likely to behave ethically. Kojucharov (2007:492) claims that Chinese oil companies are less worried about the environment, human rights abuses and corruption. However, as Cooper (2010:315-6) asserts, Chinese companies are not immune to the costs of corruption or poor governance and there is the risk that they become a convenient scapegoat. Indeed, the behaviour of Chinese companies needs further research (Turner & Pugh, 2006:477).

Several authors propose emulating the policies of resource-rich countries that have avoided the curse. These policies include: i) the Norwegian government's petroleum fund (GPF), which accumulates budget surpluses, helping to even out oil revenue spending and balancing the economy; and ii) Botswana's use of a fiscal and public financial management system with multiyear development plans to manage diamond wealth. Kronenberg (2004) argues that resource-rich countries should copy such development-focused investment. In Norway, he notes that the state invests almost 90% of oil revenues into infrastructure, education and foreign pension funds. Therefore, Norway mitigates the Dutch disease’s effects by spending only part of its oil revenues internally and spreading resource wealth evenly amongst the population. However, as Larsen (2006) shows, such policies are country-specific, as several variables are in play that explain why Norway appears to have escaped the curse. For example, stabilisation funds only work in countries with strong institutional frameworks, where political leaders will not raid them (Humphreys et al., 2007:325). Moreover, Acemoglu et al. (2001; 2002:1231; 2003:76), moreover, argue that countries which industrialised first have the best institutional quality and are
better prepared to prevent the causes and effects of the resource curse. Kronenberg (2004:425) offers Malaysia as a better model. Indeed, Malaysia has managed to diversify its economy, thereby overcoming natural resource dependence (Noh, 2013). Nevertheless, in my opinion, the emergence of this Malaysian model is the result of highly contingent spatio-temporalities unique to Malaysia and, as such, it may be difficult for other oil-rich countries suffering from the curse to duplicate it (see Noh, 2013).

The Alaskan redistributive model is also cited as a solution to reduce large inequality gaps. Indeed, Shaxson (2007:1135-9) makes a strong case for a direct redistribution of oil revenues and a subsequent tax on income. This, he argues would create horizontal, not vertical, relations and remove grievances about oil-money mismanagement. Whilst such an approach is often criticised as assistentialistic, Shaxson argues that it could actually break the cultures of dependence found in many petrostates. There are several reasons why redistribution could be problematic as argued by Humphreys et al. (2007:15); nevertheless, it clearly recognises the citizens’ oil ownership and could be relevant to certain countries.

Several authors argue that oil fund (re)distribution should be organised at an international level (Le Billon, 2003:413; Sala-i-Martin & Subramanian, 2003:18; Humphreys et al., 2007:327). Sala-i-Martin and Subramanian (2003:18) argue that the World Bank could potentially play a role in transferring oil rents to citizens by using the Alaska Fund model, thereby preventing revenues from reaching corrupt officials. Humphreys et al. (2007:327) advocate the establishment of a third-party natural resource fund management service in the form of a *global clearinghouse*, which could manage natural resource funds to ensure that strict rules are applied to access revenues. They contend that this would strengthen the producing nations’ sovereignty. In my view, however, they fail to address the normative and symbolic questions surrounding the circumstances under which selected sovereign powers of a state should be handed to international institutions such as the World Bank. As mentioned above, who is to monitor the World Bank’s actions? These aside, a state transfer
of powers to an international body is not well-accepted in developed democracies (prominent UK politicians’ anti-European discourse is a well-known example) and it is questionable whether politicians and citizens in the developing world would be more inclined to hand over sovereign powers, especially considering the scars left by their colonial histories.

Revenue transparency and accountability are popular themes in the literature. Radon (2007:96) asserts that "transparency is key to achieving public acceptance of a contract", enabling civil society to provide checks and balances where formal mechanisms are inadequate, dispelling concerns over greed and corruption and preventing governments from agreeing to terms that citizens would find unacceptable (Radon, 2007:96-97). Whilst anti-corruption crusades have often been heralded by Western governments, these same governments (such as the UK or US) allow tax havens or bearer-share companies, which facilitate corruption, to exist upon territories over which they exercise control. Stiglitz (2004) discusses secret bank accounts, which undermine development by facilitating corruption. Humphreys et al. (2007:328) propose the establishment of a global office on oil and gas revenue management. This office would collate information on oil and gas contracts in individual countries around the world, creating standardised on-line forms for filing contracts and disclosing public expenditure, thereby enabling better oversight. However, Humphreys does not suggest who would oversee or fund this body.

Government and industry revenue transparency with adequate supervision are important steps towards change (Collier, 2010:1128; Gary & Karl, 2003:6; Ross, 2012:10). As I argue later, transparency alone cannot change behaviour, but behavioural change is difficult without transparency. The dichotomy of voluntary versus mandatory regulation is also discussed in this context. As I contend, transparency initiatives can help to more clearly locate agency in a capitalist system of seemingly nebulous structures, but they need more weight through appropriate regulation.
2.2.2.2 Socio-political measures

In addition to the economic measures, authors propose a range of governance-based, socio-political measures aimed at altering both governance structures and agential behaviour. These are now discussed.

It is generally accepted that it is *good* to improve *bad* institutions, but it is often unclear which strategic institutions to change and how change should be implemented (Stevens & Dietsche, 2008:60). Transformative praxis does not generally translate into complete, immediate change, but as the TMSA indicates change can be iterative and processual. Cleaver (2001:34) contends that resource management can be improved by strengthening existing institutions through a process of *institutional bricolage*, rather than imposing alien structures. Abstract theoretical ideas, however helpful, are insufficient. As institutional make-up is influenced by a conscious scrutiny of some beliefs and an unconscious acceptance of others, praxis is also determined by *totems and taboos*. Indeed, the imposition of modern institutional arrangements may erode, and not build, social capital by failing to recognise accepted social and cultural norms. Thus, policy-makers should reflect upon such norms to avoid institutional reform that may appear costly and illegitimate (Cleaver, 2001:34).

Institutional reform in oil-rich countries is a major concern in the literature as weak institutions struggle to manage oil revenue flow in a fair, transparent and pro-development way (Kojucharov, 2007:490; Ballentine & Nitzschke, 2003; Bulte et al., 2005:1039). Of particular concern are the issues of corruption, the absence of state-society linkages and the need for greater broad-based participation in government decision-making (Humphreys et al., 2007:326; Kolstad & Wiig, 2009; Karl, 2007; Turner & Pugh, 2006). Kolstad and Wiig (2009:5321-2) argue that to encourage political leaders to act in the public interest: i) classic taxation methods should be used to finance the government; and ii) impartiality-enhancing institutions should be established. However, as Kurtz and Brooks (2011:763) argue, this would need to be accompanied by greater public policy efforts and human capital spending to truly empower citizens. Additionally, Rajan and Zingales (2006) suggest that institutional reform
could reduce social inequality if it can be used to gain the support of obstructionist constituencies, who otherwise seek to maintain the status quo by circumventing institutional constraints.

Strategic government decision-making regarding oil operations is also proposed to tackle the curse. In conflict areas with oil, Fearon (2005:28) argues that governments could even design measures to specifically tackle the increase in conflict dynamics, including securing oil pipelines to cut this source off from rebel looting, which is logical, but often hard to implement, as seen in Colombia. Ultimately, governments could also decide to only admit companies with a reputation of ethical best-practice to their territories. In particular where oil is situated in conflict areas, countries could select companies that, for example, refuse to pay extortion (Bannon & Collier, 2003:15; Ross, 2002). Although the non-payment of extortion can raise other normative issues concerning employee protection.

Several authors advocate using diplomacy to help conflict-torn petro-states at both a regional and a global level. Given the nature of regional conflict complexes and regional shadow trade, there is arguably a role for improved regional cooperation within regional organisations (Studdard, 2004:13). Conflict-prone countries often lack law enforcement capacity and have insufficient border policing and intelligence. In this context, policies should address the functions that war economies may serve to participants. For example, in order to counter illicit cross-border activities, such as smuggling in countries with weak border policing capacities, structural incentives for licit trade could be contemplated (Malone & Nitzsche, 2005; Studdard, 2004:8). Moreover, Ross contends that enough is known about resource-inspired secessionist movements to predict where they will occur (Ross, 2004:329). Thus, he advocates heightened preventive diplomacy, as once resource wars begin they are difficult to stop (Ross, 2002:27). Ballentine (2003:17) argues that it is the international community’s responsibility to help policy-makers criminalise activities rather than groups. Indeed, the international community may label a group as criminals that is seen by its countrymen as freedom fighters with legitimate grievances. Malone and Nitzsche (2005) discuss the dangers of criminalising such agents in the
climate of the *war against terrorism*, as *rebels* are relabelled *criminal terrorists* (see chapter 4, section 3). Moreover, focusing upon pariah actors is sub-optimal from a policy perspective, considering the various features that drive a war economy (Cooper, 2006a:20). Indeed, the international community also needs to seriously consider poverty reduction, income generation and support for non-business sectors as market logic continues to fail to provide welfare (Turner & Pugh, 2006:476).

Another set of proposed measures relate to long-standing environmental concerns. Humphreys et al. (2007:324) argue for the greater use of security whereby companies post bonds to anticipate future clean-ups, assuming that companies would strive to prevent environmental damage, not leaving countries with huge environmental costs. Le Billon (2005:58) goes further, suggesting that international institutions should manage the demand for key resources. Concerning international institutions’ powers, he proposes sanctions to address disputes arising from diffuse resources and military capture for point resources. However, it is debatable whether international institutions or organisations have the legitimacy to plan countries' economic interests. For example, at this planning level, a country’s interest to leave its oil in the ground until it can be properly used, as advocated by Humphreys et al. (2007:15), might be overridden in favour of market logic or for what is viewed as the *greater good*.

Whilst most authors fail to discuss social agents’ roles in mitigating the effects of the curse, civil society has a role to play. Indeed, inequalities in oil wealth distribution do not, once identified, have to lead to individual opportunism, conflict or negative development. These can also generate greater cooperation and solidarity (Said, 2004:81). Social forces with emancipatory social agendas can bring agential or structural change. Their role is largely neglected in the natural resource literature, which, as Rosser (2006:2) argues, is a major oversight given that: i) social patterns fundamentally shape the functioning of state institutions; and ii) citizen pressure can impact resource-rich countries. Damage attributed to the oil

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26 However, as Cooper (2010:312) points out, arms and commodities sanctions are often not properly enforced and in practice they are unequally applied.
curse paradigm has triggered campaigns for both specific and integrated causes involving the building of cross-border and cross-disciplinary activist networks and alliances (Said, 2004:77). Whilst some groups have protested, others have monitored local and national governments, and also private actors such as MNOCs with a rejectionist or supportive approach to globalisation (Alo, 2007; Said, 2004:88). Moreover, some agents have engaged in lifestyle politics, boycotting companies that engage in undesirable practices to raise awareness of transformative praxis (Smith, 2008.ix).

Chapter Conclusion

The information discussed in this chapter serves to contextualise each of the subsequent chapters. Indeed, as I will show, Colombia and Venezuela have both been affected by the oil curse. In this chapter, I have shown that internal factors such as the Dutch disease, poor governance, corruption, clientelism, inefficiency and an uneven distribution of oil revenues can contribute to, and perpetuate an oil curse. I looked at the greed, grievance and feasibility theories. I argued that feasibility is not a causal mechanism, but is rather a necessary condition of most intentional action and that whilst greed and grievance are causal, their use needs to be refined in each specific case to increase their explanatory power and to more comprehensively convey the complexity of agents’ motivations and structural considerations that link oil to conflict.

This chapter, moreover, has used DCR’s dialectical logic and the concepts of scarcity and abundance to contextualise the agency that surrounds international oil relations. I argued that the oil curse is also externally caused and perpetuated, although foreign powers and relations of external dependency are not solely to blame. Indeed, the oil curse can only be generated in an open system so that exogenous factors should be considered if we are to understand and ultimately tackle the curse. As such, neoliberal approaches to solve this problem, based on an assumption of corrigibility, are often reductionist, overlooking the role of neoliberal capitalism in creating and maintaining asymmetric relations. This point is further discussed in the subsequent chapter in the context of international
support for CSR and also in chapter 5, as the Venezuelan government is working to change this status quo.

Regarding solutions, I argue that none of the proposals above are adequate on their own to transform the curse into a blessing. Nevertheless, in the subsequent chapter, I make the case that government and industry revenue transparency are important initial steps towards countering the curse. Without transparency, behavioural change is difficult to achieve.
Chapter 3
The evolution and discourse of CSR

This chapter reviews academic literature-based CSR metanarratives that both transcend and affect MNOCs’ CSR discourse and praxis in Venezuela and Colombia. Given its breadth, this chapter does not offer a comprehensive overview of the entire CSR literature. It discusses: i) the elusive and contested concept of CSR and the dialectic between discourse and practice that constructs it; ii) why CSR is practiced; iii) standards to improve corporate responsibility/behaviour and whether CSR should be regulated; and iv) MNOCs’ dialectical relationship with the socio-political field in determining CSR.

Academic opinion is divided on whether MNOCs’ CSR can make a valuable social contribution. In my opinion, companies can be agents of positive social transformation, when individuals within companies make ethically empowering decisions. For example, Saudi Aramco has supported social change by employing women in a country (Saudi Arabia) and within a sector (extractive) that traditionally exclude women from the workforce. Regarding community development-based projects, these can create asymmetric relations of dependency and transport certain ideologies, however companies can equally use CSR as part of a more global vision of social emancipation to empower local community actors. Therefore, I do not dispute the potential of CSR to do good in this chapter.

However, regardless of the sincerity of MNOCs’ employees who conduct CSR, in a Žižekian sense, by practising CSR, modern liberal communists contribute to the maintenance and reproduction of the neoliberal capitalist system with its deep-rooted economic inequalities by facilitating intermittent

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27 A Google search that I conducted on 6 June 2013 retrieved 75 million entries on “CSR” in 0.8 seconds.
28 The CSR examined in this thesis is companies’ external social action that goes beyond compliance with regulatory norms and regulated behaviour to benefit local communities. Internal measures taken by companies to improve employee welfare are not the focus of this chapter. The scope of this CSR is understood as relating to the: i) content domain (ideological and categorising); ii) stakeholder identification; and iii) operational diffusion of CSR programmes.
wealth redistribution amongst those who might otherwise challenge this same system (Žižek, 2009). This is not explicitly addressed by much of the contemporary CSR literature. As I show below, the absence of this consideration leads certain authors to incongruously contend that CSR can solve wide-ranging, multi-scalar problems that it is unsuited to address. Accordingly, CSR-related discourse and language can obfuscate the interests of the global elite by making MNOCs’ social action appear natural/commonsensical, overlooking the fact that MNOCs are ultimately constrained by the profit motive within the current neoliberal capitalist paradigm. This problem is compounded by the absence of a clear definition of what actually constitutes CSR and by the legitimisation of the common sense discourse by various government, civil society and industry actors who dismiss deep-seated tensions regarding CSR’s raison d’être to primarily focus upon contingent debates on CSR’s quality, quantity, scope and voluntary/regulated nature (i.e. does it matter why companies do CSR if they do it?). In some countries, corporate intervention is currently a necessary means to provide essential services not supplied by an absent/inefficient state. Where this is the case, I argue that CSR should not replace government welfare.

3.1 What is CSR?

After 50 years, the CSR literature is still debating the concrete definition of CSR, due to authors’ inability to agree upon business’ responsibilities and how CSR should be socially constructed in particular contexts (Herzig & Moon, 2011:4; Mitchell, 1995:531-2; Duhlsrud, 2008:6). Existing definitions differ, but largely cover stakeholder, social, economic, voluntary and environmental dimensions of company action. Duhlsrud (2008:5) notes that the two most commonly used definitions are variations of: i) "companies integrate social and environmental concerns in their business operations and in their interaction with the stakeholders on a voluntary basis" (EC, 2001b); and ii) "the commitment of business is to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life" (Holme & Watts, 2000).
Both statements are vague, advocating corporate action that varies in scope and content.

As a research field, CSR lacks a Kuhnian normal scientific paradigm and spans different academic disciplines (Lockett et al., 2006:133). No particular narrative has prevailed that resolves conceptual tensions between normative descriptions of companies' social responsibilities, CSR’s field of operation and how business functions (Crane et al., 2008:4-7; Melé, 2008). Thus, CSR is used somewhat interchangeably or overlaps with other cognate concepts such as: i) Corporate Citizenship, emphasising companies’ public sphere involvement (Birch, 2001; Matten & Crane, 2005); ii) Sustainable Business, interlinking business, people and the environment so that their flourishing is mutually-dependent (Gladwin et al., 1995; Ramus & Montiel, 2005); iii) Triple Bottom Line, referring to companies’ shift from a single financial bottom line to encompass social and environmental performances (Gray & Milne, 2002); iv) Corporate Social Responsiveness, which focuses upon how companies fulfill their responsibilities to stakeholders (Vercic & Grunig, 2000); v) Corporate Philanthropy, which emphasises recipients’ inability to demand CSR (L'Etang, 1994; Porter & Kramer, 2002); vi) Stakeholder Theory, which assumes that values are an intrinsic part of doing business (Freeman et al., 2004; Jones et al., 2002; Donaldson & Preston, 1995); vii) Corporate Social Performance, which is the configuration of socially responsible principles, policies, programmes, processes of responsiveness and observable outcomes in companies’ social relationships (Wood, 1991; Sethi, 1975); viii) Corporate Governance, whereby companies exceed minimum requirements upon them (Schwab, 2008:110); and ix) Social Entrepreneurship, which is the transformation of socially and environmentally responsible ideas into products or services (Schwab, 2008:114).

Lockett et al. (2006:133) argue that business praxis has primarily determined what is understood as CSR, given most definitions' descriptive inaccuracies or unoperationability. As the literature offers a broad range of theories, companies can construct a pick’n’mix version of CSR that pursues a particular logic, agenda, strategy and/or interest (Quaak et al., 2006:294). Thus, it is the dialectical relationship between discourse and corporate praxis
that defines CSR’s meaning and potential future praxis as MNOCs’ practice negates, reproduces and transforms the status quo and the literature theorises and/or criticises.

Unsurprisingly, as the social discourse of CSR is vague and somewhat disconnected from development debates, there are numerous self-identified responsible corporate citizens (Egels-Zandén & Kallifatides, 2009:265). Contradictorily, Fleming and Jones (2013:6-7) assert that CSR is over and, indeed, that it never actually began, as, amongst others, if the corporation were truly socialised, there would be significant transformations in business and society. Lynch Fannon (2005:5) notes that much of what is referred to as CSR reflects companies’ adherence to legal standards that protect them from litigation. However, in my view, legal prudence is not the only factor that motivates companies to supersede certain legal requirements in host countries and to execute social programmes to benefit/compensate surrounding community members.

In this vein, I would argue that the same conceptual opaqueness that appears to leave business greater freedom to choose its path simultaneously undermines it. Indeed, Herzig and Moon (2011:3) state that CSR encompasses expectations upon companies to be responsible for society by avoiding, reducing or compensating for its social and environmental impact, whilst contributing to social welfare and being responsible to society in terms of social accountability. Thus, stakeholders also formulate definitions of CSR and judge corporate praxis accordingly.

Responding to such expectations may not always be possible. When Friedman (1970) argued that CSR is a subversive doctrine, that in accordance with individual agreement theory, the role of business is business and its sole social, functional and moral duty is to achieve wealth-creating profit and employment by engaging in free and fair competition, the premises of his reasoning are correct. Company behaviour is structured by the global capitalist framework, which dictates that companies need to make profit, provide incentives and stimulate investment in innovation, risk and competitiveness to strive and survive. Companies cannot consistently
conduct social action at the expense of profits, as without profit companies cannot do anything else (Gray & Milne, 2002; Moon, 2005). Indeed, corporate behaviour is legally constrained by their profit-making responsibilities to their shareholders, which must be considered when defining CSR. Shareholders move their money to the best investment, often evaluated based on returns, and vote for company directors (Mitchell, 1995:507,533). Investors with a short-term perspective may find that social and environmental objectives do not always coincide with the marketplace reality of business profitability, although in the long-term, community investments can also bring value to the company (Millon, 2002:902; Lynch Fannon, 2005:1; Doane, 2005:223). Today, most major MNOCs embrace social action projects that are unrelated to their core business, often with government and NGO support, although these remain part of their business case.

Current standards do not challenge the logic of profit maximisation, which initially necessitated such CSR initiatives (Schwarz & Tilling, 2009:297). Mitchell (1995:486,501) posits that wealth maximisation substitutes the idea of the good in liberal theory, acting as a legal constraint upon companies, who act accordingly, justifying the lower priority given to the consequences of their actions upon others. Whilst companies are legally bound to make profit, civil society in particular will remain dissatisfied with companies’ moral judgments and inability to deliver sustainable development to developing countries (Mitchell, 1995:531-2). In this context, companies like Total will continue to reach tenth position in the Dow Jones Sustainability Index, whilst NGOs vehemently criticised it for having fuelled oppression in Burma alongside the CNOOC (Dow Jones, 2011; Doane, 2005:218; BCUK, 2006; AOW, 2008:9).

Thus, certain authors posit that a new paradigm is needed to replace the current neoliberal status quo, a paradigm that decouples the modern corporation’s fundamental aims from shareholder profit-maximisation (Doane, 2005:216; Mitchell, 1995; Fleming & Jones, 2013). Indeed, the question whether companies engage in CSR to promote a more humane capitalism or to resolve its contradictions (Sklair & Miller, 2010:473) implicitly recognises
the boundaries of this system as the CSR debate lays bare the weaknesses of profit-focused, capitalist globalisation as a socio-economic system for bringing equality and social justice (Sklair & Miller, 2010:473; Doane, 2005:216). The superstructure and the infrastructure are mutually dependent. Whilst the concept of CSR legitimises neoliberal capitalism, by assuming a particular status quo in which companies operate as normal and give an affordable amount to social action (Blowfield, 2007), nevertheless, neoliberal capitalism cannot provide any other form of corporate social action than CSR, given companies’ needs. Therefore, those who expect corporate behaviour regulation to tackle wider issues of neoliberalism and corporate power will be disappointed, as the neoliberal framework presupposes a capitalist realism with a business ontology, or the capture of the social by the economic and the needs of the corporation over those of the individual (Banerjee, 2007:146; Fisher, 2009).

3.2 Profit, profitability, PR, norms and pressure as causal reasons

Friedman’s (1970) argument that companies conduct CSR to further private agendas is strong; even apparently selfless philanthropic acts may build socio-political capital. Žižek (2009:19) similarly argues: “In liberal communist ethics, the ruthless pursuit of profit is counteracted by charity. Charity is the humanitarian mask hiding the face of economic exploitation.” The 1980s and 1990s saw Big Oil face revelations of environmental, human rights and conflict-related malpractice, so that Western MNOCs needed a makeover to win friends and placate enemies; hence Utting & Ives (2006) couple this need with CSR’s dynamic rise. Given the flurry of neo-liberally framed, CSR-related social events and social structures, this strategy has been successfully self-perpetuating. Indeed, a dialectical movement towards cross-sector CSR acceptance has resulted from hegemonic strategising and manoeuvring to ward off pressures from below "with laggards gradually coming on board the csr bandwagon" (Utting & Ives, 2006:16). In this section, I do not challenge the veracity or even the primacy of the private agenda motivation, however, I would argue that viewed diachronically, CSR and the causal factors that shape it are accordingly becoming more complex.
given rising external pressures that encourage MNOCs to act reactively, proactively and predictively.

### 3.2.1 The business case: profit, profitability and PR

The primary business argument for CSR is that it increases profit and profitability whilst improving company-public relations. More precisely, it is argued that the dichotomy between companies’ social and financial performance is false and that companies do not endanger their core business by using discretionary spending to help needy stakeholders (Porter & Kramer, 2002:257; Dunfee, 2008:346-347). Various studies contend that increased social costs can be offset by the financial advantages of reduced overheads, tax breaks and boosted revenue growth (ILO, 2005; UK Government, 2004; Martin Curran, 2005). In particular, data has emerged linking companies that actively implement efficiency-based, environmental initiatives with positive financial results (Frynas, 2008:278; Mazurkiewicz, 2004:6-7).

Moreover, profitability, also rests upon intangible assets such as image, corporate knowledge, culture and reputation, which although hard to quantify, are strategic profit-building assets that increase competitive advantage and tangibly translate into sales, permits, subsidies, investments and awards (Martin Curran, 2005:22). A CSR leader may gain political leverage and grants, improving its standing with home and host governments and reducing political pressure to change by promoting voluntary standards and acts of CSR as an attractive alternative to regulation (Lynch Fannon, 2005:20-21; Sklair & Miller, 2010:487; Turner, 2006). As MNOCs essentially sell the same core products and compete for limited oil reserves, CSR policies can help differentiate individual companies from their competitors by appealing to different audiences, without mentioning the potentially controversial origins of their products (Frynas, 2009:36).²⁹

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²⁹ Chevron (2010), for example, placed a series of inserts in *The Economist*, i.e. "We built the world's fifth-largest company. Then helped to build 50,000 smaller ones", using their CSR for PR.
In particular, targeted, context-focused philanthropy that enables companies to leverage other social groups' and institutions' expertise can improve their commercial advantage whilst bringing social gains. Contributing to a university, for example, may strengthen the local base of particular skills, prove cheaper than in-house training and attract future employees (Porter & Kramer, 2002:256-62). CSR has provided companies with a tool to engage in surrounding communities to provide a win-win scenario. Whilst this may be a rationale for engaging in CSR, by viewing CSR solely in terms of corporate objectives, its potential effectiveness may be reduced where a business case cannot be made that a particular policy will benefit a particular set of stakeholders (Frynas, 2008:277).

Companies are not isolated from their surrounding communities, thus they may engage in CSR to create profitability, but negative practices, or a failure to act in certain circumstances, may harm their bottom-line, resulting in fines or litigation, damaging their reputation and future competitiveness (Reich, 1998). Environmental negligence that led to accidents such as Deepwater, Brent Spar, Piper Alpha and Exxon Valdez incurred financial, environmental and reputational costs, exposing their theory-praxis inconsistencies. MNOCs face a greater risk of reputation loss than other corporations with a wider range of stakeholders and a reputation and image that crosses borders into different political arenas (Zyglidopoulos, 2002; Lynch Fannon, 2005). The appearance of three MNOC funded town halls in one Nigerian village, or contributions to the Angolan president's personal charity under the CSR banner (Frynas, 2005;2009), are increasingly questioned and reproached as the global field changes and agents increasingly urge MNOCs to consider development issues, or risk losing social or political capital (Blowfield, 2005).

Moreover, companies have had to adapt to challenging operational contexts, compensating for variables such as regime changes, which can radically alter a host countries' political landscape between right and left, democracy and dictatorship, secularism and theocracy, pro-business and pro-union, or friend and foe of their home country (Bucheli, 2006:1). Many have faced antagonism from agents within host countries, manifested as anti-
colonialism, communism, economic nationalism or religious fundamentalism (Bucheli, 2006:1; Lee, 2006).

Thus, as a communication tool, CSR can offset a negative image. This serves different functions. Firstly, it attracts employees from ‘Generation Y’, who are disillusioned with big business, enabling them to evoke a Žižekian (1989) “enlightened false consciousness” by engaging in CSR (Fleming & Jones, 2013:77,88). Secondly, it provides hard-pressed journalists with positive corporate stories (Sklair & Miller, 2010:475), although it favours concessions and appeasement over tackling anti-business views (Wolf, 2004:9) or the structural problems underlying them. Whilst, from a moral perspective, genuine altruism should be evidenced by a lack of advertisements and media attention, media-avoidance suggests that companies are doing too little. Hence, in the current framework, CSR has become an essential part of companies’ PR and, thus, its business case.

3.2.2 Norms and pressures in a globalised world

Having discussed the traditional business case arguments that shape CSR, this subsection discusses the external norms and public, political and peer pressures that encourage companies to consider a widening range of stakeholders and to assume traditional state responsibilities. As shown below, in the globalisation era, norms and pressure are often intertwined.

As Lee (2006) states, “we are in the Globalisation era”. This statement describes a dialectically interconnected set of discourses and real material transformations (Fairclough, 2010:452). The private sector’s role in the global political economy has changed with the freer movement of people, goods, trade, capital, services and ideas (Quiggan, 2005:9). Neoliberals argue that whilst globalisation somewhat constrains national governments, it offers unparalleled opportunity to those who comply with its requirements (Quiggan, 2005:9; Strahovnik, 2009:210), which Friedman (2000:101-111) described as a golden straightjacket. For MNCs, globalisation has brought

30 Whilst this example dates back to 1999, notably, amidst smoking-related health scares, tobacco giant, Philip Morris, spent USD 75 million on charitable contributions in 1999 and USD 100 million discussing it (Porter & Kramer, 2002:256); this illustrates the importance of self-serving CSR and PR to the business case.
significant opportunities, extending the international dominance of neoliberal capitalism and allowing some to surpass states' wealth-creation (Fairclough, 2010:452).

The rise of social accountability is linked to the view that corporations are political actors with political responsibilities to contribute positively to global governance (Rasche, 2009:192; Sherer & Palazzo, 2008:426; Crane et al., 2008:6). However, industry has long been politically active, lobbying governments with a powerful and well-skilled interest group that defends and promotes its own interests (Cortese et al., 2010:76). Indeed, between 1998 and 2011, the oil and gas sector was the sixth largest spender on lobbying in the US, spending USD 1.150 billion (Center for Responsive Politics, 2011). As Utting (2007:701) notes, CSR's developmental benefits can be counterbalanced by companies' hard lobbying for policies associated with deregulation, labour market flexibilisation and fiscal reform that weaken institutions and social protection systems. Studies that have steered CSR-related questions away from governance fail to face the reality that companies already intervene in political processes (Frynas, 2008:279).

Whilst an unscientific comparison, one indicator of MNOCs' bargaining power with oil producers is to compare companies' annual turnover with the latters' GDP and oil exports. According to the Forbes ranking, which accounts for sales, profit, assets and market value, ten of the world's largest public companies are oil and gas producers.31 In 2010, Royal Dutch Shell, ExxonMobil and BP were amongst eight MNOCs in the top ten for sales turnover and had the second, third and fourth highest sales turnovers of any listed public company, with respective turnovers of USD 368.05 billion, USD 383 billion and USD 297.1 billion (Forbes, 2011). Compared with Saudi Arabia or Russia, the world's largest oil exporters, whose 2010 oil exports amounted to USD 205.4 billion and USD 203.7 billion, and whose 2010 GDP amounted to USD 443.7 billion and USD 1,465 billion respectively, measured on turnover, MNOCs are weaker but still significant actors. However, compared with oil exporters like Iraq, with 2010 oil exports of USD 50 billion

31 Although importantly NOCs, which are not taken into account in the 2010 Forbes ranking, had access to 77% of global oil reserves (Helman, 2010).
and a GDP of USD 82.2 billion, Angola with 2010 oil exports of USD 47.703 billion and a GDP of USD 85.3 billion or Chad with 2011 oil exports of USD 3.36 billion and a 2010 GDP of 7.85 billion (IMF, 2011), MNOCs have considerable financial weight.

Globalisation has intensified existing CSR debates (Locke, 2002). Post-cold war, capitalism has increasingly transcended the nation-state and markets have often preceded social concerns (Sklair, 2000). MNCs’ national allegiances have decreased as they increasingly disperse value chains throughout the developing world. Consequently, their responsibilities and loyalties are less well-defined (Teegan et al., 2004:468; Newell, 2005:546).

In practice, companies have both mitigated and exacerbated developing world problems with some offering emancipating CSR programmes and yet simultaneously (in)directly constraining sustainable development or human rights (Rasche, 2009:194; Goulbourne, 2003; International Alert, 2005; Cannon, 1994:42; Banerjee, 2007:145). One recent example of schizophrenic corporate behaviour is illustrated by PetroChina, which the government-mandated Norwegian Council on Ethics found to have committed human rights abuses in Burma (EarthRights International, 2011), but which simultaneously claimed in its 2011 sustainability report to be committed to social and economic development wherever it operates (PetroChina, 2011:50). Nevertheless, public pressure turns from the government to companies where governments fail to deliver services, forcing companies to act (Fitzpatrick, 2000:292).

The oil sector provides host governments with substantial payments such as royalties, taxes, licence fees, dividends and financing for community projects. Oil and gas rents can constitute a powerful budgetary instrument and should contribute to socio-economic development, however, they often fail to tangibly benefit the population (TI, 2011:5). Thus, states have increasingly enlisted companies’ help in the social sector (Mott, 2004; Sapir et al., 2003), although companies may also contribute to their failure (i.e. supporting unpopular elites, lobbying governments to reduce taxes, undertaking tax avoidance strategies or gaining tax remittances, negotiating unfair contracts
or taking money out of the country through transfer pricing mechanisms and regulatory loopholes).

Given diminished governmental capacities, the new global challenges, and enlightened corporate self-interest, recent global CSR narratives argue that CSR should respond to wide-ranging development issues such as ecological stress, environmental unsustainability, poverty alleviation, population stabilisation, female empowerment, employment creation, human rights observance and opportunity redistribution (Sklair & Miller, 2010:474). Business is, thus, expected to bring the benefits of market economics, creating wealth, supplying markets, generating employment, sustaining competitiveness and treating stakeholders justly (Cannon, 1994:34-35), whilst positively impacting international development issues (Blowfield, 2005).

As public-private partnerships increase, industry has engaged in more public activities, building public infrastructure and developing the complementary skills-base, further blurring the public-private sector divide. As a Nigeria-based Shell operations manager commented, "Things are back to front here [...] The government’s in the oil business and we are in local government" (Anderson in Hertz, 2001:170). As Fleming and Jones (2013:xiii) note, regarding a US cable released by Wikileaks showing Shell’s infiltration into the Nigerian government, such moves are not aimed at improving sustainable development, biodiversity and social justice, but rather serve economic influence and control. Indeed, Shell’s president for sub-Saharan Africa told US diplomats in this cable that Shell had "seconded people to all the relevant ministries" and, therefore, knew "everything that was being done in those ministries" (WikiLeaks, 2012). Notwithstanding Shell’s precarious position in Nigeria, the morphing of public and private spheres raises concern about emergent forms of neo-corporatism that enable unaccountable power-sharing between a few governments, international institutions, companies and NGOs that are sometimes unrepresentative of society (Holmqvist, 2009; Wolf, 2004; Banerjee, 2007). As firms assume social responsibilities from dysfunctional governments, using market tools unavailable to individual
governments, it becomes unclear who will monitor corporate behaviour where governments cannot (Wolf, 2004:13).

Some multinationals hire staff locally to benefit or avoid resentment from local stakeholders seeking opportunities to escape debilitating poverty (Martin Curran, 2005; Hendry, 2006). They also subcontract work to local partners. In this vein, certain companies have been (in)directly complicit in their partners’ unethical actions (Halme et al., 2009; Haltsonen et al, 2007:48).

Indeed, private individuals cannot be left to determine public interest (Martin Curran, 2005; Frynas, 2009; Lee, 2006). Industry managers may lack the knowledge, skills, ability or competence to tackle social issues. Engineers often lack the soft skills needed to engage in community dialogue, preferring to conduct technical initiatives with quantifiable results (Frynas, 2009; Frynas, 2005). Whilst business consultations with local communities are primarily qualitative, many result in lists of local requests rather than further discussion of developmental challenges, resulting in costly, but ineffective programmes (Frynas, 2005). Moreover, as Fleming and Jones (2013:xv) argue, “the assumption that a powerful petroleum firm prospecting for oil in Africa might also be a warm, communitarian forum for mutual exchange is somewhat fantastical.”

The term corporate social responsibility implies that the corporation cares. However, public acceptance of this fact enables companies to use CSR to exert power or control over structures and agents. Holmqvist (2009:68-70) illustrates how CSR activities enable greater corporate control in complex areas such as poverty and community welfare where people rely upon the company. He argues that where company and social interests diverge, companies may manipulate surrounding communities’ needs to influence and more easily predict their behavioural patterns. Furthermore, greater local community stakeholder cooperation can provide political capital when discussing community decisions that directly affect a company.

Globalisation has facilitated the development of activist groups that campaign individually and collectively as important counterparts to multinationals and
governments in terms of global governance (Teegan et al, 2004:464). Technological improvements have enabled the media, civil society activists and individual bloggers to raise awareness of poor practices (Dorado Mazorra, 2003; Maclntosh et al, 1998:140; Newell, 2005:541; Martin Curran, 2005). Civil society groups have pressurised companies by; i) lobbying, ii) serving on advisory boards as representatives or experts, iii) conducting research, iv) holding conferences, v) staging citizens' tribunals, vi) monitoring and exposing (in)action, vii) disseminating information to lay constituencies, viii) setting/defining agendas, ix) developing and prompting codes of conduct, and x) organising boycotts (Teegan et al, 2004:467). NGOs, in particular, which vary in size, activity, interrelatedness and networks, power and geographic dispersion, can use coercive pressure to influence MNOCs on such issues as economic justice (i.e. Oxfam, Transparency International or Christian Aid), environmental protection (i.e. Friends of the Earth, Greenpeace or EarthWatch) or human rights (i.e. Amnesty International or Human Rights Watch) (Aguilera et al., 2005:33). Moreover, such groups have sought business partnerships for social and environmental development (Doane, 2005:217). Thus, civil society, is not solely an advocacy force, but advances goals and influences corporate policies by engaging with companies in: i) strategic partnerships or cooperation agreements; ii) common projects; iii) research cooperation or contracting; iv) certification; v) offering employee volunteering opportunities; vi) sponsorship; vii) survey; viii) roundtables; and ix) dialogue (Kourula, 2009:395).

Engaging with civil society can bring risk management, social legitimacy, reputational benefits and added value to the company and by soliciting its guidance, companies can sometimes avoid negative reprisals (Kourula, 2009:399; Teegan et al, 2004:475). Doane (2005:223) contends that companies can also misuse stakeholder dialogue as a mechanism to evade criticism, as companies communicate their intentions to surrounding communities to placate them, whilst moving ahead with unpopular projects or deflecting attention from real problems. Thus, in the end, serious responsibilities may be deflected back to the governments (Banerjee, 2007:146; Doane 2005:218; Newell, 2005:546).
Companies’ human rights records are increasingly scrutinised and NGOs, international institutions such as the OECD and the UN, national governments and academia have all tried to set an agenda that ascribes to companies both direct and indirect responsibilities to protect human rights wherever they operate (Moon, 2005; McInerney, 2005; Aguilera et al., 2005:33). In practice, governments are viewed as exclusive human rights’ arbitrators and under national and international law, companies only have responsibilities within their spheres of activity or influence, as no customary principle exists stating that companies are liable for human rights abuses outside of this remit (Ruggie, 2007).

There are two predominant schools of thought on how companies should behave in countries with poor human rights records. The absolutist approach advocates immediate withdrawal from such countries. The gradualist approach, however, argues that the private sector should stay and rely upon the liberal economic model and markets to produce pressures for democracy and human rights vis-à-vis the state (Maclntosh et al., 1998). This is arguably the most common approach and takes a rather Hegelian dialectical view of time and history. Cynically, it also enables Western countries to morally justify purchasing oil from countries where the industry has exacerbated the human rights situation and it justifies a lack of action by industry in defending human rights in a particular country. However, such behaviour is becoming increasingly visible with modern communication and a corporate response is required to ensure business confidence (Doane, 2005:218), but minimal, tokenistic action still remains a viable alternative to proper action. Certain companies have stayed and lobbied host governments for change (Hopkins, 2003:78). However, NGO activism and home government pressures have compelled some MNOCs to leave countries where they could not meet these actors’ requests. Where companies leave, others can arrive that face less ethical pressure from their home countries (Teegan et al., 2004:473; Turner, 2006:382). As Newell (2005:542) notes, whilst increasing pressure is placed on more responsible companies to exceed compliance, irresponsible companies face fewer checks and balances.
Pressure also stems from emerging new concepts that change views on CSR. The term *corporate citizenship*, for example, reflects an increasingly anthropomorphological approach towards companies in society. Companies have legal personalities with incorporation symbolising their birth, names, nationalities, domiciles, the right to own assets, immigrate, be criminally liable and to die through liquidation and winding-up. As the discourse surrounding business ethics and CSR expands, companies have characters and are expected to behave ethically vis-à-vis other citizens with ethical trading and responsible marketing (McIntosh et al., 1998). Whilst intrasubjective reasoning occurs within a company, metaphysically attributing agential intentionality and autonomy to the company is ethically dangerous, reducing company employees’ responsibility for company actions and moral accountability (Banerjee, 2007:162; Mitchell, 1995:521). Indeed, terms and surrounding conceptual frameworks matter when examining CSR and where responsibilities lie.

### 3.3 Legislated and voluntary standards

Standards have been created at different governmental and institutional levels to pressurise companies to conduct more and/or ‘*better*’ CSR in developing countries. Fundamental to these measures is an absence of trust that companies will use their considerable power to behave in a moral or just manner. This distrust emanates not only from activists who contest the dominance of neoliberalism and neoliberal globalisation, but as shown below, liberal governments are increasingly distrustful of corporations, although they actively advocate CSR. Nevertheless, notwithstanding recent initiatives to promote financial transparency, states and international institutions have adopted a *softly-softly* approach towards MNOCs, using instrumental, relational and moral incentives to coerce them to engage in specific CSR, rather than regulating on this topic (Aguilera et al., 2005). The uptake of the resulting voluntary initiatives is concentrated amongst Western firms (Ruggie, 2007:24), which have pushed for self-regulation rather than state intervention as a means to lessen pressures for reform (UNCTAD, 1999; Turner, 2006; Knight & Smith, 2008).
3.3.1 National governments and regional and international institutions

At a national level, despite the increasing global acceptance of CSR, the CSR roles that companies assume differ amongst countries and remain influenced by national institutional frameworks of norms, incentives and rules. A country’s political, financial, educational, labour and cultural systems can each impact the ways in which CSR is regulated (Matten & Moon, 2008). Matten and Moon (2008:411) identify CSR systems as being explicit (more private-led) and/or implicit (more state-led) as shown in the following diagram:

Whereas in explicit systems, corporations have significant autonomy and control of CSR, in implicit systems, companies adopt mandatory and customary requirements as prescribed by the institutional environment. The explicit liberal market economy system is the current global trend in developing countries. Locating Colombia and Venezuela in this diagram, based upon my findings as outlined in chapter 7, they are strongly categorised by explicit and implicit systems respectively.
Regarding MNOCs' CSR specifically, this is influenced by the taxes and the standards and conditions that host governments set. Indeed, certain developing countries stipulate that companies should fund social projects either alongside another public body or independently as a condition of operation (i.e. Venezuela) (Repsol, 2011:100; Shell, 2011:19). CSR has not, as a rule, been strictly regulated by MNOCs' home states. Notably, MNOCs may not implement as high standards abroad as in their home countries.

The UK Bribery Act, which came into force in July 2011, set a precedent regarding the scope of pre-emptive, binding legislation that can be imposed upon companies' responsible behaviour overseas. This act reshapes the international business’ anti-corruption landscape, as compared to other national legislation on corporate behaviour, including its US counterpart, the Foreign Corrupt Practices Act (FCPA), it has a more demanding extraterritorial scope, affecting any group with UK business interests. As most major MNOCs have UK offices, they fall under this legislation's scope, regardless of where the corruption (as understood in UK terms) occurs. Under this act, companies face unlimited fines if: i) found engaging in bribery or corruption; ii) linked to an entity found guilty of corruption; or iii) they fail to report instances of bribery and corruption. This affects multinationals' operations in developing countries, whereby they cannot ignore corruption in their surroundings. However, as Transparency International observes, the UK may wish to lead the fight against corruption, but this legislation will prove difficult to monitor and successfully implement (TI, 2011). Moreover, by imposing British norms, this legislation could be seen as neo-colonialist.

Focusing upon transparency may have been more immediately effective than corporate behaviour and more respectful of other governments' jurisdictions, their conceptions of society and of the rule of law.

However, mandatory transparency has managed to gain support elsewhere; as highlighted at the 2013 G8 summit in Northern Ireland. In 2011, the Deauville summit was heavily criticised for its (in)decision in calling for more oil, gas and mining companies’ reporting to be done on a mandatory voluntary basis (Oxfam, 2011:1), thus using the term mandatory, whilst nothing became mandatory at all. The fifth point of the 2013 Lough Erne
declaration states: “Extractive companies should report payments to all governments - and governments should publish income from such companies”. This is a considerable improvement; although an unsurprising positional shift, given the recently enacted transparency regulations in the EU and the US.

The US Congress passed the Dodd-Frank Act in July 2010. Section 1504 requires companies registered with the Securities and Exchange Commission (SEC) to publicly report how much they pay governments for oil, gas and mineral access. Final implementing rules were adopted in August 2012 by the SEC to enforce this legislation. There has been notable oil industry resistance (Global Witness, 2013).

The 2013 EU Directive on transparency rules for the extractive industry will require that, from 2016 at the latest, all natural resource companies that are listed in the EU and large EU registered non-listed companies disclose total payments made to governments of over EUR 100,000 (Directive 2013/34/EU: Art.43; Tran, 2013). This includes taxes on income, production, profits, royalties and licence fees per country and, unlike the Dodd-Frank Act, per project. This legislation aims to reinforce the Extractive Industries Transparency Initiative (EITI), a voluntary, non-binding initiative launched in 2002 to increase the transparency of extractive industry payments. By improving accountability and transparency, it hopes to prevent oil revenues from exacerbating poor governance or engendering corruption, conflict and poverty. The EITI is voluntary for national governments, however once a government signs, all companies within its territory are legally required to disclose their payments to it (Ruggie, 2007:23). Strengthening the EITI, by extending it to companies with EU interests, fights against the current reality that as a voluntary initiative, companies can use it "as a mechanism for heading off more rigorous formal regulation" (Cooper, 2006:1). Not only is implementation flexible, but the most pertinent countries are not involved (Eldis, 2005).

Regarding CSR programmes specifically, there have been a few national level attempts to regulate corporate behaviour. Concerning norm-setting, in
2000 the UK Foreign Office and the US State Department brought leading extractive companies together with human rights and CSR organisations to seek common ground on security and human rights issues to establish best practice guidelines and created *The Voluntary Principles on Security and Human Rights (VPs)* (Tripathi, 2010). The VPs are voluntary for companies, but binding for governments. According to the IPIECA (2011), companies feel pressure to prove that they are not simply endorsing the VP brand. The VPs have been incorporated into various company contracts. However, they lack geographical reach and their processes need to be more transparent if more countries are to adopt the normative values they contain (Tripathi, 2010).

At a regional level, whilst the EU, for example, advocates a *smart-mix* of regulation and voluntary measures to increase CSR take-up, it does not provide legislative content, rather advocating a European CSR award, partnerships and multi-stakeholder forum based approaches including the business network, CSR Europe's *Enterprise 2020* and the European Alliance on CSR, based on voluntary membership (EC, 2011). Similarly to the international institutions discussed below, the EU correctly, but not disinterestedly, highlights the importance of fostering growth and Foreign Direct Investment (FDI) in developing countries. It thereby implicitly or explicitly supports the Freedmanian view of profit being a manifestation of CSR, although FDI is also a prerequisite for corporate engagement in a developing community (Jenkins, 2005). Accordingly, the EU’s ubiquitous competitiveness discourse, whereby CSR should bring an *all-important competitive edge* to economic growth, creating an EU pole of CSR excellence (EC, 2001a; EC, 2001b), explicitly elevates the business case above the normative aspects and implies the continuance of an asymmetric global economy without questioning the desirability of this effect.

At an international level, the UN, the OECD, the World Bank and the IMF propose voluntary guidelines and support voluntary approaches. The UN Global Compact and OECD Guidelines have been the most notable. In 2000, the UN Global Compact (GC) was established to create an institutionalised norm-diffusing epistemic community at an international level,
which could generate normative authority through peer pressure, competition, dialogue and a shared purpose that may empower companies and encourage behavioural change (McInerney, 2004; Ruggie, 2002; 2007; 2009). It currently proposes ten principles, which can be used to promote growth, ethical behaviour and an inclusive global economy (UNGC, 2013). These derive from the *Universal Declaration of Human Rights*, the ILO’s *Fundamental Principles on Rights at Work* and the *Rio Declaration on Environment and Development*, and allow diverse interpretation (Egels-Zandén & Kallifatides, 2009: 266; Rasche, 2009: 201). These cover human rights, labour standards, the environment and anti-corruption practices (UNGC, 2013). Adherents have to privately and publically endorse the ten principles, implement them in their business operations and complete annual Communication on Progress (COP) reports. Interested parties can also report allegations of GC principles’ abuse through a complaints mechanism to which companies must respond. If a company fails to meet GC requirements, it is called *non-communicating* and is eventually delisted; these sanctions have been applied (Rasche, 2009: 201).

The OECD Guidelines for Multinational Enterprises, approved in 1976, were last updated in 2011 to incorporate provisions on human rights, workers, wages and climate change. Alongside the 2004 Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, they provide comprehensive recommendations on corporations by 39 countries. They apply to OECD countries and 10 non-member countries from which most major MNOCs originate (OECD Watch, 2011a; McLoughlin, 2007: 161). As with the GC, businesses choose whether to adopt the principles and progress is related to information sharing (OECD, 2011).

Both sets of standards have faced much criticism. Their legitimacy is inevitably linked to the issuing organisation’s legitimacy. The OECD’s make-up, as an exclusive rich nations’ club that has prioritised economic over social needs and favoured legally non-binding voluntary codes of conduct as

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32 In the 1970s, the UN attempted to establish binding international rules to regulate multinationals’ activities as part of a broader regulatory programme called the "*New International Economic Order*", although negotiations were abandoned in 1992 (Ruggie, 2007: 2).
opposed to effective legislation, undermines its legitimacy (Banerjee, 2007). Regarding the Guidelines, the NCPs’ confidentiality clause, mediation attempts, lack of investigative authority and links to national governments somewhat undermine their legitimacy (Turner, 2006:373).

The UN’s idealism is critiqued more than its legitimacy. Activists have engaged in an immanent critique of the UN, by noting that the UN’s Norms for Business offer a more detailed and stringent regulatory code than the GC, which could be used to impose precise obligations and responsibilities upon corporations. They have also criticised the GCs limited ability to impact actual practices and the absence of a legal framework to hold companies to account for negative (in)action, whilst offering corporate malefactors a public relations cover (Knight & Smith, 2008; ERI, 2013). Indeed, Rasche (2009:201) claims that insincere companies could strategically circumvent GC principles or comply without changing, as companies choose areas of (in)action and their reports are not benchmarked. Accusations of bluewashing are compounded by companies’ poor attendance rates at the GC’s international forums, despite corporate statements of the GC’s influence upon their CSR (Banerjee, 2007:99).

As Knight and Smith (2008) note, voluntary principles alone will neither effectively curb corporate power nor bring the wider systemic change, needed to build trust. CSR, as a practice, effectively promotes relations of social dependency that do not require democratic decision-making. Moreover, there is an inherent asymmetry of power in tripartite discussions between business, governments and civil society. However, if criticised for what they are; i.e. non-binding, policy standards that promote learning and dialogue rather than binding principles that sanction participants, then these standards are a step towards greater accountability (Rasche, 2009:202). Both sets of standards promote dialogue and companies have to report on their involvement. Ironically, whilst most criticism centres upon the GC’s and the OECD guidelines’ theoretical and speculative bite (McInerney, 2004; Clean Clothes Campaign, 2001; OECD Watch, 2011b), Egels-Zandén’s 2007 study shows that, in practice, companies and their suppliers may struggle to couple business ethics with these principles. Where companies have strictly
applied the GC's principles, they have often encountered other difficulties (Egels-Zandén & Kallifatides, 2009:275). Indeed, local actors may have different or competing visions of CSR and may oppose the imposition of Western values, especially where these contradict local tradition, complicating stakeholder dialogue (Welford et al., 2007:52; Egels-Zandén, 2007; Egels-Zandén & Kallifatides, 2009:274).

As shown in the previous chapter, individual companies often have to self-determine how to navigate the challenges of operating amidst war economies, as no international level normative or regulatory regime exists to specifically address contemporary war economies (Taylor, 2012). However, the UNHCR’s endorsement of the 2011 Guiding Principles to implement the 2008 Protect, Respect and Remedy Framework may help to provide the foundations for a more coherent approach to control irregular war economies. It has given soft law authority to an instrument, which proposes that companies’ responsibilities for human rights arise from their activites and relationships (impact) and that their human rights practices depend upon their implementation of due diligence. The Guiding Principles define state and company responsibilities and practical steps to help ensure business respect for human rights in conflict areas. For countries such as Colombia, incorporating parts of this framework into their national legislation could provide a means to counter war economies, by supporting companies and thereby levelling-up corporate practice, whilst clearly demarcating where company responsibilities begin and end (Taylor, 2012).

### 3.3.2 Civil society based initiatives

Civil society has also played an agenda-setting role, by helping to place corporate transparency and accountability on the political agenda and producing reporting guidelines and voluntary initiatives to sensitise corporate behaviour to development, conflict and human rights issues. Moreover, trade unions, consumer groups, certain religious communities, academics and NGOs such as Corporate Accountability International, CorpWatch, International Alert, Transparency International, Amnesty International Business Group, OECD Watch, Global Reporting Initiative, The New
Economics Foundation, SustainAbility, Fatal Transactions and Human Rights Watch have all reported on corporate behaviour and advocated social justice, environmental sustainability or conflict-sensitive business practices. Non-governmental actors have developed voluntary ethical auditing standards to improve company reporting. Three key initiatives are the ISO, the SAI and the GRI (Cavanagh, 2004).

The Social Accountability Standard SA 8000, which was established in 1997 by Social Accountability International (SAI) with the Council on Economic Principles Accreditation Agency’s support, uses the ISO framework and builds upon human rights conventions to provide a social management system that businesses can implement to receive accreditation (SAI, 2011; Schwarz & Tilling, 2009:290). It requires companies to report their progress vis-à-vis matters including forced labour, freedom of association, discrimination, compensation and management practices. An advantage of SA 8000 is its auditability. It is monitored by SAI trained auditors and standard compliance is checked by third party verification (Schwarz & Tilling, 2009:290). Civil society has questioned the commercial relationship between audit companies and corporations being audited and moreover economic auditors’ ability to conduct thorough social audits. Some argue that certain NGOs could be accredited as auditors (Hopkins, 2003; Schipper, 2004). These objections are surmountable. Complete independence between interdependent auditors and auditees is impossible; nevertheless, this does not exclude some degree of independence without using NGOs. In this respect, reflections on the standards developed on account auditing and the relations between a statutory auditor and the audited company could provide answers to such concerns.  

There is no reason why professional auditors could not be trained to conduct social audits and why NGOs could not assist in their training. NGOs are not necessarily more independent than auditing companies (Hopkins, 2003;

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33 Legislators have regulated to address concerns about auditors’ independence post-Enron, introducing severe sanctions where collusion is discovered. The market and professional investors expect statutory auditors to be truly independent and lobby companies to this end.
Schipper, 2004) and can be co-opted to the corporate agenda (Banerjee, 2007).

The Global Reporting Initiative (GRI) began in 1997. It provides a widely-used structure for companies to publicly report their business activities over three sets of criteria: economic, social and environmental. In 2012, GRI developed an Oil and Gas Sector Supplement (OGSS) to their sustainability reporting guidelines. The GRI also operates as an environmental reporting mechanism for the GC and the OECD Guidelines and supports transparency by allowing stakeholders to evaluate companies. However, it does not offer a complaints’ mechanism like the SA 8000 (Rasche, 2009:199). McIntosh (1998:187) argues that reporting should also be third party verified, as with the SA 8000. I agree, as self-evaluating companies may misinterpret or exaggerate their achievements, hindering accurate benchmarking.

Research shows that consumer activism can impact companies’ brand, image and reputation (Aguilera et al., 2005: 22; Laing, 2004), and certain consumers are willing to pay premiums for socially responsible products (Aaronson & Reeves, 2002; Mazurkiewicz, 2004:7). Indeed, the FairTrade movement has raised the demand for ethically-traded goods with a correct price, credit terms and a long-term trading commitment for small producers, by highlighting workers’ struggles in developing countries (MacIntosh et al., 1998:140). As the oil industry cannot duplicate this model of paying small producers a fair price given the production scale and expertise needed, a different approach is needed to produce or commercialise FairTrade labelled oil.

Whilst no prominent FairTrade oil standard currently exists, Equitable Origin (EO) launched its EO100 Standard v.0.50 for Responsible Oil and Gas Exploration and Production in May 2011. The standard works by awarding certificates to oil producing sites based on their ethical certification score as determined by a range of stakeholders. Once issued, the certified operator can sell its certificates on the EO Exchange to, for example, manufacturers, retailers, and transportation companies. Certificate purchasers can place EO certified logos on their products, thereby signalling their commitment to high
social and environmental standards in oil and gas production. They can also label products to inform the public of the social projects their purchase supported (EO, 2011). This system is somewhat comparable to the certificates used on the European green certificates electricity market.

Whilst the standard’s efficacy and consumer support remain unclear, by increasing transparency, this standard empowers consumers to differentiate between supportive and non-supportive companies. Nevertheless, I argue that several risks remain unaddressed. Firstly, the system enables unethical companies to buy their portion of CSR without bringing social justice to their stakeholders. Secondly, MNOCs may receive certificates for sites where they promote best practices, profiting from the certificates market, whilst negatively affecting stakeholders at other sites. This could also create undue speculation on the certificates market attracting vulture and hedge funds, which enter the market for financial gain and whose actions could disrupt the market and certificate prices, so that potential customers are no longer willing or able to pay a CSR premium. Thirdly, a certificates market could become morally indefensible should it not address the previous points. Thus, whilst it provides practical foundations, this system alone may not lead to ethically traded oil.

3.3.3 Industry associations

National and international industry associations have established charters and guidelines on corporate behaviour and reporting. In such associations, companies collectively discuss concerns, working to establish best practices and new benchmarks. Examples include the Caux Roundtable’s ‘Minnesota Principles’, CSR guidelines developed by industry for industry, and the Foreign Trade Association’s European Business Social Compliance Initiative (BSCI) auditing system, which is a commonly used company policy for monitoring and improving supplier countries’ social standards (Cavanagh, 2004; Haltsonen et al., 2007:54). In the oil and gas sector, associations include the Regional Association of Oil and Natural Gas in Latin America and the Caribbean (ARPEL), the International Association of Oil and Gas Producers (OGP) and the Conservation of Clean Air and Water for Europe
Regarding CSR, a key association is the Global Oil and Gas Industry Association (IPIECA), which is an intermediary between the oil sector and the United Nations (IPIECA, 2011). Together with the American Petroleum Institute (API) and the International Association of Oil and Gas Producers (OGP), IPIECA publishes reporting guidelines that constitute the principal industry-specific framework for oil and gas companies’ environmental, health and safety, and social and economic performance reporting (IPIECA, 2011). The IPIECA 2010 Oil and gas industry guidance on voluntary sustainability reporting is industry-specific and was developed with the API and the OGP and then reviewed alongside the development of the GRI OGSS. This is a positive step as streamlining accountancy and auditing standards diminishes confusion as to what exactly a company’s compliance to a variety of standards actually covers (McInerney, 2004; Rasche, 2009:199). However, the GRI is more comprehensive and provides a specific set of standard disclosures, whereas IPIECA’s six-step reporting process is less detailed and more flexible. Moreover, whilst the GRI OGSS explicitly requests financial and related information (e.g. oil and gas reserves), IPIECA does not guide companies on how to include financial information that is provided as standard practice in annual reports, suggesting instead that such information is included or linked to as required. The GRI also includes more information and focuses upon quantitative disclosure to measure performance, whereas IPIECA offers multiple, predominantly qualitative, reporting options. Similarly, whilst GRI disclosure on management approach is separate and incorporates defined performance indicator protocols, the broader IPIECA indicators combine management approach with recommendations to report specific information.

Another commonly used set of business standards are those proposed by the International Organisation for Standardisation (ISO), which apply to all sectors of activity and companies regardless of size. The most recognised standards are the ISO 9000 and ISO 14000 families. In addition, the ISO 26000 specifically addresses globalisation’s negative effects and social responsibility (ISO, 2006; 2011; Schwarz & Tilling, 2009:291). Uptake of the ISO standards has been widespread; nevertheless, their effect upon
multinationals’ CSR is unclear. Certification is expensive and potentially burdensome for suppliers, from whom larger companies sometimes require ISO certification (Banerjee, 2007:81). Schwarz and Tilling (2009:291) argue that as the components of companies’ CSR are unclear, these standards use the lowest common denominator. Thus, they contend that companies do not need to perform better to receive ISO certification and that whilst stakeholder involvement was important in developing ISO 26000, stakeholders from developing countries where the guidelines are locally implemented should be more involved. However, as Banerjee (2007:81) argues, ISO is essentially a process standard, not a performance standard. Nevertheless, MNOCs who wish to adhere to ISO should consider their suppliers’ ability to comply.

Unfortunately, the multiplicity of standards makes it harder for report readers to understand to what companies are committing themselves, as they need to be familiar with the various sets of reporting standards. Moreover, there is concern that industry and industry associations engaging in non-industry led standard-setting projects may attempt regulatory capture of the procedures (Cortese et al., 2010). Indeed, it would be naive to assume that where huge financial commitments are at stake, industry would not defend its interests. Industry has known policy interests and, like other actors, brings its particular interests and weight to multi-stakeholder forums and discussions (Ruggie, 2007:5). However, as international actors push for greater transparency, this should engender a greater harmonisation of praxis.

3.3.4 Regulating CSR

Regulating CSR is oxymoronic. Indeed, in an Arendtian sense, rules can reduce responsibility; whilst they may change behaviour, they can undermine normative wisdom (Schwartz, 2010). As Davis (1973:313) argues, “social responsibility begins where the law ends”.34 However, CSR should not substitute regulation or legislation (Lynch Fannon, 2005:6). Throughout the CSR literature opinions differ as to what should be covered by both voluntary standards (with minimal state and maximal market intervention) and by

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34 CSR, negotiated with the state as part of MNOCs’ payments for licences to operate, is effectively prescribed spending, constituting another form of tax as opposed to genuine ‘responsibility’ (see chapter 4 on Venezuela).
regulation (with maximal state and minimal market intervention). Proposed standards aiming to improve behaviour, accountability, and transparency are interdependent, but should not be conflated in the legislative realm.

I argue that a two-fold regulatory approach is required, both at an international and at a national level (both levels are discussed below). Starting with the international level, international regulation should aim to: i) create a level-playing field where MNOCs that comply with higher standards are not penalised compared to less responsible companies; and ii) level-up practices.

Whilst the effects of US and EU transparency legislation remain to be seen, I argue that the production of a globally-valid binding set of industry specific transparency standards is a logical first step at an international level, to increase the pressure upon companies to behave better. These could promote higher benchmarks and increased ethical investment without damaging corporate competitiveness, nor revealing core business secrets. As with voluntary standards, the impact of transparency initiatives has been limited (Cooper, 2005a:5). A Transparency International (2011) study evaluating company transparency illustrates that whilst most major MNOCs signed up to the major international voluntary standards outlined above, Repsol was the only MNOC to reach TI's top ten for each major transparency ranking, which covers topics from anti-corruption to company and country level disclosure. Only eight other MNOCs ranked above average, all of which were EITI supporters. However, subjecting all major MNOCs to the same transparency regulation should facilitate greater ethical comparison between companies. This could enable host countries to more comprehensively integrate the consideration of each MNOC’s social responsibility into their decision-making procedures, when granting concessions and enabling citizens to question government decisions.

 Whilst transparency legislation should place companies under greater scrutiny and should nurture accountability, regulating transparency alone is insufficient to address the power imbalances of the business logic’s supremacy over the social sphere. Notably, reporting is insufficient in
significantly improving performance and, moreover, voluntary codes and management systems are insufficient in changing corporate behaviour (Doane, 2005:215; Quaak et al, 2006:293). Consequently, regulating change to corporate behaviour may appear to be an appealing option. Theoretically, host governments can impose behavioural change through regulations applicable to all businesses or to individual companies, by raising taxes and royalties, or in their conditions when awarding MNOCs licences to operate. However, in practice, they cannot always enforce their own regulations. As Turner (2006:365,372) observes, the lack of international sanctions when voluntary standards are contravened means that in developing countries where the legislative framework is weak, governments may not have the political will or the effective instruments to enforce their country’s laws.

Nevertheless, regulating behavioural change at an international level is arguably less straightforward than regulating transparency (Dobers, 2009:186; Cannon, 1994:189). Given the complexities of social life, and the difficulty in quantifying CSR, a reified one-size approach does not fit all. Indeed, as different societies understand CSR and development differently (Holme & Watts, 2000; Welford et al. 2007:52), companies should be able to leave room for indigenous CSR approaches instead of imposing Western-standardised approaches and instruments (Utting, 2003; Ite, 2004:9; Dobers, 2009:187). Equally, companies are not homogeneous, have different audiences and possess different capacities and experience in responding to local issues (DTI, 2004; ILO, 2005; 2006:3). In addition, international regulation should be industry specific and goal orientated, preventing irresponsibility rather than focusing upon ideologically imbued abstract utopias.

Another reason why the international level should start with transparency requirements is the difficulty in identifying which behaviours should be regulated. Indeed, an international consensus is needed on the role and responsibilities of MNOCs in the public sphere. In this respect, a conflation of MNOC and state responsibilities is not merely a theoretical fallacy, but it is legally problematic, confusing which actor is responsible for which duties. For example, the process surrounding the UN draft Norms on the
Responsibilities of Transnational Corporations and Other Business Enterprises with Regards to Human Rights failed to determine for which core rights corporations should be responsible, showing that assigning greater responsibilities to MNOCs is a complicated process (Ruggie, 2007:9-11). From a legal perspective, accountability is tightly coupled with liability. MNOCs are currently legally responsible to their shareholders, although current debate is moving towards their becoming legally accountable to stakeholders on social issues. Problematically, where companies appropriate government tasks or enter government partnerships, these actors appear undemocratically equal (Banerjee, 2007:157); although it is unclear how local people interpret this confusion of public and private spheres (Doane, 2005:227).

Whilst accountability-focused legislation does not aim to place higher competitive burdens on Western multinationals than on competitors from countries with weaker legislation (DTI, 2002:6), without sufficient consideration of its components or side-effects, it may give less responsible companies a competitive advantage. Whilst most MNCs exist in several jurisdictions, moving investments or subsidiaries to more legally or financially beneficial jurisdictions (McLoughlin, 2007:155), the oil sector cannot move oil, its main asset, in this way, even if it can move downstream operations. Theoretically, therefore, a country can raise taxation or use sanctions to hold MNOCs accountable, although, as discussed above, this depends on political will and ability. Thus, the debate continues as to whether extra-territorial jurisdiction should be used to protect, for example, human rights. Whilst US companies such as Chevron, Shell and Unocal were accused of complicity in human rights violations in Nigeria and Burma through the US Alien Tort Claims Act (ATCA) (McLoughlin, 2007:155; Ruggie, 2007:18; Banerjee, 2007:94-100), on 17 April 2013 the US Supreme Court decided that this Act will not usually apply for violations of international law claimed to have occurred outside of the US. However, as the Supreme Court leaves room for interpretation, claimants may still try to start such legal actions in the US (Bédard et al., 2013).
Therefore, I argue that for the accountability mechanism to bring the change advocated at an international level, greater reflection on the spectrum of liability is needed so that greater accountability does not merely enrich lawyers without bringing social justice to victims of corporate malpractice. Indeed, tightly coupling accountability with liability would also severely burden companies and end corporate engagement in potentially meaningful social action in light of prospective law suits. As Ruggie (2007:28) notes, "an individual liability model alone cannot fix larger systemic imbalances in the global system of governance".

At a national level, looking at CSR activities, I argue that appropriate (behavioural) regulations should be enforced or, where necessary, enacted by national governments in oil-producing countries in order to: i) ensure that CSR activities are conducted in compliance with internationally accepted norms, such as anti-bribery and anti-money laundering measures; indeed, given the nature of CSR activities and the surrounding discourse, there should be no more room for corruption or money-laundering; ii) enable cooperation between national governments and MNOCs to ensure that MNOCs’ CSR funds are properly allocated and coordinated between MNOCs and with social priorities; and iii) monitor and assess CSR projects, suppressing or amending those which reproduce assistentialistic patterns; such measures would require the political will for governments to step in where necessary.

The enforcement or enactment of such regulations cannot take place overnight. Such an approach requires the identification of suitable standards and significant legislative work. In this respect, national governments could find a source of inspiration in the current UN Guiding Principles to implement the Protect, Respect and Remedy Framework (see Taylor, 2012). The UN also has a role to play in disseminating these standards and in supporting countries that are willing to integrate them into their national legislations.

However, regulatory measures are neither silver bullet solutions nor grounds for naïve optimism. Their successful implementation is contingent upon the abilities of national governments and authorities to implement them without
creating the conditions in which new forms of corruption could emerge. Hence, it is important that international level transparency measures are in place to create the conditions in which MNOCs will have no alternative, but to cooperate and comply with the new national regulations.

Lastly, regarding political will, it is important to acknowledge that the network of complicity regarding irresponsibility extends back to oil-consuming countries, which have received oil supplies and income from value-added tax on oil-based products, purchasing oil from MNOCs engaged in pariah states. Oil-consumers (and international institutions) have not only largely overlooked multinationals’ complicity in, for example, fuelling developing world conflicts (Turner, 2006:371). Companies have also sometimes acted on behalf of their home governments (Banerjee, 2007:142). The creation of OPEC, for example, was an attempt to reverse dependency and power-relations between producer and (more powerful) consumer countries. If Western governments had the political will, they could follow a fair-trade model or legislate against purchasing oil from countries where its exploitation has been unethical. However, given the costs involved, oil-dependence, limited oil supplies, the competitive disadvantage vis-à-vis the East and the financial crisis’ impact upon many Western governments, current conditions are unconducive to such policies; hence the strategic preference for Western-designed voluntary initiatives in practice (Mazurkiewicz, 2004:10).

Normatively, as McIntosh et al. (1998) argue, regulating should not further neo-colonialism, by imposing Western norms on the developing world; nor should it give Western governments more positivist power control over other countries’ internal affairs.

**Chapter Conclusion**

This chapter has illustrated that:

The *fuzzy* definition of CSR provides MNOCs with reasons to engage in CSR and stakeholders with reasons to expect MNOCs to take on responsibilities. Business is the key driver of CSR and CSR is predominantly self-regulated. Nevertheless, companies increasingly choose to conduct external CSR that is not linked to their core business.
Whilst there is a business case for CSR, there is also an inherent conflict in the increasingly symbiotic relationship between CSR and profit. Without profit there cannot be CSR and CSR is an important asset that helps companies to remain competitive, win contracts and make profits. In the current global economic framework, however, a company’s profit-making core can undermine corporate attempts to be more socially responsible and CSR can damage a company’s bottom line if its scope is not clearly determined and communicated. In this regard, the areas of accountability and liability are not adequately conceptualised to tackle the social impacts of the ever-expanding roles that companies are expected to perform.

A variety of agents have developed narratives and/or standards that propose their own corporate responsibility agendas, some proposing a role for companies that is difficult to distinguish from that of the state, others trying to diffuse new norms that gradually change the field in which companies operate. Globalisation and its effects make it increasingly difficult for companies to escape such pressures. Most companies wish to engage in dialogue with third actors and are keen to show that they are supportive of important voluntary standards, as a means of building their legitimacy and creditability. However, these standards do not adequately address the lack of trust that civil society, in particular, has vis-à-vis MNOCs.

Thus, I would argue that the new rules enacted by the US and the EU on transparency for the extractive sector have the potential to lead to behavioural changes, given the scrutiny that MNOCs will face (see above). The outcome of these new measures and the effects of their interaction with the existing behavioural rules (such as anti-bribery regulations and competition rules) will need to be assessed in the short-term in order to see how effective they have been in terms of causing positive behavioural change and to assess whether the transparency criteria chosen were the most effective or whether the regime needs to be amended. The implementation of these transparency requirements would empower the governments of oil-producing countries to enforce or, where necessary, enact appropriate regulations and to oversee MNOCs’ CSR budgets and practices.
Chapter 4

Case study 1: Colombia, Neoliberalism and CSR

In the previous chapters, I argued that CSR is offered in the neoliberal paradigm as a good deed to compensate for the economic and social injustices fostered by the capitalist system; more particularly, looking at the oil industry and MNOCs’ activities, I contended that MNOCs’ CSR is inadequate to redress the imbalances created by oil exploitation, such as the relations of dependency between oil producers and oil consumers.

In this chapter, I present the first of two case studies. The Colombian government’s approach to oil and social policies follows the paradigmatic neoliberal logic that prevails today, providing MNOCs with significant autonomy in determining and executing CSR. Indeed, I consider that there is a logic whereby neoliberalism may appeal to a weak state that cannot adequately provide employment opportunities or social welfare for the population and is, thus, ready to welcome corporate intervention. However, the prioritisation of the economic over the social and environmental is a worrying welfare strategy, which undermines the state’s authority and, a fortiori, democracy. I argue that CSR and the larger neoliberal development and peace agenda, of which it is a part, are inadequate to solve Colombia’s most pressing problems, perpetuating asymmetric power relations. I show that in the Colombian context, MNOCs have not only been expected to use CSR to compensate for oil operations’ negative effects, but also to replace an absent state in areas with high levels of guerrilla/paramilitary violence and corruption. This is not to say that MNOCs’ CSR has not had any positive effects, however, in Colombia, it has not led to holistic social welfare, but rather detracted from it, providing assistentialism to replace state welfare.

Colombian CSR offers limited remedy for the oil curse discussed in chapter two. At the time of writing, Colombia is a mild Dutch disease sufferer; heightened oil and mining investments have seen the currency appreciate and manufacturers and agriculture suffer (Minto, 2013). Areas of oil exploration and exploitation have witnessed higher crime rates and armed group presence (González Posso, 2011:33). Oil operations have primarily
served elite-based interests and have both strengthened and weakened the Colombian state, democracy, armed groups and peace efforts. Unlike Venezuela, Colombia is not a petrostate, an OPEC member nor a prominent international oil actor and it is significantly less resource dependent; nevertheless, it is a primary oil producer. In 2011, although Colombia only had proven reserves of 1.9 billion barrels compared to neighbouring Venezuela’s 211 billion barrels, Colombia produced 938,543 barrels per day (b/d) compared to Venezuela’s 2,489,242 b/d (EIA, 2013). In 2011, oil was Colombia’s dominant exported product (Indexmundi, 2013); of the 656,543 b/d estimated exports, 422,000 b/d went to the United States (EIA, 2013).

This chapter underpins the foundations for the Colombian model of CSR that I develop in chapter 7. It is divided into four sections, which contextualise MNOCs’ CSR in Colombia. MNOCs’ social action cannot be understood without placing them in the context of Colombian oil policies, special interests, social divide and violence. Thus, this chapter deals with each of these factors in turn to address: i) the development of Colombian oil policy and the impact of special interests thereon; ii) the weak state and its causes, including of social divide, violence and the US’ military influence; iii) challenges to democracy and governance following Uribe’s election in 2002; and iv) the level of social (ir)responsibility in MNOC’s actions, including their role as victims and perpetrators of violence. To this end, I will show that MNOCs’ social responsibilities have evolved over time in Colombia, as well as to whom they are responsible, and I will also show the increase of businesses’ peace-building activities. The material in this chapter is important in understanding the models outlined in chapter 7 as it contextualises how companies’ social responsibilities have evolved over time and why Colombia, unlike Venezuela, has not implemented RCSR.
4.1 Colombian oil policy and special interests

In order to determine how companies’ responsibilities have evolved, it is important to first understand the development of Colombian oil policy over time and the position occupied by MNOCs in this process. This is the purpose of this section, which chronologically outlines the development of Colombian oil policy. It shows that the US and the Colombian elite have been instrumental in consistently shaping oil policy, not always in Colombia’s best interests. Indeed, from their commencement in 1905, Colombian oil operations have been marked by a power struggle between Colombian nationalism and a mixture of US, MNOC and elite interests (Villegas, 1991).

Colombian economic life revolved around the export of primary goods long before the oil days. In the sixteenth century, the conquistadors and early colonialists exploited indigenous labour, mining precious gems and metals and exporting them to Spain; a system that hampered the development of domestic industries. Colombian independence on 20 July 1810, in which revolutionary leaders deposed the Spanish viceroy and created a governing council of criollos35, did not change the patterns of large landholdings (latifundios), which became the predominant mode of production for export crops such as sugar, tobacco and, by the 1860s, coffee. By 1900, coffee export tariffs constituted the main source of government revenues, and profits from coffee trading were the main source of investment in a newly emerging industrial sector that had started to produce basic consumer goods (Hanratty & Meditz, 1988).

Oil operations started in 1905 under the impulse of president Reyes (1904-1909), who was looking to rebuild the Colombian economy following the end of the period known as The Thousand Days War (1899-1902). This had led to significant inflation and a reduction in tax revenues (Bulmer-Thomas et al., 2006:216), and the secession of Panama in 1903. Given the increased interest of the US in the region, Reyes understood that good relations with the US were important, however unpopular (Hanratty & Meditz, 1988). Indeed, the 1904 Roosevelt Corollary to the Monroe Doctrine clarified the US

\[35 \text{People of Spanish descent}\]
government’s foreign policy intentions, by seeking to justify its future militarily intervention in Latin America in line with a Realpolitik logic of gaining influence, excluding rival powers and advancing the material interests of US citizens and firms (Bulmer-Thomas et al., 2006:39).

The first concessions for oil exploration and exploitation were granted in 1905 to General Barco and Señor De Mares, members of the Colombian elite. After limited success, De Mares sold his concession to the Tropical Oil Company, a Standard Oil subsidiary, in 1916, after which the rate of its development increased (Bucheli, 2010: 341; Griess, 1946: 245, 247; Wilkens, 1998: 203; Bucheli, 2006: 11). During WWI, Western appreciation of the strategic value of oil supplies grew. Immediately following the war, US companies, faced with US anti-trust legislation and fears about domestic supply shortages, thus joined non-US companies such as Royal Dutch Shell in an oil rush to Latin America (Philip, 1982:8-9).

As a result of domestic policies and the international situation, the Colombian economy diversified and developed at the turn of the century. In the 1910s and 1920s, it became more integrated into the global financial and commercial markets. Renewed relations with the US during the Marco Fidel Suárez’ administration (1918-1921) invited more foreign exchange and investment. Colombia started exporting oil in 1921 and began to play an important role in international petroleum markets as of 1926, when oil exports began on a commercial scale (Griess, 1946:247). In Latin America, the general trend until 1928 was that governments enjoyed little returns from foreign oil investment, unlike oil companies who benefited disproportionately (Philip, 1982:21,40). Indeed, in 1927, Jersey Standard’s first year of commercial operation in Colombia resulted in a profit of USD 6.9 million on its investment of USD 23.3 million (Philip, 1982:19).36

Moreover, MNOCs enjoyed significant Colombian elite and US government support. As the elite benefitted from the oil sector, it opposed legislation that

36 However, it should be noted that in order to achieve such profits, MNOCs had faced significant operational and legislative obstacles in Colombia that had hindered oil discovery (Griess, 1946:246; Wilkens, 1974:443).
might threaten its interests or antagonise the US (Saenz-Rovner, 2002; Bucheli, 2006:13). From the early days, the US government also occasionally lobbied to defend US MNOCs (and its own) interests, actively counterbalancing Colombian nationalism by: i) using the Panama secession as a bargaining tool for MNOC interests, postponing the ratification of the Urrutia-Thompson Treaty, by which it admitted its role in the secession of Panama, and laid out reparations worth USD 25 million to Colombia (Bucheli, 2006:8) and ii) intervening against the 1919 reform of Colombian subsoil laws, which aimed to prevent the division of its territory amongst foreign companies (Bucheli, 2010:341; Bucheli, 2006:9)\(^3\), so that Jersey Standard received needed concessions to build a pipeline to the coast (Bucheli, 2010:341; Bucheli, 2006:9). Another example is that of the 1928 emergency oil law, which was passed to tackle fruitless speculative activity by cancelling all post-1919 concessions, many of which lay abandoned across the country (Griess, 1946:245-6; Wilkins, 1974:446). The Minister of Industry, José Antonio Montalvo, nullified both the De Mares and the Barco concessions in which Gulf Oil had stock, exposing the Tropical Oil Company in the press for not having complied with its contractual undertakings. The US Department of Commerce retaliated by advising citizens against buying Colombian bonds and the *Wall Street Journal* published that Colombia was copying Mexico and Russia. The Colombian elite, whose interests were threatened, intervened to find a compromise (Bucheli, 2006:13). Importantly, the US also diplomatically thwarted European oil interests in Colombia\(^3\) (Bucheli, 2006:7).

The dominant power status of the US and its MNOCs was again somehow reflected in the 1931 oil code, Law 37, which undid some of the measures adopted in the 1920s to improve conditions for Colombia and Colombian workers. This included requirements for oil multinationals to hire a minimum of 25% of Colombian workers, decreasing royalties from 12.5-6% to 11-2%, taxation on private property from 8-4% to 8-1% and taxes on pipeline

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\(^3\) The Barco concession was eventually purchased by the Texas Petroleum Company and the Socony-Vacuum Oil Company in 1936 (Griess, 1946:245).

\(^3\) As Bucheli (2006: 7) notes, in order not to antagonise the US, Colombia did not award concessions to British firm Pearson and Son Ltd, despite Pearson's proposal to create a Colombian oil company with which he would work.
operations by 50% (Griess, 1946:246). Despite domestic opposition, the liberal Olaya Herrera government (1930-1934) acted on the advice of the US Treasury, re-establishing the Barco Concession to encourage future US loans and to avoid US opposition to the legislation, using the oil code to reassure foreign companies of their safety in Colombia (Bucheli, 2006:16).

In the 1930s, government oil policies remained in line with those established in the 1920s, aimed at increasing oil production, rather than government income per barrel (Philip, 1982:51). Nevertheless, it is noteworthy that the Pumarejo governments’ tax reform led the Tropical Oil Company to pay as much tax in one year, as it had during the preceding eight years to the benefit of state welfare (Bucheli, 2006:17). In the 1930s, following the Great Depression, the US introduced the New Deal, which contained protective measures affecting oil imports in the US. Again, US policies were to impact Colombia’s oil sector. Indeed, the great depression and the New Deal saw the emergence of a new paradigm in US-Latin American relations (as discussed in section 4.3.2) and in June 1932, tariffs were approved on oil imports and derivatives, disadvantaging Latin American oil exports to the US (Philip, 1982:46; McBeth, 1983:204).

In parallel, during the 1930s, some Colombians began to oppose oil extraction, fearing the possible exhaustion of their country’s natural resources. Politicians such as Gaitán gained popular political support by challenging the status quo, criticising US domination, inadequate government policies and the government’s alliances with multinational companies (Dix, 1978:343; Bucheli, 2006:15). Critics proposed that government oil revenues should be invested in improving agriculture, which would increase purchasing power, provide markets for Colombian manufacturers, further industry development and employ more Colombians on a higher wage scale (Griess, 1946:254). The election of President Pumarejo (1934-38 and 1942-1945), who had the endorsement of the labour unions and the Socialist and Communist parties, brought measures aimed at redressing the power balance and promoting national actors, some of which were more successful than others in face of opposition from the US and US oil multinationals.
Government efforts in the oil industry to create a state owned refinery, which would have decreased the oil multinationals’ power, failed due to strong opposition from the Tropical Oil Company and the US embassy. Thus, when oil legislation was proposed again in 1936, it contained incentives for both foreign and national investors, as it intended to facilitate greater oil exploration (Philip, 1982:51).

Indeed, during the economic depression at the end of the 1920s, the Colombian economy was linked to the US by exports, debt, and foreign investment, but it suffered less than many other Latin American countries whose primary national industries were more dependent upon foreign capital. As such, compared with some of its neighbours, Colombia resisted the politics of economic nationalism in the depression and throughout most of the twentieth century (Corcoran, 2011:32). Whilst organised labour in places where US corporations were the dominant foreign presence called for oil nationalisation during the first half of the twentieth century, these appeals were weakened by a mixture of: i) the already existent state control of the important coffee industry (Corcoran, 2011:32; Bushnell, 1993:174); ii) by US and Colombian elite obstructionism; and iii) by inconsistent state cooperation with oil workers’ unions. Unlike in Mexico, nationalists often failed to counterbalance MNOCs’ interests (Bucheli, 2006:2-23; Pearce, 2004:5). Despite popular discontent over government oil revenue mismanagement, including its failure to invest in agriculture, increase purchasing power, provide markets for Colombian manufactures, develop industry and/or increase wages, more nationalistic presidencies still struggled to bring change vis-à-vis the aforementioned internal and external opposition (Griess, 1946:254; Dix, 1978:343; Bucheli, 2006:15-17).

Throughout WWII, Washington placed great strategic emphasis on Colombia in terms of foreign diplomacy. Given Colombia’s proximity to the Panama Canal and its influential German community, US policymakers prioritised Colombian support for Panamericanism vis-à-vis the Axis powers. Whilst not very economically developed, Colombia possessed rich oil reserves and mineral deposits, so that compared with its neighbours, it had tremendous
economic potential (Corcoran, 2011:149). Moreover, as Bushnell (1967:120) notes, by the early 1940s Colombia “came closer to exemplifying the democratic ideals for which the United States claimed to be striving than did the systems of most Latin American nations”. This was to make Colombia an important US partner throughout the Cold War, during which the US intervened across Latin America to thwart the communist threat as is discussed below in section 4.2.3. Moreover, the responsibilities attributed to MNOCs during the Cold War are also discussed below in section 4.4.1.

In 1940, the Santos administration (1938-1942) created the Ministry of Oil in order to establish a national oil company on the expiration of the De Mares concession, emulating Mexico’s NOC, Petroleos Mexicanos (PEMEX), which had been established in 1938. These efforts were unsuccessful and Ecopetrol was only created a decade later in 1951. In the interim, conservative President Ospina (1946-1950) proposed a new law (Law 165) in 1947, to base a national oil company on the De Mares concession with 49% of private capital (local or foreign). Debate ensued as to whether the company should be state-owned, a series of joint ventures between the state and local entrepreneurs, or a foreign company with local capitalists (Bucheli, 2006:20; Griess, 1946:251).

The Gómez administration (1950-1951) entered into oil production in 1951 to stimulate the oil industry's development, through the creation of a national oil company, the Empresa Colombiana de Petróleos (Ecopetrol) (Philip, 1982:69). Ecopetrol was created to take over the De Mares concession’s operations from Jersey Standard after 40 years of operation. Although Jersey Standard may have been offered the opportunity to enter into a joint-venture agreement with the Colombian government, this did not materialise and Jersey Standard became a technical service provider to Ecopetrol (Philip, 1982:69). As a result of the debates preceding the creating of Ecopetrol, the latter emerged as a hybrid of national versus private interest (Perry et al., 2011:8). Following Ecopetrol’s creation and the introduction of new measures to facilitate foreign investment and ease exchange restrictions, oil production in Colombia increased from 65,000 b/d in 1948 to 151,585 b/d in 1960 (Philip, 1982:69). In parallel, through investments
realised by Ecopetrol and Jersey Standard, refining capacity increased from 23,800 b/d in 1950 to 78,200 b/d in 1960 (Philip, 1982:69), demonstrating an increase of capacity in Colombia at various stages of the oil chain. In addition, Jersey Standard opened its distribution business to local industrialists in 1951, by selling 40% of its shares in Esso Colombiana to local investors (Ecopetrol, 2010).

The creation of Ecopetrol had not been supported across the board. Indeed, the Colombian industrialists’ National Industrial Association (ANDI) had opposed the creation of a NOC, lest it set a precedent for private property expropriation. However, Ecopetrol’s creation did not exclude foreign companies from applying for concessions under new conditions and Ecopetrol entered into its first partnership contract in 1955 (Saenz-Rovner, 2002; Bucheli, 2006:20,21; Perry et al., 2011:8).

Ecopetrol’s creation did not exclude elite concessions, the accumulation of which subsequently contributed to a significant decline in Colombian oil production. Private interest had prevailed whilst Colombia was a net oil exporter, yet by 1967, the limited exploration of the 1950s and 1960s, had left Colombian oil reserves worryingly low. Indeed, Colombia’s exportable oil surplus declined so far that in 1975, Colombia became a net oil importer (Philip, 1982:130). During the 69 years of the concessions system (1905-1974), 2,807 proposals were submitted, but only 454 had ended in concession contracts (Ecopetrol in Perry et al., 2011:8). Amongst other causes, companies had benefited from significant depletion-based tax deductions and concessions neither required minimum exploration levels nor devolution of non-prospective areas. Thus oil companies, including US MNOCs, had sat on unexplored land for long periods.

In the period between 1970 and 1994, politicians had to introduce a more pragmatic mix of nationalism and deregulation to revitalise oil production. Initial reform had begun in 1969 with Law 20, regulating joint venture contracts to strengthen Ecopetrol’s position and enabling new companies, including Elf-Aquitaine, to enter Colombia (Echeverry et al., 2008:3-7; Perry et al., 2011:8-9; Philip, 1982:130). These efforts took time to translate into
an increase of oil production, given the time needed between exploration and exploitation. Despite a large oil discovery in 1969, as mentioned above, Colombia became a net oil importer during the first oil-price boom in 1975, causing the government to use economic emergency powers to reactivate exploration and increase proven reserves (Perry et al., 2011:10). Decree 2310 (1974), for example, suspended non-productive concessions and eliminated depletion-based tax deductions, placing greater risk and investment requirements upon private companies. It also enabled Ecopetrol to apply a formula whereby crude oil production was shared equally amongst the parties after 20% of royalties were deducted. This regime became progressively more favourable to the state under presidents Barco (1986-1990) and Samper (1994-1998) (González Posso, 2011:23). The discoveries of oil fields such as Chuchupa (1973), Caño Limon (1983), Cusiana (1988) and Cupiagua (1993) helped to attract FDI despite less favourable terms (Echeverry, 2008:3). Colombia regained self-sufficiency and became a net-exporter of crude oil in 1986 so that oil taxes became an important source of government income (Perry et al., 2011:10).

Following Colombia’s return to the position of a net exporter, private interest regained primacy with the arrival and subsequent deepening of neoliberalism. The neoliberal shift in oil policy still prevalent today occurred under the Gaviria administration (1990-1994), which it was hoped would represent a distinct policymaking shift that would bring order amidst the socio-political crisis of escalating insurgent and narcotrafficking violence (Avilés, 2009:68). Simultaneously, large domestic and international shocks hit the economy, a new Constitution was adopted in 1991 which determined an expansion in government expenditure, and violence escalated. It is not easy to disentangle the separate effects of these factors.

As a result of neoliberal policies, oil association contracts were modified to include foreign investment, free trade, privatisation and modernisation.

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39 International interference in Colombian decision-making was more transparent before the neoliberal reforms. The World Bank and the Office of the US Trade Representative for Greater Economic Openness and Liberalisation in Colombia were central to the development of neoliberal economic and political reforms, whereby some fundamental economic policy levers passed to transnational actors (Gutiérrez Sanín, 2010).
consistent with the Washington Consensus.\textsuperscript{40} Given the trend towards encouraging FDI for the further exploration and exploitation of reserves, MNOCs have benefitted from increasingly favourable contracts. From 1994, state levies decreased, reflecting the risks involved, field size, the pace of production and hydrocarbon quality (Pearce, 2004:9). In 1999, Pastrana’s government (1998-2002) introduced a sliding royalty scale of 5-20%, depending on the production field’s size, which was more favourable to MNOCs (González Posso, 2011:24; Pearce, 2004). In 2002, this was linked to the international prices of oil and gas as well. In 2001, the USD1.50 per barrel war tax was phased out, due to companies’ complaints that such payments combined with other security and insurance costs affected their ability to put capital into future investment plans. However, Richani (2005:116) argues that their profit margins did not suffer to the extent claimed.

Still in line with neoliberal thinking, the 2003 decree 1760 structurally transformed Ecopetrol into a fully public company with shares, linked to the Ministry of Energy and Mines. State oil resource administration passed from Ecopetrol to the new National Hydrocarbons Agency (ANH), which values oil reserves, collects royalties, administers technical information, determines production levels and fosters investment (Ecopetrol, 2010; ANH, 2010). Ecopetrol’s transformation enabled it to offer 20% of its shares for purchase by independent actors and forced it to compete, find its own reserves and take exploratory risks. Unlike Venezuela’s PDVSA, Ecopetrol is not the majority shareholder of each oil project (Salgar in González Posso, 2011:26). Critics of Ecopetrol’s privatisation argue that the company belonged not only to the state, but also to the Colombian people, whose national heritage was sold too cheaply (González Posso, 2011:27).

\textsuperscript{40} The Washington Consensus summarises ten specific policy recommendations made by Washington-based institutions such as the International Monetary Fund, the World Bank, and US Treasury Department, which believed them to be necessary for Latin American countries’ recovery from the economic and financial crises of the 1980s. These include fiscal policy discipline, competitive exchange rates, trade liberalisation, encouraging foreign direct investment, the privatisation of state enterprises, deregulation in areas that impede market entry or restrict competition and secure property rights (Williamson, 1989).
To stimulate foreign investment, between 2003-2009, the ANH, which also deals with association contracts, extended exploration and exploitation time limits from 24 years to the exhaustion of reserves, encouraging the exhaustion of secondary reserves, and increasing royalty flexibility using a scale of 5-25%. Moreover, concessions were reintroduced, contrary to association agreements, whereby the state plays no role in distributing the production (González Posso, 2011:25). MNOCs negotiate contracts directly with the ANH and can own up to 100% of oil rights (Inter Pares, 2009:12). Indeed, Occidental and BP manage the two largest oil reserves in Arauca and Casanare with Ecopetrol as a minority partner (González Posso, 2011:18). FDI from the oil, mines and quarries sector has grown due to these policies, quintupling from 2003-2009 (Vásquez, 2010:6).

Looking at recent reforms by President Santos (2010-), a new phase of increased centralisation could be underway. As Llanos (2010) notes, the current administration has focused upon reengaging with other state institutions and maintaining and strengthening the balance of powers. Notably, in oil policy, President Santos pushed to reform the General Royalties System (SGR). These changes to oil royalties allocation mean that the four oil-rich regions (Casanare, Meta, Arauca and, to a lesser extent Huila) and the ports cease to benefit from nearly 80% of the oil wealth (Colombian Embassy, 2011). Since 1994, 70% of royalties had been paid directly to the regional departamentos, with 30% going towards the national royalties fund (Fondo Nacional de Regalías). The royalties are now to be distributed as follows: 10% for the Science, Technology and Innovation Fund, 10% for pension savings and up to 30% for the Savings and Stabilisation Fund. The remainder (of a minimum of 50% of the total royalties) is distributed as follows: 20% for direct allocations, 48% for the Regional Compensation Fund and 32% for regional development. For 30 years, a Regional Compensation Fund will finance projects to satisfy the unmet basic developmental needs of the poorest populations in priority coastal, border and periphery areas, after which funds go to the Regional Development Fund (Colombian Embassy, 2011). These changes are consistent with the 2010-2014 National Development Plan, which places the mineral-energy sector as
a key economic motor in “generating sustainable growth and greater social, 
regional and intergenerational equality” (DNP, 2010:15). President Santos 
has even argued that “the Royalties Reform is the great fairness reform of 
Colombia” (Colombian Embassy, 2011). The changes are significant, if 
potentially unpopular amongst politicians who retain rural client networks that 
demand patronage (Archer & Shugart, 1997:5). However, as González 
Posso (2011:30-31) argues, none of the former large royalties beneficiaries 
achieved their targets in infant mortality rates, healthcare, education or 
drinking water as established in law 1747 in 1995. Hypothetically, unless 
resource management improves, a decline in royalty income in oil-rich areas 
could lead to increased expectations vis-à-vis MNOCs. Indeed, citizens in 
these areas expect to be compensated for the oil (Orellana Herrera, 2010).

Today, several MNOCs are active in Colombia including BP, Occidental, 
Shell, Petrobras, Total, Perenco, Chevron and Repsol. Notably absent are 
Lukoil and CNPC, which operate in neighbouring Venezuela, indicating the 
latter’s diversification of oil actors. Annex 1 contains financial and business 
information from the annual reports of MNOCs active in Colombia. For most 
of these companies, it appears that their Colombian production is relatively 
limited, generally no more than than 5% of their global oil and gas production. 
The annex also shows the differing levels of detail that MNOCs are willing to 
disclose relating to their Colombian operations and incidently, their 
transparency in terms of disclosing country-specific information. It indicates 
that some further levelling-up is necessary to improve comparisons between 
companies. Indeed, the information disclosed in companies’ annual reports 
is not only relevant to analysts or shareholders, but it is also a relevant 
source of information for stakeholders, such as the growing middle-class in 
Latin America, which are concerned about MNOCs’ activities in their country 
and in neighbouring countries (BSR, 2013).

One of the notable absences has been the failure to address the effects of 
the Dutch disease in Colombia. Richani (2005:117) argues that the 
neoliberal approach to Colombian oil policy has exacerbated existent 
structural problems. He notes that in the 1990s the effects of the Dutch 
disease in Colombia (such as deagriculturalisation and deindustrialisation at
a macroeconomic level) were partially caused by an appreciation of the currency with an influx of extractive industry dollars that affected Colombian competitiveness in these sectors, as well as by neoliberal policies that eliminated subsidies and protections for vulnerable sectors. Richani (2005:118) also notes that as underemployment and poverty rose, workers returned to rural areas where the extractive companies operated. This influx exacerbated local conflict dynamics as workers returned to a weakened rural economy suffering from deagriculturalisation, high labour costs with an oversupply of labour, eroded social fabric and contributed to greater violence and the consolidation of a war system (as is discussed below).

4.2 The weak state: What are the causes?

Colombia is a weak state with limited control over its territory. This section addresses the causes of the weak state, and the ways in which elite interests have not only undermined oil policy, as shown in the previous section, but also democracy, thereby fostering the emergence of violence and protostate actors. These factors have in turn further weakened the Colombian state’s ability to govern effectively so that, as the subsequent section 4.3 shows, democracy cannot be seen in isolation of these factors. This is also the context in which the oil policies above were implemented and in which MNOCs have had to operate. This has shaped the notion of what it has meant for companies to be socially responsible as discussed in section 4.4. This section will discuss in turn: i) the history of political divisions and violence in Colombia before 2002; ii) protostate actors that have emerged in the country and that have been both causal and the consequence of the weak state; and iii) foreign military intervention, especially by the US, under the headings of war on communism, war on drugs and war on terror.

4.2.1 A history of political divisions and violence before 2002

As shown below, the recent history of Venezuela is to a large extent linked to its status as an oil producer and a petro-state. This is not the case for Colombia. The history of Colombia is not primarily a history of oil, but rather a history of violence fostered by political divisions. The history of these political divisions and the violence that ensued is discussed below. This is
not to say that the divisions and the violence did not have any impact on the oil industry or that the latter had no impact on the political sphere. These relationships are more fully discussed in section 4.4. However, in order to understand why MNOCs have acted as they have and assumed the responsibilities that they have assumed, an understanding of the context of their operations is now provided. This also enables an understanding of the historical continuities and discontinuities in Colombia’s history. This subsection looks at the period before 2002 and the election of Uribe. I chose this division of time to enable comparisons between contemporary Colombia and Venezuela under Bolivarian socialism. This also corresponds to the presidents in power, to whom interviewees were referring when the research in chapter 7 was conducted.

Political divisions amongst elites are longstanding in Colombia. They even precede the Colombian Declaration of Independence from Spain in 1810, which led to the formation of a new Republic of Gran Colombia in 1819 (including the current Colombia, Panama, Venezuela and as of 1822 Ecuador), under a centralised government headed by President General Simón Bolivar (1819-1830). Following independence, elites failed to find agreement on the form of governance to be adopted and divided into two main rival groups; one favouring the preservation of the Spanish colonial legacy of authoritarianism, Roman Catholicism and the continuance of slavery, and the other favouring an anticlerical federalism, the abolition of slavery and broader suffrage. Governance accordingly oscillated between the political poles and regional rivalries affected the exercise of state authority. In 1830, Ecuador and Venezuela seceded Gran Colombia, which subsequently dissolved into the Republic of New Granada (Hanratty & Meditz, 1988). Personalism and regionalism continued to define New Grenada with its weak state, small cities and a semi-feudal population, which was bound to large landowners in patron-client relationships. This changed around 1849, as capitalism began to replace the old colonial structures and the Colombian Conservative Party (PCC)\footnote{Partido Conservador Colombiano} and the Liberal Party (PL)\footnote{Partido Liberal} were

\[41\text{ Partido Conservador Colombiano}\]
\[42\text{ Partido Liberal}\]
established, reducing Colombian personalism. Nevertheless, the formation of the parties consolidated the ideological split with the Conservatives, which grouped together large landowners, the Roman Catholic hierarchy and the liberals, which consisted of newer, ascending classes including merchants, manufacturers, small landowners, and slaves seeking freedom. The campesinos loyalties generally followed their employers (Hanratty & Meditz, 1988).

Between 1849 and 1886, Colombia had several constitutions and three different names. The Republic of Colombia emerged from the 1886 constitution, which although amended, remained in place until 1954. Nevertheless, the prevailing political and economic instability led to the Thousand Days’ War\textsuperscript{43} (1899–1902) between liberals and conservatives, which left the country too weak to prevent Panama from declaring independence in 1903 (Hanratty & Meditz, 1988).

Following the civil war, General Rafael Reyes (1904-1909), was elected president with moderate Conservatives’ support to rebuild the nation. Reyes incorporated minority liberals into the cabinet and other important political bodies to bridge the division and foster peace. Moreover, he undertook important reforms that started a period of economic prosperity that lasted until the Great Depression in 1929. This event contributed to political change in 1930, leading to 15 years of liberal governments. However, whilst the Liberals increasingly identified themselves with the growing demands of the masses, the Conservatives favoured minimal concessions, church influence and elite control of the country, viewing the reforms as communistic. Disagreement within the liberal party also grew as to which liberal ideology should be applied (pro-reform v. pro-status quo). Despite the reforms of the 1930s, economic progress had ended during World War II, as European markets closed, preventing the import of raw materials essential to the Colombian industrial base. During his second term in office (1942-1945), López Pumarejo received criticism for declaring war on the Axis powers in 1943 during a period of economic downturn. The 1946 transfer of power to a

\textsuperscript{43} La Guerra de los Mil Días
Conservative president re-ignited tensions between the parties, resulting in violent political conflict, particularly in rural areas (Hanratty & Meditz, 1988).

Colombian violentologists agree that the democratic system collapsed and the state lost its monopoly of violence during La Violencia (1946-1965), which resulted from the dominant elite-led Conservative and Liberal parties’ power games. Parties that had seen state control as a zero-sum game usually ending in civil war, once again, backed by a politicised population, executed their well-known hereditary hatreds (Ramsey, 1973:3; Mauceri, 2004:149; Leal Buitrago, 1995; Gutiérrez Sanín, 2010; Manwaring, 2002:6; Bouvier, 2009:6). In the late 1940s, this hatred fuelled a widespread wave of intimidation and violence by Conservative local authorities, culminating in the assassination of the liberal presidential candidate, Gaitán, and in mob riots that destroyed parts of Bogotá and started La Violencia (Dix, 1980:306-7).

Given the liberals’ refusal to present a presidential candidate in 1949, Gómez (1950-1953), the only Conservative candidate, took office in 1950, expanding his powers and curtailing civil liberties to curb violence and prevent the liberals from regaining power. Gómez’ repression was directed, in particular, against the liberal opposition, which he branded communist. Gómez lost support because of protracted violence and his attacks on moderate Conservatives and on the military establishment. In June 1953, Rojas Pinilla (1953-1957) led a coup d’état and assumed the presidency. Rojas Pinilla followed the populist example of General Perón (1946-55) in Argentina to introduce policy measures that responded to demands for social reform. He recruited support from non-traditional sources including the military and the church, attempting to create a third force movement of peasants and urban workers to counter the elite’s traditional domination of the country’s politics. This angered the elite and support for the Rojas Pinilla regime dwindled with violence restarting by the end of 1953. Rojas Pinilla responded by reversing initial social reform measures and introducing a wave of increasingly brutal repression. Violence only ended as the political elite realised that they stood to gain more from coalition than from continued hostility and military dictatorship (Dix, 1980:313).
Civilian rule was re-established by Conservatives and Liberals in 1957 with support from the church, the business community and elements of the army. However, this attempt at consociational democracy (by means of a new National Front) perpetuated traditional social inequalities and two-party hegemony (Hartlyn, 1988:4). The bipartisan institutional pact required an alternating presidency from 1958 to 1974, restricting eligibility for elective office to Conservative and Liberal party members, who divided posts up equally regardless of the election results (Karl, 1990:12; Dix, 1978:304). The Communist Left and the Liberal Revolutionary Movement (MRL) were disenfranchised, so that throughout the 1970s and 1980s, regime reform became a shared cause among leftists, intellectuals and reformist politicians and alternative political movements were forced to be anti-system, mutating the Colombian Left’s development and fuelling leftist insurgencies. The US’ anti-communist activities and pressure on Latin American governments to proscribe communist parties also weakened the possible emergence of left-wing political groups (Grandin, 2003:9)44 (see subsection 4.2.3).

During La Violencia aggrieved peasants had begun to attack landlords, thereby starting mass counter-elite mobilisation, with more guerrilla groups becoming Marxist and posing an armed challenge and a risk of social revolution to the state (Hartlyn, 1988:3). As interparty violence diminished and the ties between a disillusioned electorate and the traditional parties broke down, political unrest assumed a more urban, class-orientated base. Amongst the groups to form in the 1960s and 1970s, were the Armed Revolutionary Forces of Colombia (FARC), which was linked to the Communist party, the National Liberation Army (ELN), the 19th of April Movement (M-19), the Popular Liberation Army (EPL), the indigenous Quintin Lame movement and the Workers’ Revolutionary Party of Colombia (PRT) (Bejarano & Pizarro Leongómez, 2002:28; UNHRC, 2010:6). Guerrillas spoke of creating a Soviet, Cuban or unique socialist system to redress socio-political and economic inequality. Whereas the FARC had a strong

44 It is noteworthy that following WWII, Soviet dictator Josef Stalin had instructed international communist parties to adhere to a popular front strategy so that these had been a democratising force against the Latin American dictatorships to emerge in the 1940s and 1950s (Brands, 2010:14).
land reform agenda, the ELN, composed of students and intellectuals, focused on opposing the working conditions that emerged from natural resource exploitation by foreign capital, such as oil by MNOCs. The guerrillas predominantly operated in areas with little state presence and survived primarily on extortion and theft (Sanchez, 2001:3; Guáqueta, 2006; Breuer, 2008:75). Paramilitary groups also subsequently played an important role in the history of Colombian violence. They were created by the state for counterinsurgency activities, but it subsequently had little control over them (Bejarano & Pizarro Leongómez, 2002:23; Guáqueta, 2006; Lair, 2001:114). These groups first emerged in the 1960s with state legislation authorising self-defence against the guerrillas. Government policies have both encouraged and discouraged paramilitary activities (see below).

President Pastrana (1970-1974) began to dismantle the National Front structure in accordance with 1968 constitutional amendments. However, his successor, López Michelsen (1974-78) faced difficult legacies in terms of the economy, the guerrilla movement and the drug trade. By this time, the illicit narcotics industry was emerging as a dominant economic force, changing the structure of the national economy and disrupting existing social and political relations. Subsequent governments proved unable to address the resulting inflation, unemployment and the skewed income distribution. As mentioned above, by 1975, given the decline in oil production, Colombia had become a net oil importer. Colombia also faced high inflation due to an influx of foreign exchange from the coffee boom and the illicit drug trade. López Michelsen’s attempts to counter this by instituting austerity measures resulted in strikes, riots and a resurgence of guerrilla activity. Simultaneously, corruption funded by drugs was permeating all levels of the political system. In some areas, drug traffickers were elected to local or state offices. President Julio César Turbay (1978–1982) used a state-of-siege decree to implement security policies that weakened the M-19 in particular, but were considered highly questionable internationally, due to accusations of human rights abuses against suspects and captured guerrillas. The liberal Colombians’ desire for peace led to the election of Conservative Belisario Betancur (1982–1986), who negotiated a 1984 cease-fire with the FARC and M-19 after releasing
guerrilla prisoners in 1982. The ceasefire with the M-19 ended in 1985 with guerrillas claiming that members had suffered threats and assaults by official security forces and questioning the government's real willingness to implement peace accords. FARC negotiations led to the creation of the Patriotic Union (UP), a legal and non-clandestine political organisation. Whilst FARC members joined the UP, most of the guerrilla's chiefs and militiamen did not demobilise nor disarm, as the process did not yet require them to do so. Both sides began to accuse each other of not respecting the cease-fire and political violence against both FARC and UP members was blamed not only on drug lords, but also on the security forces. Government members increasingly accused the FARC of continuing to recruit guerrillas and of kidnapping, extorting and politically intimidating voters even as the UP was already participating in politics (Ambrus, 2007; Williamson, 2009).

The Virgilio Barco administration (1986–1990) had to contend with the complex negotiations with the guerrillas, but also with the drug lords, who began a campaign of terrorism and murder to counter government moves to extradite them overseas. Alongside the paramilitaries and paramilitary sympathisers within the security forces, the drug lords significantly weakened the UP, assassinating two of its presidential candidates, Jaime Pardo Leal and Bernardo Jaramillo Ossa. In the 1990 elections, a total of three presidential candidates were assassinated before César Gaviria was elected (1990-1994). The drug cartels were also in war against the state; especially the Medellín cartel until the death of its leader Pablo Escobar in December 1993. Thereafter, the Cali cartel rose to prominence (Williamson, 2009:591).

The M-19 and several smaller guerrilla groups were successfully incorporated into a peace process at the end of the 1980s. The decision was taken to reform the constitution to make society more modern, democratic and politically open, leading to the enactment of the 1991 constitution. The reincorporation of these guerrilla groups into the legal political framework was a key success.

Contacts with the FARC had continued sporadically despite the interruptions of the ceasefire and the official 1987 break from negotiations. These were
temporarily cut in 1990 under the Gavaria administration with an army assault on the FARC's Casa Verde sanctuary, followed by a FARC offensive to undermine the deliberations of the Constitutional Assembly.

Samper's presidency (1994-1998) was paralysed by allegations that drug traffickers had contributed to his presidential campaign and reinforced by his unwillingness to extradite narcotraficantes to the US (Williamson, 2009:591). Under Samper, the FARC overran several rural military bases and took a record number of soldiers and officers hostage.

Conservative Andrés Pastrana (1998-2002) initially based his programme upon a commitment to peacefully resolve Colombia's longstanding civil conflict through negotiations with the FARC and the ELN, which both participated in the peace process, but without any explicit commitments to end the conflict. Pastrana granted land the size of Switzerland to the FARC as a safe haven, but as negotiations dragged, he changed his tactics, sent troops in to recover the land, and turned to the US for help to combat illegal drug-trafficking (Williamson, 2009:591-2). The growing severity of countrywide attacks by the guerrillas and even more violent paramilitary groups, such as the United Self-Defence Forces of Colombia (AUC), made it very difficult to resolve other socio-economic problems that resulted from the Colombian government's commitment to the neoliberal economic policies practiced by other Latin American countries. Indeed, in the early 1990s, the national government had provided the convivires in Antioquia with arms and equipment, to weaken the FARC, but they simultaneously strengthened the paramilitary movement. Given the failure of Pastrana’s negotiations, Uribe’s hard-line approach to dealing with the conflict won him electoral success in 2002 (Botero, 2007; Breuer, 2008:79). Key events following the election of Uribe are discussed in section 4.3. The granting of territory to the FARC by Pastrana, however, reinforced another challenge to the incoming Uribe government, that of alternative centres of power to fill in the voids left by the weak state.
4.2.2 The rise of protostate actors

This subsection shows how the Colombian state’s weak control over its territories has encouraged competition from protostate actors. Indeed, the absence of government agency in certain (oil) areas has enabled other non-state agents to establish parallel governance structures. Companies and pipelines are often situated in areas in which governance struggles have occurred. The inability of the Colombian government to firmly establish itself throughout its territory has compromised its ability to penetrate society, regulate conflicts within it, govern legitimately, extract resources, enforce the law and administer justice. These weaknesses predominantly stem from a combination of structural problems, including clientelism, particularism, political trade-offs (Robinson, 2005; Leal & Dávila, 1990), poverty, inequality (Carneiro, 2007:6-7), the culture of violence (Manwaring, 2009:2), the drugs trade, the US drugs war (McLean, 2005), the political regime’s institutional distortions, the atomisation of political parties and historic state absence in certain areas (Bejarano & Pizarro Leongómez, 2002:14; Bejarano & Segura, 1996:10). These have all weakened state legitimacy and democracy, reducing public compliance with other agents filling vacuums of control left by the state. As Mason (2004) has stated:

“In Colombia, alternative political communities such as transnational NGO’s, church and humanitarian associations, and global organizations, as well as insurgent and paramilitary groups, are increasingly viewed as functional and normative substitutes for the state”.

As discussed in section 4.4, a first type of quasi-protostate actor is the (oil) multinational, which has taken on government responsibilities and can present challenges to democracy. Indeed, if local populations or mayors see MNOCs providing (state) welfare, then this changes MNOCs’ status, whether or not companies mean to compete with the state. Indeed, certain MNOCs, such as Occidental, have also supplied the Colombian military with equipment and helicopters to provide law and order (Leech, 2008). Such

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45 Criteria which Bagley (2001:2) uses to gauge state capacity.
46 Particularism refers to discretionary deviations from universal rules (O’Donnell, 1996).
donations raise questions as to where military allegiances lie and what the military might do for MNOCs (see below).

A second category of protostate actors that can be identified are the guerrilla groups. These have been protostate actors since the 1960s, providing an example copied by paramilitaries of replacing the traditional state to compete for citizens' loyalties. They have levied taxes, provided social welfare and infrastructure and involved themselves in political affairs, religious and moral issues and distributing justice. The FARC’s strategic decision to tax coca bush cultivation and cocaine production cultivated for sale not only brought them extra wealth, but reinforced the notion of a protostate (Pizarro Leongómez, 1992; Le Billon, 2003; Bejarano & Pizarro Leongómez, 2002:32), as did its sophisticated social security including pensions for retired guerrillas and minimum wages for coca pickers (Cooper, 2006:20). The global cocaine prohibition regime consolidated the guerrillas’ existence as coca became the world’s most profitable crop (Peceny & Durnan, 2006:99). However, Day (2011:50-3) argues that the FARC, which lost 50% of its land between 2002 and 2010 due to former President Uribe’s military successes, is no longer as able to provide for the local populations that had supported it and is losing legitimacy as a social actor.

A third category of protostate actor is the paramilitaries, which emerged in response to the guerrillas groups with the explicit or implicit support of the state (see above).

4.2.3 International military influence

The Colombian conflict is not strictly internal, nor is it limited to armed actors, as it involves a complex interplay of domestic and international security domains. Indeed, many of Colombia’s internal risks, whether physical or structural, are intertwined with regional, hemispheric and global security dynamics, dominated by both state and non-state actors (Mason, 2004). This section begins by discussing the US’ role in the war system and its three discursive shifts, communism, drugs and terror, which have framed the Colombian conflict. Thereafter, I briefly discuss the impact of globalisation and of Colombia’s neighbours in the conflict, using the example of the FARC.
4.2.3.1 The US and its war against communists, drugs and terror

US involvement in the Colombian war system has significantly influenced the conflict with Colombia being a principal recipient of US military aid. The US, which decreased its military aid to Colombia for the 2013 fiscal year to USD 30 million, has nevertheless given Colombia approximately USD 7 billion in military aid since it began in 2000 (Bittner, 2012). US intervention in Colombian affairs has not only compounded the war system, but it has transversally normalised war as a liberal discourse of transnational intervention (Corva, 2009:169). Corva (2009) indicates a trend that corresponds to the Foucauldian inversion of Clausovitz’ axiom, suggesting that politics could be understood as the extension of war by other means. Through such wars, the US has enabled politics, i.e. a transnational militarisation of the police function. These efforts could be called terrorocratic, essentially amounting to state terrorism under a democratic façade (Stokes, 2006:368); however, they are often framed as morally right. Discursively, the war against communism became the war against drugs and then against terror, seeing armed groups change from communists, to narcotraffickers, to terrorists.

4.2.3.1.1 War on communism

The first period discussed is that of the war on communism. Throughout Latin America, the Cuban revolution exacerbated anti-Americanism and solidarity with the third world against imperialism (third-worldism), leading to increased superpower competition within the region and magnifying left-right militancy (Brands, 2010:3). Whilst the US claimed to be fighting to defend democracy in this period, as Grandin (2003:9) notes, at its outset, many democrats believed that the US was using the Cold War as a pretext to roll back democracy and excuse intervention. Indeed, at the same time as the US was exporting the ideal of democratic modernisation, it was invigorating Latin American militaries with centralised intelligence agencies to counter insurgent threats, militaries which began to topple governments across Latin America. The US used a mixture of discreet and open support for
governments or insurgents depending upon the country in question (Grandin, 2003:10).

During the Cold War, if not consistently, the US supported the Colombian state, whilst the Soviet Union sent aid to FARC and Cuba had links with the M-19 and the ELN (Chernick, 2005:190). Moreover, the US backed Western elites by opposing land reform plans and providing counterinsurgency aid and advice (Gray, 2008).

US military intervention in Colombia extends back to the 1950s, when it promoted a US inspired anti-communist, security doctrine amongst the Colombian military47, advocating and supporting the repression of emerging left-wing groups (Chernick, 2005:190), the creation of counterinsurgency groups in the 1962 Plan Lazo, and a policing of civil society actors that could offer a front for insurgent activities (Stokes, 2006:373). US training of the Colombian military also encouraged the latter to be suspicious of civil society, despite its traditional allegiances to the elitist political parties, neither of which was left-wing (Stokes, 2006:273; Leal Buitrago, 1995). Thus, the US played a role in fostering a suspicion of civil society within Colombia, which transformed by the conflict, established civil society as a viable target from all sides. Indeed, years later, under former President Uribe, such suspicion permeated government policy, displaying itself in a stigmatisation of civil society as is discussed below (Semana, 2003).

4.2.3.1.2 War on drugs

The second period discussed is that of the War on Drugs. The deceleration of the Cold War in the late 1980s, shifted the US' focus from anti-communism to a narcotisation of its bilateral relations with Colombia, whereby it used coercive diplomatic and economic pressure and supplied strategic military assistance to curb drug flows to the US, the primary market for Colombian drugs (Crandall, 2002:2; Youngers et al., 2004:3). The 1970s and 1980s had seen transborder terrorist and criminal networks expand into a war system with a consolidating socioeconomic base from the trafficking of contraband

47 The military fought internal Communist resisters from the 1940s.
goods, the drugs trade, arms trade, armed robberies, kidnapping and other economic activities (Richani, 1997:38; Mason, 2004).

The US G.H.W. Bush administration launched the Andean Initiative, a USD 200 million operation to counter the drugs trade, with limited success. The US Clinton administration, fearing possible Colombian government defeat by guerrilla forces and the expanding drug trade, with Colombia producing 90% of cocaine globally, created a USD 1.3 billion aid package called Plan Colombia in 2000 to increase military support to strengthen counter-narcotics and counter-insurgency efforts (Walker, 2002:15). The US G.W. Bush administration provided the Colombian military with an average of USD 600 million each year in aid from 2003-2005 (Stokes, 2006:369, 378).

Drug-traffickers, moreover, widened the scope of the conflict, by funding paramilitary self-defence groups, whose private armies protect them from possible extortion (Peceny & Durnan, 2006:99; Martín Ortega, 2008; Bouvier, 2009:4). Thus, the US has found itself increasingly entangled in a drugs war amidst the Colombian conflict without an exit strategy (Gray, 2008:70; Crandall, 2002:2-8; Feickert, 2005).

It is, however, over-reductionist to conflate armed groups with drug-trafficking and with Colombian violence and crime (Peceny & Durnan, 2006:111; Martín Ortega, 2008:2). Firstly, whereas the FARC is predominantly an insurgent organisation that uses criminal activity to promote its political agenda, the raison d'être of paramilitary groups such as the AUC, prior to its demobilisation, is harder to determine given their mixed composition of paramilitary and criminal organisations (Peceny & Durnan, 2006:111; Martín Ortega, 2008:2). Secondly, even if the government succeeded in demobilising the FARC, which lost several key leaders in the late 2000s and

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48 Moreover, in the 1980s, the struggle for power led the Medellín traffickers to attack the government with waves of assassinations and bombings. The government only defeated them with help from the US and the traffickers’ Cali rivals. The subsequent dismantling of the Cali group produced many smaller, more mobile trafficking organisations (Reina, 2001).

49 Regionally, in the 1980s, US crop eradication in Peru and Bolivia increased coca cultivation in Colombia as armed groups followed drug traffickers to new cultivation areas, displacing small farmers and intensifying conflict in target areas (Holmes et al., 2006). Moreover, US military campaigns in El Salvador, Nicaragua, and Panama brought millions of weapons to the Colombian borders, fuelling the Colombian illegal arms trade (Rabasa & Chalk, 2001).
is currently involved in peace talks, or new paramilitary groups, organised violence would not immediately end in Colombia (Gray, 2008:83). Thirdly, such reductionism misses the role of other violence fuelling legal economic sectors, such as emeralds (Gutiérrez & Barón, 2008; Rettberg et al., 2010), gold (Richani, 2005), palm oil (Roa Avendaño, 2007), flowers (Rettberg et al., 2010), coffee (Palacios, 1980; Rettberg & Nasi, 2005; Rettberg et al., 2010), bananas (Chomsky, 2007; Rettberg & Nasi, 2005), land (Bagley, 1979; Pécaut 1987; Medina, 1992), coal (Chomsky et al., 2007) and oil (Richani, 2002; Dunning & Wirpsa, 2004; Pearce, 2004).

However, the FARC’s move from a centralised decision-making structure to one with multiple nodes has encouraged growing numbers of FARC commanders to focus on narco-profits rather than ideological goals (Eccarius-Kelly, 2012:235) (see chapter 3 for a discussion of war economies). However, whilst Le Billon (2003) shows that revenue maximisation can motivate armed group members, the capture of state functions, interest in welfare provision, social issues and politics to further its struggle show that the greedy rebel thesis (Collier & Hoeffler, 2000; Collier, 2000) is not wholly descriptive of the FARC agenda (Chernick, 2005). Instead, as shown above, FARC motivations appear mixed (Gray, 2008:67; Peceny & Durnan, 2006:96). Whilst finance and politics are not mutually exclusive and every movement needs money, individual greed cannot fully explain the FARC’s organisational patterns (Cramer, 2006:9) nor can it explain its emergence.

Motivations aside, this militarisation of the drugs problematic has further compounded a war system (Rabasa & Chalk, 2001:xvii; Hartlyn, 1993:5). The US’ analysis of, and impact upon, Colombian conflict dynamics have received much criticism for being derived from a failing prohibition and criminalisation strategy. The Latin American Commission on Drugs and Democracy (2009:5) reports that prohibitionist policies focused upon eradicating drug production, disrupting drug flows and criminalising consumption have failed and that a new paradigm is needed to tackle drug trafficking and associated crime. Bejarano and Pizarro Leongómez (2002:23) accuse the US anti-drug stance of limiting the Colombian
government's autonomy and policy options, diverting state attention from social problems that fuel illegal economies to militarised solutions. Corva (2009:168) argues that the resultant militarisation of the police function feeds the illicit economy; high risk equals high profit and the increased use of violence to produce and maintain such profit. These findings support arguments that, by bringing the US military and policies into this system, the US involvement in Colombian affairs has both internationalised and compounded the war system (Martín Ortega, 2008:5; Scott, 2011).

Moreover, there has been criticism of US intervention, which has sought to further US control and/or profit in the context of the war on drugs. Several authors contend that the US is complicit in, or has profited from, the drugs trade (Scott & Marshall, 1998; Scott, 2003; Villar, 2007:97; Chomsky, 2000:4; 2009). Scott (2011) argues that the US aligned itself with paramilitary drug traffickers, which have been allies of the Colombian army and those it helped train to fight the left. He claims that such cooperation has come from: i) the traffickers' ability to supply resources; ii) their offer of counter-insurgency assistance against left-wing guerrillas; and iii) the US' desire to prevent the drug trade from being controlled by a hostile power. Villar (2007:97) takes a radically critical approach, arguing that the US not only benefits from the cocaine trade, but that it exercises a narcocolonialism or re-colonisation so that the cocaine trade and the cocaine economy are vital aspects of US imperialism in the Colombian economic system. In addition, Chomsky (2009) suggests that the controversial strategic mass aerial herbicidal spraying of coca and poppy fields is a form of chemical warfare, not only impacting left-wing insurgents, but facilitating peasant farmers’ displacement from fumigated land for mining companies or ranch owners. He claims that a complicity exists between the US and drug traffickers, or US involvement in terrocratic acts such as clearing land for the elite, which not only impacts the environment in which MNOCs operate, but also raises questions about their possible complicity.

However, I argue that it is not a logical progression that the US specifically used the wars as a pretext for narcocolonialism or the clearing of land for business or elite interests, although this rationale may have affected certain
decision-making. Arguably, in such a laminated reality, this proposed overarching framework appears theoretically restrictive and may have retroductively imposed inexistent causal links. On examination of US collective actions in Colombia, the individual actions that compose such a reality suggest that the wars have been somewhat driven by topics on the US national political agenda and a self-perpetuating military industrial narcotics complex. Indeed, Manwaring (2002:11) describes Plan Colombia as "the basis of a coherent political project, but not much else", noting that disagreement vis-à-vis conflict management has produced unsystematic responses, thereby questioning the ability of the complex to clearly define the objectives that best serve its agenda to conduct a war on drugs.

I would argue that given Colombia’s complex layers of structural and physical violence, in which drug cartels have infiltrated even the highest levels of government, some degree of intentional or unintentional complicity with drug traffickers is difficult to avoid. However, US agents’ intentionality appears to be split. On the one hand, the ethical norms that govern US decision-making on Colombia have been criticised as a result of reports of US military collusion with paramilitaries and military aid primarily benefitting this armed group (Dube & Naidu, 2011). On the other hand, according to Crandall (2002:4), the US government has avoided individuals with suspected links to drug-trafficking to work with trusted counter-narcotics allies. Plan Colombia’s aid has also been contingent upon the Colombian government’s ability to meet certain human rights targets and to ensure the suspension of military officers accused of human rights violations or of working with paramilitary groups (Avilés, 2009:67). Negotiations on the US-Colombia Trade Promotion Agreement (CTPA), eliminating trade barriers between the two countries, was used by the US government to lobby the Colombian government on the issue of labour rights (EOP, 2011).

Whatever US motives may be, as MNOCs are often located in areas of weak state presence, their military protection of oil facilities is mutually beneficial to

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50 Crandall (2002:7) uses this term, based upon Eisenhower’s military industrial complex, to describe a situation where there is a self-perpetuation of expenditure on military hardware and budgets of US agencies involved in the war.

51 This is also known as the US-Colombia Free Trade Agreement (CFTA).
the Colombian government, MNOCs and the US government. Moreover, Colombia has internalised much of the anti-drug posture and has willingly complied with US policies in order to receive tangible benefits (Mason, 2004). Colombian security forces received US funding, military and intelligence training and modern equipment to combat drug-trafficking (Rabasa & Chalk, 2001). This aid has effectively weakened the FARC over recent years (Avilés, 2009:67).

4.2.3.1.3 War on terror

The discursive focus of the war on drugs shifted to a third war paradigm, that of the war on terror following 9/11. If Colombia’s Bolivarian neighbours have been coy about their FARC ties, the FARC’s kidnapping of three US contractors (rescued in Operation Jacque alongside Ingrid Betancourt) in 2003 firmly altered the US stance of reluctantly using Plan Colombia funds against the FARC, to place the latter’s demise as a key policy objective in the framework of the War on Terror (Spencer, 2011:87). The change of discourse from the Cold War to the War on Drugs to the War on Terror did not entail a complete shift of objectives, thus illustrating Chomsky’s continuity thesis. In reality, despite the superimposition of new discursive frameworks, counter-insurgency has remained a key objective, although it may encompass new, related objectives. Thus, policies and practices from the previous paradigm have been transferred into the next (Stokes, 2006:370; Feickert, 2005:1).

The US commitment to the War on Drugs and the War on Terror provided a framework to justify and structure continued US regional military operations, bases and interventions in Colombian internal affairs in its backyard post-Cold War (Corva, 2009:169; Crandall, 2002:7). The disparity in economic, political and military power between the US and Colombia has enabled the continuation of a dominant-subordinate, asymmetric relationship, whereby the US maintains political and economic advantage by backing Colombian counter-insurgency efforts and supporting the pro-US elitist democracy. For example, the pressure on Colombia to grant immunity to American citizens and military from prosecution for human rights violations under the
International Criminal Court serves neither Colombian justice nor democracy (Mason, 2004; Chomsky, 2009).

As Scott (2011) states, oil is a component in the main countries where the US has launched major military campaigns. Indeed, as a strategic US interest, energy policy transverses most other US policy areas. Whereas under the Clinton administration, Plan Colombia specifically targeted FARC regions, under Bush (2001-2009) it emphasised the military defence of Colombia’s oil industry (Gray, 2008). Military deployment to protect MNOCs’ assets has been a political response to changing policy and needs, but also results from MNOC lobbying and domestic concerns over energy security rather than being a plan determined a priori. Only as of 2002, when violence and oil worker kidnapping peaked (Fondelibertad, 2009), was an additional USD 98 million authorised to protect the Caño Limón oil pipeline and US forces were stationed in the oil producing areas of Arauca and Caquetá (Gray, 2008). The heightened US military presence has offered oil facilities and pipelines better protection, transferring some MNOC security costs to the US taxpayer (Richani, 2005:131-138).

4.2.3.2 The FARC’s external support

Given its Cold War, Marxist roots, the FARC has been involved in external relations/geopolitical struggle from its outset. The Cold War fused long-standing social, political and economic tensions with the persistent friction between US hegemony and Latin American nationalism, along with the ideological implications of decolonisation, the rise of the Third World and the bipolar struggle for pre-eminence in developing countries. Thus, as Brands (2010:7) notes, in Latin America “the Cold War drew together local, regional and global conflicts, and the result was to lend the struggles that occurred during that period their intense and seemingly intractable nature”. Consistent with the ideological dichotomy of the Cold War, self-identified emergent Marxist armed groups were supported by communist countries such as Cuba, but opposed by the Colombian state, as well as the US, which saw the

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struggle as part of its hegemonic, anti-communist security agenda in Latin America (Spencer, 2011).

The FARC successfully adapted its war strategies to a transborder reality, enjoying international relationships with foreign governments, political parties and terrorist organisations. It has also used cross-border sanctuaries and established internationally-oriented advocacy networks (Eccarius-Kelly, 2012:235). The FARC’s terrorist relations include: the IRA, Basque-separatist ETA, the Peruvian MRTA, the Paraguayan EPP and Venezuelan guerrilla groups (both historical and created under President Chávez) (Spencer, 2011:91). By adopting a policy of solidarity with Bolivarian socialism, the FARC has identified itself with, for example, Venezuelan, Bolivian and Ecuadorian governments. Evidence from the FARC Secretariat member Raúl Reyes computers, obtained in 2008, alongside information presented by Colombia to the OAS in 2010, show financial and political relations between the FARC and Ecuador’s President Correa and former Venezuelan President Chávez amongst others (Spencer, 2011:79-89). These relations have caused tensions between the Colombian government and its neighbours (Uribe Vélez, 2012).

4.3. Challenges to governance post-2002

This section discusses some of the governance challenges that Colombia faced from the period starting in 2002 with President Uribe’s first election. I will discuss in turn: i) the discourses around the security situation and its impact on governance; ii) the state abandonment of people and land; iii) the friend/enemy dichotomies; and iv) the democratic nature of Colombia’s government.

4.3.1 Uribe’s election, the security situation and its impact on governance

This section discusses the post-2002 security situation in Colombia and the measures taken by the state to combat the violence. As will be shown in section 4.4, these measures have influenced the parameters of MNOCs’ responsibilities and their practice of CSR.
President Uribe won the 2002 elections on a pro-neoliberal, anti-corruption platform and his administration proposed a *Democratic Manifesto* that was paradoxically criticised as a blueprint for authoritarian presidency. This authoritarianism was predominantly framed by a discourse that emphasises a conceptual trade-off between security and liberty. As Gutiérrez Sanín (2010) notes, the discourse took place in other countries as the US war on terror began. Nevertheless, in Colombia, it was superimposed upon existing conflict dynamics and was not based upon the Islamic threat that characterised this paradigm in the rest of the world.53

President Uribe’s aggressive approach to the FARC and ELN was popular following the failure of Pastrana’s diplomatic model of peace-building through land concessions to the FARC (Botero, 2007; Breuer, 2008:79). The disastrous result, *Farclandia*, provided additional legitimacy for the manifesto’s security policies. The objectives of democratic security included: i) the "*consolidation of state control throughout Colombia,*" defining terrorism, drug and weapons trafficking, money laundering, kidnapping, extortion and murder as the major threats to peace; ii) the military defeat of the FARC; and iii) state-paramilitary negotiations (Ministerio de Defensa, 2003:32,24-31; Vásquez, 2010:1). Police and military presence in lawless areas characterised by state absence became key priorities (Shifter & Jawahar, 2004). These policies successfully reduced conflict intensity, murder and political assassination rates and international humanitarian law violations (Vásquez, 2010:1). Nevertheless, *democratic* security threatened other civil liberties in the fields of human rights, justice and peace (Bejarano & Pizarro Leongómez, 2002:35).

The Colombian social fabric was seriously weakened by the Uribe government’s combined use of democratic (power1) and authoritarian tools

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53 Certain trends linked to the war on terror globally have negatively affected Colombian democracy. The 2003 constitutional reform enabled the military to detain people for 36 hours, to search houses and intercept communications without warrants or judicial orders, to create a registry of personal data for military surveillance of the population, granting judicial police-powers to the military, so that they could investigate suspects at violent crime scenes, even if the military might have been implicated (Hanson & Romero, 2005:2). In Uribe’s first year as president (2002-2003) alone, there were 4,362 arbitrary detentions, nearly double that of the previous six years combined (Hanson & Romero, 2005:3).
The literature shows that President Uribe, in particular, increased the state’s use of power2, given the war conditions against those who disagreed, or were perceived to disagree, with the government, e.g. left-wing NGOs.

Democratic elections and greater party competition have developed since these were enshrined in the 1991 Constitution. However, given the violence, the state's failure to consistently provide certain civil liberties limited the space available within the legal realm of participation, so that certain agents have shaped their collective identities, or have had them shaped by state presence or abandonment (Ramirez, 2003). Despite regular elections, assassinations of leaders, candidates, and elected politicians have distorted the election process, discouraging alternative parties and threatening participatory democracy (Manwaring, 2002; Gray, 2008). As shown above, violence robbed the left of political space throughout the 1980s and 1990s as the Unión Patriótica (Patriotic Union) formed of thousands of FARC members who had renounced violence, was systematically decimated by paramilitary groups and victimised by armed guerrillas. Thus, Colombia witnessed the accumulation of instruments of force such as men, territory, and arms to the detriment of public space (Bejarano & Pizarro Leongómez, 2002:5).

The impact of state weakness and violence upon democratic process is also visible in the judicial branch. Whereas, across Latin America, the judicial branch is not always truly independent of the executive branch, in Colombia, the National Front pacts helped to assure a greater judicial independence instigating a system for naming judges and magistrates without political interference. However, despite the 1991 Constitution’s judicial reforms and greater justice expenditure, the judicial apparatus and the state’s normative capacity are weak (Bejarano & Pizarro Leongómez, 2002:35). Since the 1980s, the judiciary has suffered from rising criminality, violence and drug trafficking, corruption, intimidation and death threats against judges

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54 Power1 refers to the general causal powers of human agency, whose characteristics include the possibility of human emancipation, (e.g. a capacity to investigate, communicate, plan, construct moral and ethical systems, feel and care for others, and reach agreement based on judgmentally rational argument). Power2 refers to negative characteristics such as domination, subjugation, exploitation and control that can be identified in given social structures (Hartwig, 2007:372).
Over 300 judges were murdered between 1995 and 2010. The majority of these crimes were neither adequately investigated nor criminally punished, creating an atmosphere of impunity (IACHR, 2010:410).

Democracy has also been undermined by some politicians’ alliances with paramilitaries, who are key instigators of violence (Pearce, 2007). For example, the Uribe administration (2002-2010) recruited civilians to ambush guerrilla patrols in Arauca. Despite the official 2003-2006 AUC demobilisation process under President Uribe, whereby the government demobilised over 30,000 paramilitary members (ICG, 2009:i; Martín Ortega, 2008:2-3), according to Haugaard (2008), in 2008, emerging new illegal armed groups (NIAGs), such as the *Aguilas Negras* (Black Eagles), continued to threaten civilians, sometimes with Colombian army support. Whilst state-sponsored militias were declared unconstitutional in 1989 as their atrocities were exposed, some paramilitary groups that had functioned like militias continued to conduct joint operations with government forces and specific military brigades. Implicated military personnel have not always lost their positions (Welna, 2007:4). Whilst the Ministry of Defence has tried to quash the paramilitary ethos amongst the armed forces, this work is incomplete (Arias et al., 2010:6). Moreover, the Colombian government’s abdication of certain basic security functions to right-wing armies complicated the task of assigning responsibility for their actions or ascertaining whether the militias’ subsequent actions were officially approved (Bejarano & Pizarro Leongómez, 2002:23).

Accusations have accumulated with the Colombian attorney-general’s office running investigations against state officials, judicial officials, pro-UrIBE ex-governors, ex-mayors and ex-congressmen. In 2006, for example, the Liberal Party leader, Alberto Santofimio Botero, was identified as having planned the 1989 assassination of liberal reformer Luis Carlos Galán by Pablo Escobar (Ambrus, 2007). Moreover, Jorge Noguera, a Colombian intelligence chief and campaign manager to former President Uribe, has been connected to corruption and the paramilitaries. Given such revelations about important state actors, state impingements on peoples’ civil liberties in
the name of security appear all the more dangerous as the extent of armed infiltration in the government institutions’ is unclear (Pearce, 2008; Semana, 2008:30-32). As Pearce (2008) argues:

"The idea that Uribe himself knew nothing of what was going on defies belief; but it is a suspension of belief amongst the population- and, scandalously, amongst international allies and some commentators- which has enabled Uribe to convince the country that the threat to peace and democracy comes uniquely from the Farc."

Whilst some may view politicians’ links with paramilitaries as a potentially positive negotiating tool, paramilitary penetration of the political regime has signalled both state incapacity to deal with the armed actors and a degradation of democracy (Botero, 2007:97). These concerns are compounded by reports that, since the United Self-Defence Groups of Colombia’s (AUC) 2005 partial demobilisation, paramilitary and criminal networks have regrouped and expanded (Haugaard, 2008) (see above).

4.3.2 State abandonment of people and land

In this subsection, I will show that the state has placed economic interests above those of its citizens, at times abandoning land to businesses, regardless of the desires of existing communities. Indeed, the hollowness of Colombian democracy is visible in the government’s failure to consider and protect certain communities’ interests vis-à-vis oil operations. By ceding settled agricultural lands that have sustained Colombian families to MNOCs, the state has sometimes neglected the interests of those dependent upon the subsistence economy vis-à-vis the interests of the rentier economy. These lands have become strategic points of conflict between the state, armed actors and companies (Sanchez, 2001:5; Richani, 2005:117).

In addition, state relations with indigenous communities have been particularly tense as the state, MNOCs and indigenous groups sometimes disagree on whether land should be exploited. Whereas the latter consider the earth and its subsoil to be a sacred part of Mother Earth, the state sees the potential oil wealth. Indigenous communities living on land surrounding
oil exploitation sites have also been particularly vulnerable to violence, resulting from the territorial struggles by armed groups that have emerged in oil areas, damaging the community identity of certain groups that had long protected their surrounding ecological environments (Sanchez, 2001:6; González Posso, 2011).

Since 1998, decree 1320 has entrusted the state with the responsibility to guarantee that indigenous groups are consulted prior to any oil development in and around their communities (González Posso, 2011:46-48). Whilst their situation has thereby improved, nevertheless, their rights, alongside those of Afrocolombians, have been frequently violated and despite the constitutional framework, the implementation of such legislation is limited (CERD, 2006:157-159; IACHR, 2010:341; Aponte Miranda, 2011). According to Inter Pares (2009:55), the government failed to recognise (and thus consult) traditional indigenous communities in certain reports and moved official project boundaries so that indigenous communities wonder whether boundaries were moved to exclude them.

In 2010, the ANH round offered oil companies another 470,000,000,000 m², including protected areas and submarine platforms (González Posso, 2011:52). Whilst, MNOCs' treatment of local communities and wildlife in these areas remains to be seen, they were offered land prior to local consultation. Indeed, Inter Pares (2009) asserts that information sessions are sometimes held with indigenous communities (instead of consultations) after drilling activities have started; thus communities “feel pressured to accept extraction projects”. As such, the government may not have resolved the concerns of those groups living on land that MNOCs have already been offered (Sánchez Botero, 2006:200).

I consider that there is a logic whereby neoliberalism may appeal to a weak state that cannot adequately provide employment opportunities or social

55 In 1995, the U'wa community gained international attention as they threatened collective suicide should Colombian Occidental and the state not stop the drilling activities on its lands (Association of U’wa Traditional Authorities, 2003). Whilst Occidental decided to stop drilling, this was due to profitability, not the U'wa's domestic and international legal appeals based on claims of not having been consulted (Aponte Miranda, 2011:671; see Sánchez Botero, 2006:193-198).
welfare for the population and is, thus, ready to welcome corporate intervention. However, the prioritisation of the economic over the social and environmental is a worrying welfare strategy, which undermines the state’s authority and, a fortiori, democracy.

4.3.3 Friend/enemy dichotomies

Another challenge to the state and its weak democracy is the unclear friend-enemy boundary. The Uribe administration reluctantly tolerated the democratic and non-violent expression of alternative political views, applying a false dichotomy whereby agents that questioned the state and its national security agenda were by default anti-state leftists and subversives (Leech, 2008; Zibechi, 2005). Indeed, President Uribe identified human rights groups as subversives or guerrilla spokespeople and members of the Alternative Democratic Pole (Polo Democrático Alternativo), an anti-neoliberal party founded in 2005, as disguised communists (Leech, 2007). Given Uribe’s fear of dissent, the Departamento Administrativo de Seguridad (DAS) wire-tapped high court judges, NGOs, press organisations and opposition politicians; thus, Colombian citizens’ security was reduced to state-strengthening and victory vis-à-vis the insurgents (Hervieu & Léon Posada, 2010:3-4).

Contemporaneously, civil society has also been targeted by paramilitaries who have violently weakened civilian groups perceived as left-wing, anti-capitalist or anti-globalisation and by guerrilla organisations that do not necessarily view them as allies (Ambrus, 2007; Leech, 2008). Moreover, Colombian security forces have been implicated in extrajudicial civilian executions during anti-insurgent military operations (IACHR, 2010:345). Indeed, despite nationwide protests against Pastrana’s neoliberal economic agenda in 1999 and opposition to Uribe’s 2003 privatisation measures, Colombian neoliberalism has been pushed ahead with a military repression of anti-capitalist activists from civil society, indigenous communities, leftist political parties and trade unions (Avilés, 2009:62; Bouvier, 2009:4). Thus, Colombian labour leaders, journalists, human rights’ defenders, judicial authorities, afrocolombians, indigenous leaders, church leaders, students and elected officials have been amongst the most threatened in the world.
Consequently, Colombia has proven to be one of the most difficult Latin American settings to campaign for social justice and to challenge the neoliberal status quo. As Gustavo Petro, leader of the Polo Democrático Alternativo, argued in 2007, neoliberalism could not be substantially challenged “because here in Colombia the popular movement that represents the root of those peaceful proposals on the left is itself being destroyed through assassinations” (Petro in Avilés, 2009:65).

As outlined in chapters 2 and 3, civil society can act as watchdogs, monitoring MNOCs behaviour and participating in the creation of new CSR language/events that can lead to paradigmatic shifts. In my opinion, Colombian civil society, which has emerged in parallel to counter the negative effects of neoliberalism or to promote its democratic face, can play an important role in the design and implementation of CSR programme; indeed its debilitation has damaged democracy.

The friend/enemy dichotomy is, moreover, inadequate to describe the role of non-combattants in Colombia. Whilst the complex situation in Colombia has been called a war or civil war, as citizens took up arms against the state, neither categorisation truly fits as most civilians do not identify themselves with an armed group and are themselves victims (Pécault, 2000:310). Nevertheless, civilians can also be coerced into violence and are identified by the armed groups as friends or enemies. Such forced labelling has complicated agents’ abilities to remain completely neutral and has pushed some to choose uncharacteristic courses of action (Lair, 2001:115).

Kalyvas (2006:180) contends that the interpersonal and intergroup conflicts in oil areas have also empowered normally innocuous agents to advance personal motives through malicious opportunism as, for example, armed groups remunerate informants that denounce prosperous neighbours. Colombian massacre survivors describe executioners being prompted by local hooded residents, so that, some civilians are fostering and benefitting from violence (Gray, 2008). Moreover, Restrepo (2003:169-70) observes that the judicial system and state administration fail to provide justice. Given that intimidation often leads to the non-reporting of crimes, witnesses failing
to come forward, corrupt criminal adjudication or impunity for serious offenders, some citizens effectively purchase private justice. As Gray (2008:83) notes, "understanding of violence in Colombia would deepen if the findings on the evolution of conflicts and the malicious role of non-combatants were more widely recognized".

4.3.4 Is Colombia a democracy?

This chapter has thus far established many of the challenges faced by successive Colombian presidents and has thereby shown how Colombian democracy has evolved. This subsection deepens the analysis by focusing upon the type of governance in place in Colombia and discusses whether Colombia is a democracy.

Most scholars argue that Colombia is a democracy, with adjectives. It has stable and independent institutions (Guáqueta, 2006:274). Colombia’s 1991 Constitution established a precedent for Colombian participatory democracy and reaffirmed the separation of powers between the legislative, executive and judicial branches (Constitución Política de Colombia 1991, 1991). Over the last 50 years, the Colombian regime has been characterised as *elitest rule*, *near polyarchy*, *inclusionist authoritarian* (Bagely, 1984:129), ineffective-oligarchic polyarchy (Centellas, 2000:26) and terrorocracy (Stokes, 2006). The first four terms reveal the Colombian elite’s well-documented supremacy and the lack of space for alternative political viewpoints. The latter term, used in 2006, indicates the authoritarian behavioural patterns that remained under President Uribe (2002-2010). Colombian democracy has been classified as: *controlled, oligarchical, traditional bipartisan elite, reforming, anocratic*, (Manwaring, 2002:13) *besieged* (Bejarano & Pizarro Leóngómez, 2002) or *limited democratic consociational regime* (Hartlyn, 1993:3). The most commonly used classifications are *semi-democracy* and *besieged democracy*, which, as with the terms above, highlight Colombia’s democratic imperfections, its powerful armed actors, weak state capacity and weak rule of law (Bejarano & Pizarro Leóngómez, 2002). For example, *besieged democracy* emphasises the deterioration of the liberal dimension of modern democracy, constitutional order and the provision of basic civil rights and
liberties also making Colombia an *illiberal democracy*. The main shift between *terrorocracy* and *illiberal democracy* is that the former sees authoritarianism behind a democratic façade, whilst the latter views a democratic core with authoritarian tendencies (Smith & Ziegler, 2008:51). Looking at the literature, the core itself appears to be nuanced and transitory.

Indeed, Colombia is a hybrid system, combining both democratic and authoritarian behaviour with transformative capacity (power1) and activities of subjugation (power2); The contemporaneous co-existence of authoritarian and democratic elements has meant that attempts to improve core democratic elements, such as electoral reforms, have sometimes negatively affected governability (Bejarano & Pizarro Leongómez, 2002:6; Shifter, 1997:114). The failure to internalise democratic over authoritarian attitudes is not unique to Colombia, characterising Chile, Brazil, Mexico and Venezuela (Stevens et al., 2006:606; Carothers, 2002:18). More unique to Colombia is its predominantly right-wing, neoliberal, free-market trajectory vis-à-vis the anti-neoliberal, left-turn of neighbours such as Ecuador and Venezuela (Gutiérrez Sanín, 2010:209). Nevertheless, in Latin America, caudillo-style populism appears more compatible than democracy with neoliberalism. Indeed, neoliberal populism remains a viable leadership strategy in Colombia, given the potential for a leader to benefit from the violence by protecting the Colombian people from menacing enemies (Weyland, 2003). As Weyland (2003) asserts: “(…) populist leaders like boosting their mass support by combating some ‘enemy of the people’”. This is somewhat reflected in Santos’ decreasing approval ratings for his perceived weakness or naivety in continuing peace talks with the FARC, unlike his democratic-caudillo predecessor, Uribe’s tough approach to this group. Notably, Uribe has become Santos’ greatest critic (Minto, 2013; Uribe Vélez, 2012), backing another candidate for the 2014 elections (The Economist, 2014).

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56 See McCoy & Myers (2006:133) for a discussion of hybrid systems and regimes.
57 Bhaskar (1993) uses this distinction of power1 and power2 as a way to view complex power relations (see footnote 54 on page 145).
Whilst the Santos administration began as the previous government had left-off (Llanos, 2010), economically neoliberal with a firm commitment to the US wars on drugs and terror, its approach has since become more pragmatic (Balke, 2012). Externally, President Santos is rebuilding diplomatic relationships with Ecuador and Venezuela. Internally, the FARC peace-talks are a break from the previous administration, as is the focus upon social investment programmes to mitigate the effects of the violence in Colombia in rural areas. The new administration faces several unresolved challenges from the last administration, including crises in the private healthcare system and in higher education institutions (Balke, 2012). Moreover, as is shown below, the Uribe administration may have brought greater national security, but at a cost to social justice. Indeed, despite its popularity, during the Uribe administration, Colombians increasingly filed actions for the protection of their fundamental rights to receive treatment, and an average of two social protests occurred each day; that was the highest rate in 50 years (Vásquez, 2010:11-12).

4.4 MNOC agency amidst violence and as a quasi-protostate actor

This section discusses the role MNOCs have played in Colombia from two angles: i) firstly, amidst the violence, where MNOCs’ agency has been both that of a victim and a perpetrator; and ii) secondly, as a quasi-protostate actor providing security, livelihood, education, healthcare and/or infrastructure to oil communities for which the state has failed to provide. In this context, it provides an overview of the historical development of MNOCs’ agency as well as the contemporary effects of neoliberalism upon MNOCs’ CSR. This section also discusses the historic shift of business involvement in peace-building efforts.

I argue that it is important to consider the neoliberal context in order to understand MNOCs’ contemporary agency. MNOCs in Colombia have typically operated in areas characterised by a mixture of protostate/armed actors, violence, civilian distrust, significant poverty and inequality and shadow economies. Indeed, MNOCs enter oil areas that are often far from urban centres to find communities with significant needs. Given that these
areas were invaded by guerrillas and paramilitaries and have also experienced high levels of corruption, they have also often been characterised by state abandonment (Orellana Herrera, 2010:39).

The neoliberal economic agenda has penetrated the Colombian socio-political fabric, whether for ideological reasons or as a result of an inculcation of the hegemonic logic disseminated by the US, the IFIs and the UN. It advocates a framework whereby a strong, open economy fosters greater democracy and development. This logic places business needs first, subordinating democracy and politics to market needs and, moreover, peace-building to both neoliberalism and electoral democracy (Richmond, 2010:292; Taylor, 2010:156-161). Unfortunately, as shown below, such logic has proven insufficient to transform the imbalances of social justice and equality prevailing in Colombia. Instead, I argue that it perpetuates the status quo of a shallow democracy legitimised by abstract rationalities.

Above, I have discussed how elitist egocentric atomicity and abstract universalities have prevailed in Colombia and I argue that neoliberalism is a continuation of these interests and furthers asymmetric dependencies. Focused on profit-making (as discussed in chapter two) companies are not primarily focused on improving peoples’ lives. Whilst MNOCs’ CSR spending is minimal, their welfare provision is not principally insufficient on financial grounds; it is insufficient as it is part of a neoliberal promise of business-led welfare, peace and prosperity. Despite some MNOCs executing important CSR projects that have benefitted local community members, such projects are mainly assistentialistic and ill-equipped to transform social breakdown and fear in oil areas that can prevent the cultural change necessary to change entrenched negative social/behavioural patterns (Orellana Herrera, 2010:48-9).

4.4.1 MNOCs as agents and victims of violence

MNOCs have long been sitting targets in oil areas in which the state’s absence has enabled armed groups to surround them (Martin Ortega, 2008).

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58 Man’s self-centeredness and failure to acknowledge that s/he is related to other beings.
59 The justification of an action to suit one’s own goals.
On arrival in Colombia, oil workers met with hostility from indigenous groups (Griess, 1946). During WWII, US MNOCs, Tropical Oil and the Andian Corporation pressured Bogotá to offer them military protection from Nazi sabotage, emphasising their joined responsibility to supply fuel for the Allies (Corcoran, 2011:140). During the Cold War, these companies were symbols of imperialism and were increasingly targeted by armed groups looking for funds.

As Rettberg et al. (2010:11) note, whilst not unique to Colombia, compared with other natural resources, "oil stands out in the context of the Colombian armed context because it has been systematically looted, not only by corrupt state officials (as in other oil countries [..]) but by several illegal armed actors". Statistics by Fondelibertad (2009:4) argue that self-supporting financial motives underpin the kidnapping of 15,477 people in Colombia between 1996 and March 2009. Not only are personnel and facilities at risk, but oil has been siphoned off at the distribution level for use by armed groups, such as that stolen from the Transandeán pipeline for use in coca laboratories (Pearce, 2008). Indeed, most companies have suffered basic infrastructure attacks on pipelines, power-cables, roads, bridges, public buildings and services. Extortion occurs throughout the supply chain, also harming the surrounding communities. For example, in an Unreported World (2001) interview, the Mayor of Arauca explained that MNOC-funded building projects often result in the extortion of construction companies and that rebels had even poisoned the town's water supply by attacking oil pipelines to extort money from repair companies.

However, in the context of Colombian violence, MNOCs have also had to make some difficult ethical choices, for example when favouring to pay ransoms for kidnapped workers. This approach was criticised by Pearce (2004:4), who notes that when faced with extortion and the kidnapping of oil workers, many multinationals initially chose "the easier route of appeasement through dollars with few questions asked". Considering illegal armed groups’ territorial control in some areas and their impact on citizens’ everyday lives, MNOCs have had to negotiate with them to gain or maintain access to oil resources (Orellana Herrera, 2010:48-9). Whilst not MNOCs, major
companies such as Chiquita Brands, Coca Cola and Drummond Company Inc. have faced US lawsuits under the Alien Torts Claims Act (ATCA) for knowingly having paid taxes to the FARC, the ELN and the AUC, money which funded violence against local inhabitants (Martín Ortega, 2008; El Tiempo, 2010).

Payments aside, MNOCs have caused direct and indirect violence in Colombia by consolidating regressive structures that emerged from the violence (Elhawary, 2008:96). MNOCs follow the oil, often misunderstanding the socio-political and environmental contexts (Pearce, 2004). Many companies fail to recognise that their practices have fuelled community grievances, inadvertently escalated the predatory dynamics of armed groups and created conflict. Such practices may include: i) suspicion towards unions and the freedom of association; ii) the support of paramilitary forces; iii) lobbying in Congress to influence sectoral policies that are not in the public interest; iv) ideological intolerance; v) ignoring drug trafficking and money laundering; and vi) tacit endorsement of a restrictive class system (Guaqueta, 2006:281). However, according to González Posso (2011:31), certain MNOC representatives have stated that even when they have tried to act as corporate citizens, for example, by asking authorities what happened to royalty payments, they have been threatened and reminded to stay out of political matters.

Nationally, various ranch and plantation owners have funded paramilitary campaigns to suppress social protest or clear land through mass displacement.60 Companies’ complicity in displacements, human rights abuses and killings has been questioned (Martín Ortega, 2008:6). Indeed, the Texas Petroleum Company had a founding role in the Death to Kidnappers (Muerte a Secuestradores (MAS)) paramilitary groups in the 1980s that aimed to eliminate guerrilla subversives (HRW, 1996). The paramilitary replaced the guerrilla in many oil areas after an offensive between 1995-2002 (Pearce, 2004:12; González Posso, 2011:36). By targeting the guerrilla and their sympathisers in the 2000s, the paramilitaries

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60 Acción Social (2010) estimates that 3,470,384 people were internally displaced between 1997 and 2010, peaking in 2002.
were fighting the enemies of both the Uribe government and MNOCs, which Richani (2005:150) notes fostered an affinity between them and the MNOCs, particularly as the paramilitaries are not ideologically opposed to foreign investment.

Different companies have experienced the Colombian conflict differently (Rettberg, 2008:44). MNOCs have adopted various security models to protect their employees and facilities, ranging from paying legal and illegal armed actors to financing or co-financing private security forces, to cooperation with state armed forces or to receiving state security provisions (González Posso, 2011:35). Despite the oil sector’s economic importance, the government has struggled to ensure oil production security. Moreover, most businesses do not inform local authorities of extortion against them as they distrust public security forces or their ability to conduct proper investigations (Guáqueta, 2006:283).

Armed attacks on MNOCs’ infrastructure cost the government around USD 400 million between 1988 and mid-1989 due to pipeline damage (Pearce, 1990:283). In the 1990s, it entrusted pipeline security to the armed forces, funded by a war tax on oil companies. As it was phased out in 2000, oil producers developed independent survival strategies. Pearce (2004:12) suggests that MNOCs rely more on good community relations than on armed defence, which made the US government’s decision to directly intervene to defend the Coveñas oil pipeline with a counter-terror unit a significant shift in approach. Pipeline attacks have, however, decreased. For example, the Colombian government noted only 11 pipeline attacks in 2008, in comparison with the hundreds of attacks that took place in the early 2000s (EIA, 2010).

In areas where armed forces guard oil facilities, their interventions primarily protect private sector interests and there have been restrictions on mobility with vehicle checks and detentions (González Posso, 2011:41; Rettberg et al., 2010). The ANH facilitates companies’ contracts with the army and many MNOCs directly employ ex-soldiers (Inter Pares, 2009). MNOCs’ security agreements with state agencies, in which they pay money or offer logistical support to the army and their hiring of private security forces, can leave them
vulnerable vis-à-vis reports of human rights violations committed by their partners. The matter is complicated by the difficulty in distinguishing the activities of legal security firms from those of illegal armed groups (González Posso, 2011:41; Gray, 2008:72). Thus, companies are increasingly redefining their links with armed groups to minimise the risk of being found complicit in human rights’ abuses. As Canadian MNOC Nexen stated: “We train military personnel in human rights [and] respect for the community in collaboration with the Attorney General, the Public Defender’s Office, the bureaucrats… the budget is used exclusively for the betterment of soldiers and not to buy lethal weapons or equipment that would increase confrontation with the FARC [Revolutionary Armed Force of Colombia]. We have control over the budget to ensure this.” (Nexen in Inter Pares, 2009).

Human rights organisations have used naming and shaming and peoples’ trials to hold MNOCs accountable for their actions (Martín Ortega, 2008:9). The peoples’ extrajudicial trials or oil hearings by the Permanent Peoples’ Tribunals have found several MNOCs (including BP, Occidental and Repsol) guilty of fostering violence alongside the Colombian government (see González Posso, 2011:43-44; Inter Pares, 2009:54; Martín Ortega, 2008:9). MNOCs security arrangements to protect their assets are heavily criticised vis-à-vis their human rights performance, although the boundaries of MNOCs’ responsibilities are unclear (Blanton & Blanton, 2009:474; Martín Ortega, 2008:12).

4.4.2 MNOCs’ development and peace efforts

MNOCs’ CSR in Colombia has ranged from nothing to quasi-protostate engagement. Studies exist focusing upon individual oil company’s social impacts, including BP (Pearce, 2004), Nexen Inc. (Inter Pares, 2009), Shell (Skajærseth et al., 2004), Hocol (Gutierrez & Jones, 2004) and Hocol and Perenco (Orellana Herrera, 2010). This subsection does not repeat these efforts, but presents an overview, based upon existing research, of MNOC’s

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61 For example, the involvement of Occidental personnel and equipment in the Colombian air force’s 1998 bombing of Santo Domingo received much criticism (LA Times, 2002).

62 The Permanent Peoples’ Tribunals examine and judge complaints regarding the violation of human rights and the rights of peoples. They are international opinion tribunals that are not attached to a particular State authority.
changing responsibilities and social priorities, highlighting specific examples and addressing the question of to whom MNOCs are responsible.

The Colombian government welcomed US capital and oil corporations’ participation in its nascent oil industry. In terms of responsibilities, MNOCs’ social contributions were indirect and made to the national government through royalties, taxes, surface rents, and allowing it to use company pipelines for free for several hours each month to transport government owned oil and refined products. MNOCs’ presence boosted FDI, the Colombian demand for refined products and developed cross-country linkages that affected other economic sectors, thereby developing scientific and technological elites (Ripoll & Báez, 2003; Murray, 1995; Stokes, 2006:372).

However, there were also expectations upon MNOCs to engage in non-oil activities and to bring modernisation. For example, in 1914, following aborted negotiations, in a letter from Ribon, an oil consultant, to Lord Murray of British firm Pearson and Sons, it was reported that “we had to show that we were not after an oil contract alone, but that we would take an interest in the development of the company in other directions, if we became established in Colombia” (Philip, 1982:34). It later emerged that the Colombians were most interested in the construction of ports and railways (Philip, 1982:34). Indeed, during the early oil years, social investment was often used to provide infrastructure to open up isolated and jungle-covered country through to roads, air fields, railroads and ports, despite the diversity of terrain and peoples. MNOCs primarily improved living conditions for workers and their families, offering them housing, sanitation, rural hygiene, medical and hospital facilities, education, industrial training, churches, schools and post offices (Griess, 1946:251-3).

The Rockefeller Foundation, established in 1913 by Standard Oil’s John D Rockefeller, is one of the better known oil funded social foundations to have operated in Colombia. Under the mantel of scientific philanthropy designed to promote global wellbeing, it engaged in healthcare projects in Latin America from around the same time as Standard arrived in Colombia. The
projects were ambitious, including ridding Colombia of hookworm and yellow fever. Indeed, the foundation conducted initial yellow fever surveys as early as in 1916 (The Rockefeller Foundation, 1932:31). Whilst the Rockefeller Foundation’s Latin American programmes received no US government funding, their efforts benefitted from Washington’s support (Corcoran, 2011:6).

The shift from classic liberalism, with its suspicion of government intrusion, to the New Deal liberalism with its belief in state responsibility created opportunities for official US engagement in cultural diplomacy (Corcoran, 2011:7). Given the unpopularity of the US in Colombia following the Panama secession, US’ businesses and cultural bodies provided a means for the US to exercise influence indirectly.

Whilst CSR is a modern term, the ‘s’ for social can be considered as somewhat misleading, as business’ social responsibilities have also long been political in nature. Nelson Rockefeller initially became interested in using private economic diplomacy as a means to counter the rising threat of Latin American nationalism that jeopardized US investments in the region, most notably in the oil sector. The threat later changed to encourage business investment in socio-cultural activities to counter Nazism and later communism (Cramer & Prutsch, 2012:30). Indeed, during WWII, the US argued that the Axis powers were bringing a cultural death of the peoples they conquer, in order to facilitate their political assimilation. A few years later, Soviet Communist culture was the target (Corcoran, 2011:234).63

In 1940, President Franklin Roosevelt established the Office of the Coordinator of Inter-American Affairs (OCIAA), to serve as a war agency until its closure in May 1946, appointing Nelson A. Rockefeller as its coordinator, directly responsible to the president. The OIAA’s most pressing concern was the economic crisis in Latin America that resulted from it being cut off from many of its European markets. To alleviate these supply problems, the US

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63 Formal Soviet cultural diplomacy was short-lived in the regional centres around Colombia’s oil fields. La Violencia transformed international communism into a convenient scapegoat. Diplomatic relations with the Soviet Union were severed in 1948 (Corcoran, 2011:243).
government purchased large quantities of raw materials, preventing inroads by Axis powers. Additionally, the OIAA actively developed and implemented new cultural programs to counter Axis influence. It organised committees on art, music, literature, publications, education and cultural interchange educational programmes were formed. The OIAA believed that positive public testimonies about life in the US would soften lingering views of the US as an imperialist power and counter anti-US propaganda perpetuated by Axis powers and their local supporters (Corcovan, 2011:68-69).

The Roosevelt administration hoped that business, philanthropic, and professional organisations would execute the new US programmes in the Southern hemisphere. As a war agency, the OIAA was officially empowered to address immediate matters, but Rockefeller was more ambitious, also engaging in long-range projects to improve the Americas. Under Rockefeller, OIAA leadership was drawn from the business world and offered a wide-range of expertise. The OIAA’s programmes were varied and changed throughout the war, but they predominantly fell within the following organisational divisions: commerce and economics, transportation, information, health and sanitation, food supply/nutrition, and culture (including education).

At least partially in response to the US’ political lead, in the area of education, by the early 1940s, US MNOCs, Tropical Oil and the Colombian Petroleum Company, operated three schools in Colombia, teaching a US curriculum in English. In addition, MNOCs, alongside other companies, funded government established mobile schools, Escuelas Ambulantes. These schools sought to democratise culture, by providing educational, cultural, and health programmes in areas where schools did not exist. The mobile schools also carried projection and sound equipment for use with radio and film. From the start, the national and subsequently local governments borrowed heavily from the OCIAA film catalogue (Corcoran, 2011:8,117). Highlighting the centrality of transnational capital to this venture, Corcovan (2011) cites an example of International Petroleum, a Canadian affiliate of US Standard Oil, not only sponsoring a screening, but also producing a film, and donating it the agency.
By the 1960s, oil companies’ social projects continued to carry a political message, now anti-communist, but they were also framed by the modernisation theory promoted by President Kennedy’s Alliance for Progress (AFP). Launched by US President Kennedy in 1961, the AFP sought to encourage the adoption of anti-poverty policies that would increase the legitimacy of Latin American governments and, thus, prevent Communist revolution. Still, most of the literature concludes today that the AFP was a serious US foreign policy failure, which raised, but could not fulfil, great expectations of material improvement, democracy and stability in Latin America.

Since the first days of his administration, Colombia was seen as one of the most important testing fields for Kennedy’s Latin American policy. President Alberto Lleras Camargo (1958-1962), who was elected as the National Front’s first presidential candidate months before the Cuban revolution, was committed to social reform, strongly anti-communist and pro-US (Fajardo, 2003:5). Until the mid-1970s, Colombia was a major beneficiary of AFP programmes. Despite teething problems, the Alliance seemed to have achieved more popularity in Colombia than almost anywhere else in Latin America. The accession of Lyndon B. Johnson (1963-1969) to power in the US has often been portrayed as a turning point in the development of the AFP. Following Johnson’s election, the US government’s devotion to financially supporting social change in Latin America was replaced by a more pragmatic desire to shore up pro-US governments and prevent political agitation in these nations (Corcovan, 2011).

By the 1980s, MNOCs’ operations were increasingly affected by the violence and external expectations (Guáqueta, 2006:278; Pearce, 2004:4; Inter Pares, 2009:54). Thus, several major MNOCs established charitable foundations to improve Colombian socio-economic development, as communities held them accountable for their partners’ human rights records (Inter Pares, 2009) and foundations were perceived as more trustworthy or controllable than

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64 Occidental and Ecopetrol started El Alcaraván in 1986 (AFP, 2010); Ecopetrol, Total and BP joined other Colombian companies in 1994 to start Amanecer in the Orinoco; Petrocol, Ecopetrol, Total, Esso and Hocol created the Fundación del Alto Magdalena with Petrobras and the regional government of Huila becoming involved in 1996.
other social organisations (Rojas, 2002:27). This reflects the paradigm shift to neoliberalism, whereby social action should be seen to benefit local communities, rather than being seen to respond to the US’ international concerns. As Gutierrez and Jones (2004) show, the Colombian transnational Hocol started a foundation after its production infrastructure suffered guerrilla attacks. The attacks occurred during a strike that was led against it by attendees of a Hocol-funded micro-enterprise programme, subcontracted to be run externally. Until 1992, Hocol had subcontracted CSR to local organisations, providing basic social infrastructure including roads, schools and health centres. Thereafter, it ran all social programmes through its charitable foundation and took on educational projects as did other MNOCs at this time (Gutierrez & Jones, 2004:168).

Armed groups have not only pressurised MNOCs to fund them (fostering violence), but also to engage in social action (fostering peace) since the first ELN attacks on a Mannesmann AG pipeline in 1984 (Chernick, 2005:194). The 1986 ELN campaign entitled “Awake Colombia…they are stealing the oil”, aimed to force MNOCs to pay for local social projects. Occidental, for example, began to pay an annual sum to church social projects. Consequently, oil money not only funded the ELN’s resurrection, its political profile and physical capabilities, but also the spread of its ideological message (Chernick, 2005:184; Richani, 2005:126; Pearce, 1990:283; Pearce, 2004:6). The FARC, which increased oil industry attacks in the late 1990s, also pressurised MNOCs to engage in social action projects such as the construction of vocational schools and clinics, road paving, and the subcontracting of business to businesses owned by guerrilla members or supporters. It not only claimed direct taxes, but also community taxes, subcontracts and retention taxes gained by kidnapping high-level oil workers for ransom (Richani, 2005:125). Interestingly, thus, part of what could be classed as MNOCs’ informal CSR has actually simultaneously perpetuated violent and peace-building welfare activities.

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65 For a list of Perenco’s CSR projects in 2010 see chapter 7, section 1.1.1.
Elhawary (2008:86) notes that in protracted conflict-related emergencies, where violence is characterised by its multiplicity and interdependence over both time and space, it is almost impossible to make neat analytical boundaries between good and bad, legal and illegal, conflict and development or democracy and authoritarian. CSR in such circumstances must be viewed as part of a *living system or organism* (Duffield, 2001:10), characterised by interconnection, mutation and self-transformation outside of the lens of the false dichotomy between violent conflict and development (Elhawary, 2008:86). As Cramer (2006:13) notes, “*societies often cross a fuzzy border from war to peace: the territory on either side of the border can look very similar*” (Elhawary, 2008:97). Nevertheless, this does not remove any capacity for normative judgement.

As Pearce (2004:4) notes, there are challenges to seriously engaging with society and “*the danger is of slipping through default into “state-like roles”***. Indeed, companies have delivered health and education services similar to state welfare, although MNOCs have increasingly asked for government participation (Gutierrez & Jones, 2004:168; Orellana Hererra, 2010). Government failure to prioritise rural communities’ well-being has both undermined the development of authentic democratic processes and led to unrealistic community expectations as to what MNOCs could/should provide, with some communities threatening to block oil projects if their requests were not met (Inter Pares, 2009:55). The absent state and the government's failure to inform oil communities of their rights, or to develop alternative economic programmes, have created unhealthy economic dependencies upon the oil sector (Orellana Hererra, 2010).

As Guáqueta (2006:278) contends, when the Colombian government initially enlisted business leaders as presidential advisors at peace talks during the Betancur administration (1982-86), the private sector had little reason to work towards a peace agreement proposing social reform or to support military action; nor was private sector intervention expected, as peace was perceived to be a state challenge. However, in the 1990s, the business environment became less stable; security risks and costs to MNOCs’ business operations grew in parallel with conflict dynamics and illegal armed groups. Deaths
averaged at over 23,000 per year and the industrial sectors offered attractive kidnapping victims (Fondelibertad, 2009). An intra-subjective shift occurred, whereby MNOCs acknowledged the rising importance of external socio-political and environmental factors and conflict-sensitive practice. They began to engage in macro-level peace initiatives, forging closer business-state ties and fostering a more inclusive approach to peace-building (Lair, 2001:109; Pearce, 2004; Rettberg, 2007:468). Thus, when invited to join the Pastrana administration’s (1998-2002) negotiating team in peace talks with the FARC, businesses donated land, guaranteed finance for demobilising ex-combatants and supported *peace bonds* as an obligatory investment to collect revenues for social and military investment (Guáqueta, 2006:279).

Business connections to paramilitary groups and drug trafficking was absent from such debate and the private sector with its diverse interests lacked a uniform approach to peace-building. However, business-led peace initiatives emerged looking at economic development, social reconciliation and assistance to conflict victims. Moreover, *Fundación Ideas para la Paz* was established to focus upon private sector responsibilities in peace-building. By engaging in workshops and conferences on companies’ agency in the conflict, MNOCs have had to practically respond to criticism vis-à-vis their conduct and corporate identity (Guáqueta, 2006:301).

The simultaneous, global evolutions of neoliberalism and CSR have led to greater pressure upon Western companies, in particular, to be seen to adhere to a growing body of ethical norms surrounding good practice in conflict areas (Guáqueta, 2006:281). Indeed, the private sector has offered management expertise and been a key donor in different peace projects.

Most MNOCs engage in peace-related, social projects to tackle conflict-creating or conflict-sustaining mechanisms, targeting issues such as local economic development, poverty, inequality, social exclusion, institutional weakness, human rights and the promotion of democratic values (Guáqueta,

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66 At a national level, however, the grupos’ influence reduced business collaboration (see: Rettberg, 2005:31,46).
In Colombia, MNOCs have increasingly engaged in specific peace-building projects, such as the *Peace Laboratories*. Some MNOCs have also hired former combatants despite the difficulties this could potentially create (Rettberg et al., 2010:1).

A more progressive understanding about socio-economic issues is emerging and companies are engaging in trust-building with NGOs and social organisations that were traditionally perceived as *enemies from the left* (Guáqueta, 2006:283). However, as Pearce (2004:51) noted in her study on BP in Casanare, it is difficult to speak of a balanced *partnership* between a company and other agents of civil society, where the latter have been severely weakened by the violence. This not only leads to asymmetric partnerships, but the weakness of MNOCs’ partners in executing CSR reduces their abilities to operate capacity-building, transformative social action projects.

Moreover, as Guáqueta (2006:278) notes, not all Colombian businesses see their role in peace-building, although their motivations are unclear. Rettberg (2007:465) argues that the Colombian private sector has not yet developed a generalised interest in a peaceful solution to the conflict, or organised itself as a significant force to shape or support peace talks. Private sector responses to peace-building and conflict are not always coherent as individual companies face different challenges and may find the cost of peace too high. At times companies may strike arrangements with, or pay protection fees to, guerrilla or paramilitary forces for short-term gain, whilst supporting state efforts to defeat these groups mitigating community grievances, or paying *triple-tributes* to all three actors (Guáqueta, 2006:282; Richani, 2005).

Some MNOCs have been operating CSR for almost 20 years; however, this has not brought substantial change to these regions. As Orellana Hererra (2010) finds in her research on Yopal, with so many basic needs to be met, it is difficult for MNOCs to bring emancipatory CSR that either empowers large numbers of citizens or transforms cultural patterns of behaviour that are steeped in a history of violence and distrust, especially given the weak social
fabric in such areas. This is especially true given that companies’ have a limited CSR budget, determined in relation to their profit-margin as discussed in the previous section. In this vein, as I argued in chapter 3, CSR cannot be seen as a quick-fix panacea for all social ills. Accordingly, the logic of the neoliberal peace and development agenda, which advocates a weak state and strong market as part of the solution for such areas, loses credibility as a globally applicable economic and political solution.

**Chapter Conclusion**

This chapter has shown that Colombia’s history is marked by continued weakness of government structures, the extended presence of illegal armed actors, durable disorder and violence, and US influence (as seen in the three wars, which, although branded under various names, reflect the continuous involvement of the US in Colombia), amongst others, have left MNOCs confronting an ethical minefield in operating CSR in Colombia. MNOCs have faced many expectations vis-à-vis their CSR, including from actors outside of Colombia and armed actors within Colombia, whose intentions and sense of social justice vary. The space given to and taken by MNOCs in which to conduct social responsibility programmes has varied, depending upon the prevailing overarching political paradigm, although MNOCs’ expectations under their current CSR programmes are much lower than those which prevailed under US hegemonic struggle, which was dominant until the late 1980s and modernisation theory. The bankrupt nature of the latter appears to have been understood by companies which promote of neoliberal development and peace, but nevertheless undertake less ambitious (and more local) projects. The days when MNOCs engaged themselves in projects to change society, such as those instigated by Nelson Rockefeller, have long gone, dissipated by the ongoing violence and the rise of the neoliberal paradigm.

The impingement of the Colombian security discourse upon the space available for civil liberties, the vilification of elements of civil society by the state and the confusion as to whether an agent is a friend or an enemy have, furthermore, complicated companies’ ability to choose appropriate partners in
designing and executing CSR. Indeed, in my opinion, Colombian civil society, which has emerged in parallel to counter the negative effects of neoliberalism or to promote its democratic face, could, if strengthened, play an important role in the design and implementation of CSR programmes and its debilitation has damaged democracy. As such, it is somewhat unsurprising that many MNOCs operate assistentialistic policies, rather than engaging to radically transform unhealthy cultural behavioural patterns.

MNOCs’ ability to bring transformative change has, however, also been compromised by their own direct and indirect involvement in the violence or by the actions and alliances of their partners. I have also shown that MNOCs’ CSR is not a comprehensive panacea to community development nor peace-building; this is not an oil company’s primary raison d’être within a neoliberal framework. The following chapter looks at the second case study Venezuela, which has rejected the MNOC-led approach to CSR outlined in this chapter and the accompanying neoliberal paradigm, whilst firmly rejecting US or Empire involvement in its internal affairs.
Chapter 5

Case study 2: the Bolivarian Republic of Venezuela and MNOCs’ CSR

This chapter presents the second case study on Venezuela. Unlike Colombia, Venezuela has undergone a philosophical and ideological paradigm shift to embrace 21st century socialism, which has led to greater regulation of MNOC’s CSR. Indeed, Venezuela is attempting to: i) break free from the relations of international dependency and US hegemony that characterise the oil trade; and ii) rebalance power relations within Venezuelan society to emancipate Venezuela’s poor, by implementing new oil-funded social, political and economic models. To this end, the Chávez government (1999-2013) built counter-hegemonic social blocs in a Gramscian war of position and manoeuvre against the old elite’s discourses and practices (Harris, 2007:1). A dialectical process of non-violent revolution has intensified over time as the government has consolidated and radicalised its ideas, so that it has become "the most well-known and controversial neoliberal alternative in South America" (Buxton, 2009:147).

This chapter shows the Bolivarian trajectory’s direct impact upon MNOCs’ ability to act as corporate citizens and to define the scope of their CSR. Given its rejection of neoliberalism, it is noteworthy that the Chávez and Maduro governments have not completely abandoned CSR, even if it now exists under a more implicit form. Indeed, unlike most other political systems, due to the important resources available to the oil sector, Venezuela identifies the oil industry not as one of many corporate citizens, but as a government defined agent of social emancipation. However, the government’s social vision offers little long-term space for private initiative. Thus, the government takes the initiative on MNOCs’ CSR regardless of companies’ core values.

Section one provides a socio-historical context that illustrates the importance of oil nationalism and private interests in the formulation of oil policy and the impact of oil policy upon the Venezuelan social fabric in the pre-Chávez days. It, thereby, contextualises the reactionary nature of 21st century socialism’s emergence. It discusses the history of Venezuela over the past
century in which oil and Venezuelan politics have mutually shaped each other. Indeed, in Venezuela, one cannot be separated from the other. As discussed in chapter 3, MNOCs internationally have shown social interest on different levels and responsibilities from different sources.

In this section, I outline how oil companies in Venezuela have been responsible to different actors at different times. This enables me to show throughout the following sections that there is some historical continuity in terms of these responsibilities and interests, which have been, and are again today, simultaneously present at the levels of community welfare, of the macro-political environment and of democracy and governance. In the Bolivarian context, CSR has been institutionalised as a driving force by the government to allow it to take credit for social welfare. By taking over CSR, the government has pre-empted any moves by MNOCs to use it as a way to appease Venezuelans, maintain the status quo and avoid incurring further nationalisation or taxes.

Section two examines the developing patterns of radical societal transformation in contemporary Venezuela. It argues that 21st century socialism is a hybrid system, which combines both democratic and authoritarian behaviour in the creation of its new order. Furthermore, it examines the government’s oil funded social policies in practice, analysing theory-praxis consistency. I argue that the government’s practice of participatory and protagonistic democracy offers elements of both: i) transformative capacity (power1), through its revolution, new social models and expanding welfare provision; and ii) activities of subjugation (power2), through the continuation of corruption, assistentialism, and the weakening of institutions and civil liberties. This will lead me to argue in chapters 7 and 8 that a new RCSR model has emerged.

Following the examination of 21st century socialism, in section three, I will examine how it specifically affects the oil sector. It examines the role assigned to the state oil company PDVSA to directly fund and execute social

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67 McCoy & Myers (2006:133) refer to a hybrid regime.
68 Bhaskar (1993) uses this distinction of power1 and power2 as a way to view complex power relations (see footnote 54 on page 145).
action, establishing a direct link between the company and the people. It, thereafter, turns to MNOCs’ new role and analyses the significant impact of Bolivarian socialism upon the scope of companies’ operations and CSR.

5.1 The pre-1998 Venezuelan petro-state

This section discusses the impact of oil, oil policy and Venezuela’s economic, political and cultural development. I show how oil-interests (defined in large part due to the interdependent, dialectical relationships between MNOCs, the US and the Venezuelan state) and oil (mis)management over the last century contributed to the economic and political crisis that directly preceded and paved the way for a new popular mode of politics, referred to as 21st century socialism. Thus, this section looks at the different responsibilities and social interests that MNOCs have had in Venezuela. It, thereby, contextualises the tensions between oil nationalism and domestic/external elite interests that contribute to a causal explanation of the limitations of MNOCs’ agency in contemporary Venezuela and the Bolivarian governments’ distrust of Empire and provide a fuller understanding of the development of Venezuelan CSR. In order to address these issues, this section is split into two subsections. The first discusses Venezuelan political history and oil policy until 1998 and the second examines the pre-1998 impact of MNOCs upon the Venezuelan social fabric.

5.1.1 Venezuelan political history and oil policy until 1998

Let us now look at the history of Venezuelan oil policies in the context of its political history, starting with the pre-oil days. Unlike in Colombia, the Spanish conquistadors left much of Venezuela unexplored, as it did not appear to possess mineral ores or large Amerindian civilizations. Oil was noticed in 1500, but left largely unexplored for four centuries. Instead, starting in the 1620s, cocoa became Venezuela’s principal export for the following two centuries, until political events left the cocoa-based export economy in ruins and Venezuela shifted its agricultural export activities to coffee production in the 1800s (Haggerty, 1993).

69 A term coined by Hardt and Negri (2000).
Politically speaking, Venezuela completed its independence from Spain at the Battle of Carabobo in 1821. It subsequently formed part of Gran Colombia with Simón Bolivar as President and Colombian Francisco de Paula Santander as vice president. Venezuelans expressed resentment at being governed by Santander in Bogotá, whilst Bolivar continued the struggle for liberation in Ecuador, Bolivia and Peru. In the spirit of Venezuelan nationalism, José Antonio Páez led Venezuela in its separation from the confederation in 1830. Páez served as president for 16 years, after which Venezuela, like Colombia, suffered from a liberal-conservative struggle for much of the 1800s, resulting in a series of caudillo administrators (Haggerty, 1993).

MNOCs came to Venezuela less than 100 years following its independence. Indeed, MNOCs have operated in Venezuela since 1914, when Venezuela, unable to exploit its resources, awarded concessions to Royal Dutch Shell, Standard Oil of New Jersey and the Gulf Oil Company (Miller, 1940; OPEC, 2010; Singh, 1989:89; Tinker Salas, 2007:36). At that time, Venezuela was a dictatorship under General Juan Vincente Gómez (1908-1935), the Tyrant of the Andes, who saw oil as a means to the economic development needed to rehabilitate Venezuela following his predecessor’s chaos, even before the industry had established itself in Venezuela (McBeth, 1983:6,213). Gómez believed that the country’s economic development could only be completed by foreigners with superior technological capabilities and management skills, who needed a stable political environment in which to work; a description in which MNOCs could recognise themselves. Venezuela, therefore, allowed the free entry of all oil companies, unlike in the Middle East where governments were at the mercy of one company that controlled exploitation, exportation, refinery and marketing (McBeth, 1983:65). This helped to allay domestic fears of foreign strategic interventions in Venezuela. Indeed, Theodore Roosevelt’s 1904 corollary to the 1823 Monroe Doctrine had justified military intervention in Latin America to settle cases of wrongdoing, masking US imperialism under the guise of a moral crusade (Bulmer-Thomas).

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70 It should also be noted that despite his political pragmatism, Gómez’ family benefitted handsomely from the oil business being granted concessions which it resold at a much greater value (McBeth, 1983; Yergin, 1991:236).
et al., 2006:36). From the outset, the Venezuelan government was aware of the value of Venezuelan oil and constantly sought to increase revenues, however, it only acted as a quasi-watchdog, allowing companies to develop the industry. The companies ran significant financial risks to discover the oil and given their expertise, they had the upper hand in oil negotiation so that there was rarely any question of forfeiting the concessions of those who disrespected Venezuelan laws (McBeth, 1983:6,212).

Venezuelans have long discussed oil ownership, management and profit-allocation (Cuervo, 2010:641). In 1917, the development minister, Dr Torres, famously warned that oil, previously a hidden treasure, was indispensable for industrial growth and should be well managed (Prieto Soto, 2004:26; Dávila, 2004:372). In 1922, the government drafted an oil law, setting terms for concessions, taxes and royalties (Yergin, 1991:234) and, in 1929, it created a technical service on hydrocarbons, which became the Ministry of Energy and Mines (Lander, 2005:4). By the late 1920s, oil became Venezuela's primary export and Venezuela became the world's largest oil exporter (Dávila, 2004:361-397). As oil rent dependence grew, Venezuela rapidly displayed Dutch Disease symptoms and became a rentier economy with new oil elite (Ortiz, 2006:74; Mommer, 2006:13; Azzelini, 2007:101; Karl, 1997:81). In 1932, when in the context of implementing its New Deal, the US raised tariffs on oil imports and oil derivatives from Latin America, Venezuela was the hardest hit as 55% of its production went to the US. Thus, by the mid-1930s, Venezuela had diversified its supply to European markets, overtaking the US as Europe’s main supplier, although tariffs on Venezuelan oil were relaxed towards the end of the 1930s (Philip, 1982:46; McBeth, 1983:204; Yergin, 1991:258).

Gómez was aware that labour relations were bad in the oilfields and that oil companies operated with little regard to local communities. On his death in 1935, riots erupted with Venezuelans also seeking revenge on oil

71 Indeed, the rapid development of Venezuelan oil was a major factor leading to the world oil oversupply, that drove the major MNOCs to sign the 1928 Achnacarry Agreement with its as-is principle that participating companies’ market share would remain roughly constant in each country and subsequent agreements to modify the quantity of their respective production (Philip, 1982:43-44).

72 The Dutch Disease is explained in chapter two.
multinationals for their poor treatment of Venezuelan nationals (Ellner & Tinker Salas, 2007: 33; Prieto Soto, 2004: 11-24), forcing foreign employees to seek refuge in oil tankers anchored at Lake Maracaibo (Singh, 1989: 89; Ellner, 2008: 19).\textsuperscript{73}

Gomez’ death left a political power vacuum that was filled by his former minister of war, General Eleazar López Contreras (1935-1941). The López government dismantled the worst of Gómez’ repressive apparatus, however in the face of continued strikes, outlawed nascent labour unions in 1937 and most political opposition thereafter. López concentrated upon less controversial economic reform efforts, establishing a central bank, opening new oil fields to exploitation and launched infrastructure programmes under the slogan of \textit{sembrar el petróleo} (sowing the oil) (Haggerty, 1993).

This conceptualisation of oil as natural capital marked a paradigmatic shift (Mommer, 2006:15-29). Its foundations are attributed to a 1936 newspaper article entitled \textit{Sow the oil}, in which Venezuelan scholar Uslar Pietri argued that the government should use oil rents to fund agricultural credits and create new reproductive wealth (Prieto Soto, 2004:41; Dávila, 2004:361-397). An anti-imperialist discourse subsequently emerged focusing on the concepts of destructive (non-productive) economy, dependence and neo-colonialism. Supporters’ discontent was compounded by reports that the US was using Venezuela as a source of cheap oil, that MNOCs had committed tax fraud and that the government was misusing oil resources by investing in unproductive tertiary sectors (Prieto Soto, 2004:33-4; Dávila, 2004:375-383; Mommer, 2006:28). Whilst revenues went to the state, a popular struggle emerged, alongside that for democracy, calling for the people to directly benefit from the wealth and transforming the \textit{sowing the oil} concept into one of greater national sovereignty over oil wealth and its redistribution (Mommer, 2006:67).

Venezuela had embraced rent capitalism and oil policy that sought to squeeze oil companies for a ground-rent, so that, instead of creating an

\textsuperscript{73} Kelvin Singh (1989) notes that the Big Three present in Venezuela at the time were Royal Dutch Shell, Standard Oil and Gulf Oil.
Argentinan-style NOC, or nationalising its oil holdings like Mexico, the Venezuelan state focused upon ever-greater revenue attainment (Mommer, 1998:2). However, it did not press for more than companies were willing to offer (Philip, 1982:67).

Post-Gómez, there was a drive to set in motion a new oil process and from 1941 Venezuela sought to renegotiate the terms under which oil concessions had been granted. Allied dependence upon Venezuelan oil during WWII enabled the Isaías Medina Angarita’s government (1941-1945) to enact the 1943 Hydrocarbons Act (which placed a tax on the income the oil companies earned from their downstream operations, such as gasoline refining, fertilizer production, printing ink, and subsequently plastics), and the first Betancourt administration (1945-1948) to reform it, after years of political wrangling, in 1948, so that 50% of companies’ total profits should be paid to the government (Mares & Altamirano, 2007:23; Lander, 2005:5; Mommer, 1988:84-96; Karl, 1997:87). The new principle of 50:50 was a landmark event in the oil industry’s history, setting a precedent that was subsequently exported to other countries in Latin America and the Middle East (Yergin, 1991:435; Philip, 1982:61).

Whilst companies had feared a gradual erosion of their position, they were more afraid that the Venezuelan government could challenge the legality of some of their contracts should they refuse to cooperate. However, Philip (1982:64) argues that, in the end, companies accepted these measures relatively easily as their profits taxes paid in Venezuela could be deducted from US taxes, so that companies were little worse off. Moreover, this provided a solution to avoid nationalisation as had occurred in Mexico in 1938, so that MNOCs gained extra responsibilities as taxpayers (Philip, 1982). Whilst this move was arguably the first step in a process of nationalising Venezuela’s oil industry, it simultaneously increased state oil dependency, reducing any focus upon individual income taxes (Karl, 1997:77). Post-1961 this dependency was compounded by the government’s halt on granting concessions, whilst increasing its profit share to 65% (Mommer, 1994:8; Karl, 1997:93).
These changes in the oil industry were accompanied by significant socio-political changes. After taking power by force in 1945, President Betancourt’s administration (1945-1948) brought in sweeping political reform in 1946, decreeing universal suffrage and legalising all political parties. Impressive victories led the government to continue a highly progressive programme, including a new 1947 constitution. However, the Democratic Action (AD) party’s pursuit of social justice and better conditions for workers, as seen under the Betancourt presidency and also under that of his successor, Rómulo Gallegos (1948) (who pushed forward a controversial land reform bill and reduced military spending), engendered widespread hostility from conservatives and business communities. Indeed, nine months into his presidency, Gallegos was overthrown in a nearly bloodless military coup and the entire AD leadership was exiled and outlawed.

The provisional military junta that assumed government control restored the 1936 constitution. It was headed by Colonel Delgado, who given his moderate views was assassinated in 1950 and replaced by Germán Suárez Flamerich (1950-1952). Under pressure from non-AD political parties, the junta reluctantly called presidential elections in November 1952. Junta member, Colonel Marcos Pérez Jimenez (1952-1958), began a new pro-government party, the Independent Electoral Front74 (FEI). However, when the election count indicated that the URD (supported clandestinely by AD), was going to win, he halted the count and declared himself president, sending the other junta members, the URD and COPEI leadership in exile with the AD (Haggerty, 1993).

Pérez began a brutal dictatorship with a regressive new constitution and a strong secret police75 (SN). However, his staunch anticommunism won him the US Eisenhower government’s open support, which even presented Pérez with the Legion of Merit, despite ongoing human rights violations (Brands, 2010:15). He was also openly supported by MNOCs as his policies were more liberal and inviting of foreign capital than the nationalistic AD policies,

74 Frente Electoral Independiente
75 Seguridad Nacional
which Pérez abandoned. Moreover, Pérez reversed the policy of raising oil
taxes to increase the national income and instead increased production. He
lacked an overarching economic plan, but pursued subordinated politics to an
economic development based upon a fetishistic vision of modernity as a
series of grand material achievements and used substantial oil revenues for
ostentatious construction projects, including the luxurious Humboldt
mountaintop hotel and the world’s most expensive officers’ club (Coronil,
1997:178-180). Meanwhile, government social expenditure on health and
education stagnated.

When Pérez was forced into exile in 1958, following fraudulent 1957
elections and subsequent civilian and military insurrections, he had accrued a
personal fortune of an estimated USD250 million (Haggerty, 1993). Pérez’
fall marked a political shift back to the interests of the consumer countries
(Philip, 1982:88). Throughout 1958, President Wolfgang Larrazábal Ugueto
(January-November 1958) led the military junta that worked to dismantle the
dictatorship’s institutions and transfer power to an elected civilian
government. Faced with USD500 million in foreign debt, it stopped Pérez’
public works projects and effectively increased oil taxes from 52% to 65%,
angering oil companies (Haggerty, 1993; Philip, 1982:88).

Betancourt’s (1959-1963) inauguration as president began Venezuela’s
democratic era (Di John, 2009:105). One of Betancourt’s main objectives
was to institutionalise a political truce, by winning public opinion in favour
of the democratic project. Pre-elections, party leaders from the AD, URD and
COPEI had agreed to share cabinet positions and the control of state
institutions regardless of who won the 1958 elections in the Punta Fijo pact
(Coppedge, 1994:76; Miller, 2012:68). Despite persistently low world oil
prices throughout Betancourt’s presidency and the Washington’s 1959
establishment of unfavourable import quotas, his government managed to
continue initiate a variety of reform programs, including agrarian reform,
distributing only unproductive private properties and public lands and
generously compensating landowners (Haggerty, 1993). Tax cuts were an
option to stimulate greater production, but this option was domestically
unpopular (Philip, 1982). Vast state subsidies were used to benefit the poor in areas such as food, housing, and healthcare. Moreover, a new 1961 constitution guaranteed a wide range of civil liberties and created a weak bicameral legislature to minimise the potential damage of partisan political conflict (Haggerty, 1993).

Punto Fijo effectively excluded other parties out of Venezuela's political arena. Benefiting from oil profits, the two parties satisfied the needs of their major constituencies at the expense of the poor and marginalised communities represented by smaller political parties. Over time, the system became corrupt as the AD and COPEI attempted to hold on to power (Coppedge, 1994). The far left was one of the excluded groups from Punto Fijo, resulting, initially, from the AD's anti-communist stance. However, the triumph of the Cuban Revolution in 1959 provided the Venezuelan left with a model for a successful revolutionary effort in Venezuela. In 1960, the URD left the governing coalition with AD in protest over Betancourt's firm stance against Cuban leader Fidel Castro. The AD also lost most of its student wing, which left to form the Movement of the Revolutionary Left (MIR), allegedly to protest delays in the implementation of the government's agrarian reform program. These groups, together with the Venezuelan Communist Party (PCV), began to advocate anti-government guerrilla warfare (Haggerty, 1993; Miller, 2012).

Betancourt's disdain for nondemocratic governance was reflected in the Betancourt Doctrine, denying diplomatic recognition to right and left-wing regimes that gained power by military force. However, his support of Cuba's expulsion from the Organisation of American States (OAS) and of breaking off diplomatic relations with the Cuban government in December 1961 was followed by violent uprising. Betancourt responded by proscribing the PCV and the MIR, which went underground to form the Armed Forces of National Liberation (FALN) (Haggerty, 1993; Miller, 2012). The FALN engaged in rural and urban guerrilla activities throughout the 1960s, including the

76 **Movimiento de la Izquierda Revolucionaria**
77 **Partido Comunista de Venezuela**
78 **Fuerzas Armadas de Liberación Nacional**
sabotage of US oil interests such as oil pipelines and a series of bombings and attacks against Venezuelan politicians and US diplomats in Caracas. In this context, the US and MNOCs both contributed to socio-economic programmes during this period to counter the communist threat, as described below. However, the FALN failed both to attract members from the poorer classes and to take power by coup d’état. From 1958-1961, President Trujillo Molina from the Dominican Republic and, from 1962-1968, Cuban President Fidel Castro were both implicated in anti-government counterinsurgency conspiracies uncovered within the Venezuelan military. Trujillo, for example, was directly involved in the 1960 bombing of Betancourt’s car, in which Betancourt was badly injured (Miller, 2012).

Three major challenges to the dialectical-relational balance with external actors arose in the 1960s: i) oil prices fell as the Middle East’s oil production increased; ii) Eisenhower’s 1960 law that forced quotas on Venezuelan oil imports in favour of the Canadian and Mexican oil industries; and iii) the *Seven Sisters*, which dominated the Western oil market, had cooperated to lower oil prices (Makón, et al., 2006:15). In 1960, to regain leverage, Venezuela created the Venezuelan Oil Corporation (CVP)79, which was later integrated into PDVSA (Mommer, 1998:7; Philip, 1982:477). Moreover, that same year, Venezuela, together with Saudi Arabia, encouraged Iraq, Kuwait and Iran to join them in founding the Organisation of Petroleum Exporting Countries (OPEC).80 They emphasised state sovereignty over their natural resources, which should benefit their national development (Mommer, 1994:8). OPEC’s establishment played a significant role in ensuring that no further cuts were made in tax-reference prices and placed the burden of falling prices in the 1960s on the companies. The US government lacked a consistent oil policy at that time and its attacks against the newly formed OPEC reinforced sympathies for the Third World (Philip, 1982:139-140). Nevertheless, whilst I acknowledge that the foundation of OPEC was a significant milestone in altering master-slave type dependency-relations with

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79 Corporación Venezolano de Petroleo

80 OPEC sought to increase the crude oil price by unifying and coordinating members' petroleum policies. Given the Cold War, centrally planned economies were excluded (Mommer, 1994:8).
consumer countries, and in the Venezuelan case particularly with US hegemony, it has proven insufficient to balance these relations in the absence of global systemic change at a superstructural level.

In 1964, following the 1963 electoral victory of Raúl Leoni Otero (1964-1969), the presidency passed from one constitutionally elected president to another for the first time. As oil prices recovered, economic growth improved. Moreover, subversive activities quietened considerably during the Leoni presidency, although military plots and threats from the revolutionary left persisted. By 1965, the PCV was less increasingly sceptical of using revolutionary violence as a means to power. Splinter groups persisted and a small landing party headed by a Cuban army officer was captured at Machurucuto in 1967; insurgent activity, however, subsided and bilateral relations with Cuba eventually improved (Brands, 2010).

The 1970s saw a shift of power over oil markets from oil companies and their home governments to large oil producing countries. A split in the AD party led to the election of COPEI candidate Caldera. President Rafael Caldera (1969-1973) replaced the Betancourt Doctrine, which had served to promote US hegemony, with pluralistic solidarity, restoring bilateral relations with the Soviet Union, several Eastern European states and South American countries under military rule. By joining the Andean Common Market (Ancom) under special conditions to assuage business concerns, Caldera emphasised Venezuela’s Andean identity and began to provide oil-based financial aid to Central America and the Caribbean. Caldera also adopted a policy of pacification towards the remaining insurgents, legalising the PCV and other leftist parties and granting amnesty to revolutionary activists (Haggerty, 1993). At first Caldera favoured accommodation with oil companies to reverse the disinvestment in the oil industry and to ensure Venezuela international oil market access. However, as companies continued to disinvest given falling world prices and local tax increases and the international balance of oil industry power shifted in favour of the
producers\(^81\) (Philip, 1982:302), nationalisation became a more attractive option, although it took place under the subsequent Pérez government.

The 1973 Middle East oil embargo showed a lack of solidarity between Arab and non-Arab members and weakened OPEC. However, it also raised world oil prices, leading to an oil boom that quadrupled Venezuelan government revenues between 1972 and 1974 (Wilpert, 2003), enabling the government to legislate that it alone could exploit the internal market of hydrocarbon-derived goods. The 1973 Arab-Israeli War had quadrupled crude oil prices in a two-month period so that when Pérez assumed office in 1974, he had an oil windfall to manage.

The Pérez government (1974-1979) ideologically committed itself to undoing master-slave type relations, announcing the end of foreign MNOCs’ exploitation of Venezuelan oil, and the creation of a utopian Gran Venezuela (as shown below, there are similarities between these policies and those followed by Chávez). The underlying normative assumptions of first-world styled progress fostered a developmental doctrine based on the premise that social prosperity would result from a sowing of the oil into a combination of poverty combating measures via price controls, income increases and economic diversification via import substitution. Expectations rose as the per capita income in Venezuela equalled that of West Germany by the mid-seventies and Venezuelans enjoyed better material conditions (Lander, 2005:2).

The 1975 Hydrocarbons Law enabled the negotiation of new contracts with MNOCs (Cuervo, 2010:647-8), whereby they continued to receive preferential treatment (Azzellini, 2007:100). Notably, this developmental rationale corresponded to the prevailing economic development model promoted by the US in Latin America at this time, whereby private investment was supported and this allowed the US to benefit from increased oil exports (Rivas, 2006:243).

\(^{81}\) In 1970, the Libyan government had managed to obtain a major increase in taxes and on the reference on which taxes were based, companies were disunited and the US and UK governments had no clear oil policy positions from which to respond to the changing situation (Philip, 1982:302).
By 1976, a democratic and nationalistic revolution was hailed as Venezuela's oil industry was nationalised in Petroleos de Venezuela SA (Petroven soon renamed PDVSA), designed to make ordinary Venezuelans the owners of the oil wealth (Cuervo, 2010:643). The 14 foreign oil multinationals affected did not vigorously oppose the move; they had received no new concessions since 1960 and their profit share from extracted oil had dropped to 30%. The USD1 billion they received in compensation at net book value did not cover the replacement cost of the surrendered assets, but was considered to be fair under the circumstances (Philip, 1982:118). Indeed, the move was less radical than it appeared. The majority of concessions that were nationalised were due to revert to the state in 1983 and, as such, simply did so early.

Indeed, one argument for this intervention was to prevent further decay. In 1970, 2.7 of the 3.7 million b/d came from only 6 fields, which had been discovered in 1926, 1928, 1930, 1937, 1938 and 1959 respectively; as such, the new NOC needed to keep the oil flowing until new discoveries were made, requiring reliance on foreign expertise at the outset (Philip, 1982:469).

The original contracts for outsourcing to MNOCs were viewed as too favourable to MNOCs domestically, although Venezuela gained better conditions following the Iranian revolution in 1979 (Philip, 1982:475-476). Nationalisation followed a decade in which Venezuela took the majority of oil companies’ income in taxation, controlling production levels and sales prices. As such, companies had reduced their investment programmes, limiting future production levels (Philip, 1982:115-116). Philip (1982:306) argues that “the companies were willing to be nationalised and simply sought satisfactory terms” and that “one of the objectives of the nationalisation was precisely to permit the oil industry to increase its investment, reverse Venezuela’s production decline and maintain a stable rate of output in the long term” (Philip, 1982:116). The government was keen not to be seen to be negotiating with the oil companies, arguing that they were dismantling dependency theory; however, the new company needed to maintain good relations with the MNOCs, whose properties had been nationalised, to engage them as technological service providers. As such, MNOCs received fair lump sum compensation, freeing up their capital for new ventures and
were still able to earn income for similar work (Philip, 1982:116-117,307). For example, Shell and Jersey Standard were contracted to advise their former subsidiaries Maravén and Lagovén respectively (Philip, 1982:477).

However, behind the façade provided by the years of abundance, supported by large oil windfalls, was democratic decay, including the concentration of state power, an excessive expansion of state apparatus, poor macroeconomic decision-making, rent-seeking, clientelism, corruption and increasingly inefficient welfare provision (Ortiz, 2006:77-81; Naim, 1993; Ellner & Tinker Salas, 2007:8-9). Despite government efforts, economic diversification had not occurred. Indeed, perpetual rent-seeking had become the main organising principle of political and economic life (Karl, 1997:184).

The 1974 national budget saw oil peak at around 86% of the government's fiscal revenues, compared with 30% in the 1930s or 60% in 1958 or 50% in 2008 (Dunning, 2008:162; The Economist, 2010). No internal tax collection took place, but instead the government, resorting to external debt amidst growing public demands and oil price fluctuation, engendered chronic inflation and indebtedness, problems that were aggravated by OPEC members breaking their quotas (Wilpert, 2003; Karl, 1997; Coronil, 1997:94). Moreover, the government overestimated reserves to attract FDI and continued with a debt-financed development model (Prieto Soto, 2004:200; Buxton, 2009:152).

COPEI's Luis Herrera Campins (1979-1984) became president on an agenda of economic austerity. However, the Iranian Revolution and subsequent outbreak of the Iran-Iraq War caused oil prices to grow and austerity measures were abandoned. When oil prices fell again, the government resumed large-scale independent borrowing, which led to increased public debt and a private capital flight in 1983. Venezuela fell into deep economic crisis, entering negative or zero growth and facing a decline in real income, rising poverty and informal sector expansion (Prieto Soto, 2004:191-9; Azzellini, 2004:100; Karl, 1997:162). The 1983 currency collapse, *Black Friday*, further undermined economic and political stability (McCoy & Myers, 2006:3). PDVSA emerged as the only profitable, dynamic and stable
institution (Mommer, 1998:23). The government began to transfer a greater share of its expenses to PDVSA. The Central Bank of Venezuela appropriated some USD4.5 billion of PDVSA's reserves to repay foreign debt, undermining its autonomy. Partisan politics began to influence the selection of PDVSA's board of directors, which drew domestic and international criticism, costing the government its good credit rating with foreign banks. As Philip stated of the oil industry in 1982, there was “growing awareness that the oil industry must remain under ultimate political control, if only in the interests of co-ordination and communication”; however the balance between decentralising the industry to reduce the chances of politicisation and finding a healthy central control had not yet been found (Philip, 1982:479).

In crisis, the Venezuelan government turned to US backed efforts to impose neoliberal austerity, including the IMF’s structural adjustment programmes (SAP) and World Bank recommended reforms of privatisation, radically reduced social expenditure, liberalised and deregulated financial markets and implemented legislation to increase employment (Albo, 2006:1; Azzellini, 2007:100-1; Mommer, 1998:21). The necessary economic recovery did not come (Lander, 2005:3) and the SAP, which set out a rise in fuel prices and harsh cuts, met with popular protest, polarising society and stirring up disillusionment with the established political system.82 Whilst the neoliberal measures were not applied as comprehensively as in neighbouring countries, the new austerity in the context of rising poverty led to popular protests, the most notorious of which, the 1989 Caracazo, saw several days of brutally suppressed spontaneous riots and looting (Medina & López Maya, 2003:141; Norden, 2004:96; López Maya & Lander, 2005:93; Buxton, 2009:154-5).

Indeed, popular discontent led to spontaneous protests and a failed coup d'état in 1992, in which former President Chávez gained notoriety (Medina & López Maya, 2003:142; Levine, 2002:255), indicating that the military was politicised and not under government control (Oropeza Venegas, 2004:147). Political parties’ hegemony ended with President Pérez’ (1989-1993) 1993

82 For further critique of the IMF and its policies see Stiglitz (2002).
impeachment and President Caldera’s (1994-1998) subsequent election on an anti-party platform. Investor confidence in Venezuela and GDP fell accordingly, further weakening the government. Moreover, with continued oil wealth mismanagement, inflexible political institutions and incoherent policies, poverty and inequality had continued to increase (Lander, 2005; Crisp, 2000:172; Coppedge, 1999:46).

The events of the 1980s-90s shattered the popularly held *exceptional democracy* thesis, which fell with the oil prices to reveal that Venezuela, as other Latin American countries, was characterised by a hybrid democracy. The thesis was that Venezuela was on the developmental path towards a Western-democratic utopia and that Venezuela had made positive progress towards reaching this goal since 1958. Indeed, compared to its Latin American neighbours, Venezuela had been heralded as a model for other Latin American countries. It was free of civil war and appeared to lack their racial tension and authoritarianism. It had also established an unusually large middle class, social mobility, rising living-standards, strong political parties and an obedient military (Karl, 1987:87; Levine, 1994; 2002:249; Ellner, 2008:2; Dunning, 2008:206-7). However, falling oil prices brought this economic mismanagement to the fore, revealing the exclusionary nature of the Punto Fijo pacted democracy and its neglect of distribution capacities and the social grievances of the lower classes (McCoy, 2006:265; Buxton, 2001:222).

The elitist AD and COPEI parties had exercised excessive control (*partyarchy*) (Coppedge, 1994:76; Crisp et al., 1995) and caused political decay by failing to reform in affluent years (Urbaneja, 1992:339). As in Colombia, US-led anti-communist sentiment, weakened the left and discouraged challenges to the system, thereby enabling democracy’s subordination to class interest (Neuhouser, 1992:117; Karl, 1987). Scholars discussed the crisis of Venezuelan *exceptional democracy* thesis as a Latin Americisation or re-Venezuelanisation, meaning a cultural propensity to authoritarianism (Morse, 1989) and populism (Romero, 2007). The subsequent election of President Chávez and his Fifth Republic Movement
(MVR) in 1998 heralded the dawn of a new Bolivarian democracy, which will be discussed below (Ellner, 2008; Levine, 2002:257).

5.1.2 MNOCs' impact upon the Venezuelan social fabric in pre-1998 Venezuela

This subsection discusses MNOCs’ influence upon Venezuela’s social fabric before 1998, including through their Corporate Social Responsibility. Indeed, CSR has emerged and developed in response to international and domestic politics within Venezuela, in response to MNOCs' internal expectations and stakeholders’ external expectations, predominantly in line with US thinking. As in Colombia, MNOCs in Venezuela had long enjoyed US government and the national elite’s backing. The different political phases of the 20th century also corresponded to differing expectations of companies and differing conceptions of social responsibility.

Moreover, MNOCs have influenced Venezuela’s social fabric by supporting both dictatorship and democracy and by influencing oil policies (Ellner & Tinker Salas, 2007:33; Prieto Soto, 2004:11-24; Singh, 1989:89; Ellner, 2008:19). Foreign MNOCs relations with the Venezuelan state have been marked by instability, constant tensions and interdependent bargaining through a series of reforms more or less favourable to MNOCs or the state, and occasionally to both simultaneously.

The Venezuelan state, as an oil exporting economy, has, over time, tried to diminish its dependence on foreign MNOCs. In 1978, Tugwell (1978:3) observed that, as an export economy, Venezuela is tied to the international economy so that its oil has been “a massive, foreign-controlled export industry” that has predominantly served US oil needs. I argue below that this is still somewhat true today. Geopolitical circumstances have changed over time, altering this asymmetric relational balance. Nevertheless, in my view, as the Venezuelan governments have failed to sow the oil in balanced economic development, unfortunately Venezuela’s economic gains undermined its political system, constituting a series of semi-Pyrrhic victories that simultaneously dismantled and established further dependency.
Initially, MNOCs and their home governments promoted Western-style economic and cultural development, which they hoped would emanate from the new oil enclaves (Wilkens, 1974:430; González Casas, 2004:174; Mommer, 1998:1; Lander, 2005:4; Quiroz Serrano, 2003:153). MNOCs contributed to a new oil culture, oil infrastructure, scientific and technological development, migration and population resettlement, class formation and employment as a result of companies' need to explore, extract, transport, refine and export oil (Prieto Soto, 2004; Mommer, 1988; Karl, 1997).

Companies engaged in limited philanthropic investment in ports, bridges, roads, hospitals, schools, housing, social clubs, shops and postal facilities to meet the company workers' needs, ignoring the structural problems caused by their social impact (Dávila, 2004:175).

As democracy and workers' groups emerged, public and employee relations gained importance and uniform labour practices were established, although operational transformations occurred slowly, inequalities between Venezuelan and foreign oil workers remained, and funds to improve staff conditions were often intercepted by middlemen (Ellner & Tinker Salas, 2007:38-9; Prieto Soto, 2004:78-81).

These phenomena affected Venezuelan state building and modernisation, enabling, for example, the emergence of a consumer culture (Dávila, 2004:361-397) as well as changing political attitudes, relations with other countries and social values. Areas of physical MNOC absence also suffered from disproportionate economic under-development and poor levels of government investment (Martín Frechilla & Texera Arnal, 2005:23; Ellner & Tinker Salas, 2007:33-35).

Throughout Gómez’ dictatorship (1908-1935), companies needed the oil less than Gómez needed oil income. Correspondingly, whilst Gómez tried to persuade companies to engage in public works, companies generally resisted (Philip, 1982:33). Nevertheless, as McBeth (1983:138) notes, in this period, whilst the wealth generated by oil companies had a relatively small impact on the general economic conditions in Venezuela, “its socio-economic effects on Zulia in general, and on Maracaibo in particular, were startling”.

188
Oil towns sprang-up across Zulia State, for many of which local governments failed to provide adequate services, rather enriching themselves (McBeth, 1983:143).

In Maracaibo, the capital of Zulia, the Venezuelan Gulf Oil Company (VOC)'s concession covered the town and, as such, it felt legally entitled to operate with little regard for the local population. The company refused to recognise claims for damages caused by fires, from the pollution of Lake Maracaibo’s freshwater or from workers. Indeed, local employees had to initially sign forms renouncing any right to compensation for industrial accident or death. Moreover, VOC placed rigs next to peoples’ homes, forcing Venezuelans to abandon their homes, which were either flooded with oil or unsafe given the risk of fire. Tradesmen also complained of having routes obstructed by company operations.

In 1926, Gómez appointed Perez Soto as state president to re-establish the rule of law and regain the communal land illegally taken by the oil companies. Perez Soto noted that the American companies, were especially “insolent, that is without due respect to the regional government, refusing to pay state and municipal taxes, seeking to ignore everything by fixing it with open cheques, flattering our greed, but depressing our moral entity” (Perez Soto in McBeth, 1983:138). The Gómez dictatorship tried to obtain some compensation for ordinary Venezuelans. In Monagas State, Exxon was warned that it needed to provide medical facilities for workers following local complaints. Moreover, the 1925 Oil Law provided that companies were to supply fresh water to the towns, although the water taps provided were grossly insufficient to deal with the towns’ needs (McBeth, 1983:213,175,146). Thus, during Gómez’ dictatorship, the beginnings of a state-led, compensatory CSR emerged, where companies were responsible for paying taxes, and rather than feeling responsible for the communities in surrounding areas, acted in flagrant disregard of their wellbeing.
In 1934, Franklin Roosevelt discarded Theodore Roosevelt's Corollary to the Monroe Doctrine\textsuperscript{83} to introduce a \textit{Good Neighbour Policy}, encouraging US companies to contribute to the economic wellbeing of their host countries (Brands, 2010:13).\textsuperscript{84} In 1940, Roosevelt appointed Standard Oil’s Nelson Rockefeller as Director of the Office of the Coordinator of Inter-American Affairs (OCIAA), which was to develop commercial and cultural relations between the American Republics and thereby increase the solidarity of the Western hemisphere in cooperation with the Department of State. Rockefeller became one of the most well-known oil philanthropists in Venezuela and pursued an \textit{enlightened capitalism} that sought to bring permanent peace, through a broad vision of economic security in the world (Hamilton, 2011:4). As such, Rockefeller professed that it was possible to raise the Latin Americans living standards through technological guidance rather than wealth redistribution. MNOCs’ social action followed this principle towards the goal of transforming Venezuelan society.

Moreover, by engaging in such social projects and by selling the \textit{American Dream} overseas, MNOCs were also seen as a strategic source of counterrevolution in Cold war Latin America. Rockefeller, for example, actively engaged in this pursuit by Point IV of President Harry S Truman’s 1949 inaugural address, which called for US corporate investment in poor nations’ economies throughout the world (Martin Frechilla & Texera Arnal, 2005:180-5; Bartley, 2001). In September 1949, he informed a congressional committee considering the Point IV proposals that American capitalism’s power, if applied correctly, could provide a path for the achievement of US geopolitical goals in the emerging Cold War (Hamilton, 2011).

Indeed, the Rockefellers played a significant part in funding the tools of the US’ cultural Cold War. In Venezuela, they funded artistic projects and such educational projects as the Social Science Research Council in order to promote specific ideological preferences (Bartley, 2001:580). As Bartley

\textsuperscript{83} Indeed, in 1938, Roosevelt angered US investors by failing to intervene in Mexico following the nationalisation of their oil fields (Brands, 2010:13).
\textsuperscript{84} This policy was accompanied with democratic optimism and a message of national self-determination, although the latter died down during the Cold War as the US cooled its support for popular alliances to cooperate with Latin America’s \textit{anti-communist} military governments.
(2001:590-1) notes, by funding the social sciences and university programmes, US businessmen, such as Rockefeller, in cooperation with the CIA, conveniently exported economic progress in a way that propagated Western values and ensured the rejection of Marxism. This somewhat ironically given the extent of the social divide in most Latin American countries, led to a rejection of class conflict as a useful model of analysis.

In the 1940s and 1950s, MNOCs, and particularly Standard Oil’s Nelson Rockefeller, began to introduce similar social responsibility models to those in their home countries, eighty-five to stimulate the non-oil economy, improve living standards and fund the US style modernisation of Venezuela he actively advocated (Dávila, 2004:182-202; Rivas, 2002).

As noted above, following WWII, Venezuela’s reformist Democratic Action party had responded to domestic pressures by increasing taxes on foreign oil companies, including those in which the Rockefellers had significant investments. To reduce these pressures upon the oil companies, Rockefeller convinced oil companies to pay USD15 million to help President Betancourt’s government confront a rising food crisis in Venezuela (Hamilton, 2011).

As of 1947, Rockefeller co-invested USD2 million of his family’s wealth in the International Basic Economy Cooperation’s (IBEC) subsidiary, the Venezuelan basic Economy Cooperation (VBEC). Half of VBEC’s capitalization came from the oil companies and half from the Venezuelan government (Hamilton, 2011). Like its parent company, VBEC was a profit-oriented corporation with a social mission. Its certificate of incorporation declared that VBEC would "promote the economic development of Venezuela, and particularly its agricultural economy, to increase the production and availability of goods, things and services useful to raise the standard of living" (Hamilton, 1982). VBEC focused upon agriculture, fisheries and supermarkets, commercial centres, housing, distribution, industry and financial services until the mid-1970s (Dávila, 2004:182-202).

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85 Rockefeller also established the Venezuelan Development Cooperation (CVF) and the non-profit Bolivar Foundation, later renamed the American International Association for Economic and Social Development (AIA) (Dávila, 2004:186).
Founded on the optimistic notion that a corporation could make profits whilst improving social welfare on a global scale, IBEC would score its greatest successes from the late 1940s until the 1960s with a Venezuelan supermarket chain, rather than with food production. These supermarkets were deeply politicised entities. As Rockefeller later declared: “it’s hard to be a Communist with a full belly” (Hamilton, 2011:2). The supermarkets were to reach back into the small-scale localised agriculture of countries such as Venezuela, forcing the rapid adoption of modern technological systems that cheapened food supplies for urban populations. These goals were also present in the 1963 establishment of the Creole Foundation, which was instrumental in the establishment of the Dividendo Voluntario para la Comunidad (DVC) that still exists today and is aimed at improving communities’ quality of life through partnerships with businesses. The DVC has even been used as a model for CSR in other countries (Ramos, 2008:49; DVC, 2013).

In the 1950s and 1960s these policies also aimed to reduce the yankeephobia, which US interventions in Latin America increasingly engendered. For example, in 1958 Venezuelans nearly lynched US Vice-President Nixon (1953-1961) during a visit organised by Nelson Rockefeller in protest as to US intervention in Guatemala. Castro’s successful mobilisation of anti-imperial, Third World feeling during the Cold war also made it politically dangerous to support Washington, leading US President Kennedy (1961-1963) to label Latin America “the most dangerous area in the world”.

Under the Kennedy administration, Venezuela received more counterinsurgency aid (USD 60 million) than any other Latin American country (Brands, 2010:33). Kennedy also established an Alliance for Progress, a ten year programme designed to stimulate economic growth and better distribute its benefits. US aid to Latin America averaged at around USD1 billion annually between 1961 and 1965 (Miller, 2012:403). Throughout the 1960s, modernisation theory, which argued that there was a

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86 Interestingly, these supermarkets were recognised as symbols of US imperialism in the 1960s when they were bombed by communists (Hamilton, 2011).
single, linear trajectory to economic development, gave the programme the ideological hook that enabled US to intervene in countries’ internal affairs without the taint of colonialism to protect its back yard from communism.

As Philip (1999:362) notes, between independence and 1958, Venezuela had only experienced three years of genuine democracy. Thus, Venezuelan president Betancourt was able to reinforce Kennedy’s concerns about the fragility of Venezuelan democracy to gain extra US funds (Brands, 2010:17-47). In the 1970s, with Nixon (1969-1974) and Ford’s (1974-1977)87 darker anticommunism, a dependency theory framed backlash set in across much of Latin America as development failed to occur with talk of US cultural and economic hegemony, allowing national leaders to blame underdevelopment on external factors (Brands, 2010:92). By 1974, Kissinger concluded that “we have to loosen up or we isolate ourselves”.

Nevertheless, in Venezuela, Betancourt was a shining example for the Alliance for Progress and emerged relatively well from the 1960s and was able to take advantage of the 1970s US power vacuum in the region, nationalising the oil industry 10 years ahead of schedule. Oil revenues were used to launch aid programmes in the Central America and the Caribbean, so that a Guatemalan official wrote in 1974 that Caracas was “almost equal to Washington” in the Caribbean (Brands, 2010:141).

In this vein, Venezuela also concluded a petrochemical contract with the Soviet Union (Brands, 2010:146). However, the debt crisis provided the developed world with the leverage to influence the trajectory of developing countries towards free market capitalism and electoral democracy. As IMF and World Bank agreements proliferated across Latin America in the 1980s, it appeared as if America had definitively won the Cold War, although the events of the late 1980s and early 1990s showed such assertions to have been premature (Brands, 2010:224-269). As government institutions failed to reduce poverty throughout the 1980s and 1990s, communities increasingly looked to a mixture of companies and NGOs to address social problems (Schmidheiny, 2006; Ramos, 2008:50).

87 Nelson Rockefeller was Vice-President during the Ford presidency.
5.2 What is 21st century socialism?

Bolivarian or 21st century socialism was introduced by former President Chávez (1998-2013), who was elected with a programme to empower the poorer segments of the Venezuelan population, exciting progressive socialists globally. This new brand of socialism has sought to dynamically change hegemonic relations and counter neoliberalism (Valencia Ramírez, 2007:122-3; Kozloff, 2007:37), emancipating Venezuela from US imperialism and the capitalist "realm of injustice and tyranny of the rich over the poor" (Chávez, 2010) to which the Venezuelan people "were totally enslaved" (Chávez, 2007a:58).

Actively resisting Empire began predominantly by negation or opposition, as concrete policies were initially lacking to tackle social problems and the complex web of elite/US interests within and outside of Venezuela. The Bolivarian movement has developed transversally as a process of identifying variables that, from its ideological standpoint, enable/constrain emancipation (Malavé Mata, 2006; Medina & López Maya, 2003:142). Due to its experimental nature, an initial lack of direction and the rapid, revolutionary urgency with which policies have been implemented, transformation has resulted in some haphazardness and policy contradictions (Lebowitz, 2009; CIA, 2010; Valencia Ramírez, 2007:122-3; Shifter & Jawahar, 2005:176).

In refining and redefining the new brand of socialism and its discourse, Chávez worked with prominent left-wing intellectuals including István Mészáros, Marta Harnecker and Carlos Lanz Rodriguez. The Chávez presidency initially focused upon the human dignity of a socialist versus a purely capitalist economy, before moving from social democratic capitalism to a socialist society and embracing more concrete ideas such as István Mészáros' socialist triangle. Following Chávez' electoral victory at the 2004 Venezuelan recall referendum and his self-identification as a socialist in 2005 (Ellner, 2009), democratic political processes have been increasingly

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88 The elementary triangle of socialism incorporates the following ideas: i) social ownership of production, ii) social production organised by workers, and iii) production for communal needs. Chávez believed that for the Bolivarian alternative to work, each element must be actualised (Bellamy Foster, 2010).
institutionalised under Heinz Dietrich Steffan's banner of 21st century socialism (Lebowitz, 2009; Hillman, 2006:124-129) and have led Venezuela to take a leading position in a new wave of Latin American socialism (Ellner & Tinker Salas, 2007:60) that has challenged the dominance of US-led neoliberal market logic and the abstract utopia it propagates.

As applied in Venezuela, 21st century socialism is not a single, coherent and all-pervading dominant ideology of the type put forward by dominant ideology thesis that is unified in articulation and practical expression (Ellner, 2008). Nevertheless, it is an attempt to create another vision of La Gran Venezuela through a more radical restructuring of society built by redistributing resources and guided by Gramscian logic, whereby the ruled class becomes the ruling class and multi-level power relations are progressively reframed. The purge of neoliberal patterns in the Venezuelan socio-political fabric through the institutionalisation of new social configurations is discussed in this section.

There is significant scope for those looking to criticise the revolution despite its noble attempts at increasing social justice as shown below. The Bolivarian revolution has faced, but also provoked, obstructionism on several fronts. It has antagonised the US, a significant trade partner, which has responded to the defiant Venezuelan challenge to its hegemony and alongside the traditional elite, has acted to undermine the Chávez and Maduro governments' legitimacy and scope of action. Moreover, whilst social division characterises much radical, revolutionary change, as illustrated below, the government is partially responsible for their creation. Moreover, government responses to counter the perceived neoliberal threat have been increasingly hyperpresidentialistic, which sets a negative precedent for future social relations. In order to explain what this revolution entails, I will now discuss the principles of participatory and protagonistic democracy and the effects of their implementation.

89 Indeed, it should be noted at this point that although President Chávez created a United Socialist Party of Venezuela (PSUV) in 2006 merging several socialist parties, the socialist movement in Venezuela is not homogeneous (Ellner, 2008:141).

90 On Chávez’ death, some foreign newspapers even published that the ill president had been murdered by the US (Algeria Times, 2013).
5.2.1 The overarching principles of social emancipation: participatory and protagonistic democracy

This section highlights the political context and the new society in which MNOCs currently operate in Venezuela. As such, it helps to show the conditions in which the RCSR model, discussed in chapter 7, has come into fruition. The effects of Bolivarian Socialism on the oil sector, more generally, are discussed in section 5.3, including MNOCs obligations to fund social programmes.

The Bolivarian Constitution (CRBV), approved in 1999 by 92% of Venezuelan voters, provides a conceptual basis for the sweeping changes in Venezuela (Malleson, 2010:2). It privileges nationalist discourse and refers to Venezuela as a protagonistic and participatory democracy; two adjectives that are somewhat contradictory in their fullest sense. Protagonist, from the Greek protagonistes, denotes a leader or agent with a main role in a Greek drama. Given the revolutionary rhetoric, a more pertinent role is that of a proponent or advocate of a political cause. Advocating participatory democracy, from the greek demokratia, literally means rule of the people or people power (McClean & McMillan, 2009).

CRBV (1999) Article 62 enables citizens to intervene in all levels of public affairs. Thus, the government has developed a mandate to foster active, meaningful and direct citizen participation and engagement in public policy as an essential prerequisite of this democracy. The mechanisms to implement protagonistic and participatory democracy are primarily outlined in CRBV Article 70 and envisage citizens taking active decision-making roles, thus constituting a direct democracy (Salamanca, 2006:102).91

Social protagonism, as established in CRBV, refers to a system of social co-responsibility that organises society into different levels of action and accountability (Rodríguez, 2006). The Chávez administration, having constitutionalised social movements’ demands for greater participation,

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91 Despite the rise of community level social movements unconnected to political parties, companies or workers unions since the 1960s, the political and institutional reform needed to create mechanisms for civil society to participate in the political decision-making process was limited and arrived too late (García-Guadilla, 2002:242-250; Salamanca, 2006).
worked to concretise participatory democracy by institutionalising socio-political movements, giving them a forum in the public sphere to express their concerns (García-Guadilla, 2002:257; 2006:57). Petras (2003) notes that the formerly excluded were not placed into an existing system, but rather the latter was transformed to grant them access. These social organisations and movements formally and informally occupy space previously taken by political parties, each with their own values and interests (Salamanca, 2006:93). Consequently, the culture of political agreement and dialogue between parties is disappearing (Adrianzan, 2009).

As discussed above, the Chávez government had a challenging legacy, so that in 2010, Cuervo (2010:641) asserted that Venezuela remains poor after a century of oil and gas exploitation, resulting from resource mismanagement. The new system of using oil money to help the people is one of citizen-owners entitled to the country’s oil wealth (Gibbs, 2006). The debate has not only reopened as to how oil revenues’ can best empower Venezuelan stakeholders, but the latter have extended from traditional stakeholders to the people more generally (Ellner & Tinker Salas, 2007:27), enabling previously socially excluded individuals to make greater social claims vis-à-vis the oil industry. Despite oil revenue fluctuations, oil is expected to benefit Venezuelan citizens in increasing policy areas, so that MNOCs have needed to redefine the scope and limits of their social mandate.

Measuring practical results is difficult as the Chávez government altered methodologies used to measure social phenomena when displeased with a set of results, for example, poverty rates (Weisbrot et al., 2006:3). I argue that the principles have had an emancipatory effect for the lower classes, but have not yet been equally and fully applied and that other emergent patterns threaten their successful establishment. Indeed, several policies that promise emancipatory power¹, simultaneously exert subjugating power² over the people, therefore, raising questions about whether the Western-framed values MNOCs’ wish to project externally, such as human rights

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¹ Bhaskar (1993) uses this distinction of power¹ and power² as a way to view complex power relations (see footnote 54 on page 145).
protection and revenue transparency, are met by supporting government projects.

In this context, this chapter analyses the creation of new social structural agents that are replacing, for example, the traditional NGOs and town councils. These new agents: i) depend on oil sector funding; ii) compete with the oil sector in terms of the execution of social action; and iii) provide new social partners with whom MNOCs should cooperate in defining local social action programmes and their scope. It should be noted that (particularly US) MNOCs form part of the Empire and as such are a minori enemies in the government's enemy/friend dichotomy, even if, as Philip (2010:6) argues, the oil market is so deconcentrated that oil imperialism is less salient than it was in the twentieth century. This dichotomy is discussed in section 5.3.

5.2.1.1 Protagonism: overcoming Empire and installing democracy

The principles of protagonistic and participatory democracy supersede that of representation, which existed under the former predominantly two-party system and its corresponding institutions and mechanisms. Bruni Celli (2003:46) contends that regimes that abandon representative democracy for direct democracy may try to empower citizens, yet historically struggles for direct democracy have often ended in its negation (a form of governance which weakens popular power). Indeed, the current Venezuelan debate is focused around questions of who is included and which mechanisms and institutions best facilitate direct democracy.93

Whilst the dominance of a majority group over other social actors is a well-documented problem of representative democracy, it should not occur to the same extent in a participatory or deep democracy, so that those who oppose governmental policies cannot be entirely excluded from all areas of society. Nevertheless, as Bolivarian socialism has included the previously excluded,

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93 Petras (2007) argued that opposition and confrontation was somewhat inevitable as: “when you put social democracy, egalitarianism and popular power at the top of the political agenda […], the Right, the reactionary military, the ‘Centrist’ political defectors and ideologues, the White House, the hysterical middle classes and the Church cardinals will sacrifice any and all democratic freedoms to defend their property, privileges and power by whatever means and at whatever cost necessary”.

198
but not those who had vested interests or a non-socialist vision of society, Venezuela is not (yet) a participatory democracy.

In advocating a new social model, protagonism has used democratic and non-democratic means including populistic and hyperpresidentialistic elements. Populism emerged via the political mobilisation of the lower classes, which were previously excluded by the established parties and lacked institutionalised forms of political self-expression (Roberts, 2000:2). Indeed, the very use of term Bolivarian socialism, linking the project to the historical cult figure, Simón Bolivar, draws from populist tradition the notion of a virtuous Venezuelan people fighting to overthrow long-standing oppression (Philip & Panizza, 2011). Venezuelans have rational and emotional reasons for adhering to the populist worldview, with its Manichean discourse that holds the nation's elite responsible for the country's difficulties (Weyland, 2003:1098). Unfortunately, as noted above, whilst it is emancipatory to place the dismantling of elite oppression/discrimination on the political agenda, the moralisation of politics by politicising the social divide of the haves and have-nots is problematic for consensus-building, the use of the elite as a scapegoat is reductionist and the idea of popular sovereignty can be used to counter checks and balances on government power (Kaltwasser, 2013).

Establishing dualistic friend/enemy dichotomies, has entrenched the divide between rich and poor. This has been both a necessary advocatory and self-defensive governmental strategy, given US/old elite hostility and Bolivarianism’s need to establish itself and bolster support from its poorer electoral base for state intervention (Philip & Panizza, 2011). However, it has markedly deepened political polarisation within Venezuela (Ellner, 2008:5; Dunning, 2008:154), reflective of a complex of interests and opinions within contemporary Venezuela (Buxton, 2007). The entrenching divide, however, threatens the stability of Bolivarian socialism as witnessed by the contested 2013 election of President Maduro. Such us and them dichotomised language may be helpful in fuelling a revolution, yet it is unhelpful for social cohesion unless a dialectical synthesis can be found.94 Indeed, by

94 As Lipmann (1922) argued, polarisation can arise from distorted information, a failure to analyse facts before reaching conclusions and the use of stereotypes that subject people to
abandoning meta-reality’s axioms of universal solidarity\textsuperscript{95} and axial rationality\textsuperscript{96}, by not differentiating between people and their ideas or to auto-critique their own actions in view of resolving social tensions, the Bolivarian governments have failed to resolve the social dichotomy and to achieve a Bolivarian synthesis. The normative implications that this approach raises for MNOCs operating in Venezuela are discussed in section 3.

The Chávez’ administration also used hyperpresidentialism, a reliance on enabling acts, which allowed Chávez to pass executive decrees without legislative debate or approval, antiparty rhetoric and a discourse with messianic overtones (Penfold (2010:21). The late President Chávez won in 1998 as a personalistic candidate and was known for his military dress, charisma, cavalier outbursts and self-comparisons with leaders such as Zamorra, Bolivar, Guevara and Jesus (Salamanca, 2006:100; Chávez, 2007b:47; León et al., 2009:4). For many, his personality embodied the revolutionary poor’s struggles (Malleson, 2010). Moreover, whilst he used grassroots support to further participatory democracy, he also used top-down state directed authoritarianism, e.g. in 2009, to amend the constitution he had vociferously defended to stand for indefinite re-election (Malleson, 2010; Romero, 2007; Corrales, 2009b:77-78). His government placed military men in government positions, encouraging the military to participate as a political and social actor called to defend fatherland and socialism or die (Trinkunas, 2006:68-70).

5.2.1.2 Protagonism: the media

The inherent contradictions embedded in the sheer wealth of information and disinformation on Venezuela form a great obstacle in determining a clear-cut Venezuelan reality. Firstly, Empire has fought back and most Western-based

\textsuperscript{95} The principle of Universal Solidarity specifies that any human being can empathise with and come to an understanding of another and become one with something radically different from him/herself (Bhaskar, 2010:18).

\textsuperscript{96} The axiom of Axial Rationality specifies that there is a basic logic of learning by identifying and correcting mistakes that is accessed by all human communities without regard to their cultural background so that there is a capacity to learn from mistakes and to (auto-)critique (Bhaskar, 2010:18).
coverage of the revolution has been critical. In 2010, the US State department declassified documents showing that the US had provided funding for Venezuelan anti-Chávez journalists and media organisations (Gollinger, 2010). The biased Venezuelan media coverage of the 2002 coup against Chávez showed a strong media preference for his rival Carmona, reflected in estimates that 95% of all Venezuelan media at this time, including the major TV channels, was anti-Chávez and presented an influential political opposition (Lemoine, 2002). This imbalance has been significantly redressed.

Indeed, media-state relations have been an ideologically-permeated, political battleground (Bisbal, 2003:134-136; Weisbrot & Ruttenberg, 2010). Interestingly, whilst the media discusses Venezuelan society in terms of Chavistas and the opposition, figures indicate that 54% of Venezuelans consider themselves neither one nor the other (Datanalisis in Noticias 24, 2010)97, highlighting the complexity of categorising Venezuelans. Nevertheless, the Chávez government adopted this Manichean approach (Petras, 2007), calling, for example, on supporters to fight subversive internet media as "soldiers" that "engage with the enemy online" (Reuters, 2010). High-ranking state authorities, moreover, discredited and accused certain journalists and independent communications media of practicing journalistic terrorism by fomenting a discourse of hate that affects Venezuelans’ “mental health” (IACHR, 2009:108).

The government's Media Crimes Bill, whereby subversive journalists face imprisonment and the governmental control of certain TV and radio stations were set to combat this trend (CPJ, 2009). Government actions are consistent as they, as in Plato's Republic, ban all material deemed subversive, including episodes of the popular US series Family Guy (El Universal, 2009). Unsurprisingly, the Chávez government moved to control the dissenting media by progressively eliminating their freedom and independence, threatening opposition media with closure (Sullivan,

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97 Moreover, Valencia Ramirez' (2007:121-139) study on the Chavistas shows that many do not fall into the stereotype prevailing in Venezuela.
2010:46)\textsuperscript{98}, although non/anti-Bolivarian channels still exist, but these have been subdued (Ramos, 2008:59).

Communication has also been an integral part of formulating and promoting 21st century socialism. Despite claims that the Chávez administration had taken control of the mass-media, in 2010, in terms of viewer shares, private terrestrial channels still represented 61.4%, cable and satellite 33.1% and state television only 5.4% (Weisbrot & Ruttenberg, 2010). Nevertheless, the transmission of \textit{Aló Presidente!} aside, it saturated the media with its keen use of blanket presidential broadcasts on all channels, which conveyed much more than urgent informational needs of public interest that constitute their official raison d’être.\textsuperscript{99} Given that most Venezuelans receive their news via television, non-objective news-telling has widened the social gulf, leaving little room for auto-critique or any attempt of universal solidarity.\textsuperscript{100}

5.2.1.3 Participatory democracy: elections and the balance of powers

Elections are a key element of participatory democracy. As Garrido (2003:84) writes, in Venezuela, "\textit{Hugo Chávez came to the presidency by means of democratic election, but he did so to install a radical, revolutionary government}". Certain authors used the frequent elections, referenda and government polling success to indicate the legitimacy, popularity and democracy of the Chávez government (Hellinger, 2007:157-185; Kornblith, 2005). Adrianzén (2009) argues that Andean socialist democracies have redefined democracy, simultaneously emphasising the votes that brought in change and their opposition to neoliberalism. This is not unique to Venezuela as the regional trend has been of electoral/competitive

\textsuperscript{98} Radio Caracas, which had opposed government policies, found that its TV station’s licence was not renewed; former President Chávez argued that it showed subversive material (IACHR, 2009:140).

\textsuperscript{99} The Andrés Bello Catholic University’s Centre for Communications Studies estimated that between February 1999 and July 2009, excluding \textit{Aló Presidente} and the government’s official publicity, the Venezuelan communications media transmitted a total of 1,923 blanket presidential broadcasts, equivalent to 52 days of uninterrupted presidential broadcasting. In 2008, the communications media transmitted 186 blanket broadcasts (172 hours and 55 minutes), whilst in July 2009 alone, 75 messages were broadcast (88 hours and 19 minutes). The longest blanket broadcast of 7 hours and 34 minutes was aired on 13 January 2009 (IACHR, 2009:104).

\textsuperscript{100} The principle of Universal Solidarity specifies that any human being can empathise with and come to an understanding of another and become one with something radically different from him/herself (Bhaskar, 2010:18).
authoritarianism, whereby the paradigm is shifting from a traditional *Rechtsstaat* based democracy to an electoral democracy (Cameron, 2009:339; Dunning, 2008:31).

Elections have not, however, been completely free. The National Electoral Council (CNE), which oversees and guarantees electoral transparency, has been unrepresentative of the political spectrum, primarily composed of pro-government representatives. Opponents of Bolivarian socialism have faced active discrimination and have been fired or harassed (Jatar, 2006a) as evidenced by the appearance of the Tascón¹⁰¹, Maisanta and Russian¹⁰² lists. The Chávez' government stated that businessmen and civil servants should be "*rojos, rojitos*" or resign (Uzcátegui in 24Noticias, 2007; IACHR, 2009). PDVSA’s politicisation (BBC, 2006; Malavé Mata, 2006:68; Philip & Panizza, 2011) was clearly articulated by Rafael Ramirez, then Minister of Energy and current President of PDVSA, prior to the 2006 presidential elections:

"Here, we are backing Chávez, who is our leader, who is the leader of this revolution, and we will do everything we have to do to support our president [...] Those who do not feel comfortable with that orientation, should give their jobs to a Bolivarian" (Ramírez in BBC, 2006).

¹⁰¹ The Tascón List comprised the signatures of petitioners for President Chávez’ recall, which led to the (eventually defeated) 2004 Venezuelan recall referendum. Accusations arose that the list, given by the CNE to Luis Tascón for a signature verification was used by the government to discriminate against the petitioners after the National Assembly member published it online. Fear was fuelled by Chávez’ statement that "Those who sign against Chavez are not really signing against Chavez... they are signing against the homeland, the future, and will go on record for history". Petitioners were offered a chance to retract their names from the list. Venezuelan NGO Sumate claims that people felt forced to remove their names to keep their benefits or employment. The list was subsequently embellished with further data to form the Maisanta list, which compromises 16 million Venezuelans, their electoral preferences, participation in government social programmes and personal data. In 2005, Chávez ordered the list’s removal from the internet under increasing public pressure (Jatar, 2006b).

¹⁰² The Russian list, compiled by the General Comptroller (financial controller), a well-known Chavista, disqualified around 400 citizens from standing in future elections due to an alleged misdemeanour, in breach of his powers under the Organic Law of the Comptroller’s Office.
5.2.1.4 Participatory democracy: the communal councils and social restructuring

The government has begun to restructure society in a Bolivarian drive to create more participatory democracy and to alter power-relations within Venezuela, purging US/elitist influence. To this end, it has abandoned the liberal democratic reduction of civil society to an associative sphere in contrast to the state and the market for a Gramscian understanding of civil society as part of the state and an instrument of hegemony or of opposing hegemony (Wilpert, 2007; Harris, 2007).

For MNOCs operating in Venezuela, they increasingly find themselves working alongside the communal councils (consejos comunales), new social actors with their own expectations of MNOCs, both in the planning and execution stages of CSR projects. The 2006 Law of Communal Councils introduced this new unit of social organisation to enhance popular power and offer a form of direct democracy to individual citizens who form the councils.

According to the founding law, communal councils should empower Venezuelans to directly exercise public policy and project management, thereby responding to their communities’ needs and aspirations and increasing social justice (Ley Especial de los Consejos Comunales, 2006). 20,000 communal councils were established nation-wide following the law’s enactment and are composed of groups of families or neighbours (Ellner, 2009). The budget for financing council projects was set at USD 5 billion for 2007, with each one allocated USD 14,000 to finance their initial projects (Mather, 2007). These new structures of social organisation provide a predetermined structure of public participation, which should be supported and reproduced by Venezuelans, including formerly excluded agents such as women and teenagers (Ellner, 2009). Having registered with the Commission for Popular Power (CPPP), and liaised with other local groups, they can propose needs-based projects and are entitled to receive public funds to meet these needs. The CPPP decides which projects receive funds (León et al, 2009:4).
The Communal Councils’ parallel structure gives the president closer access to the people, sidestepping the bureaucratic layer of governors, mayors, ministers, officials and agents linked to the old system (Rodríguez, 2006:223). In parallel, the associative realm has been progressively weakened. That some NGOs and political groups have received EU and US funds for democracy-building projects has tarnished them as Empire agents (Jatar, 2006b). Indeed, many harbour neoliberal values that see the private sphere as a positive force of social development (Ramos, 2008) and some have anti-Bolivarian political views (Gollinger, 2010).

Communal councils are part of a wider restructuring of society, through participatory policies. Smilde (2009) discusses three stages of the Venezuelan government’s participation policies: i) harnessing existing forms of participation until participatory democracy fostered groups that supported government actions; ii) sponsoring pro-government participation; and iii) centralising participation and neutralising the autonomy of citizen participation. Sinergia, a group of Venezuelan NGOs, is concerned that this societal restructuration aims to streamline and control the associative sphere. Indeed, communal councils are replacing NGOs and local government, which are being systematically excluded as the government links them to US/neoliberal-thinking and puntofijismo respectively (Sinergia, 2010; Petras, 1997).

Whatever the government’s intentions, remodelling civil society offers great opportunities for reform (power1), but equally, for power to be abused (power2) as the new actors are neither consolidated nor independent from the government. According to Ellner (2009), the new Venezuelan social organisations display a relatively low degree of autonomy vis-à-vis the state, many being openly pro-government. Future attempts to create official forms of cooperation may, thus, be utilised by the state to monopolise community action (Sinergia, 2010).

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103 Bhaskar (1993) uses this distinction of power1 and power2 as a way to view complex power relations (see footnote 54 on page 145).
The risk is that if the government becomes the people’s ultimate representative, by claiming to have authority on the public good through its own direct channels of access to the people, it can effectively dismiss the views of other established actors and independent civil associations (Virtuoso, 2006:302). Chambers and Kymlicka (2002) note that a strong non-governmental public sphere is a precondition for effective participatory democracy. However, the new format of civil society’s participation is not only predefined, but prescribed by the government. Thus, whilst the essence of these reforms was horizontal and democratic, the social model created and resources to achieve it are vertically determined (Wagner, 2004).

Adrianzan (2009) asserts that there is a regional tendency to privilege substantive democratic themes, including inclusion, poverty and equality and to leave aside themes of formal democracy functioning such as the separation of powers. Within Venezuela, the new democracy has placed greater value upon participation and mobilisation than on governability and good governance (Philip & Panizza, 2011). It has been argued that the social, political and economic inclusion of previously excluded actors may have had a cost to democracy, so that the Bolivarian discourse of justice and values could be a way of legitimising hyper-presidentialist reforms, enabling laws and authoritarian governance (Malavé Mata, 2006:217; Adrianzan, 2009). I would note that that the latter were predominantly seen as a means to achieve revolution, but that they create worrying precedents for future action.

5.2.1.5 Protagonistic democracy: Chavistas

Chavistas belong to a heterogeneous conglomeration of groups such as community and neighbourhood organisations, some of which have historically clientelistic relations with the state, whilst others are more ideologically grounded (Ellner, 2008:142). Raby (2006:190-191) notes that Chavistas and the Chávez government enjoyed a dynamic dialectic, whereby

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104 This centralizing, vertical trend is also visible in the frequent obstruction and instruction of governors and mayors, bringing powers back to central government (Penfold, 2010; Cameron, 2009:16; Corrales, 2009b:73; Romero, 2007:2).
Chávez could more sensitively respond to the people than a conventional party or government and better act in the peoples' interest.

Conversely, however, these groups, which set-out to emancipate society of puntofijista inequality, have also formed less emancipatory, clientelistic links with the government, hindering the communal councils’ ability to act objectively and freely vis-á-vis the state, as chavistas have often controlled both these and the town councils (Ellner, 2009:6). Corrales (2009b:69) notes that from within the new social structures, amongst the different groups of Chavistas, some have a duty to "watch citizens in local communities, and intimidate opponents". Thus, as stated above, I argue that the communal councils are empowering, but equally in danger of being vehicles of false freedom.

The bulk of the Chavista movement’s support comes from the poorer segments of the population, which Chavismo empowers by offering hope and a sense of solidarity with the poor and oppressed in other countries (Valencia Ramírez, 2007:122-3). Ellner (2006) notes that certain larger ideologically-minded groups, such as the Fuerza Socialista Bolivariana de Trabajadores (FSBT), have been weakened as their activists have been recruited by the state, which de facto weakens direct democracy. Of the Chavistas, the most emblematic are the Bolivarian Circles, which Jácome (2006) notes were formed from above and are subject to differing levels of state control. In his interviews with Harnecker (2005), Chávez noted that the Bolivarian circles are the new form of civil participation and that they should become even more present in society, building networks, "that form streams and together form the transformational river of our movement".

The circles are often cells within larger organisations or groupings and are charged with disseminating Bolivarian ideology, mobilising political support against the opposition and helping to meet social needs, providing a direct link between the people and the President himself (Valencia Ramírez, 2007). If thought of in terms of the inculcation of new discourses, agents in these circles are positioned firmly within the new discourse, having come to own the government's emancipatory rhetoric.
The question arises as to whether the masses of new elite are becoming that which philosopher John Dewey referred to as a Great Community, educated about their society and solution-oriented vis-à-vis social problems, or whether they are in a platonic cave of ideological blindness. As Chávez commented, some circles have sectarian views, even if they are not primarily sectarian groups (Chávez in Harnecker, 2005:138). Oxhorn (2003) refers to "sometimes armed community organisations directly loyal to the President", whilst others have called them "paraofficials of violence" (Malavé Mata, 2006:60). Such physical violence is symptomatic of deeper causes and the political opposition has capitalised on the fear created by sectarian groups, associating all Chavistas with the sectarian acts of the few (Valencia Ramírez, 2007).

5.2.1.6 Protagonistic democracy: reforming old judicial structures

The balance of powers has also changed to fit the new Venezuelan democratic framework. CRBV (1999) added electoral and citizen branches to the existent governmental branches, enshrining the new popular structure of people power. Previous governments had eroded the separation of executive and judicial powers (Ellner, 2009) so that the government inherited a clientelistic and elitist judicial system (Ellner, 2001:39). Whilst the spheres are theoretically independent, the Chávez’ executive penetrated the judiciary to reform it (Monaldi et al. 2004:31).

Whilst not a regional exception, former President Chávez removed judges, who delivered displeasing verdicts or held different views of justice, denouncing them and their court decisions on television (IACHR, 2009:72). The appointment of non-regular judges, avoiding the open public competition required by CRBV Article 255, may enable the appointment of those with a Bolivarian sense of justice, nevertheless these judges are freely appointed and removable, which may influence their partiality or their perceived partiality (IACHR, 2009:xi). Thus, justice is more Bolivarian and less elitist, however, the rate of judge replacement and the executive’s ability to override judicial decisions threaten to undermine the judicial system’s workings and to establish a Bolivarian elitist, clientelistic judiciary to replace...
the old one. It remains to be seen whether such measures have been a temporary evil to fix a rotten system or represent a more serious threat to justice. Notably, judicial fairness and contract stability are important criteria for MNOCs considering whether or not to invest within a country.

5.2.1.7 Participatory democracy: the cooperatives and the missions

The cooperatives and the missions were created to enhance social and economic democracy (García-Gaudilla, 2006; Alayón Monserat, 2005:219) under the banner of participatory democracy. The former are part of the Bolivarian vision of a state-led economy and the missions are a social model that provides the poorest segments of the population with welfare.

The Chávez’ government confiscated land for use by cooperatives (Navarro, 2005; Stålberg, 2006:iv), actualising the Marxist idea of abolishing private property by confiscating it for communal use as a means of developing the economy. Whilst still in its infancy, the Venezuelan cooperative movement is the world’s largest (Malleson, 2010). The cooperatives are a radical break from capitalist production practices, not due to an inherent incompatibility between cooperatives and capitalism, but due to the way they are managed and their quantity. Although Venezuela is still far from a centrally-planned economy, cooperatives have been supported alongside other interventionist policies, including nationalisations, price controls, foreign exchange restrictions, tax increases and an ambitious land reform to provide a form of endogenous development that can inclusively redress structural imbalances (Flores-Macías, 2008:81; Harris, 2007).

Whilst the cooperatives were initially state dependent and a large number failed to take off, those that succeeded have become increasingly independent thanks to the training provided by the mission Vuelvan Caras and have allowed workers a direct say in running firms, reducing hierarchy and promoting new structures of popular sovereignty and workplace democracy (Ellner, 2009:82). It is unclear whether cooperatives will continue to work outside of a radically democratic economy, especially given the lack of independent financial support available for the cooperatives and the lack of ownership of the projects displayed by some workers (Malleson, 2010).
However, they represent a coherent attempt to implement participatory democracy within the new socialist context.

The missions are social programmes designed to emancipate the poor, funded using oil revenues that are directly overseen by the state apparatus. They resemble non-government, business or civil society run social initiatives in content and in their informal and non-systematic nature. Compared with the total expenditure of the social programmes of 1989-1998, which never surpassed 1.5% of GDP in a given year, the missions’ expenditure was over three times higher in both 2006 and 2007 (Aponte Blank, 2010:53). The best known missions are arguably: (i) Misión Barrio Adentro, providing healthcare to the poor; (ii) Misión Robinson I and II, tackling illiteracy; (iii) Misión Ribas, offering adults high school education; (iv) Misión Identidad, providing citizens with identification to enable them to access cash incentives and participate in educational social programmes; (v) Misión Mercal, providing subsidised food 40% cheaper than market value; and (vi) Misión Vuelvan Caras, creating jobs in cooperatives.105

5.2.1.7.1. The missions in practice: healthcare and education

Healthcare and education are two key areas of oil-sector funded, state-led social welfare programmes (Aponte Blank, 2010:50). The missions have been an efficient vehicle for delivering services to the country’s poorest, enabling them to receive treatments otherwise unavailable to them. Barrio Adentro System I and II, created as parallel structures to the traditional health services, have provided comprehensive, free public health services, including urgent, preventive and outpatient care. Whilst their success is difficult to quantify, Weisbrot et al. (2009) contend that there have been some significant achievements, including a twelve-fold increase in public sector primary care physicians between 1999 and 2007, with infant mortality dropping by a third, and post-natal deaths by half, between 1998 and 2006. Funding comes from the Fundación Oro Negro, which PDVSA created to channel oil revenues into social funds (Gomez, 2007:21-23).

105 For a more comprehensive list of the missions and their objectives see: http://www.gobiernoenlinea.ve/miscelaneas/misiones.html (Gobierno Bolivariano de Venezuela, 2011).
The missions’ future development is uncertain as they are not being institutionalised into a wider system available to all; indeed, a parallel replacement of the traditional health and education sectors would be difficult to sustain long-term (D’Elia et al., 2006:223; García & Salvato, 2006:263). The fiscal burden needed to maintain these programmes has seen a number of Barrio Adentro establishments close due to insufficient medical staffing and inadequate infrastructure refurbishment, reducing their operational capacity whilst traditional hospitals have also suffered shortages (España, 2010:20; D’Elia et al., 2008). D’Elia et al. (2006) criticise the policy reorientation of only focusing social care on the poorest, thereby reducing the state’s welfare responsibilities from universalism to assistentialism. The IACHR (2009) similarly notes that the missions, as a social policy, appear to constitute public assistance policies that fail to recognise rights, administered "at the discretion of the State, at will".

For these reasons, the health missions could be seen as state philanthropy, falling somewhere between the traditional sectors and MNOCs’ irregular CSR programmes. Nevertheless, I note that, pre-Bolivarian socialism, those outside of the defined poverty bracket had to rely on the market as a social welfare mechanism, which did not guarantee their treatment.

Higher education has arguably seen the greatest success with an 86% rise in school enrolment between 1999-2007 (Weisbrot et al., 2009). Oil-funded free education has enabled poorer Venezuelans to study. Torres del Castillo (2009) asserts in a UNESCO report that since 2003 education has been widely extended for youth and adults from literacy to tertiary education. Venezuela was the first country to use the Cuban Yo Sí Puedo (YSP) system on a major scale to eradicate illiteracy through Mission Robinson; its success

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106 Education carries certain values in all societies; its Bolivarianisation has sought to radically change Venezuelan values (EIU, 2007). A Bolivarian curriculum was introduced in 2007, with a political bias in history and the social sciences (Petkoff, 2008:12). Moreover, as much criticism of current and previous governments’ policies has been university-based, in Article 11 of the Venezuelan Organic Education Law, universities are forbidden to teach “messages contrary to national sovereignty” or to diffuse “ideas and doctrines contrary to national sovereignty and the principles and values outlined in the Constitution of the Republic” (Gaceta Oficial, 2010:3). Whilst, there is a danger of stifling critical thinking (Hillman, 2006:115-129), history shows that prohibition often drives its object underground to re-emerge stronger.
is being emulated in Bolivia, Nicaragua, Panama and Ecuador (Steele, 2008).

5.3 The oil sector in post-1998 Venezuela: from *Empire* to local communities

In terms of two of the dominant paradigms that have framed US politics over the past half century, the Cold War and the War on Terror, which still inform the collective psyche to the present day, Bolivarian Venezuela comes up on the wrong side against the US in both counts. Not only are Chávez and Maduro socialists, but Chávez in particular openly aligned Venezuela with Cuba and was a personal friend of the Cold War legacy of Fidel Castro (Orsi, 2013). Moreover, Chávez denounced global capitalism, free trade, neoliberalism, inequality, and US hegemonic aggression and purchased billions of dollars’ worth of defence goods from Russia (Bustamante & Sweig, 2008). Additionally, Chávez provided cheap oil to the US to help its poor, echoing the Cold War–era competition between the United States and the Soviet communist blocs. At the same time, Chávez disputed the legitimacy of Bush’s War on Terror, building alliances with pariah states and supporting Iran’s right to develop nuclear capacity (Wilbur & Zhang, 2014:559).

As noted above, since before the Cold War, the US has intervened to promote its version of democracy in Latin America, and the model developed by Chávez can be viewed as competition, under the same name of democracy, as it also has global ambition. It is unsurprising therefore that the US has acted to discredit Chávez and Maduro. It is also unsurprising, given the past role of MNOCs in promoting a vision of democracy that was in line with Western hegemony, that Chávez and Maduro should view them with suspicion, label them as agents of Empire and create a new dialectical relationship of state-MNOC relations. Indeed, businesses were linked to the 2002 coup, although the exact role of MNOCs remains unclear, as well as whether any of their motivations were non-business related.

Oil companies’ reactions to Chávez’ reforms have indeed displayed a mixture of submission and refusal. This has not only been the case of MNOCs. In the early days of the revolution, the national oil company PDVSA actively
countered Chávismo. This led to an oil strike, the 2002 coup and the subsequent reshaping of the company and of its top management. MNOCs (or at least Western MNOCs) have not been neutral actors either in this process. Some MNOCs voiced their refusal of the new mixed enterprises framework vocally, by leaving the country and suing the Venezuelan state in protracted arbitral and legal proceedings (see below). Other MNOCs stayed in the country and accepted to review the terms of their operations in Venezuela, whilst continuing to attempt to improve their business case. For example, the Wikileaks cables revealed in 2011 showed that Statoil Venezuela’s president reproached Chevron and Repsol for bidding for a licence in Venezuela despite an alleged agreement amongst MNOCs to boycott the bidding round to obtain better terms from the Venezuelan authorities (Bakken, 2011:48).

This type of behaviour does not necessarily derive primarily from ideological considerations, unlike during the Cold war period, or from a desire to spread the gospel of neoliberalism with its promises of economic prosperity and modernisation, but appears to be founded upon business concerns. However, these concerns manifest a wider lack of MNOC confidence in, and support for, the Bolivarian revolution. In any case, MNOCs such as ENI have now managed to find an agreement with the government for the payment of a compensation for the nationalisation of their Venezuelan business (ENI, 2014). MNOCs that have stayed have also benefited from new exploration rights in the Orinico belt and have invested significant sums in these ventures, giving them reasons to foster better relations with the government now that the production phase will soon start.

Looking at the oil sector in post-1998 Venezuela, Venezuelan oil policy has actively and reactively sought to diminish its dependence upon external agents’ actions and limit their influence within Venezuela. This is not the first time that MNOCs have faced hostility or seen extreme changes in government style in Venezuela, although industry resistance to this wave of nationalisation has been greater than in 1976. From a historical perspective, the new Bolivarian paradigm introduces another turn in the dialectical relationship of state-MNOC conflict and interdependent bargaining. MNOCs
offer valuable capital, skills and sophisticated technology and the state has the land and the ability to set contractual terms. Both have objectives to get the most for their specific shareholders.

The Bolivarian revolution, thus, constitutes the latest attempt to reverse external dependencies. As under Pérez, it constitutes a struggle to move towards its own Gran Venezuela. It similarly constitutes a popular attempt to use the oil revenues to bring greater equality. Where it differs from previous attempts, is that it increasingly rejects the hegemonic logic of neoliberalism. By rejecting neoliberalism, the Chávez’ administration also rejected the former’s developmental fairy dust or CSR framed by a market logic.

As with the organisation of society, the state has been centralising social action. Indeed, the government offers an asymmetric partnership to MNOCS and traditional civil society in which most projects are placed within the remit of its responsibility. The lines are blurring between different types of social action as the state not only appropriates ideas, but also vocabulary (such as missions) from civil and corporate arenas. The state’s emphasis on short-term, grassroots social projects and the terms it uses to describe these projects make it difficult to distinguish corporate from government social action. Nevertheless, the state has taken charge.

As shown above, since the beginning of oil exploitation, great expectations have surrounded this natural resource’s ability to drive forward Venezuela’s socio-economic development. The Bolivarian governments’ changes to PDVSA and MNOCS, and Chávez’ decision to increase the private sector’s social welfare delivery, are based upon similar expectations. Concerning corporate citizenship, whereas PDVSA now funds and executes social action and has become a nation-building actor, by contrast, the government has prescribed that MNOCS act as secondary social actors. However, both PDVSA and foreign MNOCS further the Bolivarian agenda by providing the oil generated revenue needed to fuel the government’s revolution by acting as a panacea for domestic social ills and supporting aid-based foreign policy (Parker, 2007:64). For MNOCS, social action has become a mandatory and customary business expense in Venezuela. Indeed, it is increasingly a
modus operandi. I will now look both actors in turn, PDVSA and then the foreign MNOCs in terms of their new social roles.

5.3.1 PDVSA

Rangel (2003:248) argues that post-1998 Venezuela had to either continue acting as an oil emirate or decide to become a nation. Effectively the government has done both, continuing its oil dependence whilst pursuing its own ideological path both domestically and overseas.

Domestically, the slogan oil for the people characterises oil as a common good and government policies convey this political message (Prensa Minci, 2009). Oil donations to Brooklyn and London indicate that Bolivarianism is being exported further afield (Chávez, 2006:4).107 In a display of solidarity, Chávez made preferential oil deals with certain Latin American and Caribbean countries (Petrocaribe), contending that the region would either unite or collapse. As Simón Bolivar un-colonised parts of Latin America, equally schemes such as the Bolivarian Alliance for the Americas (ALBA) herald unity and reject US imperialism (Guevara & Chávez, 2005:103; Chávez, 2006).108

As Párraga (2010:8) writes, until Chávez’ reformed PDVSA, Venezuelans had forgotten the company’s strategic value and that an aggressive power project would need an equally ambitious plan to take control of it and reshape its mission. After Chávez’ took over the reins of government, a power struggle commenced between PDVSA and the government. Whilst oil is not the only sector in which the Venezuelan government has fought to establish a socialist industrial complex (Malleson, 2010), it is the most important revenue-wise.

In a September 2008 Financial Operational report, PDVSA estimated that Venezuela had 152.561 billion barrels of oil in certified reserves (PDVSA, 2008).

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107 Malavé Mata (2006:14) argues that the use of oil to show international solidarity ignored internal social need.

108 The ALBA, founded in 2004 by Venezuela and Cuba, is an international organisation that supports the greater social, political and economic integration of Latin America and the Caribbean. It was initially proposed by the Venezuelan government as an alternative to the US’ neoliberal proposal for a Free Trade Area of the Americas (FTAA) (Fritz, 2007).
2008). By 2011, this had grown to 297.6 billion barrels, the world’s largest proven crude oil reserves (OPEC, 2012:22). With its shares, reserves, production, refineries and sales, PDVSA is not only an important Latin American company (Azzellini, 2004:103; Mares & Altamirano, 2007), but in 2007 it was the world’s fourth largest integrated oil company (Mares & Altamirano, 2007). PDVSA owns the US company Citgo, with its US refineries and petrol stations and has significant shares in Veba Oil and Minas.

The Chávez government brought PDVSA back to the nationalist agenda, which had characterised the company until 1983. Between nationalisations, however, PDVSA had followed an internationalising policy, culminating in 1989 with the *apertura petrolera* (a policy approach which encouraged the participation of private capital, technology and management in the oil sector) and had become a respected, market-oriented international agent and a key symbol of capitalist success (Mommer, 2003). PDVSA's managers claimed that their objective was to immunise the company against the public administration’s clientelistic practices given high corruption levels (Parker, 2007:62).

However, the contrast grew between PDVSA's ever-rising profits and the worsening poverty and underdevelopment amongst oil's *citizen-owners* (Mares & Altamirano, 2007). PDVSA's chairmen, most of whom had previously worked for foreign multinationals, were criticised for seeking greater autonomy, taking decisions concerning the oil wealth without consulting the Venezuelan people (Parker, 2007:62; Mommer, 2002; Mommer, 2003; Lander, 2005). Since 1992, PDVSA had also sold exploration sites to foreign MNOCs (Medina & López Maya, 2003:26), behaviour that Mommer (2002) labels *subversive*. PDVSA’s secrecy added weight to the Chávez' government’s discourse of reforming an entity that had become a profit-driven, meritocracy based, transnational "*state within a state*” and removed itself from the people (Mommer, 2003; Malavé Mata, 2006:59).

The 2001 Hydrocarbons Organic Law set out to reverse patterns of *neocolonisation* by foreign MNOCs and to clarify existing law. As established
in CRBV articles 206 and 211, all oil production and distribution activities became of state concern, with the exception of joint ventures targeting extra-heavy crude oil production. Thereafter, private investors could only own up to 49% of the capital stock in joint ventures involved in upstream activities (Pascal & Azpurua, 2008). No prior consultations were sought with PDVSA and foreign MNOCs, who complained that foreign investment would be stifled (Lander, 2005; López Maya, 2002). PDVSA employees manifested their opposition to government plans in a national strike, which started on 9 April 2002, with executives demanding Chávez’ resignation (Lander, 2005).

Only two days after the strike began, a coup attempt ousted Chávez from office for 48 hours. In his thirty-six hours as interim president, the former Venezuelan trade organisation leader, Pedro Carmona Estanga, reinstated former PDVSA President Guacaipuro Lameda, derogated the hydrocarbons law and altered energy agreements signed with partners such as Cuba, re-instating a neoliberal agenda (Lander, 2005).

PDVSA’s role in the coup was unclear, as was that of the US Bush administration (Gollinger, 2010). A subsequent general PDVSA strike, which began in December 2002 and lasted several months, led to the government’s 2003 firing of 18,000 of 45,000 PDVSA staff for having deserted their posts to strike, in particular top and middle management, to replace only around 7,000 workers (Mares & Altamirano, 2007; Lander, 2005). The company’s performance dropped accordingly, the veracity of future PDVSA financial statistics came into question and the repercussions were felt at a national economic level (Mares and Altamirano, 2007; Párraga, 2010; Lander, 2005).

109 Dunning (2008:175) writes that business elites linked to FEDECAMARAS deposed President Chávez, fearing his redistribution policies. Buxton (2009:161) argues that the coup’s effects alongside US and domestic opposition to the government gave the latter impetus to radicalise its measures.

110 Whilst it is claimed that drops in oil exports and higher oil prices resulted from Chávez’ negotiations with OPEC, it is possible that as PDVSA lost capacity and productivity dropped following the mass redundancies, this policy became the only way for Venezuela to save PDVSA’s credibility and offset inefficiency (Mares & Altamirano, 2007; Pascal & Azpurua, 2008). Some analysts argue that human capital, production and investment did not return to pre-strike levels (Philip & Panizza, 2011); notably government figures on reserves and production are not calculated in the same way as before the strike (Pascal & Azpurua, 2008).
Following the strike, the government regained control of PDVSA as part of its plan towards full oil sovereignty (Plena Soberanía Petrolera) (PDVSA, 2005). However, bringing PDVSA under tighter state control is not equal to direct oil revenue ownership by the people despite citizen-owner rhetoric. Nor does PDVSA own the oil (Cuervo, 2010:674). The 2006 Hydrocarbon Law does not even mention PDVSA and gives the Ministry of Energy and Petroleum the power to control state oil companies, leaving the oil wealth in the governing elite’s hands and leaving the door open to multinational investors and the private ownership of upstream activities (Cuervo, 2010:674).

Venezuela is still a classic textbook Dutch disease sufferer with tax revenues from natural resources having risen from just over 30% to 50% of the total tax revenue between 1998 and 2008 (The Economist, 2010), constituting the dominant source of unearned income (Margonelli, 2007:145). This is high, but not as high as in 1975.

Indeed, whilst the Chávez administration recognised the destabilising and anti-developmental effects of oil dependency vis-à-vis the global markets, it blamed the markets for Venezuelan problems. Thus, whilst it worked to strengthen OPEC and to establish bilateral relations with such countries as China and Iran to end the downward pressure from consumer countries and boom and bust conditions, and to stabilise revenues, it has failed to seriously focus upon reducing its own oil dependency (Buxton, 2009:159-160).

Moreover, the Chávez government relied upon extra-budgetary mechanisms, mainly through FONDEN and PDVSA, to fund approximately 50% of its social missions between 2003 and 2007 (Aponte Blank, 2010). Oil overreliance could negatively affect other sectors and thus non-oil related GDP, a criticism levied at previous Venezuelan governments as discussed above.

PDVSA has implemented government missions since 2004, which arguably redefines corporate citizenship, especially as the missions as measured by size are one of the largest social fund experiments administered in Latin America (Penfold, 2006:5). PDVSA is obliged to spend directly on social programmes and to spend on social programmes through a mechanism
called the National Development Fund (FONDEN), which is separate from the government's budget. According to its website, in 2007, PDVSA spent USD 13.897 billion on social welfare. It spent USD 5.693 billion on social missions, USD 1.443 billion on special social investment plans\textsuperscript{111} and USD 6.761 billion on FONDEN\textsuperscript{112} (PDVSA, 2010)\textsuperscript{113}. Minister Ramírez stated that between 2001 and 2010, PDVSA spent over USD 83.834 billion on the social sector (Ramírez in MINCI, 2011).

The president has direct decision-making power over part of PDVSA’s revenues that go to a Social Fund, the \textit{Fondo Social Unico}, created in 1999 to receive 40\% of funds allocated to the Investment Fund for Economic Stability, \textit{Fondo de Inversión para la Estabilización Económica}, without legislative oversight (Cuervo, 2010:679). The implications of such non-transparent funds in terms of corruption are discussed below.

Moreover, given PDVSA’s underinvestment in its oil operations to meet its political obligations and rising domestic consumption at subsidised prices (Philip, 2010:7), the sustainability of this arrangement is questionable. However, the sheer volume of money PDVSA spends on social welfare alongside its role in directly overseeing certain welfare projects make PDVSA an important social actor in contemporary Venezuela.

\textsuperscript{111} Housing and environment fund to finance agricultural projects.
\textsuperscript{112} FONDEN was created to execute infrastructure works on the infant cardiological hospital \textit{Dr. Gilberto Rodríguez Ochoa}, lines 3 and 4 on the Caracá Metro, Metros of Los Teques, Maracaibo and Valencia, trolley-buses in Mérida, railway in Caracas–Tuy Medio and electricity projects across the country.
\textsuperscript{113} Figures are at the official exchange rate and are significantly higher than the Black market rate, which is more representative of the real exchange rate. Nevertheless, the figures indicate that PDVSA is no longer an oil company per se, but rather has increasingly taken on a social policy role. However, the fact that in 2010 the official statistics on PDVSA pertained to 2007 would suggest that as El Universal claims PDVSA’s spending on the missions decreased by 82\% from 2007 to 2009, so that PDVSA designated USD 5.3 billion to the missions, USD 1.9 billion in 2008 and USD 942 million in 2009, when oil prices fell, although these figures do not contain the amount spent on other social projects (El Universal, 2010).
5.3.2 MNOCs and CSR: a new partnership with the state

This subsection illustrates the difficulties of defining the nature and scope of CSR in Venezuela. The most significant legislative changes in this regard were enacted in 2006. A reform of income tax law in 2006 meant that companies formed under association agreements no longer had a maximum applicable tax rate of 34%, but rather 50%. Moreover, the 2006 enactment of the Law for Regularisation of Private Participation in Primary Activities, under the Hydrocarbons Organic Law, meant the termination of private companies’ existing operating agreements. New contracts granting rights to private parties in the exploration, production, storage and initial transportation of liquid hydrocarbons or a derivative product were also prohibited.

This did not create a state monopoly of oil activities, but rather paved the way for mixed companies (Pascal & Azpurua, 2008:1). It brought all oil fields under PDVSA majority control and all MNOCs were asked either to sign acts to participate in a jointly owned enterprise with PDVSA or to leave the country. As of January 2007, PDVSA took control of 32 oil fields, 30 of which were in partnership with a private entity. On 1 May 2007, all crude oil deposits in the Orinoco basin were nationalised and oil companies had to accept a 60:40 profit split, with PDVSA as the principle shareholder (Azzellini, 2004:105). In many ways, this can be seen as a natural evolution from the nationalisation of the oil industry in 1976, even if it is a break from the neoliberal policies of the 1980s and 1990s.

For foreign MNOCs and investors, the legal instability surrounding oil operations in Venezuela has provoked different reactions. In 2006, most foreign MNOCs decided to accept a subordinated role and less attractive commercial terms, delaying further investment (Pascal & Azpurua, 2008), whilst others contested the decision and withdrew from the country, rather than accepting the new, unilaterally imposed terms. According to Cuervo (2010:641), “Venezuelan legislation is a model of what to avoid when structuring comprehensive and transparent oil and gas law. Instead of

114 A list of the mixed companies can be seen at: http://www.avhi.org/
establishing clear guidelines that may be followed objectively, the system is full of ambiguous loopholes and contradictions”.

The withdrawal of two major oil giants, Exxon Mobil and ConocoPhillips, emphasises MNOCs precarious position in Venezuela. Unlike in 1976, a friendly settlement was not found. ConocoPhillips left its Orinoco projects and Exxon Mobil abandoned Venezuela completely following the reduction of its stakes in the Orinoco projects. In 2007, ExxonMobil and Conoco Phillips both filed arbitration claims with the International Centre for Settlement of Investment Dispute against the Venezuelan government for having seized their facilities (ICSID, 2007a; ICSID, 2007b). ExxonMobil claimed that injunctions were necessary to ensure PDVSA’s payment if it prevailed in arbitration. A US federal court froze USD 300 million of PDVSA’s assets, and subsequent court orders in London, the Netherlands and the Dutch Antilles froze an additional USD 12 billion in assets. Energy and Petroleum minister, Rafael Ramírez, claimed that ExxonMobil was exercising judicial terrorism and Chávez threatened to stop US oil supplies. Later Ramírez called for Exxon to return to the framework of international arbitration and a British judge reversed the injunction, ordering ExxonMobil to pay court costs (Pascal & Azpurua, 2008).

Foreign MNOCs have lost oil field shares, but are expected to fund more social sector initiatives. Under the recent government-MNOC agreements, social spending unrelated to core activities is compulsory. Under the Mixed Company Contract Model approved by the National Assembly, mixed companies are requested to pay 3.33% of revenue gained in a mixed company with PDVSA to benefit community stakeholders (Gaceta Nacional, 2009). Originally 2.22% was directly allocated to municipal councils to replace payments previously received under the operating agreements and 1.11% went to finance endogenous development projects pursuant to the National Development Plan.

In 2009, however, in line with policies decreasing the municipal councils’ power, this 3.33% was redistributed between the municipal councils and a
new Special People’s Fund (FOPO)\textsuperscript{115} (Gaceta Oficial, 2009). This contribution is paid in addition to other standard taxes. Moreover, a social investment tax obliges mixed companies to pay 1% of their earnings in social taxes and 2% of their gross annual income for science, technology and innovation (for a more detailed breakdown of taxes paid by mixed companies, see chapter 7, section 7.2.2.3).

According to AVHI, the main MNOCs currently operating in Venezuela in partnership with PDVSA include Chevron, CNPC, Eni, Perenco Venezuela SA, Petrobras, Repsol YPF Venezuela SA, Rosneft, Shell Venezuela SA, Statoil Venezuela SA and Lukoil, a heterogeneous group in terms of origin, corporate structures, core values and philosophies. Annex 1 contains financial and business information from the annual reports of MNOCs active in Venezuela. For most of these companies, it appears that their Venezuelan production is relatively limited, generally no more than than 5% of their global oil and gas production. Nevertheless, production is expected to increase over the coming years, when the projects under development in the Orinoco belt will have reached full production.

As in Colombia, the annex also shows the differing levels of detail that MNOCs are willing to disclose relating to their Venezuelan operations and, incidently, their transparency in terms of disclosing country-specific information. It indicates that some further levelling-up is necessary to improve comparisons between companies. Indeed, the information disclosed in companies’ annual reports is not only relevant to analysts or shareholders, but it is also a relevant source of information for stakeholders, such as the growing middle-class in Latin America, which are concerned about MNOCs’ (and other extractive industries’) activities in their country and in neighbouring countries (BSR, 2013).

A formerly US dominated industry also now reflects the end of the cold war, including Chinese and Russian MNOCs (i.e. CNPC, Rosneft and Lukoil) with their own business methods.\textsuperscript{116} As government antagonism towards the US

\textsuperscript{115} Fondo Especial para el Poder Popular

\textsuperscript{116} Transparency International (2008:15) characterised both companies as having “low” revenue transparency, as does ExxonMobil when operating abroad.
has grown, this inclusion of new partners is in line with government policy. It is noteworthy that the government has chosen to welcome companies that do not have a tradition of CSR and have low levels of revenue transparency (TI, 2008:15). Whilst tradition is being substituted by government diktat and revenues prescribed, I argue that, nevertheless, CSR-focused, project-based revenue transparency could help citizens better understand when corruption occurs.

As noted above, Western-based MNOCs with allegiances to the market and their home countries are synonymous with capitalism and the ancien régime and, a minori, government enemies. Paradoxically, despite the tumultuous Bolivarian discourse, MNOCs can only operate in Venezuela at the government’s behest. Indeed, this same government expects companies to direct more resources to benefit their stakeholders, implying a greater domestic dependence on these resources and MNOCs. I would argue, from this perspective, that MNOCs are a tolerated thorn in the flesh of the Bolivarian revolution.

It is beyond this thesis’ scope to delve deeply into the consistency of Chávez’ discourse on Empire or the viability of his proposals and policies. As Price (2007) notes, ideological complexes are often characterised by performance contradictions. Inconsistent policies exist in many different countries, however, in Venezuela, the Faustian pact with Empire is especially pronounced given the government’s anti-liberal, anti-US, anti-capitalist rhetoric on the one hand and the reliance on US trade and integration in the global capitalist system on the other hand (Shifter & Jawahar, 2005:176).

Politically, Venezuelan oil wealth enables a relative independence from US political pressures in comparison with its neighbours (Buxton, 2009:164). The Chávez government opposed the US promoted Free Trade Area of the Americas and befriended countries hostile to the US. Equally, the US has claimed that Venezuela has terrorist links with the FARC, Hezbollah and Hamas and applied an arms embargo against Venezuela in 2005 (Cuervo, 2010:682; Buxton, 2009:163).
Ironically, however, despite the anti-US rhetoric, in 2007 PDVSA was even more dependent upon the North American market than it was at the time of the 2003 strike (Mares & Altamirano, 2007:22). Indeed, despite aiming to diversify exports, in 2011, 40% of exported Venezuelan crude oil went to the US, compared to 10% for China. Moreover, 30.3% of its crude oil is refined in the US compared with 45.7% in Venezuela (EIA, 2013). Such discrepancies and profound contradictions could be the undoing of lasting transformation.

MNOCs’ respective websites and brochures show their involvement in different social projects in one or more of the following areas: health, education, the environment, local economic development, infrastructure, culture and human rights. As such, corporate social interests have overlapped with the government’s mandate. Whereas, in the 1990s, many social competencies were transferred to the regional level and MNOCs often ran their social projects with the regional authorities and civil society (D’Elia et al., 2006:206), the regional authorities are changing and MNOCs are predominantly expected to indirectly fund, rather than conduct, social projects through government established funds. MNOCs’ taking the initiative to independently resolve local communities’ problems is beyond the scope of what is expected by the government.

As foreign companies tread a precarious line in Venezuela, it becomes important that they explicitly take what remains of their social responsibilities seriously. Indeed, the government still allows MNOCs to claim part of the credit for social projects by increasing social taxes as opposed to royalties. This enables MNOCs to retain some community links and thereby to be seen to acknowledge the citizen-owners of the oil they drill. In chapter 7, I will argue that this is a key feature of the Venezuelan model of CSR.

Given the personalistic style of Chávez’ governance (Ellner, 2008:109), he assumed responsibility for most social programmes, even those which originated as company CSR or NGO-led programmes (Ramos, 2008:64). For example, the Chávez government took credit for the Petrohomes project.

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117 This is examined in greater detail in chapter 7.
which has constructed affordable housing using materials recovered from the refining process, although oil companies had conducted the project for years before the government came on board (Ramos, 2008:65). This supports claims that the government is as concerned with short-term popularity-boosting programmes as it is with long-term growth.

The targeting of the poorest barrios also appeared both clientelistic and proselytic, establishing asymmetric relations, which have paternalistic dependency implications. Indeed, anti-poverty measures become less effective as people fall into a cycle of clientelistic assistentialism, living from handouts (Virtuoso, 2006:307; Malavé Mata, 2006:14-22). Ramirez Ribes (2003) claims that many Venezuelans do not associate work and wealth, believing wealth results from luck or state ties. Coronil (1997:4) and prominent government critic Petkoff (2007:22) note that Venezuela’s vast oil wealth, which is concentrated in the state, allows the state to appear to have magical or religious powers, to accomplish great feats at no cost to the popular sectors, creating a paternalistic approach to their development. Margonelli (2007) states that: “People have been talking about the government as a cow since the 1920s. The idea is that it’s a cow that provides milk to anyone in a place to catch it. That’s the basis for corruption”.

Interestingly, in a 2003 ethical report on Venezuela, Statoil stated that “the task of protecting Venezuela’s fragile grip on democratic stability has fallen to all sectors of society in recent times – including the corporate world.” This implies a wider remit of responsibility than that outlined by cooperating on projects such as the missions. It implies a long-perspective concern with the type of governance in Venezuela. Such a statement can be read two ways. On the one hand, it could be argued that Statoil feels a responsibility to promote the instruments of democracy of which revenue transparency is an important factor and to denounce and oppose the use of power2. On the other hand, its appearance in a corporate report following the coup attempt against former President Chávez could indicate that they do not support the Bolivarian revolution.
As will be further shown in chapter 7, I argue that MNOCs’ state support is convenient for both MNOCs and the state. Indeed, companies are seen to be promoting power1 and an emancipation of the people through their involvement with the exercise of direct democracy such as the missions, councils and cooperatives. From a communications perspective, companies do not need to state that their royalties have increased by an extra 3.33%, for example, but rather that their CSR has increased by this amount. From the state’s perspective, the government is holding MNOCs socially accountable and is sowing the oil wealth directly back to the people.

Moreover, MNOCs exert some control over the programmes that they fund and by directly financing state welfare, they implicitly support the state. Whilst this is not new as companies have funded different types of Venezuelan government through their royalty payments and acts of (at times politically determined) philanthropy, they have embarked upon a more integrated approach to CSR in the context of a state/society/industry partnership. In this environment of transitivity and centralisation, in which the associative sphere is evolving and social partners are changing, MNOCs may increasingly struggle to differentiate their social action from that of other actors, who are involved in determining and executing their projects. Thus, should the state become less democratic (and it is an imperfect democracy at present), it appears unlikely that MNOCs would intervene, whatever their rhetoric, unless their interests are directly affected.

### 5.3.3 Corruption and clientelism

Despite the fact that Chávez came to power on a radical anti-corruption platform, corruption is rife in Venezuela and it is funded by oil revenues (Ortiz, 2006:87). In 2009, Venezuela ranked 162nd of 180 countries in Transparency International’s Corruption Perceptions Index, a trend which has not improved since 1999. Indeed, the Chávez administration failed to shrink the clientelistic sector of previous administrations as new actors have fought for the old elite’s privileges (Agulló, 2006:322-3). Borgia (2006) argues that

\footnote{Bhaskar (1993) uses this distinction of power1 and power2 as a way to view complex power relations (see footnote 54 on page 145).}
social funds were increasingly politicised and linked not only to poverty, but also to governors’ loyalty. Corrales and Penfold (2007) go further to suggest that former President Chávez used clientelism and offers to engage in corruption with impunity, thereby gaining political support.

This comment is well grounded in the Venezuelan reality. Transparency International's 2008 comparison of oil companies on their home territories scored the reformed PDVSA as low in terms of revenue transparency (TI, 2008:15). Corrales and Penfold (2007) assert that the special non-transparent funds created by the Venezuelan government to spend on social programmes, free of legislative oversight, were believed to hold over USD15 billion after the last significant oil windfall. Indeed, FONDEN, created in 2005, receives USD100 million deposits from PDVSA each week and drew USD10.2 billion from the Central Bank's reserves for discretionary presidential spending. The Ministry of Finance's executive branch controls the fund and yet it provides little comprehensive information on how this money has been used (Corrales & Penfold, 2007:106).

Amongst government supporters, there is serious concern that the state lacks the capacity to effectively oversee oil revenues (Penfold, 2006:23) given the public administration’s inefficiency (PROVEA, 2008). Ellner (2009:4) notes that the government has not established mechanisms to penalise communal council and cooperative members that negligently handle funds. In a clientelistic context, increased transparency is necessary in government interaction with those involved in natural resource extraction, regarding the contracts signed, the revenue received by the government, natural resource production quotas and the uses to which funds are put (Stiglitz, 2005). It remains to be seen how President Maduro will deal with this problem.

**Chapter Conclusion: the nature and scope of CSR in Venezuela**

This chapter has contextualised the social action of the oil industry by providing a background to MNOCs’ operation in Venezuela, the decline of Puntofijismo, the rise of Bolivarian 21st century socialism and the challenges that MNOCs face in defining the scope of their CSR programmes in the new
context. It has argued that former president Chávez increasingly sought to implement profound, emancipatory, cross-sectoral changes to include previously excluded agents in a way that previous governments failed to do, whilst noting that the dismantling of the privileges and aspirations of the former elite to enable the emergence of the popular class is a complicated and arduous task.

It has illustrated the ways in which structures and generative mechanisms remain, or have emerged, that threaten the foundations of direct democracy and prevent true participatory and protagonistic democracy. These include the centralisation of power in the executive and a weakening of other institutions, the implementation of certain aspects of democracy to the detriment of others, the politicisation and polarisation of social groups, continuing corruption and clientelism, bureaucracy and oil dependency.

Looking at whether 21st century socialism is a complete break from the past, this chapter has shown historical continuity in several key ways, including: i) the attempts to reinforce governmental control over the oil industry (e.g. the nationalisation of 1976 and the creation of mixed companies in 2006); ii) the increase of the government’s share of the oil revenues at MNOCs’ expense; and iii) the reinforcement over time of the Dutch disease and oil dependence. However, certain discontinuities are also noticeable, including: i) an ambition to promote a new democratic model and international relations that are not that supported by Washington; ii) an explicit anti-US governmental position, at least in speeches; iii) the new role played by PDVSA in 21st century socialism, whereby the company has become an extension of the president; and iv) the institutionalisation of CSR, through the payment of mandatory social contributions by the oil sector. As I will argue in chapter 7, the latter is a feature of a new CSR model, which I define as RCSR. The election of Hugo Chávez was seen as many as the dawn of a new era. However, the causal mechanisms were already in place for the ensuing changes and, as such, it would be reductionist to assert that there has been a complete break with the past.
Looking at MNOCs more particularly, since their arrival in Venezuela, and with the exception of the *Apertura*, the state has increasingly pressurised oil companies to provide more wealth. The fact that oil multinationals have not always acted in the interests of their workers and the surrounding communities, despite their philanthropic actions, or that this oil wealth did not directly impact upon the lives of Venezuelan citizens, is not unique to Venezuela. The desire that it fuelled for redistributive justice amongst the Venezuelan people has been very present in the rhetoric and social welfare approach of the current government. The new relationship between MNOCs and the Bolivarian government not only attempts to maximise upon the revenues that companies can bring, but also heightens MNOCs’ need to be socially aware and affects their choice of potential partners. This provides the government with popularity, which sustaining a welfare system would arguably not, but moreover, it has enabled the government to provide welfare to some of the country’s poorest, previously excluded, citizens.

The Chávez administration's large-scale mirroring of a philanthropic style of welfare (as had previously been undertaken by groups such as companies, NGOs and church groups), through programmes such as the missions, which involve various actors, make it harder to define CSR so that it arguably requires a new definition. In chapter 7, I will argue that is still CSR, but within the realm of a new RCSR model in which there is less space for private initiative as centralisation circumvents traditional welfare actors. MNOCs, which are rhetorically enemies of the state, are important state partners in the promotion of the states’ social objectives as they provide the government with funding for its new agenda.

Before looking specifically in chapter 7 at how CSR is dialectically influenced by socio-political relations within Colombia and Venezuela, in chapter 6, I provide an analysis of MNOC’s CSR reports that looks at how MNOCs portray their CSR and how their CSR is dialectically influenced by socio-political discourse at an international level.
Chapter 6

How do MNOCs portray their CSR? An analysis of 18 CSR reports

This chapter contains an analysis that I conducted based upon my survey of 18 MNOC CSR reports. These reports were selected as they were the most recent reports available in August 2011, when I began this analysis. I analyse these reports by applying elements of dialectical-relational critical discourse analysis (CDA) (Fairclough, 2010a; 2010b). Using information from the selected reports, I examine: i) how MNOCs portray themselves and their CSR; ii) the appropriation of global discourse in the reports and how discursive and non-discursive factors shape MNOCs’ agency; and iii) how MNOCs define their stakeholders and their stakeholder relations.

Throughout this chapter, I argue that corporate CSR is influenced by global discourses. Accordingly, I begin this chapter by describing the selected reports, their strategic design and messages, their implicitly assumed TINA formations and their inclusion of global discourse-generated norms. Bourdieu and Wacquant (2001:4) illustrate that neoliberal discourse has a “performative power” or an ability to “bring into being the very realities it describes”.

In the context of MNOCs’ CSR, as praxis alters CSR’s meaning, appropriated global discourses concomitantly appear in MNOCs’ reporting and are shown to engender praxis-related institutional and material changes, even if such dialectical processes are unsystematic and complex. Whilst MNOCs’ community-based CSR is ultimately self-determined or a matter of soft-law, their intentionality is also informed by non-discursive internally and externally generated causal mechanisms, which can affect the content, the (non)identification of stakeholders and the operational diffusion of social programmes. I show that corporate communications are often vague regarding internal decision-making on CSR and illustrate the importance of functionalism and evolutionary process in shaping CSR. I also show that

local stakeholders' needs and expectations impact different MNOCs' CSR in different ways.

6.1 CSR reports: an overview

Since Shell published the industry’s first socially-focused report in 1998, most major MNOCs have followed suit (Utting & Ives, 2006:18). Whilst no set criteria exist of what constitutes a CSR report and titles vary, the reports examined here are mainly comprised of: i) a letter from the CEO to demonstrate top-level commitment to sustainable development; ii) mission/value statements; iii) statistics; iv) photographs, tables and graphs on meeting objectives; v) reporting/auditing information; and vi) stakeholder/external input. Content-wise, they mostly cover: i) business data (i.e. business information and strategy, ethics, international reporting standards, certification, transparency, achievements and supplier and stakeholder relations); ii) the environment (i.e. global energy needs, climate change and sustainable practices); iii) employees’ wellbeing (i.e. health and safety, training, benefits, workforce diversity and equal opportunities); and iv) stakeholder relations (i.e. community investment, partnerships, human rights’ awareness, employee volunteering and mechanisms of community dialogue such as advisory panels).

People read CSR reports for various reasons (FSC et al., 2010). Readers include potential investors, current or prospective employees, academics trying to extract performance data, social/environmental activists, journalists, public officials and corporate managers looking to benchmark their own performance against their peers (Lydenberg et al., 2010).

Reports vary in their content, depth and claims, but also in the effort placed in presenting readers with company information, with varying degrees of professional-polish and reader-friendliness. Reports are expected to be factual. However, as noted above, CSR is closely related to image, PR and company profitability; thus, these reports are also a form of advertising and tools of persuasion. Therefore, value-laden facts are strategically selected

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120 Notably, Repsol (2011) uses an interview format and Statoil (2011) a video speech.
and displayed as *impressive* figures, statistics or statements, which are positioned throughout the report in text boxes, bold and/or larger-sized font, emphasising corporate values and conveying messages. Equally, photographs of landscapes, scientists, employees or smiling citizens helped by CSR (of various ages, ethnicities and gender) add eye-catching colour to the report and reduce the gap between the stereotypically cold corporate culture and the reader, who identifies and draws meaning from such images. Indeed, stylistically, CSR-specific photographs often resemble those of development agency advertisements, implying the same social legitimacy.

This storytelling is also conveyed by rhetorical devices in the text, for example, Chevron’s (2011:18,22) metaphorical subheadings, “sea of opportunity” and “oceans of promise”, or Statoil’s (2011) more business-sounding “no silver bullet solution to the energy and climate dilemma”. It is also conveyed in the use of engaging and innovative formats. Whereas the BG group (2011) report notably stands out for its lack of visual storytelling with only two oil/corporate-themed photographs throughout its 41 pages, Total produced a report that resembles a newspaper magazine supplement. Whilst the content is standard for an oil report, Total organises it under the title: "In other words: Ten Questions You Asked Us" (Total, 2011:1), which directly addresses the reader. Experts, who it is implied represent the readers’ interests, pose questions to Total on his/her behalf.

Statoil’s (2011) report is equally innovative. Instead of producing a downloadable sustainability report, Statoil created a user-friendly, online interactive CSR report with multi-modal text. In an industry that places limited CSR information on websites, this is a notable exception to the trend. The use of compartmentalised videos of expert speakers to animate the text is especially novel and persuasive as speakers use facial expressions, body language and vocal tone to convey passion, interest and authority that builds trust and connects with the viewers’ emotions in ways that written texts cannot.
6.1.1 The appropriation of global social trends and discourses in CSR policies

This sub-section shows how global social trends and discourses influence the scope of MNOCs’ CSR in terms of agenda-setting and promoting certain narratives, norms and standards. Looking at CEO’s\(^{121}\) letters to stakeholders in 18 of the reports,\(^{122}\) these imply CSR commitment at the top of each company. The main discourses are: i) business strategy; ii) ethical/moral leadership; and iii) (re)conceptualising/improving quality or quantity of sustainable practice. A transversal theme was each company’s ability to meet future challenges. In each letter, the knowledge/truth claims made are strengthened by the authoritative position of the (official) author (the CEO), whose photograph is displayed next to the written text, or in the case of Statoil, who delivers a video speech, adding greater authority to the knowledge conveyed.

The financial crisis was evoked to explain underperformance (Petronas, 2011) and to underscore progress to potential investors (Nexen, 2010, PetroChina, 2011). I noticed that whilst referencing specific global challenges, CEO’s did not acknowledge the inequalities created by the business system, nor did they argue for fundamental systemic changes to the business system. Most of the letters used descriptive statements to give credibility to contingent prescriptive claims. For example, Statoil’s CEO evoked the EU’s emission reduction targets and then argued that the answer was the greater use of natural gas (Statoil, 2011).

As such, in a Foucauldian sense, political discourses, as appropriated in company reports, serve to legitimise particular interests, placing these beyond question in a TINA formation and normalising what is actually contingent (Foucault, 1977; Fairclough, undated). Indeed, the most common premise across the letters was that modernity needs energy consumption to increase, that MNOCs were not contingent, but necessary to the process of meeting growing energy demands sustainably and that they could help

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\(^{121}\) The CEOs are (mostly white) men.

\(^{122}\) ENI (2011) did not place a CEO letter in its report.
redress potential social and environmental imbalances. Such discourses of “this is the way the world is, so this is what we must do” (Fairclough, undated:13) often indicate Bhaskarian TINA formations. For example, Repsol’s (2011:5-7) CEO contextualises the problems of energy providers, the energy model and expectations upon modern companies in light of the gigatrend challenges to the current political economy, explicitly identifying these as causal of Repsol’s changing praxis. This descriptive contextualisation enables TINA to strategically emerge in the prescriptive, therefore, “energy companies need to […]” followed by a four point plan. Interestingly, this is embedded in another TINA formation of a foretold future, where energy inevitably remains a core commodity and a cause of ever greater competition.

Another trend in the CEO letters and the reports was to show a human facet, vulnerability and/or admitting selected mistakes, for which companies will not be held liable, thereby fostering credibility and empathy. The Petronas (2011:11-12) and BG Group’s (2011:2) CEO letters mention worker deaths; these are mentioned further down in other reports (Repsol, 2011:24; PetroChina, 2011:33). Other companies outline major challenges in their operational environment (i.e. Total, 2011). The CNOOC (2010:5) CEO explicitly counters the perceived weakness of being a Chinese company:

“As an energy company headquartered in China, we have frequently faced skepticism from external parties during our overseas development. However, we know well how we should behave as a foreign company when we go abroad.”

Given the widely-mediatised repercussions of BP’s Deepwater blowout, seven reports mention it, reminding readers that oil extraction is risky and that this is an isolated “incident”. BP itself focused predominantly upon Deepwater to rebuild credibility: “after the Deepwater Horizon accident in 2010, our communications strategy was to be as transparent as possible and keep the information flow constant” (BP, 2011:20). Nexen (2010:3), Chevron (2011:3) and Exxon (2011:3) respectively describe it as the Deepwater Horizon/BP Macondo/isolated “incident”. I would argue that catastrophe or accident better describe it, as the term incident implies minor.
BG Group’s CEO (2011), attempting to ensure that all companies are not tainted by Deepwater, states that: “our industry had an excellent record globally in safety performance and environmental protection.” Shell’s CEO (2011) also emphasises accidents’ inevitability: “The incident became an environmental disaster that affected communities, but it began as a tragic accident”; whilst each of the reports highlighted their own risk management to prevent them. For example, Chevron’s (2011:3) CEO notes, “We leave nothing to chance because we have a deep, personal stake in operating safely”.

Ethical judgement of BP is limited however, as is moralising peer comparison. An interesting variation by Total’s (2011:1) CEO appears to use Deepwater to show that nuclear energy is as safe/dangerous as oil by discussing the “two major industrial accidents related to energy production, the Deepwater Horizon explosion […] and the Fukushima nuclear power plant accident.” The language choice (“explosion” and “accident”) is revealing given that both events could be described as accidents, if not, in journalistic terms, as disasters or tragedies.

MNOCs are keen to show that they have operationalised specific international environmental and development-based discourses into corporate policies. Of the 18 company reports reviewed, the majority of MNOCs mentioned having anti-corruption training in place and actively working to improve their record vis-à-vis transparency, climate change and human rights. The issue of human rights appears in each report (by western and non-western MNOCs) and is discussed in varying depth, although not always linked to core business and more often linked to the field of international development. International support for indigenous peoples’ human rights was also reflected in the reporting, despite their small numbers (BP, 2011; ConocoPhillips, 2009; PetroChina, 2011; Petronas, 2011; Repsol, 2011; Total, 2011; Lukoil, 2011:118).

MNOCs emphasised that such discourses presented new ways of interacting with each other, international institutions, civil society or the environment (i.e. new committees or events), engendering new ways of being/acting (i.e. new
corporate codes of conduct, areas of reporting, policies and programmes) and materialisation (i.e. technologies or even buildings). The appropriation of external discourses on ‘sustainability’ and its incorporation into business strategy is most visible and seen in each of the 18 reports. Lukoil (2011:97) is the only company to describe part of its CSR as charity. As Chevron’s (2011:34) report shows this is a paradigmatic faux-pas: “Microfinance is not charity. It’s about building capability and empowerment, and it places the responsibility for success on the participants.” Developmental buzzwords can boost MNOCs’ credibility as social actors, although as Brown (2010:81-86) argues, companies use these words in a different way to civil society. For example, following a paragraph emphasising the importance of meeting stakeholders’ expectations vis-à-vis corporate citizenship and long-term sustainability of operations, Conoco Phillip’s (2009) CEO and COO assert:

“To be truly sustainable, ConocoPhillips must return value to shareholders and supply the energy required to drive global economic engines, while at the same time providing responsible stewardship of natural resources and contributing to social and economic development”.

As such, the depth of corporate change is questionable. Welford (1997:x) claims that companies’ linguistic appropriation is in effect a hijack of civil society discourse. Egels-Zandén and Kallifatides (2009:264) argue that businesses are paying lip service to CSR, whilst the espoused principles may be decoupled from actual practice. As Dobers and Springett (2010:66) posit, it is easy to be distracted by laudable CSR discourses and narratives surrounding “political corporate social responsibility” that appear ambitious, but essentially advocate paramorphic changes at both corporate and global levels. Others label this phenomena greenwashing (Schwarz & Tilling, 2009:289; Doane, 2005:216). Certainly using the right language is important for any interest group. However, as such language is often linked to legislation, agenda-setting and norm-establishment, some companies appear to have taken it very seriously in determining the scope of their CSR. Nexen (2010:23), for example, use their report to communicate that they have taken CSR-related predictive financial risks:

“Nexen has taken early voluntary action to reduce greenhouse gas emissions. However, we have not been rewarded for getting ahead of
regulation. In fact, we face the risk of stranding capital in investments that may not fit within future regulatory frameworks and carbon pricing regimes. We do our part, but we need to understand the rules under which we'll be operating”.

From a selfish shareholder perspective, this raises the question as to why Nexen’s management tried to anticipate unknown regulation in this area.

Sixteen MNOCs’ reports referred to the GRI, but only seven ranked themselves using the GRI framework; others used selected elements of the GRI in conjunction with other standards. Ten MNOCs used the IPIECA/API reporting guidelines alone or in conjunction with another standard. Fourteen MNOCs indicated their Global Compact membership, displaying its logo prominently and ten MNOCs mentioned the EITI, actively supporting this initiative financially or promoting it in non-affiliated countries. Most companies referred to the ISO 14001 standard, whilst only Petrobras (2011) and Repsol (2011) mentioned the social responsibility related ISO 26000 standard. Other standards cited include the G8 Transparency Initiative, the UN protect, respect, remedy framework, the ILO Declaration of Human Rights, the FCPA, the UK Bribery Act, OHSAS, the AA1000, stock exchange indexes and certain country specific standards. As some companies rate themselves by mixing the GRI and IPIECA, it is difficult for readers to ascertain what MNOCs’ involvement with these reporting standards practically means.

Of itself, reporting does not change practice. Thus, it is difficult to understand where reporting has encouraged a levelling-up of corporate responsibility amongst the more progressive MNOCs. Regarding the third party verification of their ratings, this was a Western-based trend. The following MNOCs include auditors’ letters confirming their reliability: BP (2011), Chevron (2011), ExxonMobil (2011), Total (2011), BG Group (2011), Petrobras (2011), Hess (2010), Nexen (2010), ENI (2011), Repsol (2011) and Conoco Phillips (2009). Lukoil (2011:163) includes a letter of public verification by The Non-Financial Reporting Council of the Russian Union of Industrialists and Entrepreneurs. Oxy (2011) uses the GRI and API/IPIECA indexes, but the lack of an external auditors’ letter may cast doubts about its reliability given that this appears to be becoming the new norm. However, it could be
interesting for future studies to analyse the addition of reporting categories and companies' performance from one year to another to understand the impact of this trend on corporate praxis.

6.2 MNOCs' descriptions of their CSR decision-making

Corporate culture and behaviour are influenced by such factors as their origins, relationship between subsidiaries and headquarters, individual employees, interaction with external actors, material considerations and longitudinality; these factors can intrasubjectively dispose companies to favour particular standards or certain CSR approaches (Teegan et al, 2004:476; Doane, 2005:217; Kourula, 2009:396-7).

Regarding internal decision-making, corporate governance and accountability structures, especially vis-à-vis finance, are increasingly important. The trend is to limit individuals' decision-making powers in company matters, based upon the development of principles outlined in the 1992 Cadbury Report (Martin Curran, 2005). Several companies, including ENI (2010), Exxon (2011), Hess (2010), Nexen (2011), Oxy (2011), Petrobras (2011), Repsol (2011) and Statoil (2011), thus, outline their corporate governance structures in their sustainability reports with varying amounts of detail.

Regarding community-based CSR, it can be difficult to determine agency or processes, although each sustainability report offers concrete examples of actions. Most MNOCs indicate that one or more senior executives are responsible for CSR without identifying them, by using the all-inclusive we for the structures and agents that wield decision-making power; this does, however, indicate that their CSR is self-determined. Certain companies mention CSR departments, a board member responsible for CSR or CSR committees on the ground, although their decision-making power is not explained and their functions are poorly defined. Thus, how companies arrive at CSR decisions is often unclear.

Companies acknowledge that legal requirements constrain their decision-making. By stating that they abide by legal requirements, they challenge assumptions of what can be taken-for-granted and what constitutes CSR.
Indeed, companies such as BP (2011), CNOOC (2010), Lukoil (2011) and Petrobras (2011) inform the reader that they pay taxes and CNOOC (2010), ENI (2010), Exxon (2011) and PetroChina (2011) note their compliance with host countries laws. Repsol (2011:100) and Shell (2011:19) also mention that they pay mandatory social contributions as a result of legal, regulatory or contractual requirements in such countries as Bolivia, Colombia, Ecuador, Peru and Venezuela, so that certain elements of non-core CSR are contractually agreed. In this regard, certain countries have somewhat institutionalised and normalised CSR so that it is not an added extra, but taken-for-granted. However, such assertions may also serve to remind readers that these categories cannot be presupposed as not all companies meet their requirements (Juhasz, 2010), which may be further evidenced by absences in reporting. Furthermore, these assertions could indicate companies’ reluctance to being confused with the state, whereby paying taxes is part of their being a responsible corporate citizen in line with corporate citizenship narratives.

Although decision-making procedures are often unclear, most MNOCs signal in their sustainability reports that CSR is a company value or pillar, referring to their own sustainable development codes or standards as if CSR permeates each company level. Most reports offer a business-style quantification of social and environmental social action. For example, under the subheading “Social Investment”, Hess (2010:27) begins: “In 2010 we invested more than $18 million in social programs around the world, an increase of more than 40 percent from 2009.”

In framing why they conduct CSR, companies illustrate a consideration of internal and external needs. Rationales for CSR include a sense of responsibility on the part of large MNOCs to help smaller agents or to fix global problems (i.e. climate change) (Repsol, 2011:6) and for MNOCs to compensate those affected by operations and environmental offsetting (i.e. Petrobras, 2011:32; Nexen, 2011:36; Repsol, 2011:96). Both imply an

123 McKinsey (Browne & Nutall: 2013) predicts that CSR will increasingly be a matter of integrating external engagement into core business decisions at each company level. This is a good indication of the discourse being created by professional consultants for their MNOC clients and is, thus, likely to increasingly appear in the wider CSR discourse.
asymmetry of power relations between companies and local communities. ConocoPhillips (2009) and CNOOC (2010) link their profits to their ability to conduct projects, indicating a business style *win-win* scenario for communities and companies alike; although the stakes are different and I discuss the asymmetry of information between MNOCs and their stakeholders below. Whilst some companies support a wide variety of environmental and social projects (i.e. Lukoil, 2011), others consistently link project choices to their standards or values (i.e. Shell). Certain companies are keen to be seen to go the extra mile. Oxy (2011:25), Repsol (2011), Lukoil (2011) and Petrobras (2011) explicitly detail plans to build equitable, symmetric stakeholder relations. Total (2011:56) argues that they have been able to "move beyond the "handout" mentality to a co-development approach marked by community ownership of the processes, projects and programs". Shell (2011:18) notes that, in January 2011, "we launched a public website which tracks our response to, and investigation and clean-up of, every spill from SPDC facilities, whether operational or the result of sabotage".

A functionalist perspective of MNOCs, whereby their characteristic functions or structural principles should dictate their social role (Levitt, 1958), suggests that MNOCs should focus upon these elements. Each of the reports place the environment and workers' protection as part of a company's core CSR as illustrated by their internal decision-making procedures. Indeed, MNOCs' business case depends upon attracting the best employees and upon host countries giving them access to the natural environment, as they need to convince investors that they uphold the best environmental practices. The workforce's functional importance is evidenced by sections in each CSR report, dedicated to how companies address concerns over workers' health and safety whilst promoting diversity and equality of opportunity. This thesis does not focus upon measures to improve companies' internal CSR; nevertheless, the importance of functional considerations in MNOCs determination of CSR policy is important.

Functionally, regarding the environment, MNOCs rely on access to land from host countries, but run high environmental risks, potentially causing direct and indirect environmental damage and pollution in oil-producing
Each of the reports reviewed dedicates a section to discussing environmental performance as CSR in both habited and uninhabited areas. Thus, companies' discuss an awareness of the environmental issues at stake including waste reduction, spilling less, discharging less and protecting biodiversity. Lobbying on environmental standards, particularly following Deepwater, has also increased companies' PR need to be seen to meet environmental targets. Nevertheless, a functionalist view is too reductive, as MNOCs also impact fields unrelated to their core function. For example, the superimposition of an oil culture upon local cultures or the emergence of rent-seeking or corruption are other side-effects that can result from oil industry presence as discussed in the previous chapter.

Lastly, the 18 CSR reports define stakeholders and their decision-making input differently. However, the concept of stakeholders has expanded from Friedman's person who voluntarily enters into exchange with business to permission theorists' definition, whereby societies that allow companies to operate in their midst are stakeholders (Friedman, 1970; Martin Curran, 2005:17). Where defined, stakeholders generally include: shareholders, investors, employees, government agents, suppliers/contractors, communities/society, customers and civil society/NGOs.

Extra categories covered include the scientific/academic community, media/press (i.e. Petrobras, 2011; Shell, 2011:36) and unions (i.e. Statoil, 2011; Repsol, 2011). Practically, Exxon (2011), Chevron (2011), Petrobras (2011) and PetroChina (2011) differentiate between, but include, both involved and affected stakeholders (Teegan et al., 2004:475). ENI is one of the few companies to categorise and name each principle stakeholder included, stating the nature of the relationship (ENI, 2010:9). Repsol (2011:90) also provides detailed information and discusses the problems of ensuring that legitimate stakeholders and suitable mechanisms for stakeholder dialogue are identified. Interestingly, Total (2011:8) and Oxy

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124 For example, the UNEP's 2011 report on the Ogoniland in Nigeria highlighted MNOCs' problematic interaction with their surrounding environment.

125 Interestingly, PTTEP’s report (2010:23), which is not included in this analysis given its focus on larger MNOCs, adds SH&E, law, human rights, local culture and tradition to its stakeholders’ list. This appears to show that discourses can be appropriated without companies necessarily understanding them.
(2011:7) refer to both stakeholders and (local) communities, showing that they have not moved everyone in a surrounding community into the stakeholder category. Whereas companies have some duty towards stakeholders, however unclearly defined, this is not the case for non-stakeholders.

Company-stakeholder and stakeholder-stakeholder interests may conflict. Exxon (2010:8) states that: “It can be challenging to address certain stakeholder issues that directly conflict with our business practices. Additionally, it is not uncommon for us to encounter opposing stakeholder views.” Indeed, as Cleaver & Frank (2005:4) argue, natural resources are not simply commodities, but are invested with social and symbolic meaning, so that decisions regarding their optimal use are often subject to negotiation and messy compromise (see chapter 3).

Where there is a conflict of interests between stakeholders, certain stakeholders may have more leverage vis-à-vis the company than others. In practice, companies not only have to consider stakeholder legitimacy and the urgency of their needs, but also the stakeholders’ power to influence the company (Freeman et al., 2004:365; Dobers, 2009:188; Mitchell et al., 1997:853). Company-stakeholder disputes are rarely mentioned. Repsol (2011) is one of the few companies to provide concrete accounts of disputes that arose between communities and the company and how they are trying to tackle them. BG Group (2011:14), however, highlights the inequality that can exist between companies and society, their key challenges include: “seeking to ensure access to land is secured using approaches that are sensitive to local concerns and values in order to avoid alienating communities”. Thus, reading between the lines, CSR can be used to appease communities.

Whilst CNOOC (2010) does not list NGOs as stakeholders, the other companies mention NGOs as partners in discussing social problems (i.e. Lukoil, 2011) and/or in executing CSR, for example, delivering social welfare, poverty relief and environmental protection (i.e. Total, 2011:9). In certain countries, MNOCs have created their own foundations to determine and execute CSR programmes. Indeed, MNOCs such as Exxon, Oxy, Shell and
Total have created their own foundations that are separate from their main businesses. Whilst this approach reduces opportunities for value creation between the company and society (Porter & Kramer, 2002:267-268), I would argue that this compartmentalisation enables a more targeted focus upon CSR than to position CSR within PR departments.

Another innovative approach used by Chevron and Shell in Nigeria is that of Global Memorandums of Understanding (GMOUs). These agreements with governments and communities give the latter the ability to determine and execute their own development projects and aims to enable the communities to establish their own foundations, for which the companies provide funding and engage NGOs or other experts to aid them in their projects (Chevron, 2011:30; Shell, 2010:19). Certainly, if properly implemented, such an approach addresses concerns that the poorest segments of local communities, who are often most affected by the MNOCs’ operations, are underrepresented or are left out of such discussions (Newell, 2005:543). However, despite nominal specifications of rights to participate in dialogue, given the existing power imbalances within most societies, MNOCs may find it difficult to truly include all community stakeholders (Cleaver & Frank, 2005:10).

**Chapter Conclusion: what do MNOCs’ CSR reports reveal about their authors?**

In this chapter, I have analysed MNOCs’ portrayal of their CSR based upon 18 MNOC CSR reports. My conclusions are as follows:

1. Paradoxically, whilst CSR is closely linked to corporate communication and is an essential part of their communication strategy, nevertheless, in terms of disclosure, most MNOCs are not forthcoming in sharing important financial details.

2. MNOCs appropriate language from both IFIs and civil society discourses to promote their corporate strategies. Certain terms are integrated (e.g. sustainability) or avoided (e.g. charity) within the reports, so that a CSR-related language emerges that, paradoxically,
emphasise the importance of the terms over their meaning. Nevertheless, this language does affect practice, as shown in the subsequent chapter; the language on sustainability has led companies to promote projects with sustainable features.

3. MNOCs pick and mix elements from across the specific reporting standards to which they adhere, hindering a clear understanding of how certain standards affect certain companies’ actions.

4. Each MNOC identifies its own relevant stakeholder groups. This has implications as to whom is included in/excluded from discussions.

5. As a part of a company’s communication package, the reports also serve to establish and protect the company’s reputation; however, they also serve to project the business vision of the company.

6. The reports analysed rarely adequately disclose CSR decision-making processes and who ultimately takes CSR-related decisions within companies.