

Chávez followed up his words with actions, and Venezuela played a key role in the historic March 2000 OPEC meeting which agreed to limit production, thereby causing crude oil prices to almost quadruple from their early 1999 lows. Further, the new Constitution of Venezuela, adopted at Chávez's instigation, prohibits the privatization of Venezuela's state oil company.

Most recently, in October, Venezuela launched the Caracas Energy Accord, which adds barter arrangements to Venezuela's previous sales—along with Mexico's under the San José pact of 1980—of subsidi-

dized crude oil to Caribbean countries. Much to the dismay of Washington and Mexico, Cuba was included under the Caracas Accord for the first time in the subsidy arrangements. And to top it off, Venezuela has signed a barter arrangement with Cuba, which will allow it to swap medicines and other services for a large part of its oil import needs.

In Chávez's words, the initiative stems from "the Bolivarian vision of integration of the Latin American and Caribbean peoples."<sup>4</sup> These strategies also add up to a goal of strengthening the position of both Venezuela and OPEC vis-a-vis foreign oil companies

## U.S. Aid to Colombia's Military: The Oil Connection

This past summer, Congress approved a \$1.3 billion emergency military aid package destined mainly for Colombia. As a result, that country became the third largest recipient of U.S. assistance (after Israel and Egypt). In justifying this largess, Clinton Administration officials contended that substantial U.S. aid is needed to enable the Colombian government to overpower the guerrillas and other armed groups that protect illicit drug trafficking. U.S. aid is also needed, it is said, to strengthen democratic institutions in Colombia at a time of great internal turmoil. But there is another reason for U.S. aid that is not openly discussed by U.S. officials: a worry that the turmoil in Colombia will undercut Colombian oil production and hamper White House efforts to reduce U.S. dependence on Mid East oil.

With little attention from the U.S. press, Colombia has emerged in recent years as one of the major oil producers in the Western Hemisphere. According to the U.S. Department of Energy, Colombian oil production rose from only 100,000 barrels per day in the early 1980s to approximately 844,000 in early 1999. Colombian oil exports to the United States have also risen sharply, and today Colombia is this country's seventh largest supplier of petroleum.

By themselves, Colombia's oil deliveries to the United States are not critical to the U.S. economy. Other suppliers—notably those located in the Persian Gulf area—produce far larger quantities of petroleum. But a score of wars in the Middle East have made the United States leery of depending heavily on Persian Gulf supplies. Beginning in 1993, the Clinton Administration made the diversification of U.S. oil supplies a major strategic objective. This led the White House to place increased empha-

sis on oil imports from other regions, especially Latin America—with priority on Colombia and Venezuela.

This priority was clearly evident in President Clinton's annual reports on national security strategy. In 1997, he reported that "we are...undergoing a fundamental shift in our reliance on imported oil away from the Middle East. Venezuela is now the number one foreign supplier to the United States." Colombia could become a major supplier of petroleum to the United States in the decades ahead. And the United States will need all of the imported oil it can get. From the period beginning in 1997 to 2020, U.S. oil consumption is expected to rise from 18 to 25 million barrels per day. Just as Washington has always placed a

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**Petroleum—and not just  
the drug problem—  
explains the current U.S.  
package to the  
Colombian Armed Forces.**

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high priority on protecting the oil flow from the Middle East, it now seeks to ensure the security of oil supplies from South America. And while conditions in Venezuela's oil fields seem, for now, to be relatively stable, this is hardly the case for Colombia.

U.S. officials tend to emphasize the threat to internal security in Colombia from drug cartels and guerrillas said to be protecting the traffickers' coca-growing operations. Almost all of the rhetoric employed by the Clinton Administration to rally support for the \$1.3 billion U.S. aid package followed this reasoning. The fact is, however, that the greatest threat posed by the guerrillas to stability in Colombia is not their involvement in the drug trade, but rather their attacks on economic targets, especially the oil industry. For the past ten years, the main rebel groups—the Revolutionary Armed Forces of Colombia (FARC) and the National Liberation Army (ELN)—have waged a relentless war of attrition against Colombian oil operations, especially those linked to foreign producers like British Petroleum (BP) and U.S.-based Occidental Petroleum.

Oil is now Colombia's leading (legal) source of export income, generating about \$3 billion to \$4 billion per year in foreign sales. The government hopes to increase this amount significantly in the years ahead, so as to stimulate economic growth and finance development projects in

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and Western powers. Chavez's strategy rejects the concept of "globalization," which favors "free markets" setting oil supplies and prices, and which—given the centuries-old fact that crude oil normally sells for much more than its production cost—implies a continual tendency for "overproduction," which drives down prices. Moreover, this same concept is now favored by the world's major industrial countries, who virtually all import crude oil.

This is not to say that resurrecting the cartel and maintaining high prices for crude oil will be easy. Rivalries between OPEC countries are deep-seated, as

illustrated by the conflict between conservative countries like Saudi Arabia and Kuwait, and more "radical" nations such as Iran, Iraq, Libya and Venezuela. Moreover, the Western oil powers, particularly the United States, have a strong influence on these conservative countries' oil policies, through their military and economic ties with these regimes.

However, whereas the big U.S. oil companies once called the tune for U.S. foreign oil policy, the situation now is much more complicated. The oil industry's share of total U.S. production has declined dramatically in recent years, in tandem with the growth of the

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major producing regions and along key pipeline routes. The oil companies are paying a \$1-per-barrel "war tax" on current production and, in the case of BP, subsidizing new military units. Despite this, attacks on Colombian oil installations appear to be increasing.

Obviously, this must present a very troubling picture to security analysts in Washington. Not only is the guerrilla conflict cutting into Colombia's current petroleum output, but it is also frightening away investors and thus reducing the country's long-term contribution to global oil production. On top of this, the Colombian government must fight the drug traffickers and protect the oil fields. All this—and not the drug problem alone—explains the Clinton Administration's decision to substantially boost U.S. military aid to Colombia.

In defending the aid package, Administration officials insisted that the U.S.-backed military effort will focus in the southeast, where most of the coca plantations and cocaine laboratories are said to be located. But the principal items in the package—30 UH-60 Blackhawk troop-carrying helicopters, 33 refurbished UH-1N "Huey" helicopters and a number of P-3 spy planes—will significantly enhance government mobility and intelligence throughout the country, not just in the coca-producing regions. If the United States assumes the costs for military operations in the south, moreover, the government will be able to shift more of its own resources in the northeast, where the oil fields are located.

Not surprisingly, Occidental Petroleum—which operates largely in the northeast, far from the coca-producing areas in the south—was one of the major proponents of the Administration's proposal. In an unusually candid report, *Newsweek* revealed last year that Occidental was working assiduously to secure passage of the \$1.3 billion aid package.

Obviously, the Clinton Administration had broader strategic objectives in Colombia than it disclosed to the U.S. public. This in itself is cause for concern. But even worse: If Washington seeks to diminish the threat to Colombian oil production as well as to curb the flow of illicit narcotics, we are likely to become involved in a much deeper—and more extended—military effort in Colombia than anyone in the outgoing or incoming administrations has yet admitted. ■



*Transandino oil pipe blown up in 1995 by the FARC in Putumayo, southern Colombia.*

the countryside—projects considered essential if the government is to overcome the rural poverty that fuels both guerrilla activity and illicit drug trafficking. By attacking the oil industry, the guerrillas aim to stifle economic growth and thereby undermine the government.

Colombia's oil industry is also particularly vulnerable to attack: The country's two main producing areas—the Cusiana/Cupiagua field in north-central Colombia (managed largely by BP), and the Cano Limón field in the northeast (managed by Occidental)—are far away from major government centers. To get the oil to refineries and overseas markets, moreover, the producers must pump it through lengthy pipelines. These facilities are located in or near guerrilla-infested areas.

The FARC and ELN regularly attack oil installations and pipelines. Between 1982 and early 1999, for example, the ELN attacked the pipeline from Cano Limón to the coast a total of 586 times, causing the spill of over 1.6 million barrels of oil. These attacks have cost the government and the oil companies millions of dollars and inflicted significant damage on the country's oil infrastructure. And they have discouraged foreign oil companies from exploring for and developing new fields in the country.

To protect the oil industry, the Colombian government has expanded the military and deployed much of it in the