The Armed Forces and the Economy in Latin America: Contemporary Trends and Implications for Civil-Military Relations.

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EXECUTIVE SUMMARY

This paper examines several cases of military economic activities that persist in Latin America, despite the political and economic liberalization processes that have been under way in the region for several decades. Taking off from the concept of military entrepreneurship, the paper examines three contemporary forms of military entrepreneurship, surveying cases of how Honduran and Nicaraguan militaries came to manage assets through pension funds, how Venezuelan and Bolivian militaries have been incorporated into state-led efforts to foster social cohesion and resource redistribution, and how Colombia’s military has gained distinction in a growing defense industrial sector and in the training of foreign military and security forces. The paper concludes with comments on the implications of these forms of economic activity for the military and for democratic politics.
INTRODUCTION

The wave of democratization that encompassed Latin America in the 1980s brought promising changes, including the removal of the armed forces from positions of overt political power. Nonetheless, in many countries the military has remained an influential economic actor through ownership, management or stake holding in economic enterprises. For instance, in Ecuador, the military runs and profits from its own business enterprises, and has resisted civilian efforts to divest such holdings. In several countries, including Cuba, Honduras and Venezuela, the military manages state-owned enterprises in key economic sectors like agriculture, heavy industry, transportation and tourism, or has been called in as the apparent manager-of-last-resort to run public companies or to build national infrastructure. In El Salvador, Guatemala, Honduras and Nicaragua, armed forces’ pension funds became key stakeholders in enterprises ranging from construction to finance. In Bolivia, Colombia and Ecuador, the armed forces provide essential security for the facilities of oil and gas corporations of both the state and private sector.

The armed forces’ involvement in the economy has often involved entrepreneurship, in which they develop new economic opportunities for themselves and others. Military entrepreneurship in Latin America is a fascinating historical phenomenon with a long lineage that dates back to at least the 1930s, when the Depression-era militaries innovated to create self-sustaining production strategies for everything from food to armaments. Though such undertakings took a variety of different paths over the decades that followed, they often began successfully and only in a few cases – notably Argentina and Brazil – were military enterprises fully divested or privatized when countries returned to civilian rule in the 1980s. In short, in many countries across the region, military entrepreneurship has outlived military rule.

The resilience and adaptive ability of military entrepreneurship reveals much about the indirect ways that economic ideas and interests – of the military, the state, and political elites – can undermine fundamental elements of modern democracy, including civilian control over the armed forces. In particular, the military’s economic activities allow it to secure significant sources of revenue independent of government allocation, to gain advantageous access to state resources, and to maintain a tradition of non-defense roles that make it a go-to provider on development issues where civilians should predominate (Cruz and Diamint, 1998). Such distortions reflect important challenges to securing civilian control over the military and to the continued development of democracy in the region.

This paper begins with a brief contextual introduction to military entrepreneurship in Latin America, and then turns to contemporary trends in which three particular forms of military involvement in the economy have emerged and even flourished in the era of democratic politics and global economic markets. In particular, I present two examples from Central America, where the military has emerged as an institutional investor through state-backed military pension funds in what can be called the investor-capitalist mode, prevalent particularly in Honduras and Nicaragua. Further examples follow from South America, where the military has been enlisted to advance social cohesion and redistribution of resources in a nation-builder mode, prevalent notably in Bolivia and Venezuela. Finally, there is the example of Colombia, where an emerging defense industrial sector and the contracting of combat-tested soldiers for overseas work in over a dozen countries comprise a security exporter mode, suited to the current era where globalized markets for force encourage the commodification of security. The paper concludes with comments on the implications of these forms of economic activity for the military and for democratic politics.
THE CONTEXT OF MILITARY ENTREPRENEURSHIP IN LATIN AMERICA

Defining the Military’s Economic Activities

Particularly during the Cold War, the security studies field privileged the “high politics” of state security and survival over the “low politics” of the economy and societal well-being (Ripsman 2000). Yet a strict dichotomy separating security and economics is misleading, as economic factors enable and constrain national security options (Milner and Baldwin 1990). Recognizing this helps to understand the puzzle of military economic activity.

By professional orientation and training, the main role of modern militaries is to provide national defense and war-making capabilities for the state and society, rather than be involved in economic activities. Yet the military’s involvement in economic activities is remarkably common, particularly in the developing world, as militaries have engaged in a broad range of commercial and profit-making activities, from formally planning industrial development to informally procuring resources for their own units. Goals of self-sufficiency (e.g., pursued by China’s PLA in the 1980s) or supplementing insufficient defense budgets (e.g., a long tradition of Indonesia’s armed forces), as well as efforts to pioneer new industries needed for more autonomous national defense production (e.g., in Brazil and Argentina in the mid-20th century) have been common drivers. No single formula exists for these activities, which over the last century militaries have pursued by developing corporations, welfare foundations, and even unit-level commercial operations to secure resources for the military institution and its members (Brömmelhörster and Paes 2004; Mani 2007).

In this context, a useful way to understand military economic activities is in terms of entrepreneurship, which typically involves developing new means of production and allocating resources in creative new ways. Examples include opening a new market, securing a new source of materials or goods, or re-organizing a sector of the economy (Schumpeter 1983:66). When such activities result from initiatives of the military-as-institution (rather than from individual officers or soldiers) we can refer to military entrepreneurship – the innovative creation of resources and new means of production by the armed forces acting in an institutional capacity, often as formal owners, managers, and stakeholders of enterprises, to generate financial assets, goods, and opportunities for the military and the larger society.

The Latin American Context

In the Latin American context, studies of military entrepreneurship connect it fundamentally to the core issues of developing both democracy and its necessary component – civilian control of the armed forces. As countries across the region began to transition from military-authoritarian rule to democracy in the 1980s, Alfred Stepan was among the first scholars of civil-military relations to suggest that the military’s role in the national economy could not only remain a significant vehicle to empower the military in the new democratic era, but also prove difficult to dislodge. Identifying major military institutional prerogatives that were likely to present challenges to the establishment of civilian control over the military, he included the military’s role in state enterprises (Stepan 1988: 97). At the time, in the waning years of state-capitalism, military officers ran state-owned industries from Guatemala to Argentina and this particular form of military entrepreneurship was both widespread and obvious. Less apparent at the time were new forms of economic activity that would emerge or hold out in the new period of the market-based economy.

By the 1990s, analysts of civil-military relations in the post-authoritarian period were taking greater note of military involvement in industry and business, especially in surveying the new roles and missions Latin American militaries had assumed in the post-Cold War era. Examining a range of potential military roles in the new era, they raised the important question of whether the military’s continued involvement in the economy could be detrimental for achieving civilian control of the military, and in the broader context for consolidating democracy (Goodman 1996; Rial 1996).
Finally, a succinct line of critique emerged in the scholarship, from Consuelo Cruz and Rut Diamint: military entrepreneurship was unequivocally detrimental for the establishment of democratic civilian control of the military, because military businessmen retained privileged access to the state (through state contracts, fixed rents, and state guarantees of their assets), and thereby maintained the patronage practices that had long characterized authoritarian Latin America. In particular, by securing sources of funding independent from government allocations, militaries were de facto less dependent on the political guidance and oversight of elected officials. The result was the military’s ‘new autonomy’ – an autonomy that manifests itself not in coup-making or overt acts of political control, but one in which the military is largely left to its own devices, “crafting institutional and individual strategies to meet an expanded definition of ‘threats to national security,’ even as they take advantage of new opportunities to pursue profits” (Cruz and Diamint 1998: 116). Subsequently, other policy-oriented accounts have analyzed the topic, developing a similar critique – that entrepreneurship is one of the ways through which militaries have reinvented themselves as significant players in a new political-economic security environment, and that the lack of civilian concern for defense reform and ‘things military’ leaves many of today’s militaries in the position of being well-resourced but poorly guided by today’s political elites and civil societies (Centeno 2007; Donadio 2007).

Military Entrepreneurship in the Region: from Common Origins to Varied Paths

These processes must be considered in a larger historical context. Latin America’s militaries share a common path of origin, the aftermath of the post-independence wars of the 19th century, and the state-building period that followed between 1870 and 1940. Professional military forces were born early in this state-building period, typically emulating French, Prussian, and British military models and geopolitical doctrines (Nunn 1983; Resende-Santos 2007). As a result, militaries frequently became not only defenders of the nation but also agents of the state-and-nation building process: citizen-makers through obligatory military service, conquerors of uncontrolled parts of the state, surveyors and explorers for states that were often unable to tax and administer their domains along the lines of their European antecedents (Centeno 2002; López-Alves 2000). In short, by the early 20th century, militaries in Latin America not only became organized as an institution with corporate interests, but in many cases they did this at a time when adequate provision through the state was often lacking, requiring them to become self-providers.

To what ends did militaries orient self-providing economic activities? Here greater variation begins, depending on the professional role the armed forces embodied (Mani 2011). While the core task of all militaries was to defend national territory and sovereignty, over the course of the 20th century there were additional roles that many militaries assumed formally, including national development, internal security, and the political role of guaranteeing the constitutional order. Depending on core strategic needs of the armed forces, variations developed that were tied to historical eras in which military entrepreneurship took off.

So for instance, in the first half of the 20th century, industrial development was a core strategic interest of large scale militaries oriented toward external defense and seeking self-sustaining industrial production instead of continued dependence on strategic goods (arms, steel, manufacturing technologies) sourced from the advanced industrial countries of Europe and North America. Militaries in Argentina and Brazil are classic cases of this industrializer type, where the armed forces developed, owned and managed industrial enterprises in sectors ranging from petrochemicals to advanced aviation. However, this form of substantial military economic activity generally ended in the 1980s and 1990s, with the privatization and deindustrialization policies promoted under neoliberal economic reforms that accompanied political democratization.

In contrast, at the height of the Cold War in the region – following the success of the 1959 Cuban Revolution that was a watershed challenge to existing regimes in the
region – militaries with broader role orientations and doctrines that emphasized economic redistribution and social cohesion took up economic activities in new ways. Devising an eclectic array of economic activities that could enable both self-provision and the development of economic sectors and constituents that had been neglected previously, a clear nation-builder type of military entrepreneurship developed in the late 1960s. Military nation-builders appeared by the 1970s in the Andean region, pioneered by progressive-reformist military rulers in Peru and followed by Bolivia and Ecuador. Similarly, the militaries of Marxist revolutionary regimes in Cuba, and Nicaragua in the 1980s, also took up this proactive role. This path of military economic activity has proved the most durable and regenerative over time. For one thing, even when the initial redistributive logic has faded, the economic institutions and roles created by the military have tended to persist and emerge as business fiefdoms of “post-revolutionary” militaries (e.g., in Ecuador and Nicaragua). For another, anti-imperialist and anti-neoliberal policy platforms developed in the 1990s and 2000s (e.g., in Bolivia and Venezuela) have set a new generation of soldiers and officers on a revitalized nation-builder path, as described in the paper’s next section.3

A third form of military entrepreneurship emerged during the brutal civil wars that encompassed Central America in the 1980s. There, militaries whose primary role had long been internal security mirrored their historical provision of security to private rather than public interests: they pursued the accumulation of economic gains for personal and institutional benefit within the military. In El Salvador, Guatemala and Honduras, militaries awash in foreign aid to leverage war efforts used state- and military-funded pension systems to take over state holdings and invest in their own enterprises. Thus particularly through the creation or expansion of military pension systems, especially the senior officer class of the armed forces adopted an investor-capitalist type of involvement in the economy. While the wars had ended by the mid 1990s, the pension systems created earlier have remained, though diminished from the wartime highpoint due to mismanagement and poor investment choices in the cases of Guatemala and Honduras, and in El Salvador due to relatively effective institutional reform and the return of traditional economic elites to pre-war prominence. In the paper’s next section, I describe the crises of this system in Honduras, and how it became a new post-war prize institutionalized in Nicaragua.4

A fourth type of military entrepreneurship is currently emerging in Colombia, as the armed forces navigate a decade-long process of militarily gaining the upper hand in the country’s long civil war, and as they envision adaptation of an institution that will eventually downsize at the end of the war. Here a growing defense industrial sector has developed, under state ownership but intended to provide significant research and “security diplomacy” leverage to the Colombian armed forces. Accompanying this defense sector development is a concerted policy, strongly endorsed by the United States as Colombia’s materiel and training patron, to contract the military’s greatest resource – its combat-tested soldiers – for overseas work. Both the industrial production and manpower outsourcing involve the production of new economies and resources deemed essential to the continued relevance and increasing integration of Colombia’s armed forces into global markets for force. Thus the next section provides an overview of Colombia’s emergence in the security exporter type of military entrepreneurship.
THREE CONTEMPORARY TYPES OF MILITARY ENTREPRENEURSHIP

In Latin America today, military economic activity concentrates around two main forms – pension-fund led investor-capitalism prevalent in Central America, and social cohesion-fostering nation-building that newly emerged in South American countries at the start of the 21st century. I also present the case of security-exporting defense restructuring being pioneered in Colombia.

1. Central American Investor-Capitalists

The pension fund holdings that have marked Central American cases of military economic interests were forged principally during the periods of transition to democracy, which often included significant austerity reforms and privatizations of state owned enterprises (SOEs) that allowed military pension funds to buy SOEs often at bargain prices. In the two cases described below, the Honduran military initially made valuable gains to its pension fund holdings, but apparently poor financial management and the vagaries of global markets have made their holdings unstable and the fund increasingly prudent. In contrast, Nicaragua’s military initially faced much greater uncertainty, yet quite effectively build a modest but strong pension fund that has weathered financial market vagaries. In both cases, lack of transparency to the public and to civilian branches of government is evident.

A. THE HONDURAN MILITARY’S POLITICAL-ECONOMIC INTERESTS

The Honduran military has retained substantial autonomy from political oversight over decades, through extensive prerogatives enshrined in the 1982 national constitution, enabling a political culture in which it is normal for military officers to be tapped for official government positions (Pérez and Pestana 2016:11). In this context, it is not surprising that the military would also have a role in business holdings.

During the 1980s, Honduras was a staging ground for forces in neighboring civil wars, but did not experience war in its own territory. So the Honduran military never experienced the pressures of post-war demobilization or military reform. The military has a long history of involvement in the management of state-owned enterprises, many of which were created under authoritarian rule in the 1970s in the era when major state-sponsored development projects was in vogue. That record translated in the 1980s, now under a democratic regime, into significant investments by the military’s social security fund in major national enterprises.

Honduran military entrepreneurship stands out for its remarkable scale and durability. Through its pension fund, Instituto de Previsión Militar (IPM), the armed forces came to control major holdings when state-owned enterprises were privatized in the early 1990s (Funes 1995). For instance, the state development corporation, CONADI, had taken over indebted firms but failed to turn many around; by the early 1990s it had assumed a huge debt load of US$ 185 million – creating the opportunity for the military’s pension fund to buy out several of CONADI’s failed holdings at “insider” prices. Along with CONADI holdings, it acquired the country’s largest and successful cement producer, INCEHSA, for a nominal cost of US$ 22 million, giving it a virtual monopoly in that sector and angering private sector competitors, as INCEHSA regularly beat out smaller and foreign competitors for public works projects (Funes 1995:398); IPM later sold a majority share of INCEHSA to the French construction conglomerate Lafarge which provided modernization and investment of over US$ 200 million into the enterprise before selling its stake to a Colombian company (Central America Data 2012). All told, by the end of the 1990s, IPM’s holdings were valued at an impressive US$ 300 million, including controlling interests in
at least 17 major companies in sectors ranging from agriculture and construction, to real estate development and banking (Brenes and Casas 1998).

While INCEHSA is a success story for IPM, several cases emerged in the early 2000s of fraud and embezzlement of funds by senior generals, including the former head of the armed forces, General Mario Hung Pacheco. It is worth emphasizing that IPM is intended to provide a reliable growth base to continue providing for military officers’ pensions and benefits. So under pressure from senior military officers, IPM contracted an independent audit that to this day remains unpublicized. The audit was conducted by a Swedish consulting firm and appropriately detailed IPM’s troubled assets. Yet even than a decade later, the publicly available documentation of IPM’s holdings remain impossible to parse, and the audit was never made public. The audit led to the sell-off of numerous insolvent holdings.

Following the audit, IPM became risk averse. Over the course of the 2000s, it came to emphasize “long-term holdings” and no longer invest holdings directly in overseas markets. Yet despite the crisis of the late 1990s, the Swedish audit, and in 2012 a United Nations Development Programme consultancy to assess IPM’s workings and recommend practices for continued sustainability (Proceso 2012), there is still no publicly available information about IPM’s investment holdings. In short, IPM – a formal, publicly funded institution that annually receives over 20 percent of its capital from state and affiliate contributions – remains exempt from basic transparency.

The IPM saga is a telling reflection of the military’s continued ability to maintain institutional privileges with little to no civilian oversight, and of the ruling political elite’s disinterest in altering this arrangement. Honduran civil-military relations basically reflect a mutual elite non-intervention pact. Hardly different than in 1984 – when democratization removed the military from its formal role in politics, but left it with other positions of power – senior military officers in active service continued to staff government ministries and to direct strategic state industries and public utilities. So, for instance, in describing the cultural continuities of the Honduran political system, Orlando Pérez and Randy Pestana note the numerous appointments of military officers to staff key positions in the current government of President Juan Orlando Hernández. As of 2016, current and former military officers serve as presidential advisers on security and defense; head the security ministry, the merchant navy, national port authority, and the civil aviation authority; similarly non-security agencies like the Honduran Agricultural Marketing Institute and the Social Fund for Housing are now directed by mid-career active duty officers; and high ranking former generals now serve as coordinator of an inter-agency team on prisons, and as presidential commissioner for the Model Cities special economic zones project. (Pérez and Pestana 2016: 25–26).

B. THE NICARAGUAN MILITARY’S EXTENSIVE ECONOMIC HOLDINGS

On many levels, Nicaragua’s military is an outlier in the region: unreformed from its Sandinista roots, but remarkably professional, it holds institutional economic interests through its legal but entirely opaque social security fund. It consistently ranks as the most trusted public institution in the country, with over 61% popular trust levels the highest in the Central American region at the most recent study (LAPOP 2009). This is particularly remarkable as civilians have rarely exercised effective oversight over the military or set clear defense policy, leaving the institution essentially autonomous from civilian control (Cajina 2002; Borgen 2010).

As was true in all of the post-war transitions in Central America, the Sandinista Popular Army (Frente Sandinista de Liberación Nacional, FSLN) sought to survive, maintain institutional autonomy, and secure resources as it headed into the new post-revolutionary period of peacetime electoral democracy. Confronted with the loss of foreign patronage at the end of the Cold War, an economy in shambles, and the opposition’s win in 1990 elections that the Sandinistas themselves had allowed, army leaders anticipated the massive demobilization that would bring forces that had once numbered over 130,000 (including reserves and conscripts) down to a professional force of about 15,000.
In anticipation of the regime transition, the most senior commanders of the FSLN got rich through the famed piñata that allowed them to take the best holdings in the “distribution” of state assets – typically the expropriated land and business properties of the former regime’s ousted Somoza clan and its allies. While these assets were now compensated to their original owners by the state, ownership of the properties went to top FSLN leaders as war booty (O’Shaughnessy and Dodson (1999)).

In contrast, there was not enough money to compensate other officers and troops. With a need estimated at over US$ 18 million and the military’s new social security institute (Instituto de Previsión Social Militar, IPSM) not yet funded, the army received grants from European governments for about US$ 6.5 million that allowed thousands of officers to take a hybrid three month course in business administration at the prestigious INCAE graduate business school of Central America. Officers also received US$1,000 as start-up capital from the government to found their own small business, though most used the cash to pay off debts and living expenses rather than to become overnight entrepreneurs. Even so, the military’s emphasis on second career education prevailed: in order to advance to senior ranks, both military and police officers are required to take degrees in a civilian profession (law, public administration, accounting and business administration are common) and today even critics of the military’s involvement in economic activities praise this innovation.

This sets the Nicaraguan military apart from its neighbors by preparing officers for a second career in an occupation other than the private security sector, which elsewhere in the region is the most common sector to absorb former forces. The professional preparation requirement arguably makes Nicaraguan officers less caste-bound and more profession-oriented – and by extension less beholden to political cronyism.

The IPSM is the military leadership’s golden calf – not because its pensions or other benefits are particularly generous, but because it enables business relationships with enterprises owned by retired military officers. Active service officers may not be business owners, but retired officers are often shareholders in the IPSM-invested firms or those with which they do business. Prior to 1990, no military welfare fund existed, as under the Somoza dynasty “provision” for the forces occurred through a personalist prebend system. Perverse luck and state assets allowed the new social security project to be funded with seed money from the secret 1992 sale of military equipment to both Ecuador and Peru, which were embroiled in a rivalry and later engaged in a brief but costly war with each other. The sales brought about US$25 million in seed money for the IPSM equity fund (Fonseca and Orozco 1999).

By 2004, IPSM’s equity fund was valued at US$30 million according to the little data IPSM makes public, and in 2007 at US$ 65 million according to a confidential PriceWaterhouseCoopers audit. Critics of the IPSM structure suspect the fund, which in 2007 was heavily exposed in U.S. stock markets, suffered significant losses in the 2008 recession. As in Honduras, exact dimensions of IPSM’s investments remain opaque. Management of the fund follows informally presented directives from the military high command, but there is no public auditing or legislative or public oversight. In steps not countenanced under the law, it has taken short term “loans” from the public sector pension fund that were later paid back quickly when revealed in the press. In several instances reported in the press, companies owned in part by IPSM have expropriated (or poorly compensated) owners of property the IPSM companies sought for real estate developments. (La Prensa 2010).

As with Honduras’s IPM, lack of transparency remains a core feature of IPSM. Nonetheless, the fund appears to have recovered well from the recession nearly a decade ago, and in 2012 leaked reports indicated it had rebounded to holdings of over US$ 100 million (Confidencial 2012). IPSM provides opportunities for former military officers to network into existing business relationships created through the pension fund, a structure that keeps them quite busy upon retirement and maintains the promise of such ties for those still in military service. Notably, IPSM does not seem to undermine the military’s carefully cultivated public image of professionalism.

However, during the current government of Daniel Ortega, the longtime head of the Sandinista National Liberation Front (FSLN) who has held the presidency since 2006, there has been a significant expansion of former officers into public administration positions.
Notable appointments include Álvaro Baltodano, a former army general who for most of Ortega’s tenure has held several positions simultaneously (including a ministerial post) to foster foreign investment and trade, and Óscar Balladares, a much-respected general who headed the Chiefs of Staff, to a ministerial position in charge of infrastructure development (i.e., the potential canal project across the isthmus that Chinese investors have contemplated); this appointment raised concerns that Ortega was removing respected military professionals from the armed forces, to keep the institution subordinate to the government’s political vision (Confidencial 2013). Ortega also promoted the former head of the IPSM to army chief – a move widely seen as a political prize for his six-year successful administrative leadership at IPSM where he continued to hold the vice presidency, though critics noted financial administration rather than military operations had become his area of expertise (La Prensa 2013).

Several individuals interviewed for this project noted the military has “unwritten rules” that military officers should not take political appointments for at least a year even after retirement, yet Ortega has interfered with this principle. This raises the concern that the military’s tradition of being both beyond civilian control and beyond civilian political cooptation may fall to politicization. Indeed, observers note also that Ortega has appointed many less politically connected officers who cannot afford to retire into state posts. Yet overall, the military hierarchy appears to be privileging its institutional autonomy and cohesion over political perks. Even Ortega has had to bargain hard with the military, investing much into effectively eviscerating the defense ministry and making the military accountable only to the president. In situations of emergency, the military intelligence agency can now extend its authority over civilian agencies (police, migration, border and customs authorities, etc.). Critics rightfully see this as enabling the “militarization of public institutions.” Still, the Nicaraguan military is quite far away from the high degree of political allegiance that Venezuela’s Hugo Chávez required of the Bolivarian Armed Forces, and an important wing of the former military has been outspoken in criticizing Nicaragua’s close dependent ties with Venezuela.

In sum, regarding the cases of both Honduras and Nicaragua, a notable commonality is the lack of civilian oversight and transparency, features of public accountability that should be expected because these pension funds that are ultimately guaranteed by the state and because the military is an institution in service of the state. Yet also notable are the strategic ways in which the civilian political leadership draws on senior military officers to fill notable public administration positions in the state. This civil-military affinity, while stronger in Honduras than in Nicaragua, is an important larger context for continued autonomy for military economic holdings. In a fair assessment, there is likely to be little official civilian interest in overseeing the military’s economic interests in Honduras, and only marginally more effort made in Nicaragua where it emanates from an investigative press and some actors in the political opposition.
2. South American Nation-Builders

The decade of the 2000s witnessed a rebirth of the nation-builder form of military entrepreneurship, taking hold mainly in socialist-oriented governments that sought to break with ossified political systems that for decades had favored entrenched civilian political and economic elites who traded power in electoral democracy. In the cases discussed below, Venezuela and Bolivia, it was particularly the disenchantment with neoliberal economic reforms of the 1980s and 1990s – and the limited economic growth coupled with growing inequality they engendered – that brought to power leftist governments that actively incorporated the armed forces as agents of the new “nation-building” process.

A. VENEZUELA’S MILITARY REGIME PATRONS

As of this writing developments in Venezuela’s ongoing political crisis shift almost daily. Yet while Venezuela’s civil-military relations since the late 1990s are complex, it is clear that since the 1998 election of Hugo Chávez, the socialist-oriented Bolivarian regime that followed has created a civilian-military alliance marking a significant break from the past (Strønen 2016). Reorganized under Chávez as the Venezuelan Bolivarian Armed Forces (FANB), the military became an integral collaborator in the state’s social and economic projects designed to rectify the growing inequality and lack of economic growth that followed from neoliberal policies implemented in the 1980s and 1990s. Whereas during the 1960s and especially the 1970s, Venezuela was the richest and most stable democracy in Latin America due to wealth generated from oil exports, the global recession and drop in oil prices during the early 1980s proved to be a formula from which the once-prominent multi-party political system failed to recover. Civil-military relations, too, shifted in this context: the government called upon an unwilling military to brutally repress protests against severe austerity measures during the infamous Caracazo uprising of 1989, and by 1992 resistance within the military enabled Chávez to form a clandestine faction and attempt a coup against the government. Although the coup failed, by the time Chávez was sweepingly elected to the presidency in 1998, the military had regained a political prominence it had not held since the dark days of dictatorship during the 1950s.

Among the many ways in which the regime of Chávez and his successor since 2013, Nicolas Maduro, brought the military into the national political-economic project, two will be discussed here. One is the incorporation of the military into positions of public administration. The other is the reliance on the military for numerous civic action initiatives that place the FANB in direct contact with the people in efforts to produce, secure and transport goods and resources, to further the larger political project that seeks to diminish poverty, inequality, and Venezuela’s dependence on foreign capital and technologies.

As Steve Ellner (2010) and a variety of other scholars have noted, it was logical for Chávez to bring the military into key positions of the state, as a means to deflect the potential for military resistance to the regime. Following a failed coup in 2002 and other smaller military protests, the regime weeded out military dissidents (Strønen 2016:18), and especially following the strike at the state oil company, PDVSA, the regime began to incorporate loyal military officers into management positions in state agencies and enterprises, as well as government ministries. Initially, as early as 1999, the military became able to participate in national development (previously not a designated military role) under Plan Bolívar 2000. But it was the new Organic Law of the FANB, issued in July of 2008, that dramatically opened the door for the military to develop important and empowering new roles. Under the 2008 law, the military was given the formal mission (one of several) to play an “active role in national development,” and to participate in development of “centers of production of goods and services integrated with the FANB,” as well as to be the sole regulatory authority regarding the production, import, possession, storing, transport, etc. of arms. The result was to create a “political-military bureaucracy” (San Miguel 2008:303), that effectively militarized the state and in consequence “deinstitutionalized” the state (Jácome 2011:6), by bringing the regime’s military political loyalists with no applicable professional training into positions of public administration.
This pattern was replicated in numerous state agencies. Under the previous regime, the military only held management roles in some small industries owned by the state, including CVG, the Venezuelan Guyana Corporation, and CAVIM, the Venezuelan Military Industries Company. In contrast, in the new era they came to hold leading positions as directors in agencies governing many areas of the state, including public finance (CADIVI, the foreign exchange control commission; Banco de Tesoro, a bank created to underwrite loans for low-income housing; INAC, the civil aviation administration; and the administrative authority for Maiquetía international airport). Most recently, in July of 2016, the military took charge of five major ports, in an efforts to control food distribution, as food-need protests have become common (Fox News Latino 2016). Similarly, officers who were Chávez loyalists and rose to the highest positions of the state, have held key posts in the economics and communications sectors. Particularly notable are Diosdado Cabello, who has served as minister of public works and housing, and as director of CONATEL the communications commission; and Edgar Hernández Behrens, who held the posts of minister of the economy and finance, director of CADIVI, director of several development banks including BANDES and BANFOANDES, and director of CANTV the national telecommunications company. By 2013, according to a much-cited analysis by two respected Venezuelan academics, over 1600 military officers had served in significant positions of public administration (El Nacional 2013).

The other area of influence for the military is civic action. The military has run numerous social improvement and subsidy programs, in the areas of education, food distribution, housing development since 2000. Particularly in the years when oil wealth enabled funding of numerous such programs, such as Bolívar 2000 and Fondo Único Social, many programs involved the management of hundreds of millions of dollars. Critics of the regime argue that these efforts brought corruption into the process early in the regime (Coronel 2006). Nonetheless, the military remained closely involved in civic development projects, for instance distributing food to communities through Mercal and PDVAL programs, and building houses through the Misión Vivienda housing development project (Correo del Orinoco 2011).

Critics of the Bolivarian regime frequently highlight the high levels of corruption that accompany military involvement in the management and distribution of state resources. It is therefore worth noting that over the last decade Venezuela has persistently ranked within the top 20 of countries on Transparency International’s Corruption Perception Index. Suffice it to say it would be hard to separate out military activities from the larger context of apparently widespread corruption.

Yet perhaps the most notable shift in the past year – following elections in which the political opposition for the first time gained a majority in the national legislature, and an increasingly dire humanitarian situation – is the repositioning of the military into the highest ranks of the national government. This occurred in July of 2016, when President Maduro issued an decree in response to the country’s “economic emergency” and appointed the current defense minister, General Vladimir Padrino López, to manage the dire food supply situation. Yet more importantly, Maduro created a new government ministry headed by Padrino, to which all other state agencies and ministries would be subordinate, in order to govern the economy. As Javier Corrales and Franz von Bergen immediately speculated, this step could be understood as a potential “coup from within” by the armed forces, seeking to secure the continuity of the Bolivarian project through military governance of the economy (Corrales and von Bergen 2016). Whether or not the military has indeed gone so far remains a speculation, but it is clear that the armed forces have gained greater control of the Venezuelan economy than ever before.

B. BOLIVIA’S PLURINATIONAL NATION-BUILDING

The election in 2006 of Evo Morales was a watershed event – the first time a leader of indigenous heritage has been elected to serve as Bolivia’s president. A former leader of the coca growers union supported in his campaign by a broad based social movement, he pledged to transform Bolivia into a country that would finally advance the interests of its majority indigenous population. Morales was elected in the wake of more than two
decades of neoliberal economic reforms that were among the earliest in Latin America’s
democratization wave to privilege austerity and privatization over social welfare protections
(Klein 2007). In response, Morales has reoriented state policies toward rectifying centuries
of marginalization of the indigenous majority through the anti-oligarchic and anti-
imperialist vision of his political movement, Movimiento al Socialismo (Movement toward
Socialism, MAS). Morales has incorporated the military formally into this national project,
reviving for the military a historically rooted tradition of involvement in Bolivia’s national
development that had been largely eliminated during the neoliberal period of the 1980s
and 1990s.

At the center of this return to reliance on the armed forces to collaborate in national
development is the Corporación de las Fuerzas Armadas para el Desarrollo Nacional
(Armed Forces Corporation for National Development, COFADENA). Established in 1971
during the military dictatorship of Hugo Banzer, COFADENA is a state enterprise that
functions as a conglomerate of firms managed by the armed forces to “produce goods and
services through technologically endowed enterprises to achieve the consolidation of three
dimensions of national industry: defense, development, and quality of life” (COFADENA
2016). As Alain Rouquié noted in his survey of the military in Latin America, creation
of “COFADENA indicates the desire of certain of the military to replace indirectly the
languishing bourgeoisie and to turn the army into an entrepreneur (Rouquié 1987:297).”

Following its near evisceration in the neoliberal period of the 1980s, COFADENA has
been revived, yet its military-led heritage has been tamed in the MAS era and placed
squarely in the service of a civilian-led state. For instance, almost immediately upon
entering office, Morales issued various executive decrees that did the following: placed
COFADENA under the authority of the civilian authority of the ministry of defense and
made it subject to national laws and to goals of efficiency (Supreme Decree 28631 of 2006);
formally incorporated COFADENA into the new National Development Plan and renewed
its roles in developing specific sectors including industry, agriculture, mining, energy and
infrastructure (Supreme Decree 29272 of 2007); and designated COFADENA a strategic
state enterprise (Supreme Decree 174 of 2009), which gives it purview to engage in contracts
on behalf of the state, within transparency provisions that underscore the necessity of
civilian control.

In short, as one news report described it COFADENA “returned to life” under the MAS
government (ABI 2010) and despite the state’s socialist orientation the organization is
encouraged to pursue profitable and self-sufficient ventures, including joint ventures with
private sector firms that can introduce technological innovation pioneered elsewhere to
the state-owned projects the military is leading. So for instance, COFADENA is engaged
in projects from assembling tractors and drilling wells, to participating in the lucrative
processing of lithium (ABI 2010). Budget transparency of COFADENA operates under the
ministry of economics and public finance, which provides a profile of the organization’s
expenditures for the current year on the COFADENA website.

Most recently, COFADENA became the reform engine for the failing Empresa
Constructora del Ejército (Army Construction Enterprise, ECE), following discovery that
ECE’s director, an active duty army officer, was one of four officers and one civilian
charged with corruption in administration of construction projects that were never completed or
were poorly completed. ECE’s director allegedly received a payment of US$1.7 million in
the transaction (Infodefensa 2016). ECE began operations in 2012 with a US$40 million
infusion (owed to the Eximbank of China) and while the Bolivian ministry of economy is
in charge of the debt or its renegotiation, it remains unclear how this debt burden will be
resolved. In the meantime, ECE will be reorganized into a new military enterprise under
the regulation of COFADENA (Entorno Inteligente 2016; Correo del Sur 2016) – attesting
to the reliance the MAS government has placed on its reconstructed civilian-controlled
COFADENA model, which interestingly now serves as a check on military autonomy and
profligacy.

While the government seeks to increase control of the long-autonomous armed forces,
it also provides opportunities for the military to act in ways that build its image as a
trustworthy arm of the state engaged in the government’s national reform agenda. For
instance, since its creation in 2008, the military has been the official distributor of the
monthly Dignity Pension, a universal old-age pension subsidy program that has won praise from the United Nations Development Programme. The military is tasked with distributing the pension payments directly to recipients (Supreme Decree 29400 of 2007) and in 2015 they reached about 56,000 citizens monthly; similarly, the military has been charged with distributing the annual “Juancito Pinto” subsidy to school children for clothing and supplies, distributed to about 188,000 children in 2015 (Resdal 2016:123). Other tasks have placed the armed forces in collaboration with civilian-led state agencies. For one, beginning in 2009 the defense ministry and the central bank of Bolivia began working jointly to implement a campaign to defend the Bolivian currency against falsification, in an effort to build confidence in the circulation of legal tender; the military provides training to social organizations and to the public in how to identify false from legitimate bills (Opinión 2009). For another, the naval base in Guaquí, on Lake Titicaca is tasked with using a “multi-purpose ship” not only for cadet training and civil defense in natural disasters, but for scientific study of the lake (impacted by glacial melt from climate disruption) and notably for ecotourism (La Razón 2009). Now the Navy readily promotes its public outreach role and regular ecotourism excursions on its website. While these activities may help to incorporate the military into the national development project, they also imply that civilian institutions will not be tasked to take initiatives in certain policy areas, which should normally be conducted from the civilian domain.

In sum, while the cases of Venezuela and Bolivia share important features of incorporating the military into the governments’ economic and political projects, there are also important differences. The crisis turns that Venezuela has taken have prompted the current government to become inextricably dependent on the military for its survival. The result is a situation in which the armed forces as much as the rest of society are confronted with tremendous economic uncertainty of the system’s future, yet the armed forces retains a relatively privileged position that gives it a broad array of formal and informal opportunities to survive economically. In contrast, in Bolivia the government has achieved a more stable civil-military formula, in which the government has created new economic roles for the military to occupy and be integrated into the government’s reform agenda, while at the same time designing a fairly coherent legal-institutional framework through which it restrains (and may even to some degree curtail) the growth of military autonomy.
3. Colombia’s Security Exporters

Earlier this year, the Colombian defense ministry organized a forum on defense contracting, bringing together a range of national stakeholders. The event reflects an ongoing agenda of the state to broker coordination between the private sector and the armed forces in national defense production and contracting needs in a post-conflict era (Infodefensa 2016). The effort comes in the wake of a five-decade civil war that is the longest-running armed conflict in the hemisphere, with a lengthy peace process still underway. Over the last decade, the Colombian state and its armed forces have made unprecedented gains over insurgent groups, in large part supported through US$ 7.5 billion in Plan Colombia assistance from the United States, mainly in the form of military aid to recapture the state from illegal armed groups. Now the Colombian government seeks to consolidate its wartime gains, articulating a postwar system based on rule of law and social and economic development – elements the war economy has hindered for generations. Reconceptualizing the role of the military – inevitably downsized and reoriented to new roles beyond warfighting – is an essential part of the eventual postwar system.

Colombia’s military is unique in the region. Formally, its mission is defined in terms of defending national sovereignty, territorial integrity, and constitutional order with no mention of a role in the economy. Yet the military has played a crucial role in shaping the national economy particularly during the last decade, through successful prosecution of the counterinsurgency and through clearing and securing of territory, which has enabled expansion of natural resource extraction and brought new resource rents into state coffers (Richani 2005). While the insurgency is not entirely eradicated and illicit drug production in the hands of illegal armed groups remains on the dark underside of the national economy, the government is now attempting to consolidate the political and economic gains made in the last decade.

It matters that the end of the Colombian conflict comes at a global historical juncture marked by the commodification of security. In Latin America today, economies essentially remain dependent on global commodity and capital markets for development opportunities, a situation that reflects legacies of earlier times. However, as sociologists Rita Abrahamsen and Michael Williams (2009) highlight, the global scope of economic reforms engendered since the 1970s have led to the partial “disassembling” of the state that resulted through three related processes: the neoliberal turn, new punitive norms regarding responses to crime and punishment, and the commodification and individualization of welfare. Abrahamsen and Williams argue that under these conditions private security becomes a specialized service, a once public good now globally commodified and provided at a price to those who can afford it – a “politically neutral service” devoid of responsibility to society. It is into this commodified and privatized market that the Colombian armed forces seek to integrate.

A. THE SOCIAL AND BUSINESS DEFENSE CONSORTIUM, GSED

Paradoxically, in the new global context that favors private security providers, the traditional military still holds relevance, as militaries may be able to act where private forces are insufficient, or operate too exclusively. So the military can become a go-to force in economic activities that are seen as useful to maintain and build state capacity. Thus it should be no surprise that in 2008 the Colombian defense ministry restructured the collection of enterprises that had long been run by the military into a single Social and Business Defense Consortium (Grupo Social y Empresarial de la Defensa, GSED) formally overseen by the ministry. Comprising 18 defense and social enterprises traditionally associated with the military, GSED functions as “a supportive system” for the Public Forces (military and national police) and seeks to “project itself toward domestic and international markets.” Billed by the defense ministry that oversees it as one of Colombia’s largest business consortiums, GSED is state owned and funded through the national defense budget, with proceeds apparently reinvested in the discrete enterprises, most of which are typically managed by retired and active duty military personnel.
GSED’s components are wide-ranging. The most prominent are traditional defense industry producers like Indumil (armaments, and explosives marketed to the mining sector with a national monopoly on production and trade of these), CIAC (aeronautics design and maintenance, also for the private sector) Cotecmar (naval engineering and construction); the Logistics Agency has the formidable task of managing good and services for all of the military’s services. In addition, GSED includes social service enterprises like the Military Hospital and the Public Forces‘ pension systems, and a curious mix of “security support” enterprises that include Supervigilancia (the national agency regulating the private security industry) and Satena (the airline that transports passengers and cargo to remote and underdeveloped areas of the country).

Private sector enterprises apparently raised no objections to the consolidation of military conglomerate, as it is planned to complement the private sector and rarely competes with domestic producers. In fact, the creation of GSED reflects a full-scale push to transform the national defense sector into an internationally-marketable breadwinner for the state, for instance through N.A.T.O. certification, along with the production of light aircraft, Israeli-licensed Galil rifles, and technologies essential for the lucrative mining sector.

The creation of GSED is significant in several respects. First, it reflects an attempt to make a definitive break from past practices, in which military enterprises were autonomous fiefdoms of the services. Second, as a sizeable consortium with significant assets (valued in 2014 at over US$ 7 billion (Dinero 2015) that place it behind only a handful of Colombia’s biggest corporations, it can market itself as a major actor – not only in the otherwise sparse national defense sector, but in the national economy as a domestic powerhouse. Third, GSED reflects a clear effort by the military to qualify in terms of savings through efficiencies of scale in the competitive-entrepreneurial, investor-friendly climate the politically conservative administration of Álvaro Uribe sought to create. In recent years especially, GSED’s exports have drawn buyers in top markets, mainly to Israel and Brazil, but also to the United States (Dinero 2016).

Not least, the creation of GSED is an interesting measure of the degree of military institutional autonomy that now exists in Colombia. In the first decades of democracy, from 1958 to the major state reform of 1991, the military had complete autonomy over the management of its enterprises and no-questions-asked funding by the Congress. GSED reflects the formalized loss of such autonomy, accompanied by external audits of military enterprises, which are not the norm in Latin America.

However, there are also signs that despite the formal civilian “control” the reality is different. For instance, when the defense ministry finally audited the financial records of the Military Club in 2011 (apparently it had not done so for several years), it found no identifiable bookkeeping practices and clear misuse of funds, and fired the retired general in charge of the club (Colprensa 2011). Similarly an audit of the Military Hospital the same year revealed at least US$ 25 million in fraudulent contracts (paid from public funds), including several made with the GSED’s own Logistics Agency (El Tiempo 2011a). Shortly after, when the National Comptroller’s Office examined the real estate holdings of the pension funds of both the military (Cremil) and police (Casur), it discovered a slew of loss-bearing holdings that the funds’ managers appeared to ignore, despite the fact that equity in the fund is already unlikely to keep up with the growing number of retirees from forces that have more than doubled in size from the early 1990s (El Tiempo 2011b). These cases mirror a broader culture of resistance to civilian oversight that is apparent in the Colombian forces. In short, while ultimate authority lies with civilians, unless they push hard to assert that authority the military is likely to run business as it sees fit.
B. FAVORED PROXY TRAINER

Parallel to the defense production interests of GSED, the Colombian forces have developed training foreign military and police training programs in counterinsurgency and counterdrug surveillance in Central America, Mexico and about 40 other countries around the world (Isacson 2013). Born during the current liberal administration of Juan Manuel Santos, promotion of such foreign training programs is now a high priority of the Colombian foreign ministry, which coordinates specific training programs in consultation with the ministry of defense and national police. The result is a “portfolio of à la carte services in seven areas: organizational development, counternarcotics, organized crime, citizen security, anti-corruption, human rights and international humanitarian law, and operational capacities” (Tickner 2014:5). International defense firms are also involved. For instance, the Sikorsky Aircraft Corporation, which opened a flagship flight simulation training center at the Colombian Air Force base in Melgar, will be used to train both Colombian and non-Colombian pilots (Sikorsky 2013; Los Angeles Times 2011).

Colombia’s training programs promise to export security knowhow is notably useful to own training patron, the United States, which has facilitated the project. As proxy trainers, not only do Colombian forces help the United States to avoid overextension of its own personnel and resources, but it also banks a substantial investment the U.S. made in aiding the Colombian military through Plan Colombia. So in 2012, the two countries signed the U.S.—Colombia Action Plan on Regional Security that expands existing security cooperation between the two countries, to develop complementary security assistance programs for other countries that are afflicted by transnational organized crime. Tickner finds that between 2009 and 2013 nearly 23,000 military and police forces were trained by Colombia, with Mexican forces comprising nearly half the total (Tickner 2014:3). As a U.S. Department of Defense official noted, “we’re building a detailed action plan where we and the Colombians will coordinate who does what ... so we leverage ... the resources and capabilities we have to effectively do capacity building and training and other things in Central America and in other places” (AFPS 2012). It is not clear who funds Colombian training of foreign forces in every case (Isacson 2013). Yet in the most prominent examples the United States has clearly contributed to the project. For instance, Colombian training of Mexican forces was sponsored through the U.S.-funded Merida Plan. In any case, Colombian proxy trainers are less expensive than U.S. military trainers, often by margins as high as 40 percent discount, creating a significant incentive for the U.S. Government to pursue proxy military training initiatives (Los Angeles Times 2011).

The trend to use surrogate military and police forces to train other military and police forces presents its own significant challenges in terms of transparency and accountability. Documented cases of human rights violations by Colombian forces, such as the infamous False Positives cases, make the agenda to export Colombian military training problematic – certainly no less so than would be the case with private security firms involved in such tasks. Thus, the hiring of public forces to train peers requires diligent vetting and oversight. However, it is not clear whether Colombia institutes rigorous vetting protocols in assessing all of its trainers, much less in assessing trainees from foreign countries (Tickner 2014:7–8).

While Colombian forces clearly have extensive experience and are surely the most practiced counter-insurgency fighters in Latin America, model tactics and strategies exported in the region need to give careful attention to the protection of civilian populations and standards defined under international humanitarian law.

In brief, as of this writing and despite the uncertainty of consolidating the national peace process, the Colombian armed forces are well-positioned to secure their continued prominence as an agent of the state and as an actor integral to Colombia’s small but growing global relevance. In both the GSED and proxy training components of its entrepreneurship, it is noteworthy that the military’s place in these efforts was enabled by civilian officials rather than military initiative, which was not typical of the other cases of military economic.
interest-building discussed in this paper. To the extent that civilians can retain management and oversight of both a growing network of military enterprises and an expanding out-of-country training presence, the chances of expanding military autonomy will be diminished. Yet the challenge will be for civilian officials to retain both management and oversight, through effective legal and institutional control of the military, in what is arguably a historic transition – from war to peacetime – with many factors still unsettled. Therefore, choices made now will have significant impact on what opportunities are available to all parties in the future.

*Choices made now will have significant impact on what opportunities are available to all parties in the future*
CONCLUSIONS

There should be no doubt that Latin America today has progressed far from the days in which repressive military authoritarian regimes prevailed in most of the region. Yet significant variation persists, and similarly military involvement in the economy takes varied forms and carries varied implications. Still, we can identify implications from the processes outlined in this paper for both democratization and the goals of achieving its complement, the civilian control of the military.

First and most obvious is that democratization – and particularly the forces of marketization of the economy – can create opportunities for narrow and entrenched economic interests to result. Whether through sell-off of failing state assets (in Honduras) or the post-war resource distributions (in Nicaragua), it is a paradox of democratization and neoliberalization in the region that militaries exiting overt political power have been able to hold on to key resources, with little real cost to failures in management as the state can be called upon as guarantor of those – still public – resources. Certainly, this traction around building lucrative pension funds is not the case everywhere in the region, but the peculiar patterns of the investor-capitalist militaries discussed here suggest that the opportunities to restructure military economic involvement may be limited by the very “openness” and market-based economic ethos that has taken hold among political and economic elites in the region. Therefore, it would seem that efforts to curtail this pattern needed to be deployed early in transitions; such efforts might employ changes to enhance transparency in budgetary processes, and regular audits of military pension fund holdings, which after all are publicly held (and guaranteed) assets. For regime transitions generally, it is fair to say that identifying reform priorities, while remaining flexible in their timeline for implementation, may be necessary to move the transition forward and to plant roots for civilian control of the military.

Second, involvement of the military in public administration is an under-acknowledged characteristic of contemporary democracy in the region. As the cases in the paper show, it is often sanctioned directly by civilian leaders at the highest levels, in the defense ministry and presidency. Whether political leaders overtly coopt military officers into allegiance with the government (in Honduras, Nicaragua, Venezuela) or do so more discreetly by tasking the military institution with civic action projects (in Bolivia), the outcome is to open the door for the repoliticization of the military, which of course flies in the face of the civilian control model. Repoliticization grows because social support roles authorized to the military can generate for it important popular legitimacy. When soldiers become “first responders” to societal needs, whether providing jobs and training through programs they lead (in Venezuela), or distributing food or pension payments (in Bolivia) they assume the role of reliable agents of the state, upon whom the public can come to rely. The popular legitimacy that results is particularly common in the nation-builder forms of military entrepreneurship.

Finally, it is important to see the impact of larger structural impacts of the globalized economy and its norms on the processes described in this paper. The most obvious impact is that the failures of the neoliberal model generated a resurgence of statist leadership – yet in an era when the state had already been eviscerated and the military was “logically” called upon to ad hoc make up the difference. Among the nation-builders discussed in the paper, only in Bolivia did any semblance of institutionalizing greater transparency in this process take hold. Similarly in Colombia, the essential role the military has long played as the first-responder of the state (particularly in its counter-insurgency campaigns). In Colombia, the imperative of drawing down forces and reorienting them to new roles was preceded by the development over the past decade of a fairly robust civilian-overseen defense ministry, which has established both institutional capacity and new opportunities (like GSED) that make civilian control possible (Bruneau 2013:154–156). However, the military’s close associations with the United States is a double-edged sword. On the one hand, the United States has encouraged the institutionalization and rationalization of civilian-led militaries in the region; yet on the other hand it promotes a continued dependency on the United States, as a proxy security provider tuned to US interests. While gaining prominence for Colombia as a security exporter, this role has tremendous uncertainties as the challenging issue of
properly vetting training programs and trainees in programs far-flung across the globe can undermine gains made in civilian oversight and control of the military.

Given these elements, it becomes clear that curtailing military economic activities will likely be exceptionally challenging, as they are not simply discrete materially-oriented activities, but rooted in cultural norms and common practices. As a result, any reform efforts must be comprehensive, and should be taken in stages that identify specific goals and regulatory mechanisms. For instance, creating independent monitoring bodies, legally redefining the parameters for military involvement in business enterprises, and designing enforcement mechanisms for regulatory efforts are necessary steps. Such reforms should be undertaken in conjunction with further institutional reforms that reduce military prerogatives generally, and introduce transparency in the defense budget and procurement process. Ultimately, altering the prerogatives of the armed forces is a significant task requiring comprehensive measures. Only viewed in this light will extricating the military from economic interests be possible.

Altering the prerogatives of the armed forces is a significant task requiring comprehensive measures
ENDNOTES

1 I have developed theoretical claims about typologizing military entrepreneurship in Latin America (Mani 2011), discussing in detail the first two paths (industrializer, nation-builder) laid out below.

2 An extensive literature covers this period of military-led industrial development; a useful overview for Argentina and Brazil is by Solingen (1998), while chapters in Brzoska and Ohlson (1985) contextualize the cases within the larger developing world.

3 On the anti-oligarchical and reformist aims of militaries in the Andes, see Issacs (1993) and Shesko (2011); in Cuba see Klepak (2005), and in Nicaragua see Vilas (1985) and Spalding (1994).

4 On the evolution of these military economic interests in the cases not fully addressed in this paper, see Williams and Walter (1997) for El Salvador, and Peacock and Beltrán (2009) for Guatemala; for the Central America region see the now-classic Breenes and Casas (1998).

5 In personal interviews with IPM’s director in 2011, the author was told simply that the fund operates “autonomously” and its holdings are “confidential.” Author interview with retired General Damián Pineda Reyes, IPM Director, Tegucigalpa, July 18, 2011. The author gained access to the independent audit document in 2011 from an non-IPM source.

6 Author interview with Pineda Reyes.

7 IPM does include a new clarifying directive, issued in 2015, “Política de Control Interno Institucional del IPM,” which basically indicates that the executive branch of government is the ultimate authority overseeing public assets like those of IPM (IPM 2015).

8 It makes public operating expenses, but no breakdowns of its investment holdings – all numbers and categories are global, not specific. See the labyrinthine records available under the portal “Transparencia” at www.grupoipm.hn.

9 Author interview with retired General Hugo Torres Jiménez, a former director of the military intelligence agency and currently a leader in the opposition Sandinista Renovation Movement (MRS), Managua, July 8, 2011.

10 Author interviews with Roberto Orozco and Yassir Chavirría, defense and security research associates at the Instituto de Estudios Estratégicos y Políticas Públicas (IEEPP), Managua, respectively July 6 and 8, 2011.

11 Entire squadrons of Mi-25 helicopters were sold to Peru, as well as artillery and other equipment (including for Ecuador radar able to detect the new Peruvian attack helicopters), with spare parts included. The sales were justified later by former general and defense minister Joaquín Cuadra as imperative in the country’s financial situation where 10,000 officers were soon to retire without ready compensation.

12 Author interviews with Roberto Orozco of IEEPP, July 6, 2011, and Carlos Arroyo Borgen, former Defense Ministry official, July 9, 2011; Eduardo Marenco, “Empresarios en Uniforme: los negocios del Ejército de Nicaragua, 1995–2007,” IEEPP research paper, 2007. The confidential PWC audit, a copy of which the author acquired from non-military sources, was commissioned by the military for its perpetual – it is summarized for the executive branch and not shared in full.


14 Several individuals interviewed for this project suggested this.

15 This is the view of the country’s main independent think tank on citizen and state security analysis, IEEPP. For their critical assessment, see Ary Pantoja, “Ciudadanía bajo inteligencia militar,” El Nuevo Diario (Managua), December 1, 2010. http://www.elnuevodiario.com.ni/nacionales/89165

16 Chávez is a significant benefactor for ALBANISA, the corporation set up to distribute Venezuelan aid at the discretion of Ortega with no legislative oversight as would normally be required of state spending. In the dissident wing of the Sandinista (MRS) several prominent former Sandinista military officers are significant figures, often criticizing the discretionary funds in the millions of U.S. dollars contributed by Venezuela. Author interview with General Hugo Torres Jiménez.


18 Principally in the Corporación Venezolana de Guyana (CVG), which works in the development zone of the Venezuelan region of Guyana (state of Bolivar), in mining and natural resource industries (e.g., aluminum, iron, gold, forestry, diamonds).

19 Venezuela introduced exchange controls in 2003 in the context of capital flight. A majority of active duty mid-rank military officers typically comprised a 3:2 majority of CADIVI’s “Cuerpo Colegiado” (i.e., its deliberative body); author’s multiple visits to the CADIVI website 2011–2013: the website is not currently accessible; CADIVI officials also directed the Banco de Tesoro, often simultaneously.


21 The CMI paper by Strønen (2016:23) notes further speculation on the military’s involvement in drug trafficking and other illicit activities.

23 For instance, the take-over of ECE connects to the issue of continued ownership of army properties: in response to the ECE corruption scandal, the ministry of economy expressed interest in selling some of the army’s properties in order to settle the Chinese debt. The minister has said that the national treasury will not cover military debt, yet the military is keen to hold onto its properties. One contemplated solution is for COFADENA to buy up the properties – thus expanding its civilian-guided interests while reducing those of the army. (Correo del Sur 2016).


25 The military’s mission is defined in Article 217 of the National Constitution.

26 See the Strategic Orientation section of the consortium’s website, http://www.gsed.gov.co

27 Author interviews with Saúl Rodríguez Hernández, and with Alejo Vargas Velásquez, a political scientist at the Universidad Nacional de Colombia, August 30, 2011. For instance, Indumil has co-production agreements with mining companies Cerrejón and Drummond; author interview with Indumil director Martínez Poinsenet.

28 The initial plan for turning military enterprises into single holding company appeared in 2002, the first year of the Uribe administration. On the creation and culture shift of military enterprises, see “La ‘Revolución’ Militar,” Revista Dinero, April 8, 2006 http://www.dinero.com/edicion-impresa/negocios/articulo/la-%E2%80%98revolucion%E2%80%99-militar/35151

29 Author interview with Saúl Rodríguez Hernández, a historian at the Universidad Nacional de Colombia, August 12, 2011.

30 For example, external audits of Indumil are conducted by the Department of National Planning, which oversees and coordinates economic development policies across government ministries; author interview with the director of Indumil, Coronel (R) Michel Martínez Poinsenet, August 22, 2011.

31 All of the academics and policy analysts, and none of the military officers, I interviewed for this project reflected this position.

32 Ticker finds that some training is U.S.-funded, or funded by other donors including Canada, or initiated with Colombian resources.

33 For instance, as the Los Angeles Times noted, helicopter pilot training conducted in the United States can cost US$120,000 while on Mexican or Colombian soil the cost is US$75,000.
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This paper examines several cases of military economic activities that persist in Latin America, despite the political and economic liberalization processes that have been under way in the region for several decades. Taking off from the concept of military entrepreneurship, the paper examines three contemporary forms of military entrepreneurship, surveying cases of how Honduran and Nicaraguan militaries came to manage assets through pension funds, how Venezuelan and Bolivian militaries have been incorporated into state-led efforts to foster social cohesion and resource redistribution, and how Colombia’s military has gained distinction in a growing defense industrial sector and in the training of foreign military and security forces. The paper concludes with comments on the implications of these forms of economic activity for the military and for democratic politics.

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