

## Transforming War Economies Dilemmas and Strategies

Edited by Martina Fischer and Beatrix Schmelzle

Civil Society • Conflict Settlement • Conflict Resolution • Crisis Prevention •  
Development Cooperation • Human Rights • Humanitarian Assistance • Just Peace •  
Multi-Track • Peacebuilding • Peace Constituencies • Peacekeeping • Peacemaking •  
Post Conflict Rehabilitation • Civil Society • Conflict Settlement • Conflict Resolution  
• Crisis Prevention • Development Cooperation • Human Rights • Humanitarian  
Assistance • Just Peace • Multi-Track • Peacebuilding • Peace Constituencies •  
Peacekeeping • Peacemaking • Post Conflict Rehabilitation • Civil Society • Conflict  
Settlement • Conflict Resolution • Crisis Prevention • Development Cooperation •  
Human Rights • Humanitarian Assistance • Just Peace • Multi-Track • Peacebuilding  
• Peace Constituencies • Peacekeeping • Peacemaking • Post Conflict Rehabilitation  
• Civil Society • Conflict Settlement • Conflict Resolution • Crisis Prevention •  
Development Cooperation • Human Rights • Humanitarian Assistance • Just Peace •  
Multi-Track • Peacebuilding • Peace Constituencies • Peacekeeping • Peacemaking •  
Post Conflict Rehabilitation • Civil Society • Conflict Settlement • Conflict Resolution  
• Crisis Prevention • Development Cooperation • Human Rights • Humanitarian  
Assistance • Just Peace • Multi-Track • Peacebuilding • Peace Constituencies •

**Berghof**  
Research Center  
**Forschungszentrum**  
for Constructive  
**für konstruktive**  
Conflict Management  
**Konfliktbearbeitung**

**Berghof Handbook**  
**Dialogue Series**

**Edited by Martina Fischer**  
**and Beatrix Schmelzle**

# **Transforming War Economies**

## **Dilemmas and Strategies**

**No. 3**

## About the Berghof Handbook Dialogue Series:

The Berghof Dialogue Series is an offshoot of the Berghof Handbook for Conflict Transformation. Each topic in the series is chosen because it is particularly relevant to societies in conflict and the practice of conflict transformation, and because it raises important issues at the present time. In each dialogue, practitioners and scholars critically engage and debate in light of their experience. Typically, a Dialogue includes one lead article from key experts, and four commentaries from practitioners and others. Rather than presenting a single analysis, these practitioner-scholar dialogues stimulate debate, integrating different perspectives, challenging prevailing views, comparing research findings with experiences and insights on the ground. Importantly, Dialogues, as works of broad relevance, are also distributed in print version.

We invite readers to respond to the papers (as to all articles). Interesting and original contributions can be added to the web version of the Dialogue.

The editors have initiated up to now three dialogues on **Peace and Conflict Impact Assessment (PCIA)**, **Security Sector Reform (SSR)**, and **Transforming War Economies**.

## Editors

### **Dr. Martina Fischer**

Dr. Martina Fischer is Co-editor of the Berghof Handbook for Conflict Transformation. She is Deputy Director and Senior Researcher at the Berghof Research Center for Conflict Management, Berlin. Her main areas of interest include crisis prevention and conflict management in South-eastern Europe; European security policy; conflict transformation through youth programmes; and training schemes for civil peacekeeping personnel.

### **Beatrix Schmelzle**

Beatrix Schmelzle is Coordinator and Co-editor of the Berghof Handbook. She is also Director of Programmes at Vienna Conflict Management Partners. Her main areas of interest include dialogue, coexistence and reconciliation in conflict and post-conflict societies, notably Middle East and former Yugoslavia; training in negotiation and conflict transformation; and facilitation of reflective practice and learning in organizations.

**The Berghof Handbook Dialogue Series is published by the  
Berghof Research Center for Constructive Conflict Management**

Berghof Handbook for Conflict Transformation  
Dialogue Series No. 3

© 2005 Berghof Research Center for Constructive  
Conflict Management

ISSN 1616-2544

Order at:  
Berghof Research Center for Constructive  
Conflict Management  
Altensteinstraße 48a  
D-14195 Berlin

Via Internet:  
<http://www.berghof-center.org/>  
<http://www.berghof-handbook.net>

# Content

## Introduction

<b>Martina Fischer and Beatrix Schmelzle</b>	5
Dilemmas and Options in Transforming War Economies	

## Transforming War Economies

<b>Karen Ballentine and Heiko Nitzschke</b>	11
The Political Economy of Civil War and Conflict Transformation	

<b>Olu Arowobusoye</b>	35
Why they fight: An Alternative View on the Political Economy of Civil War and Conflict Transformation	

<b>Peter Lock</b>	45
War Economies and the Shadow of Globalisation	

<b>Nicola Palmer</b>	55
Defining a Different War Economy: the Case of Sri Lanka	

<b>Volker Böge and Angelika Spelten</b>	63
The Challenge of War Economies: The Role of the International Community and Civil Society Organisations	

<b>Karen Ballentine and Heiko Nitzschke</b>	69
Reply to our Discussants	

<b>About the Contributors</b>	74
-------------------------------	----



## Introduction: Dilemmas and Options in Transforming War Economies

Martina Fischer & Beatrix Schmelzle

5

In recent years, war economies have become recognised ever more widely as a force to be reckoned with in transforming violent ethnopolitical conflict. There has been recognition that after the end of the Cold War with its externally financed proxy wars, a different type of internally financed wars had taken root. Analysts discerned civil wars that relied heavily on various means of war-related income: the skimming of valuable assets and resources the country in question possessed; the wheeling and dealing of black markets and informal market segments; legal and illegal trading networks across borders, involving diaspora communities as well as smugglers' networks. Economics could no longer be seen as a separate, apolitical sphere. Instead, it seemed to play a central role in sustaining violence and fighting. Economics thus gained prominence, both as a crucial aspect in thorough analyses of violent inter-group conflict and as a sector in society from which new actors – engaged in waging war or building peace – had to be factored in.

We have decided to take up the issue of war economies in the context of the *Berghof Handbook for Conflict Transformation* – the dilemmas they pose and strategies that seem promising in addressing them – because a comprehensive understanding of the dynamics feeding into protracted ethnopolitical conflict is crucial for the conflict transformation community if they want to come up with innovative and successful initiatives to “break the conflict trap”.

In initiating this *Berghof Handbook Dialogue*, we were guided by a number of questions: How do economic motives and interests of various actors fuel the outbreak or continuation of violent conflict? How do such motives and interest influence the dynamics of contemporary violent conflict? Which, in fact, are the economic dynamics, actors and motivations at play? Which specific economic systems and structures emerge during protracted ethnopolitical conflict? And, moving from analysis to the practicalities of intervention and transformation: How can one design interventions that will

not foster war economies which in turn fuel ongoing violence? What are appropriate policies, who are crucial actors to become involved?

Inevitably, all active in conflict transformation need to come to grips with the following questions: What can be done in order to facilitate transitions from ‘war economies’ to ‘peace economies’ – quite specifically, what economic (and other) measures are available and appropriate? Which economic (and other) actors are best suited to ensure such transition? How can economic structures be influenced in order to fulfil their potential to be one crucial element in paving a way out of violent conflict, particularly by creating legal and non-violent means of securing sustainable livelihoods?

So far, there has been a certain reluctance to engage with both economic analysis and specific economic actors among the conflict transformation community. This reluctance may be explained by three factors: For one, the interplay of economic and political forces in protracted violent conflict is a highly complex matter. Second, few activists of conflict transformation have at their disposal an in-depth understanding of economics. Third, engaging with business and, more importantly, with economic actors in the *illegal* economies may be seen as (morally) dubious by some – a problem that can also be seen at play when it comes to engaging armed groups. Yet for those active in conflict transformation in a wider sense – working to change both attitudes and structures through peacebuilding, development or humanitarian cooperation, and human rights work – it becomes increasingly important to understand the economic dynamics of the environment in which they act and which they attempt to change. Agencies engaged in conflict transformation need to be informed about dynamics hitherto overlooked, and they need to encompass stakeholders and actors hitherto deemed outside their realm of influence and interest. As political processes become more and more influenced by private actors and are not exclusively driven by state and other plainly political actors, the analytical and strategic field for those engaged in conflict transformation is becoming wider. New instruments, economic in nature, have to be assessed and, if appropriate, implemented.

In order to present our readers with a solid overview of the analysis of war economies and strategic options for engaging in such environments, we have invited practitioners and scholars to contribute to this Berghof Handbook Dialogue, *Transforming War Economies – Dilemmas and Strategies*. These practitioners and scholars present a variety of perspectives, coming to the dialogue with different educational, professional and geographical backgrounds, making the ensuing debate richer. The collection of articles and comments presented in this volume takes stock of established and emerging practices and concepts. At the same time, it does not present a ready-made toolbox, nor does it shy away from drawing attention to the thorny issues and challenges.

*Karen Ballentine* and *Heiko Nitzschke* undertake it in their opening article (*The Political Economy of Civil War and Conflict Transformation*) to present an overview of key arguments and policy development. Karen Ballentine and Heiko Nitzschke were, respectively, program director and senior researcher in the International Peace Academy’s program on Economic Agendas in Civil Wars and thus bring to the discussion in-depth knowledge of attempts to conceptualise war economies and international strategies for curtailing and transforming them.<sup>1</sup> The authors start with a brief mapping of key analytical approaches and concepts – including a close look at the merits and limits of the “greed and grievance” dichotomy as well as resource-based analysis (associated mainly with the World Bank), which dominated early research and policy debate on the economic

<sup>1</sup> Karen Ballentine is currently a senior consultant with the New Security Program of the Fafo Institute in Norway. Heiko Nitzschke recently joined the German Foreign Service. The opinions expressed in the article are the authors’ alone and do not represent official positions by the Fafo Institute or the German government.

dimensions of conflict. They move on to discuss the importance of conducting thorough stakeholder analysis and present a variety of categorisations to aid stakeholder assessment. Karen Ballentine and Heiko Nitzschke then critically assess two broad clusters of international policy options: control efforts like sanctions and transparency initiatives, and efforts to address the underlying causes of war and war economies. Their recommendations focus on five domains: promoting transparency and accountability; improving sanctions enforcement; crafting power-sharing and resource-sharing agreements; rethinking demobilisation, disarmament and reintegration (DDR) efforts; and harnessing the shadow economy.

Five authors take up concepts and policy options that are presented in the introductory article and critically review them in the light of their own experience in different conflict zones. This set of authors represents a broad range of backgrounds and perspectives, including politics as well as economics, practice as well as research, peacebuilding as well as development cooperation.

*Olu Arowobusoye* is a former Nigerian career diplomat who has worked with conflict management and aid organisations in the UK before joining ECOWAS, the Economic Community of West African States, as Director of Humanitarian Affairs. His commentary (*Why they fight: An Alternative View on the Political Economy of Civil War and Conflict Transformation*) starts out by posing the critical question what really is ‘new’ about war economies – cautioning against an ‘expert syndrome’ – and goes on to examine the relevance of the hypotheses generated in the greed and grievance debate for the context of violent conflict in West Africa, namely in Sierra Leone and Liberia. He argues that in order for the concept of war economies to become a fully valid analytical lens, the role of international financial institutions and the international dynamics of demand and supply need to be taken into account. Further crucial adjustments of international policy in attempting to transform war economies he points out concern areas of youth unemployment and livelihood opportunities, the tension between rural and urban areas, the implementation of economic agendas in peace agreements, and a reassessment of development agendas.

*Peter Lock* is a trained economist, sociologist and political scientist, and regularly contributes to the debate through the European Association for Research on Transformation (EART e.V.) and other platforms. His response article (*War Economies and the Shadow of Globalisation*) further develops a number of issues and controversies that arise from the state-of-the-debate as presented by Karen Ballentine and Heiko Nitzschke. He puts particular emphasis on demographic and geographic trends that have an impact on conflict dynamics in the age of globalisation and ‘shadow globalisation’. Peter Lock debates, among others, the dichotomy of war and peace; the respective roles of ‘rebels’ and ‘governments’; the need for realistic timeframes, educational programmes and employment opportunities in post-conflict reconstruction; as well as the need for global approaches that acknowledge the responsibility of regional and global players.

*Nicola Palmer* was responsible for developing and coordinating political economy related work at Berghof Foundation’s Sri Lanka office before joining the British Department for International Development (DFID) in 2005. She reflects on the applicability and usefulness of the analytical models presented by Karen Ballentine and Heiko Nitzschke in a war economy that does not rely in an obvious way on lootable or unlootable resources. Using Sri Lanka and its transition process as a case study (*Defining a Different War Economy – the Case of Sri Lanka*), she puts forth recommendations concerning the analysis of the political economy of the war in Sri Lanka, stakeholder mapping, and a sequenced engagement of donors’ aid in a negotiated peace process.

*Angelika Spelten*, member of the inter-agency Working Group on Development and Peace (FriEnt), and *Volker Böge*, senior researcher at the Bonn International Center for Conversion (BICC), add a last voice to the circle of respondents. In their article (*The Challenges of War Economies: The*




*Role of the International Community and Civil Society Organisations*) they add more nuance to a number of issues from the point of view of development cooperation. With respect to the analysis of war economies, they discuss the usefulness of two widely used dichotomies: greed vs. grievance and scarcity vs. abundance of (lootable or unlootable) resources. They show how in each case the dichotomous nature of the analytical concept brings with it a danger of missing crucial causes for protracted, violent conflict, and thus potential ways out of it. In a second part, they discuss the assumptions underlying policy options presented in the introductory article as well as realistic roles for NGOs and the international community.

The authors give a stimulating and broad overview, yet they are likely to disappoint those who are hoping for straightforward tools and recipes. The following list summarises just some *challenges and open questions for research and action evaluation* pinned down by the authors:

- There remain many unanswered questions as to when and how measures to address war economy activities might best be integrated into peacebuilding efforts, and by whom.
- The international community needs to reach a clearer understanding of the ways in which aid funds become part of the economic transition from war to peace (or support its deadlock) and how aid needs to be timed, directed and sequenced with sensitivity to unintended consequences.
- Policy options run into problems and limitations where the state (or an international body) lacks the authority or power to shape an environment – more research and creativity needs to be expanded to define the potential and limits of civil society (or ‘the’ international community) as surrogate actors.
- A more refined and nuanced understanding of dynamics and stakeholders’ interests and motivations is called for.
- There is a need to concentrate on research that is relevant to the poor and excluded (particularly youth) on the ground. Main challenges are to address the lack of livelihood opportunities and educational opportunities in many conflict zones and to develop policy that demands contribution and change from the South *and* the North.
- It is necessary to continue to ask whether the dynamics we observe in the world and the assumptions, hypotheses, and methods we use go hand in hand.
- There is a need to reflect more deeply on the *regional complexities* of networked war economies and the challenges for policy implementation they create.

Moreover, the following significant questions will remain for further research:

- Assessing the importance of curbing *corruption* at the right moment in the intervention cycle in order to deflate war economies (Which is the ‘right’ moment? What are the consequences of ‘ignoring’ the issue?)
- What role does the *privatisation of security* (a state’s outsourcing of security functions (military or police) to private agencies and contractors) play in war economies?
- How can one create incentives that make peace more attractive than war – shedding more light on the paradoxical, most disturbing aspects of war economies (child soldiers, livelihoods under stress)?
- Which is the potential *role of private sector actors in transforming war economies*, rather than perpetuating them for the purpose of self-enrichment? (*The Berghof Handbook for Conflict Transformation* has recently added two articles to its Internet version that address these issues: Nick Killick, VS Srikantha and Canan Gündüz take stock of *The Role of Local Business in*



*Peacebuilding*, Luc Zandvliet analyses *Opportunities for Synergy: Conflict Transformation and the Corporate Agenda*. Both articles can be downloaded from [www.berghof-handbook.net](http://www.berghof-handbook.net).)

In order to discuss these questions and dilemmas further, we would like to invite all scholars and practitioners with additional perspectives and experience to contribute to an ongoing dialogue on the Berghof Handbook website ([www.berghof-handbook.net](http://www.berghof-handbook.net)). We look forward to our readers' contributions to the debate and will publish on the web those that are interesting and original.

Finally, we would like to thank our colleagues at the Berghof Center, in particular Oliver Wils, and other institutions for their valuable help in identifying issues and authors to add multiple perspectives to this dialogue. We would also like to acknowledge the financial support by the *Berghof Foundation for Conflict Studies* which allows us to continue to offer a platform for the exchange between scholars and practitioners concerned with conflict transformation, development cooperation, humanitarian aid and human rights work through the *Berghof Handbook Dialogue Series*.

Berlin/ Vienna, February 2005  
**Martina Fischer and Beatrix Schmelzle**



# The Political Economy of Civil War and Conflict Transformation

Karen Ballentine and Heiko Nitzschke

## 1. Introduction

Throughout history, economic factors have played a central role in warfare. Until recently, however, the economic dimensions of civil wars have received little policy attention let alone systematic scholarly assessment. This has changed since the mid-1990s, with a growing body of academic and policy research producing important new insights on the political economy of armed intrastate war (Jean and Rufin 1996; Keen 1998; Collier and Hoeffler 2000; Berdal and Malone 2000). A main impetus for this new vector of research has been the increased acknowledgement among analysts and policy-makers that many civil wars have become increasingly self-financing in nature (Ballentine and Sherman 2003).

Faced with a post-Cold War decline in superpower support, both rebels and governments have sought alternative sources of revenue to sustain their military campaigns. In addition to the traditional means of pillage and plunder, the trade in lucrative natural resources, diaspora remittances, and the capture of foreign aid have become increasingly important sources of combatant self-financing (Jean and Rufin 1996). Facilitated by weakly regulated globalisation and weak states in the developing world, combatants benefit from business deals with criminal networks, arms traffickers, and scrupulous corporate entities, reaching well beyond the war zones to the world's commodity markets and major financial centres (Duffield 1999).

Given the role of lucrative natural resources in fuelling war economies, the term “resource wars” has become popular among analysts and policy makers. Some even see these as a new type of armed conflict (Cilliers 2000; Renner 2002). More broadly, however, attention on the economics of conflict has found expression in the concept of “war economies”.

**Box 1: Distinctive Features of War Economies**

- They involve the destruction or circumvention of the formal economy and the growth of informal and black markets, effectively blurring the lines between the formal, informal, and criminal sectors and activities;
- Pillage, predation, extortion, and deliberate violence against civilians is used by combatants to acquire control over lucrative assets, capture trade networks and diaspora remittances, and exploit labour;
- War economies are highly decentralised and privatised, both in the means of coercion and in the means of production and exchange;
- Combatants increasingly rely on the licit or illicit exploitation of / trade in lucrative natural resources where these assets obtain;
- They thrive on cross-border trading networks, regional kin and ethnic groups, arms traffickers and mercenaries, as well as legally operating commercial entities, each of which may have a vested interest in the continuation of conflict and instability.

Viewing intrastate conflicts from a political economy perspective can improve understanding of the key dynamics of many of today's civil wars. It can also lead to a more systematic understanding of how these dynamics impact on conflict resolution and post-conflict peacebuilding. As such, the political economy of armed conflict should be seen as an important addition to contemporary conflict analysis and policy development by those in governments, international organisations, donor agencies, NGOs and the private sector who are concerned with war and peace.

12

This chapter provides an overview of key debates and policy development in this fairly recent sub-field of conflict analysis. It starts with a brief mapping of the key analytical approaches and concepts shaping policy and research, including the merits and limits of the “greed or grievance” dichotomy, which dominated early research and policy debate on the economic dimensions of conflict. We then highlight the importance of conducting a stakeholder assessment of war economies to developing policy mechanisms that are effective and minimise unintended negative consequences. Two broad clusters of policy mechanisms available to the international community are assessed in the following section: control efforts aimed at curtailing resource flows to combatants, and efforts to transform the permissive causes of war and war economies. Final thoughts and recommendations for policy action are offered in the concluding section.

## 2. Economic Dimensions in Civil War: Beyond Greed and Grievance

While there is growing consensus that economics matters to conflict, there remains considerable disagreement as to how it matters and how much it matters relative to other political, socio-cultural, and identity factors. For some analysts, economic factors are analysed alongside other factors as a means to improve understanding of the complex causes and dynamics of war; for others, economics has become the explanatory framework for conflict analysis. Each approach has distinct implications for policy development and action.

## 2.1 The Economic Functions of Violence in Armed Conflict

Until recently, most scholarly writing on civil conflict tended to treat war as an inherently dysfunctional disruption of “normal” social, economic, and political interaction within a society. Based on empirical research on specific conflicts, such as Sudan, Angola, Sierra Leone, and Cambodia in the mid-1990s, an innovative body of research effectively challenged this assumption. Functional approaches to violence and civil war demonstrated that far from being irrational or dysfunctional, violence and instability often serve a range of political, social, and economic functions for individuals (Berdal and Keen 1997; Reno 1998). Expanding the famous dictum by Carl von Clausewitz, Keen described many of the conflict dynamics as “the continuation of economics by other means” (Keen 1998). In fact, where there is “more to war than winning”, those benefiting from violence may have a vested economic interest in conflict continuation.

These findings also challenge core assumptions that have long informed thinking and guided policy with respect to conflict resolution. Indeed the very notion of a “comprehensive political settlement”, used to describe many of the peace agreements brokered during the 1990s, suggests a definite break with past patterns of conflict and violence, and thus a dichotomy of “war” and “peace” (Keen 2001). The functionalist approach, by contrast, suggests that transitions from war to peace should instead be understood as “a realignment of political interests and a readjustment of economic strategies rather than a clean break from violence to consent, from theft to production, or from repression to democracy” (Berdal and Keen 1997).

## 2.2 “Greed or Grievance”: Contributions and Limits

Perhaps no other work has had more impact on the policy discourse on economic causes of civil war than the econometric studies by Paul Collier, and his introduction of the “greed or grievance” dichotomy. Among the many important findings, the most widely reported was that a moderate to high natural resource dependence of a country (measured in terms of primary commodity exports as part of GDP) is correlated with a higher risk of conflict. According to his controversial “greed thesis”, economic motivations and opportunities (“loot-seeking”) are more highly correlated with the onset of conflict than ethnic, socio-economic, or political grievances (“justice-seeking”). This led to the hypothesis that resource wealth makes rebellion feasible by providing the opportunity and even the motivation for rebellion. Insofar as grievances factor at all, Collier asserts that they amount to little more than a rebel discourse used to mask and to justify their predatory activities among those whose support they seek (Collier and Hoeffler 2000; Collier 2000).

The idea that civil war is driven by rebel greed was particularly appealing to some policy-makers, discouraged by the complexity and seeming intractability of “ethnic” and religious conflicts of the early 1990s. If many contemporary conflicts are driven by contests over economic resources, then “resource wars” should be more amenable to resolution than conflicts over such indivisible identity issues as ethnicity, religion, or ideology. The greed-thesis shaped politics as well as policy, as corrupt and repressive leaders in conflict countries found in it a useful argument to deflect attention from their own wrong-doings by putting the blame for their countries’ misery on “greedy rebels”.

However, among scholars - and not only those who distrust the reductionist tendencies of quantitative studies - there has been growing recognition of the methodological and analytical shortcomings of the greed thesis that render Collier’s findings and interpretations problematic (Ballentine 2003; Ballentine and Nitzschke 2003; Berdal 2003 and 2004).

First, there is a danger in inferring individual motivations from statistical correlations (Ballentine and Sherman 2003). The mere fact that combatants engage in predatory economic

activities is seldom a reliable guide to their central dispositions. While some may participate in war economies to “do well out of war” others may do so out of the sheer need to survive, while still others may be coerced for their labour and land. Furthermore, individual motivations may change over time as conflicts mutate. Conflicts that begin as predominantly “grievance”-based may over time be complemented and, for some, even surpassed by pecuniary motives. In fact, such mutation can be witnessed in the protracted conflicts of Colombia and Angola. Determining just which motivations matter where and when requires more careful categorisation of different behaviours and empirical validation.

Second, much of the early research, and explicitly that of Collier, was overly “rebel centric”, neglecting the role of the state both as an actor and institution in causing or prolonging conflict. The unexplored assumption was that “rebels - not state actors - cause conflict”, leading to a pro-state bias in analysis and policy action. Theories of rebellion thus provide only an incomplete picture of conflict onset. Neglecting an analysis of state behaviour may in fact legitimise repressive and corrupt state elites who may also profit from war at the expense of the population. Indeed, this state bias was evident in UN sanctions efforts to curtail the trade in conflict diamonds, which are narrowly defined as diamonds used by rebel movements or their allies to finance conflict aimed at undermining legitimate governments (United Nations 2001 and 2002).

Third, for some observers many of today’s insurgencies, such as the so-called „narcoguerrillas“ in Colombia, have devolved into criminal enterprises and should be treated accordingly (Collier 2000a). Yet, however much insurgency and criminality overlap in today’s conflicts, they are not the same. Whereas criminal organisations employ violence in the sole pursuit of profit, experts agree that combatant groups engage in economic activities to pursue military and political goals (Gutiérrez Sanin 2003; Williams and Picarelli, forthcoming). Casting rebellion as a merely criminal rather than political activity may foreclose opportunities for diplomatic solutions.

Fourth, the opportunity structure for rebellion does not depend on the availability of resources per se. Rather, critical governance failures are the mediating variable. Systemic corruption and the inequitable distribution of resource rents, patrimonial rule, and the systematic exclusion of ethnic or other minority groups (“horizontal inequalities”) can create conditions conducive to the onset of conflict (Steward 2003; Nafziger and Auvinen 2003). At the same time, the corrosive effects of resource rents – often called the resource curse – on the relative military, political, and economic strength of a state make rebellion more feasible (Ross 1999). The weaker the state, the more feasible becomes rebellion, whether the goal is to overthrow a kleptocratic system or simply to get a piece of the pie.

And finally, while the availability of lucrative natural resources has important consequences for conflict dynamics, explanations of conflict should avoid “resource reductionist” models in favour of more comprehensive approaches that focus on the wider range of political and economic interactions that drive conflict. Indeed, qualitative studies suggest that economic motives of self-enrichment and economic opportunities for insurgent mobilisation are not the sole or even primary cause of conflict. Rather, the outbreak of conflict tends to be triggered by the interaction of economic motives and opportunities with socio-cultural, political, and economic grievances (Ballentine and Sherman 2003).

This said, the greed versus grievance debate made important contributions to the study of civil war and to policy development. The quantitative studies undertaken by Collier and others have played an important role in advancing more systematic research and policy analysis on the much-neglected economic dimension of violence and civil wars. Importantly, they have established civil wars as a subject for economic research beyond the prior focus on measuring the costs of war and

peace. By using the methods of rational choice in conflict analysis, both the functionalist and the greed models of civil war offer a powerful counter-argument to the “ancient hatred” explanations of conflict popular in both research and policy discourse in the mid 1990s. And, finally, the focus on the role of natural resource wealth rather than scarcity as a permissive cause of armed conflict provides an important new explanatory framework for studies of war and peace, and underscores the conflict prevention potential of development policies that target strategies of economic diversification.

**2.3 Different Resources – Different Conflicts?**

A particularly useful analytical framework for better assessing and explaining the complex relationship between natural resources and the onset and duration of armed conflicts has been developed in studies that systematically analyse the impact on conflict dynamics of the different types of natural resources. These studies particularly look at the way these resources are exploited and how they may come to benefit different conflict stakeholders (Le Billon 2001; Ross 2003). A main distinction has been made between lootable and unlootable resources and how they are associated with separatist and non-separatist conflicts (see Box 2).

**Box 2: Resource Wealth, Lootability, and Types of Conflict**

	Separatist Conflicts	Non-Separatist Conflicts
<b>Lootable Resources</b>	Burma – <i>timber, gems, opium</i>	Afghanistan – <i>gems, opium</i> Angola (UNITA) – <i>diamonds</i> Cambodia – <i>timber, gems</i> Colombia – <i>opium, coca</i> DRC – <i>coltan, diamonds, coffee</i> Liberia – <i>timber, diamonds, cocoa, coffee, marijuana, rubber, gold</i> Peru – <i>coca</i> Sierra Leone – <i>diamonds</i>
<b>Unlootable Resources</b>	Angola (Cabinda) – <i>oil</i> Indonesia (Aceh) – <i>natural gas</i> Indonesia (West Papua) – <i>copper, gold</i> Papua New Guinea – <i>copper, gold</i> Sudan – <i>oil</i>	Angola (UNITA) – <i>oil</i> Colombia – <i>oil, gas</i> Congo Republic – <i>oil</i> DRC – <i>copper, cobalt</i>

(adapted from Ross 2003, Table 3.1 and Figure 3.2)

Lootable resources (such as alluvial gemstones, narcotic crops, timber, or coltan) are generally associated with non-separatist insurgencies such as in Sierra Leone, Colombia, and Afghanistan. They are easily exploitable and transportable by small groups of unskilled workers.

As such, they provide easy benefits to whoever controls the resource-rich area but also



to the local population whose labour is needed. Access to lootable resources may prolong conflict, as weaker parties can avoid ‘hurting stalemates’ by generating finances necessary to continue hostilities. Where armed groups depend on easily accessible resources, there is a greater risk that conflict will be lengthened by the consequent fragmentation and fractionalisation of combatant groups, as internal discipline and cohesion are undermined by economic motives.

Unlootable resources (such as kimberlite diamonds, deep-shaft minerals, oil, and natural gas), by contrast, are associated with separatist conflicts. Several explanations can be given. First, economic and other costs tend to be borne by the communities in the area of exploitation, who are very often culturally or ethnically distinct, and often marginalised, groups. Mining and drilling can create local grievances due to environmental pollution and socio-cultural disruption (inflow of foreign workers, perceived threat to traditional mores, etc.). Second, because the exploitation of these resources are technology and skill intensive, the benefits tend to accrue to the central government and foreign companies that provide the capital and technology required for exploitation. Where corrupt, exclusionary, and unaccountable governments fail to adequately share the resources generated or to provide adequate public goods and services, a sense of economic deprivation may fuel other local resentments and feed separatist violence, as occurred in Bougainville (Papua New Guinea) and Sudan (Regan 2003; ICG 2002; Lewis 2004). Third, the existence of resource wealth in one area may be viewed by separatist movements as a viable economic base for an independent state, thus encouraging armed conflict.

Far from being mere academic classifications, these distinctions have important policy implications. Importantly, they highlight the need to consider both the political economy of rebellion as well as of state failure in explaining conflict onset and duration. As such, these studies also shed light on an often-cited paradox: why diamonds were a source of wealth in Botswana but a source of instability in Sierra Leone. The answer to this question may be two-fold. First, the alluvial diamonds found in riverbeds in West Africa provided easy loot for would-be rebels, while the deep-shaft, kimberlite diamonds in Botswana require heavy equipment and substantive capital in order to be mined. Secondly, however, the diamond sector in Sierra Leone was highly unregulated and corrupted since the 1950s. Few of the remaining official revenues were spent by the various kleptocratic regimes for development purposes. In Botswana, by contrast, the government’s physical control over the mines and its wise macroeconomic and fiscal management of the revenues, reinforced by a generally transparent and corruption-free state apparatus, ensured that diamonds became a blessing rather than a curse.

### **3. A Stakeholder Analysis in War Economies: Who Benefits, Who Loses?**

As has become clear by now, economic life does not cease to exist during war. Rather, it adapts and takes on new forms. Even more, often referred to by the shorthand term “war economies”, economic activities in wartime in fact serve different functions for different participants. A stakeholder analysis of the political economy of conflict provides a more nuanced understanding of the functions of conflict that may contribute to more targeted policies and strategies for conflict prevention and resolution, as well as increase the effectiveness of humanitarian and development aid during and after conflict.

Every conflict has its own history, dynamics, and stakeholders. Yet, those seeking to end wars and avoid their recurrence need to ask several questions: Who are the key actors that participate in war economies? What motives do they have for their participation in war economies?

What incentives do they have to seek peace? Who controls the means of violence? To adequately assess the different functions of war economies, Jonathan Goodhand proposes a particularly useful taxonomy of “combat”, “shadow”, and “coping” economies (Goodhand 2004). While empirically overlapping, each of these economies encompasses a distinct set of actors, motivations, and economic activities that can have qualitatively different implications for conflict resolution and post-conflict peacebuilding (see also Box 3).

**Box 3: Economies, Actors, Motives, and Activities During Armed Conflict**

	The Combat Economy	The Shadow Economy	The Coping Economy
<b>Who?</b> Key Actors	Commanders, “conflict entrepreneurs”, fighters, suppliers of weapons and matériel	Profiteers, transport sector, businessmen, drug traffickers, “downstream” actors (truck drivers, poppy farmers)	Poor families and communities
<b>Why?</b> Motivations and Incentives for War and Peace	To fund the war efforts or achieve military objectives Peace may not be in their interest as it may lead to decreased power, status, and wealth Fighters may have an interest in peace if there are alternative sources of livelihoods available	To make a profit on the margins of a conflict Peace could be in their interest if it encourages long-term investment and licit entrepreneurial activity Peace requires alternatives to the shadow economy; otherwise a criminalised war economy will become a criminalised peace economy	To cope and maintain asset bases through low-risk activities, or to survive through asset erosion Peace could enable families to move beyond subsistence
<b>How?</b> Key Activities and Commodities	Taxation of licit and illicit economic activities; money, arms, equipment, and mercenaries from external state and non-state supporters; economic blockages of dissenting areas; asset stripping and looting; aid manipulation	Smuggling of high-value commodities; mass extraction of natural resources; Hawalla (currency order and exchange system); aid manipulation	Employment of diverse livelihood strategies to spread risk; subsistence agriculture; petty trade and small businesses; on-farm and off-farm wage labour; labour migration and remittances; redistribution through family networks; humanitarian and rehabilitation assistance

(adapted from Goodhand 2004, Table 3.1)

The *combat economy* is based on economic interactions that directly sustain actual combat. It is dominated by a variety of actors, including the security apparatus of the state (military, paramilitary groups, police) and rebel groups, as well as domestic and foreign “conflict entrepreneurs”

who supply the necessary weapons and military material. Generally, the combat economy serves to fund the war effort of these actors as well as to achieve military objectives (Brömmelhörster and Paes 2003). The preferred means of resource generation include the predatory taxation of licit and illicit economic activities, extortion of local businesses, the control over the exploitation of natural resources, the imposition of “customs” in border areas or setting up roadblocks, the sale of future resource exploitation rights to foreign companies, or the capture of foreign aid.

The *shadow economy* (sometimes called “black market economy”) encompasses the broad range of informal economic relationships that fall outside state-regulated frameworks. Key actors are a range of less scrupulous “conflict profiteers”, including mafias and criminals, who seek to benefit from the business opportunities that open up in highly unregulated and chaotic war situations. Profit margins are further widened under sanctions regimes, where those with coercive power and the right connections can gain significantly from cross-border smuggling activities, such as in Sierra Leone, Afghanistan, and the Balkans. Frequently, the shadow economy is already widespread before the outbreak of conflict and is a permissive factor for conflict when it contributes to violent state collapse or serves as a source of income to would-be-rebels. Once conflict erupts, shadow economies are easily captured by combatants and, thus, often become the basis for the combat economy. This was the case with the highly corrupted and informalised diamond industry in Sierra Leone, which provided an easy loot for the rebels of the Revolutionary United Front (RUF) and their sponsor, Liberian warlord-turned-president, Charles Taylor (Smillie, Gberie and Hazleton 2000; Hirsch 2001; Pugh, Cooper & Goodhand 2003). In Kosovo, the informal economy based on smuggling activities and diaspora remittances had long sustained Ibrahim Rugova’s peaceful resistance against the regime in Belgrade. Equipped with arms smuggled from neighbouring Albania, however, the Kosovo Liberation Army (KLA) increasingly gained control over these economic activities to finance its armed rebellion (Yannis 2003).

The *coping economy* comprises those numerous economic interactions during armed conflict that provide benefits to the civilian population, particularly the poor and most vulnerable. These functions are even more important to civilian livelihoods where the formal economy and traditional livelihoods are destroyed or rendered impossible to sustain (Mwanasali 2000; Collinson 2003). This was the case in eastern DRC, where the swathes of arable land have been ruined by coltan exploitation and where a consolidation of large landholdings has happened under cover of conflict. Often, coping economies are centred on lootable resources, such as coca and poppy cultivation in Colombia and Afghanistan, and gold and coltan in the DRC. The coping economy also includes subsistence agriculture, petty trade and cross-border smuggling, or diaspora remittances that help civilians and their families to survive.

As with every attempt to force a complex set of social interactions into a taxonomy, there are cases that straddle these categories. In armed conflict motivations are, by definition, mixed and they may change over time. For those seeking to devise more effective policies for conflict prevention and mitigation, there is need to distinguish between those actors who engage in armed conflict for profit and power, and those who are forced to participate in war economies to sustain their civilian livelihoods. Importantly, there is need to assess the implications of war economies at the individual, household, or community-level. Assessing the vulnerabilities of these groups is a precondition to devise adequate policies. The work of the Humanitarian Policy Group at the Overseas Development Institute offers methods and frameworks for humanitarian aid based on empirical livelihood and commodity chain analysis in conflict situations, which may provide important insights for policy-makers (Le Billon 2000; Collinson 2003) (see Box 4).

#### Box 4: Commodity Chain and Livelihood Analysis in Conflict Settings

Conflict transforms society rather than simply destroying it, causing people to adapt their behaviour and their livelihoods in order to survive or to minimise risk, or to capitalise on the opportunities that conflict presents. Two frameworks lend themselves particularly well to supporting political economy analysis, particularly where it seeks to link the different levels of economic interaction (local, sub-national, national, and international): commodity chain analysis and livelihood analysis.

**Commodity chain analysis** can be applied to key resources connected with war economies, such as coltan, opium, hashish, and timber. Commodity chain analysis identifies power relationships within commercial networks, from primary production through to consumption, and from the local up to the international levels. Of particular interest for political economy analysis is the identification of who controls commodities and exchange at particular levels, as well as who controls the means of violence that can determine the commodity chain and the distribution of profits.

**A livelihoods approach** starts by investigating how individuals, households, and communities seek to achieve and sustain their livelihoods. Livelihood analysis is cross-sectoral, and seeks to take into account all economic, political, social, and cultural factors affecting people's lives and livelihoods from the local up to the national and international levels. In analysing individual, household, and community livelihood strategies, their different assets (land, social networks, education, etc.), and ways to cope with conflict situations, several questions suggest themselves: what does the livelihood 'portfolio' of a given social group look like? How and why is this changing over time, i.e. is it a long-term response to environmental change, a response to changing market conditions, or a short-term response to a direct threat? How long-term is people's outlook, and how is this reflected in the way they use and manage their assets? Are they saving or depleting their assets for the sake of immediate survival?

(adapted from Collinson 2003, 17-27,  
available at [www.odi.org.uk/hpg/papers/hpgreport13.pdf](http://www.odi.org.uk/hpg/papers/hpgreport13.pdf))

19

Failing to distinguish between stakeholder interests, livelihood strategies, and vulnerabilities may lead to external interventions that harm conflict dependants, destroy what little of economic activity remains on a local level, while raising the profit margins for those who control violence and violent economies. A stakeholder assessment focusing on the different assets and vulnerabilities should thus be the *sine qua non* for any external intervention into war economies.

## 4. From War Economies to Peace Economies: Policy Options

The complicated reality of contemporary conflicts presents policy-makers with a two-fold challenge: to accurately assess the impact of discrete economic behaviours on conflict dynamics; and to develop and implement effective policy responses for conflict prevention, resolution, and transformation. Seen from a political economy perspective, the key question is how to make peace more profitable than war.

Given the relative newness of economic factors in peace and security analysis, policy responses are still largely nascent. However, a number of policy mechanisms exist that either seek to

target the key economic flows that sustain civil wars or that indirectly address key issues. The first cluster of mechanisms is primarily aimed at curtailing the linkages between the local war economies and the global markets (both legal and illegal) for commodities, arms, and finance. The second is concerned with addressing the structural factors of the political economy that characterises conflict-prone and war-torn countries, as well as the legacies of war economies and the challenges they may pose for peacemaking and peacebuilding.

#### 4.1 Curtailing Resource Flows: Necessary but Insufficient

The self-financing nature of many contemporary conflicts has drawn attention to the connection between the trade in natural resources, global financial flows, and armed conflict. Increasingly, curtailing and managing these resource flows through regional and international “control regimes” has become a central means of conflict resolution for policy-makers in the capitals and the UN Security Council (Cooper 2002; Sherman 2002). The rationale underlying such regimes is fairly straightforward: if conflicts thrive on the trade in conflict commodities or the diversion of humanitarian aid or diaspora remittances, then curtailing these resource flows may help redirect combatant’s incentives from war to peace. Rather than by long and arduous efforts to negotiate a political compromise, or even by direct military intervention in the form of peacekeeping operations, peace will be achieved through technical, relatively inexpensive measures that reduce the accessibility and profitability of economic resources to combatant groups (Lunde 2002; Hubert 2000).

Here, several policy instruments are available to the international community. Some, such as targeted commodity sanctions imposed by the UN Security Council, the Kimberley Process Diamond Certification Regime, and efforts to establish financial transparency in the extractive industries, have been adopted as an explicit and targeted response to the economic dimensions of contemporary civil wars. Others, such as interdiction regimes aimed at transnational organised crime, corruption and money laundering, drug trafficking, and terrorist finance, are mainly a reaction to threats posed by instability and conflict abroad to developed countries. In recent years, however, they have received increasing scrutiny in terms of their potential applicability to war economies (Bannon and Collier 2004; Ballentine and Nitzschke, forthcoming).

Taken together, these control regimes highlight the diverse group of actors that have (or should have) a stake in the issue. These include governments and governmental organisations such as the OECD or the UN, but also NGOs, and the private sector. The UN Security Council in particular has played an important role in addressing the economic dimensions of conflict through the inclusion of diamond and timber embargoes in its arsenal of targeted sanctions against the UNITA and the RUF in Sierra Leone, as well as the regime of Charles Taylor in Liberia. The creation of independent expert panels has been an innovative step in improving UN sanctions monitoring and compliance. The adoption by the panels of “naming and shaming” strategies and their detailed investigative reports have also helped to improve understanding of the actual linkages and dynamics of war economies, making clear who are the few who have profited at the expense of the many.

#### Box 5: The Kimberley Process Certification Scheme

The Kimberley Process Certification Scheme (KPCS), an international, voluntary certification system for the diamond trade, came into effect on January 1, 2003. Initiated in May 2000 under the chairmanship of the South African government to deny “conflict diamonds” access to international markets, the ensuing Kimberley Process was the outcome

of commercial, reputational, and humanitarian concerns among its government, industry, and civil society participants. The KPCS, a joint government, diamond industry, and civil society initiative, is based on the establishment of a “chain of warranty” and government-issued certificates to help track diamonds from their mine to the point of sale. Participants can only trade with other Participants who have met the minimum requirements of the certification scheme.

For more information, see [www.kimberleyprocess.com](http://www.kimberleyprocess.com), as well as the reports by Global Witness (available at [www.globalwitness.org](http://www.globalwitness.org)) and Partnership Africa Canada (available at [www.pacweb.org](http://www.pacweb.org)).

The Kimberley Process Diamond Certification Scheme was created in response to the role of “conflict diamonds” in financing armed conflict in Angola, Sierra Leone, Liberia and the DRC (see Box 5). NGOs have raised concerns about the continuing weaknesses in monitoring and verification. Yet, the Kimberley regime has the potential to not only regulate the flow of “conflict diamonds” but also the much larger trade in illegally mined rough diamonds that have played an important role in violent state collapse in diamond-dependent countries, such as Sierra Leone. Another source of state collapse - corruption and corrosive rent seeking by government elites - is being addressed by the Publish What You Pay Campaign (PWYP) as well as the UK-sponsored Extractive Industry Transparency Initiative (EITI). Both seek to introduce transparency in the business deals and revenues related to extractive industries (see Box 6). Whereas the PWYP campaign seeks to establish mandatory reporting of extractive industry payments to host governments backed by a variety of regulatory sanctions, the EITI is a consensus-based diplomatic initiative that urges both companies and host governments to adopt improved transparency practices. While transparency is an urgent necessity, it is far from sufficient to break the negative linkages between natural resource wealth, poor governance, and armed conflict. As important is the capacity of civil society to use the information made available by transparent reporting to hold governments to account – a capacity that remains critically underdeveloped in many war-torn societies.

### **Box 6: Revenue Transparency in the Extractive Industries**

Transparency in the extractive industry has come to be a central policy issue for conflict prevention, peacebuilding, and development. Two initiatives have gained much publicity in recent years:

**The Publish What You Pay (PWYP) campaign**, officially launched in 2002 by a consortium of NGOs, seeks to make mandatory that companies in the extractive industries publicly disclose and disaggregate their payments to host governments (taxes, royalties, bonus payments, etc.). This would introduce a minimum of transparency and would enable local civil society and donor agencies to hold host countries accountable for the use of revenues generated from natural resources. Such a mandatory approach would be based on several control mechanisms of host country regulators, including stock exchange listing rules, public accounting standards, and public export credit and insurance agencies’ conditionality and contractual agreements. The mandatory approach chosen by the PWYP campaign would help overcome the “collective action problem” encountered by companies that unilaterally disclose their payments and thus are vulnerable to host country reprisals and competitive disadvantages vis-à-vis less progressive companies.

For more information, see [www.publishwhatyoupay.org](http://www.publishwhatyoupay.org).

**The Extractive Industry Transparency Initiative (EITI)** was initiated by the British government in 2002 as a reaction to the growing calls for resource revenue transparency. Based on the same rationale as the PWYP campaign, the main difference of the EITI is that it is thus far based on a voluntary approach and that it focuses more explicitly on the parallel disclosure by host governments of their revenues from resource exploitation. EITI, which was officially endorsed by the World Bank, is based on country level agreements setting out provisions for annual disclosure of company payments and government revenues by all parties in each country to a trusted third party, using standardised templates.

For more information, see [www.dfid.gov.uk](http://www.dfid.gov.uk).

In addition to these mechanisms specifically designed to curtail resource flows to conflict zones there is the plethora of criminal interdiction regimes that address such related issues as drug and arms trafficking, money laundering, bribery and corruption, and terrorist finance – all of which have gained renewed attention following the September 11 attacks and the “war against terrorism”. A discussion of these would be beyond the scope of this article. Suffice it to say that by addressing issues key to contemporary war economies, they have potential positive synergy effects with efforts of conflict resolution and peacebuilding (Eckert, forthcoming; Williams and Picarelli, forthcoming).

Given the importance of conflict trade, diaspora remittances, and transnational criminal networks in sustaining many of today’s armed conflicts, sanctions and interdiction policies are both warranted and necessary. Renewed policy attention and cooperation is required to strengthen existing sanctions enforcement mechanisms, the Kimberley Process, and other interdiction regimes. Likewise, efforts to establish financial transparency in business deals between extractive industry companies and host governments need to be supported in order to minimise opportunities for bribery and embezzlement. Efforts to bring “rogue companies” to justice and otherwise limit and deter their operations deserve the fullest support. These should include further consideration of the potential utility of establishing an international legal and normative framework that would apply to the most egregious economic crimes conducted by combatants and their associates, as well as to the misconduct of otherwise legitimate economic actors in conflict zones (Ballentine and Nitzschke 2004; International Peace Academy and Fafo Institute, forthcoming).

This said, control regimes have several shortcomings that policy-makers should keep in mind when seeking to design appropriate and effective policy interventions in regulating and transforming war economies. Importantly, these regulatory efforts face what analysts have called a “malign problem structure” that is characterised by a heterogeneous set of actors with strong incentives to evade regulation, a lack of empirical and normative consensus as to which activities ought to be regulated, competing and ill-defined jurisdictions, and an asymmetrical distribution of the costs and benefits of regulation (Lunde and Taylor 2003). Together, these make for a number of challenges:

First, control regimes face daunting enforcement problems. The effectiveness of commodity and financial sanctions as a tool for conflict resolution, for instance, is seriously undermined by widespread “sanctions-busting” by combatant groups in collaboration with neighbouring states, criminal networks, and corporate actors. This was the case, for instance, in Angola and Sierra Leone, where Security Council-imposed embargoes against so-called “conflict diamonds” from these countries were circumvented by local and international arms traffickers and diamond traders, facilitated also by government elites in neighbouring states (United Nations 2000; ICG 2001). In addition, there has been a certain unwillingness by relevant government agencies to enforce sanctions, follow-up on the UN Expert Panel recommendations, and prosecute known sanctions

busters. Despite the naming and shaming efforts by UN Expert Panels, secondary sanctions against neighbouring states implicated in sanctions busting were imposed only once, in the case of Liberia for its role as an exporter of conflict diamonds smuggled from Sierra Leone. Even well-known sanctions busters enjoy practical impunity, despite their known involvement in several African conflict theatres (Raeymakers 2003). This lack of enforcement in the developed world, coupled with weak administrative and regulatory capacity of states in the conflict regions for monitoring conflict trade, means that sanctions-busting, money laundering, and trade in conflict goods continue to be a relatively low-risk, high-profit activity.

Second, interdiction may entail negative unintended consequences. Where conflicts are motivated by a mix of political, security, ethnic, and economic factors (and not solely by pecuniary motives), curtailing resource flows to combatants may weaken their military capacity but not their resolve to continue fighting. Instead, sanctions or interdiction regimes may have adverse humanitarian effects by increasing civilian predation by rebel groups seeking to supplement lost revenues and material. In addition, sanctions and interdiction regimes tend to benefit those few with political connections and coercive power to circumvent sanctions regimes. In Bosnia, for instance, local strongmen benefited from smuggling activities, strengthening their influence over the country's fragile political and economic post-war institutions (Andreas 2004). Furthermore, efforts to control resource flows through commodity sanctions, consumer boycott, or drug eradication programmes may deprive civilians who rely on illicit commodity exploitation for their survival of important incomes, thus putting further strains on already pressured livelihoods (Jackson, forthcoming; POLE Institute 2002). In addition to increasing civilian hardship, regulatory efforts may also inadvertently promote civilian resistance and increase civilian support for or dependence upon sometimes predatory rebel movements. To some degree, for instance, the guerrillas in Colombia and the warlords in Afghanistan provide poor coca and poppy farmers with protection from government-sponsored drug eradication programmes, albeit at the price of being subjected to their predatory reign.

Finally, even the most robust policies to curtail or manage resource flows are likely to have diminishing returns, as those targeted are able to exploit new opportunities to channel arms, contraband, and money, and thereby to evade sanctions efforts. Efforts to combat organised crime and drug trafficking have a long history of failure. Partly, this is due to the increasingly fluid nature and adaptability of transnational organised crime, organised in loose networks rather than rigid hierarchies. Overall, as long as the structural factors of underdevelopment, state weakness, and horizontal inequalities remain, international control regimes will continue to treat the symptoms rather than the causes of contemporary conflicts and of the war economies fueling them.

#### **4.2 Transforming War Economies: Challenges for Peacemaking and Peacebuilding**

Recent years have seen the end of conflicts or major combat in a number of conflict theatres where resource predation and economic criminality have figured prominently, including Sierra Leone, Liberia, the Balkans, Afghanistan, and the DRC. Many of the economic relationships and activities that constituted the war economies in these countries, however, continue unabated.

How much these conflict terminations were influenced by interventions aimed at mitigating underlying war economies remains an open question.

Whether and how the legacies of war economies create distinct challenges to conflict settlement and peacebuilding remains an under-studied question. Little practical guidance exists that may help those in governments, aid agencies, NGOs, and the UN system tasked with developing and implementing programmes for conflict prevention, resolution, and post-conflict peacebuilding in these settings (Nitzschke 2003). Again, this highlights the need for action based on careful stakeholder



analysis. Just as the costs and benefits of war are borne differently by different participants in war economies, so too are the costs and benefits of making peace. If inadequately understood or left unattended, the legacies of war economies may undermine sustainable peace and recovery.

First, the relatively easy revenues derived from predation during war can lead to opportunistic defection and combatant group fragmentation, creating agency problems in terms of command and control. One example is the oft-cited “sobel” phenomenon (“soldier by day, rebel by night”) witnessed in Angola, Sierra Leone, Burma, and the Balkans, where soldiers frequently colluded with rebels for personal gain. Similarly, where revenues generated during conflict become the reward against which combatants weigh the potential benefits of peace, there are large incentives for former combatants and their sponsors to act as “spoilers” of peace processes. A recent comparative study has found that two of the major factors in failed peace agreements have been the continued availability of easily accessible resources and the proliferation of armed groups (Downs and Stedman 2002). This finding underscores the utility of a stakeholder analysis; assessing the economic endowments and activities of combatants and their sponsors may help to identify possible peace spoilers. Further, those tasked with mediating and brokering peace agreements need to identify and adequately integrate economic dimensions into a wider set of targeted political and strategic inducements for conflict resolution and peacebuilding.

Second, the recent experiences of Afghanistan, the DRC, and Liberia suggest that the legacies of war economies may pose significant problems to the disarmament, demobilisation, and reintegration (DDR) programmes that have become integral part of most of today’s peace operations. Where fighters are remunerated through pillage of lucrative natural resources or civilian predation, the possession of arms is not just a function of ongoing insecurity but is also an economic asset (Sedra 2002). For some fighters, the economic opportunities and rewards available through violent predation might exceed those expected to be available after conflict, influencing a combatant’s decision whether to voluntarily disarm and return to a civilian life. Thus, the continuing availability of lucrative resources and entrenched economic predation can pose additional challenges to an already difficult process. In Sierra Leone, for instance, many ex-combatants not reached by the UN’s reintegration programme became a serious security threat, mobilising for protest and moving to the diamond mining areas where they challenged local youth groups or were recruited as mercenaries for the war in Liberia (Durch et al. 2003). Taking into account the self-financing nature of many contemporary conflicts may help those in the UN and donor agencies developing and implementing DDR programmes to develop strategies that offer meaningful incentives for combatants to comply.

Third, where shadow economies have become implicated in the political economy of conflict, economic criminality tends to be systemic and well integrated into regional and global criminal networks. Once entrenched, criminality can seriously undermine peacebuilding and post-conflict recovery. Those who have generated economic benefit during conflict – and also from externally-imposed sanctions regimes – such as the mafia structures in Kosovo and Bosnia, seek to consolidate their power in fragile post-conflict situations by expanding control over the local economic and political processes (Pugh 2002; Andreas 2004). At the same time, the more widespread the informal economy, the fewer are the tax revenues that accrue to the state. This undermines the ability of states emerging from war to finance the provision of basic goods and services, most importantly security, to undertake needed reconstruction projects and to establish viable institutions of governance. Importantly, the failure of the state to provide such services creates opportunities for criminal or shadow networks to undertake their *de facto* provision, thereby undermining the creation of the “social contract” necessary for stable and accountable governance (Addison and Murshed 2001). In these settings, a main challenge for peacebuilding efforts is to address the dysfunctional elements of the shadow economy that may benefit the enemies of peace and stability, while

retaining its socially beneficial aspects to civilian dependants. Yet, this challenging task is further complicated by the fact that the different stakeholders in a war economy often make use of the same or overlapping trade and financial networks to further their respective interests.

Lastly, where the illegal exploitation or inequitable, unaccountable management of natural resources has been central to conflict dynamics, improved resource governance needs to be made a central element of peacebuilding and post-conflict reconstruction strategies. While crucial, rebuilding the capacity of domestic institutions and promoting good governance of natural resource wealth after years, if not decades, of war, mismanagement and systemic corruption is a long-term task. In countries such as Sierra Leone and the DRC this requires a veritable transformation of predatory state institutions - often a product of colonial rule and post-independence leadership - that promote rent-seeking rather than socially beneficial economic activity (Reno 1995; Ballentine and Nest, forthcoming). Given both the understandable sensitivity of governments throughout the developing world to preserve their sovereignty and the enormous difficulties of strengthening weak and collapsed states, this is a daunting task. In the long-term, the success of resource management systems will depend on the emergence of a strong civil society that is able to hold government accountable for the use of the country's riches. In the short and medium term, civil society organisations will require support in developing much-needed capacities. Two promising initiatives are the local-level and multi-stakeholder Kono Peace Diamonds Alliance and the Campaign for Just Mining, designed not only to expand licensed diamond mining and introduce financial transparency in Sierra Leone, but also to ensure regular incomes to artisanal miners and their communities (see Box 7).

### **Box 7: Peace Diamonds in Sierra Leone**

**The Peace Diamonds Alliance**, launched in December 2002, brings together local and international NGOs, diamond buyers, mining companies, and the government of Sierra Leone. Managed by Washington-based Management Systems International, and supported by, *inter alia*, DfID, Global Witness, De Beers, and Catholic Relief Services, the Peace Diamonds Alliance seeks to establish transparent and just diamond production and marketing systems, which reduce diamond smuggling and foster economic growth and social empowerment. The Alliance is based on a pilot approach of "systematic diamond management", including the establishment of mining co-operatives, the support of artisanal diggers with training and the provision of credit, as well as by ensuring that miners receive fair prices.

For more information, see [www.peacediamonds.org](http://www.peacediamonds.org).

**The Campaign for Just Mining (CJM)** is an NGO initiative, launched by the Network Movement for Justice and Development in January 2000 to promote sustainable development in Sierra Leone by advocating accountability, transparency, and social responsibility within the mining sector. CJM has established Task Forces of civil society members that monitor development within the mining sector and co-ordinate community-based educational programmes to ensure that community members are aware of their rights and responsibilities under current mining legislation. CJM participates in radio and TV programmes, debating issues such as the requirements of environmental impact assessments, child labour, and the implications of Sierra Leone's membership in the Kimberley Process.

For more information, see [www.nmjd.org](http://www.nmjd.org).

(adapted from Partnership Africa Canada, 2004)

## 5. Recommendations for Policy Action

By now there is strong agreement among academics and policy-makers that economic factors matter to conflict dynamics. Clearly, not all conflicts feature strong economic dimensions, let alone a “resource dimension”. Those that do, however, appear to pose different – and, at times, greater – challenges to conflict resolution and peacebuilding. Acknowledging these challenges may be crucial for a country’s successful transformation from war to peace – and from a war economy to a peace economy.

Much policy development remains to be done. Preliminary research suggests several policy mechanisms and strategies that governments, aid agencies, regional organisations, international financial organisations (IFIs), NGOs, and the UN system may adopt to deal more effectively with the economic dimensions of civil war and conflict transformation (Ballentine and Nitzschke, forthcoming). If implemented in a concerted effort and sequenced adequately, these policy mechanisms may increase the odds for successful conflict prevention, peacemaking and peacebuilding.

### 5.1 Promoting Transparency and Accountability

Governments and multilateral institutions play a crucial role in achieving an effective, fair, and workable framework of global governance that can address the linkages between local war economies and global commodity and financial markets as a measure for both, conflict prevention and resolution. This includes strengthening and widening of global and regional regulatory mechanisms that address the trade in conflict goods, be they diamonds, timber, or oil. Civil society in developed and developing countries also has an important role in pushing the agenda forward. NGO campaigns against “blood diamonds”, for instance, were crucial in creating and sustaining the momentum behind the Kimberley Process, and NGOs continue to push for more robust monitoring to ensure effectiveness of the process. In addition, commodity control regimes also need to be complemented by more comprehensive efforts that address the financial flows sustaining many war economies. Governments, IFIs and export credit agencies, and the private financial market should support and adopt the demands made by the Publish What You Pay campaign to establish financial transparency in the extractive industries (Global Witness 2004). In addition, increased coordination among financial institutions, governments, and international law enforcement agencies is required to address the linkages between money laundering, corruption, international crime, and – possibly – terrorist finance and civil war (Winer 2002).

### 5.2 Improving Sanctions Enforcement

Where sanctions are imposed as a means of conflict resolution, governments need to follow-up on reports by the UN Expert Panels and adopt appropriate national legislation to criminalise UN ‘sanctions-busting.’ The UN Security Council should impose, where applicable, secondary sanctions, ensure member state compliance with sanctions resolutions, and strengthen the mandates and administrative capacities of UN Expert Panels. To more effectively curtail resource flows to belligerents, there has to be continued information-sharing with NGOs such as Global Witness, who collect crucial information on illegal resource exploitation, government corruption, and raise public awareness on the issues. UN expert panels and sanctions monitoring mechanisms, for instance, drew heavily on the investigative reports by NGOs such as Global Witness and Partnership Africa Canada on the specific actors and activities in war economies. To be effective and credible, these regulatory efforts need to be complemented with donor programmes that support building and strengthening the technical, administrative, and law enforcement capacities in weak

states and zones of conflict. Important recommendations are offered by the Stockholm Process on the Implementation of Targeted Sanctions (Wallensteen, Staibano and Eriksson 2003).

### **5.3 Power-Sharing and Resource-Sharing Agreements**

Peace processes and the negotiation of peace agreements are crucial moments in a country's transition from war to peace; they should thus also address the economic dimensions of the conflict. Where politically feasible, third-party mediators of peace processes should seek to include provisions for resource-sharing into peace agreements that establish clear benchmarks for responsible and equitable resource management. These provisions, such as those on oil revenue sharing contained in the recent agreement between the government of Sudan and the southern rebels, could also serve as reference for donors and civil society to hold governments accountable as agreements are implemented. External efforts can also indirectly provide support to local NGOs, as exemplified in the case of the peace process in the DRC. Backed by the widely-publicised report of the UN expert panel on the illicit exploitation of natural resources, for instance, Congolese civil society and church groups were ultimately able to put the issue of illegal resource exploitation and illegal mining contracts on the agenda of the peace negotiations. Given their importance to post-conflict recovery programmes, IFIs should be included early on in the peace processes, whether formally or informally, to ensure co-ordinated policy action among third parties, and to match peace agreements with compatible post-conflict economic recovery strategies. Once agreements are concluded, IFIs should support peace processes through targeted "peace conditionality", by making loans conditional on issues such as the redress of horizontal inequalities, transparent and accountable resource management, and the restoration of legitimate property rights (Boyce 2003).

Donor agencies need to design and support tools and strategies for more effective, equitable, and transparent systems of resource management as part of their "good governance" programming, both as part of more "conflict-sensitive" development aid and post-conflict peacebuilding (Collier et al. 2003). At the same time, humanitarian and development aid need to be more responsive and better equipped to ensure benefits for those civilians who are dependent on war economies, including the illicit and artisanal resource exploitation. Local NGOs and research institutes, such as the POLE Institute in Goma, DRC, can provide important analysis of the local dynamics of war economies that need to form the basis for intervention. Importantly, the World Bank and its private sector arm, the International Financial Corporation (IFC), should support the adoption of new regulations and legislation on corporate engagement in natural resource industries to minimise corruption and impede rogue companies from undermining fragile peace. In addition, support to civil society organisations is crucial for holding governments and companies accountable. The Just Mining Campaign in Sierra Leone, for instance, advocates a rights-based approach to diamond mining in the country, stressing the need for the formalisation of artisanal mining, the provision of access to medical facilities and housing, improved safety conditions at mine sites, as well as local participation in decision-making and national mining policy development.

### **5.4 Rethinking DDR**

To ensure stability in the fragile "post-conflict" setting, the primary focus should be on mechanisms to take the violence out of the economy. Yet this is easier said than done. As Keen and others have convincingly argued, violent economies often exist already before armed conflict erupts; equally worrisome, they also tend to persist in the so-called "post-conflict" society. Where lucrative resources have figured prominently during conflict and remain an available source of income for peace spoilers, the UN, the World Bank, and bilateral donors need to make disarmament and reintegration parallel and complementary, not sequential, processes. Socio-economic support

to former combatants needs to be provided early on in the DDR process, taking account also of the different incentives of rank-and-file soldiers and middle-level commanders. For UN peacekeeping missions, renewed focus on reintegration programmes may require more coordination with humanitarian and development agencies and NGOs. Importantly, DDR programmes must receive up-front provision of funds for “quick impact” projects, including job provision and alternative income-generating activities. DDR programmes, such as those in Afghanistan, must also form an integral part of national post-conflict development and reconstruction strategies (ICG 2003). This requires better policy coordination with the IFIs and donor agencies, which tend to determine the post-conflict economic development policies of war-torn states.

### 5.5 Harnessing the Shadow Economy

UN peace missions and donor agencies engaged in post-conflict peacebuilding and reconstruction need to address shadow economies and economic criminalisation with ‘carrots and sticks.’ An often-overlooked fact of war economies is that warlords sometimes provide basic services that the state is unable or unwilling to offer. Post-conflict reconstruction programmes need to thus provide incentives for shadow entrepreneurs to join the legal economy. In addition, the state’s capacities to provide basic services, security, and employment need to be strengthened in order to free civilians and conflict dependants from the often predatory control of warlords and mafia structures. Importantly, donor agencies need to review their post-conflict macro-economic strategies, not least to adequately account for the social functions of shadow economies and to provide much needed employment (Woodward 2002). To address the challenges posed by the entrenched interests of conflict entrepreneurs improved law enforcement, police training, and judicial reform is required. Where these capacities are weak, outside support in the form of law enforcement cooperation and mutual legal assistance, as well as direct policing by UN peace missions can provide essential stability and security (TraCCC 2001). When properly mandated and equipped, UN peace missions may support the establishment of state control over resource-rich areas and borderlands to impede illegal resource exploitation and smuggling activities. In this regard, recent mandates in the case of peacekeeping missions in Sierra Leone and Liberia are encouraging examples.

## 6. Conclusion

One of the initial propositions guiding policy research and development on the economic dimensions of armed conflict was that the economic benefits made available to combatant parties through war may reduce their incentives to seek peace. UN sanctions, certification regimes, and other control policies were consciously aimed at tipping the cost-benefit calculus in favour of peace, by reducing the gains to be had from war. Did these economic interventions achieve their goals? Pointing to the end of conflict in Cambodia, Angola, and Sierra Leone, proponents of sanctions would argue that they have. Others, however, stress that in both cases military interventions were the decisive factor to conflict termination, with sanctions contributing to outcomes by shifting the military balance in favour of the victors. Still others might maintain that, even where violent struggles over resources have been central to armed conflicts, peace can be achieved through traditional diplomacy, without external economic interventions, as was the case in the DRC. While these mixed findings suggest that economic interventions are not the panacea for peacemaking that some had initially hoped, they also indicate that, when taken in combination with other diplomatic and military interventions, measures to curtail the financing of conflict can contribute to positive outcomes.

As important, bringing economic factors into the calculus of peacemaking holds the promise of creating more durable conditions for sustainable peace by “breaking the conflict trap” of poverty, poor governance and violence. There remain many unanswered questions as to when and how measures to address the activities underlying war economies might best be integrated into peace implementation efforts, and by whom. Putting resource sharing on the negotiation table alongside power sharing may, in some case, improve the prospects for durable peace. In others, however, the prospect of reducing combatants’ access to the source of wealth made available by war may undermine efforts to conclude an agreement. In the case of the DRC, it was precisely this concern with getting an agreement to end the conflict that led mediators to exclude economic issues from the discussion. As recent developments in the DRC suggest, this exclusion is not without its risks: not only have conflict elites been rewarded, but unresolved and often violent disputes over land and resources in eastern DRC threaten to undo the peace achieved thus far. For policymakers, the lesson is as clear as the challenge is daunting: unless and until war economies are dismantled, the prospects for durable peace remain poor.

## 7. References and Further Reading

- Addison, T. and S. M. Murshed 2001. *From Conflict to Reconstruction: Reviving the Social Contract*. (UNU/WIDER Discussion Paper 2001/48). Helsinki: WIDER.
- Andreas, P. 2004. The Clandestine Political Economy of War and Peace in Bosnia, in: *International Studies Quarterly*, 48, 29-51.
- Ballentine, K. 2004. *Program on Economic Agendas in Civil War: Principal Research Findings and Policy Recommendations*. (IPA Policy Report). New York: International Peace Academy.
- Ballentine, K. 2003. Beyond Greed and Grievance: Reconsidering the Economic Dynamics of Armed Conflict, in: Ballentine, K. and J. Sherman (eds.). *The Political Economy of Armed Conflict: Beyond Greed and Grievance*. Boulder: Lynne Rienner Publishers, 259-283.
- Ballentine, K. and H. Nitzschke 2004. Business and Armed Conflict: An Assessment of Issues and Options, in: *Die Friedens-Warte*, 79, 1-2, 35-56.
- Ballentine, K. and H. Nitzschke 2003. *Beyond Greed and Grievance: Policy Lessons from Studies in the Political Economy of Armed Conflict*. (IPA Policy Report). New York: International Peace Academy.
- Ballentine, K. and J. Sherman (eds.) 2003. *The Political Economy of Armed Conflict: Beyond Greed and Grievance*. Boulder: Lynne Rienner Publishers.
- Ballentine, K. and H. Nitzschke (eds.) Forthcoming. *Toward Profitable Peace: Managing the Resource Dimension of Armed Conflict*. Boulder: Lynne Rienner Publishers.
- Ballentine, K. and M. Nest (eds.) Forthcoming. *Democratic Republic of Congo: The Economic Dimensions of War and Peace*. Boulder: Lynne Rienner Publishers.
- Bannon, I. and P. Collier (eds.) 2003. *Natural Resources and Armed Conflict: Options and Action*. Washington, D.C.: The World Bank.
- Berdal, M. and D. Keen 1997. Violence and Economic Agendas in Civil Wars: Some Policy Implications, in: *Millennium*, 26, 3, 795-818.
- Berdal, M. and D. M. Malone (eds.) 2000. *Greed and Grievance: Economic Agendas in Civil Wars*. Boulder: Lynne Rienner Publishers.
- Berdal, M. 2003. How ‘New’ are ‘New Wars’? - Global Economic Change and the Study of Civil Wars, in: *Global Governance*, 9, 4, 477-502.

- Berdal, M. 2004. "Beyond Greed and Grievance – And Not Too Soon..." (Review Essay), in: *Review of International Studies*, Autumn. Cambridge: Cambridge University Press.
- Boyce, J. 2003. *Aid, Conditionality and War Economies*. (Political Economy Research Institute (PERI) Working Paper 70). Amherst: University of Massachusetts.
- Brömmelhörster, J. and W. C. Paes (eds.) 2003. *The Military as an Economic Actor: Soldiers in Business*. Basingstoke: Palgrave.
- Cilliers, J. and C. Dietrich (eds.) 2000. *Angola's War Economy: The Role of Oil and Diamonds*. Pretoria: Institute for Security Studies.
- Collier, P. and A. Hoeffler 2000. *Greed and Grievance in Civil Wars*. (Policy Research Paper no. 2355). Washington, D.C.: The World Bank.
- Collier, P. 2000a. Rebellion as a Quasi-criminal Activity, in: *Journal of Conflict Resolution*, 44, 6, 839-853.
- Collier, P. 2000b. Doing Well out of War, in: Berdal, M. and D. M. Malone (eds.). *Greed and Grievance: Economic Agendas in Civil Wars*. Boulder: Lynne Rienner Publishers, 91-111.
- Collier, P. et al. 2003. *Breaking the Conflict Trap: Civil War and Development Policy*. Washington, D.C.: The World Bank.
- Collinson, S. et al. 2003. *Power, Livelihoods and Conflict: Case Studies in Political Analysis for Humanitarian Action*. (HPG Report 13). London: Overseas Development Institute.
- Cooper, N. 2002. State Collapse as Business: The Role of Conflict Trade and the Emerging Control Agenda, in: *Development and Change*, 33, 5, 935-955.
- Downs, M. and S. J. Stedman 2002. Evaluation Issues in Peace Implementation, in: Stedman, S. J., D. Rothchild and E. Cousens (eds.). *Ending Civil Wars: The Implementation of Peace Agreements*. Boulder: Lynne Rienner Publishers, 43-69.
- Duffield, M. 1999. Globalization and War Economies: Promoting Order or the Return of History?, in: *Fletcher Forum of World Affairs* 23, 2, 21-38.
- Durch, W. J. et al. 2003. *The Brahimi Report and the Future of UN Peace Operations*. Washington, D.C.: The Henry L. Stimson Center.
- Eckert, S. Forthcoming. Lessons from the UN's Counterterrorism Efforts for Curtailing Illicit Resource Flows in Conflict Zones, in: Ballentine K. and H. Nitzschke (eds.) *Toward Profitable Peace: Managing the Resource Dimension of Armed Conflict*. Boulder: Lynne Rienner Publishers.
- Global Witness 2002. *The Logs of War: The Timber Trade and Armed Conflict*. (Fafu Report 379). Oslo: Fafu Institute.
- Global Witness 2004. *Time for Transparency: Coming Clean of Oil, Mining, and Gas Revenues*. Washington, D.C.: Global Witness.
- Goodhand, J. 2004. Afghanistan, in: Pugh, M. and N. Cooper, with J. Goodhand 2004. *War Economies in a Regional Context: Challenges of Transformation*. Boulder: Lynne Rienner Publishers.
- Gutiérrez Sanin, F. 2003. *Criminal Rebels? A Discussion of War and Criminality From the Colombian Experience*. (Crisis States Programme Working Paper 27). London: London School of Economics and Politics.
- Hirsch, J. L. 2001. *Sierra Leone: Diamonds and the Struggle for Democracy*. Boulder: Lynne Rienner Publishers.
- Hubert, D. 2000. Resources, Greed, and the Persistence of Violent Conflict, in: *Ploughshares Monitor*, June issue. Accessible at [www.ploughshares.ca/CONTENT/MONITOR/monj00c.html](http://www.ploughshares.ca/CONTENT/MONITOR/monj00c.html).

- ICG (International Crisis Group) 2001. *Sierra Leone: Managing Uncertainty*. (ICG Africa Report No. 35). Freetown/Brussels: ICG.
- ICG (International Crisis Group) 2002. *God, Oil & Country: Changing the Logic of War in Sudan*. (ICG Africa Report No. 39). Brussels: ICG.
- ICG (International Crisis Group) 2003. *Disarmament and Reintegration in Afghanistan*. (ICG Asia Report 65). Kabul: ICG.
- International Peace Academy and the Fafo Institute Forthcoming. *Assessing the Liability of Business Entities for Grave Violations of International Law*. Oslo: Fafo Institute.
- Jackson, S. Forthcoming. Protecting Livelihoods in Violent Economies, in Ballentine, K. and H. Nitzschke (eds.). *Toward Profitable Peace: Managing the Resource Dimension of Armed Conflict*. Boulder: Lynne Rienner Publishers.
- Jean, F. and J. C. Rufin (eds.) 1996. *Economies des Guerres Civiles*. Paris: Hachette.
- Keen, D. 1998. *The Economic Functions of Violence in Civil Wars*. (Adelphi Paper 320). Oxford: Oxford University Press.
- Keen, D. 2001. War and Peace: What's the Difference?, in: Adebajo, A. and C. L. Sriram (eds.). *Managing Armed Conflict in the 21st Century*. London: Frank Cass, 1-22.
- Le Billon, P. 2000. *The Political Economy of War: What Relief Agencies Need to Know*. (Humanitarian Policy Network Paper 33). London: ODI.
- Le Billon, P. 2001. The Political Ecology of War: Natural Resources and Armed Conflicts, in: *Political Geography*, 20, 5, 561-584.
- Le Billon, P. 2003. Getting It Done: Instruments of Enforcement, in: Bannon, I. and P. Collier (eds.). *Natural Resources and Violent Conflict: Options and Actions*. Washington, D.C.: The World Bank, 215-286.
- Lewis, S. 2004. *Rejuvenating or Restraining Civil War: The Role of External Actors in the War Economies of Sudan*. (BICC Paper 37). Bonn: Bonn International Center for Conversion.
- Lunde, L. 2002. *Economic Driving Forces of Conflict*. (Econ Report 27/01). Oslo: Econ Institute.
- Lunde, L. and M. Taylor, with A. Huser 2003. *Commerce or Crime? Regulating Economies of Conflict*. (Fafo Report 424). Oslo: Fafo Institute.
- Mwanasali, M. 2000. The View from Below, in: Berdal, M. and D. M. Malone (eds.). *Greed and Grievance: Economic Agendas in Civil Wars*. Boulder: Lynne Rienner Publishers, 137-153.
- Nafziger, W. and J. Auvinen 2003. *Economic Development, Inequality and War: Humanitarian Emergencies in Developing Countries*. Houndmills: Palgrave.
- Nitzschke, H. 2003. *Transforming War Economies: Challenges for Peacemaking and Peacebuilding*. (IPA Conference Report). New York: International Peace Academy.
- Partnership Africa Canada 2004. *Diamond Industry Annual Review: Sierra Leone 2004*. Ottawa: Partnership Africa Canada.
- POLE Institute 2002. *The Coltan Phenomenon: How a Rare Mineral Has Changed the Life of the Population of the War-Torn North Kivu Province in the Democratic Republic of Congo*. Goma: DR Congo.
- Pugh, M. 2002. Postwar Political Economy in Bosnia and Herzegovina: The Spoils of Peace, in: *Global Governance*, 8, 4, 467-482.
- Pugh, M. and N. Cooper, with J. Goodhand 2004. *War Economies in a Regional Context: Challenges of Transformation*. Boulder: Lynne Rienner Publishers.
- Raeymaekers, T. 2003. "Targeting Businesses in Conflict: Beyond the Plunder Logic", Paper



- presented at the Conference on Curbing Human Rights Violations by Armed Groups, UBC Centre of International Relations, Vancouver, November 13-15.
- Regan, A. 2003. The Bougainville Conflict: Political and Economic Agendas, in: Ballentine, K. and J. Sherman (eds.). *The Political Economy of Armed Conflict: Beyond Greed and Grievance*. Boulder: Lynne Rienner Publishers, 133-166.
- Renner, M. 2002. *The Anatomy of Resource Wars*. (WorldWatch Paper no. 162). Washington, D.C.: WorldWatch Institute.
- Reno, W. 1995. *Corruption and State Politics in Sierra Leone*. Cambridge: Cambridge University Press.
- Reno, W. 1998. *Warlord Politics and the African State*. Boulder: Lynne Rienner Publishers.
- Ross, M. 1999. The Political Economy of the Resource Curse, in: *World Politics*, 51, 2, 297-322.
- Ross, M. 2003. Oil, Drugs, and Diamonds: The Varying Roles of Natural Resources in Civil War, in: Ballentine, K. and J. Sherman (eds.). *The Political Economy of Armed Conflict: Beyond Greed and Grievance*. Boulder: Lynne Rienner Publishers, 47-70.
- Sedra, M. 2002. *Challenging the Warlord Culture: Security Sector Reform in Post-Taliban Afghanistan*. (BICC Paper 25). Bonn: Bonn International Center for Conversion.
- Sherman, J. 2002. *Policies and Practices for Regulating Resource Flows to Armed Conflict*. (IPA Conference Report). New York: International Peace Academy.
- Smillie, I., Gberie, L. and Hazleton, R. 2000. *The Heart of the Matter: Sierra Leone, Diamonds and Human Security*. Ottawa: Partnership Africa Canada.
- Steward, F. 2003. Horizontal Inequalities as a Source of Conflict, in: Hampson, F.O. and D. Malone (eds.). *From Reaction to Conflict Prevention: Opportunities for the UN System*. Boulder: Lynne Rienner Publishers, 105-136.
- TraCCC (Transnational Crime and Corruption Center) 2001. *Transnational Crime and Peacekeeping: Comparative Perspectives*. Washington, D.C.: TraCCC.
- United Nations 2000. *Report of the Panel of Experts on Violations of the Security Council sanctions Against UNITA*. U.N. Document S/2000/203.
- United Nations 2001, 2002. *The Role of Diamonds in Fueling Conflict: Breaking the Link Between the Illicit Transaction of Rough Diamonds and Armed Conflict as a Contribution to Prevention and Settlement of Conflicts*, Resolutions adopted by the General Assembly, UN Doc. A/RES/55/56, January 29, 2001, and UN Doc. A/RES/56/263, April 9, 2002.
- Wallensteen, P., C. Staibano and M. Eriksson (eds.) 2003. *Making Targeted Sanctions Effective: Guidelines for the Implementation of UN Policy Options*. Uppsala: Uppsala University.
- Williams, P. and J. T. Picarelli Forthcoming. Combating Crime in Armed Conflict, in: Ballentine, K. and H. Nitzschke (eds.). *Toward Profitable Peace: Managing the Resource Dimension of Armed Conflict*. Boulder: Lynne Rienner Publishers.
- Winer, J. 2002. *Illicit Finance and Global Conflict*. (Fafo Report 380). Oslo: Fafo Institute.
- Woodward, S. 2002. Economic Priorities for Successful Peace Implementation, in: Stedman, S., D. Rothchild and E. Cousens (eds.). *Ending Civil Wars: The Implementation of Peace Agreements*. Boulder: Lynne Rienner Publishers, 183-214.
- Yannis, A. 2003. Kosovo: The Political Economy of Conflict and Peacebuilding, in: Ballentine, K. and J. Sherman (eds.). *The Political Economy of Armed Conflict: Beyond Greed and Grievance*. Boulder: Lynne Rienner Publishers, 167-196.



### Further information and useful links:

The **Bonn International Center for Conversion (BICC)** project on ‘The Role of External Actors in Civil War Economies in Sub-Saharan Africa’,

see [www.bicc.de/projects/project\\_files/111\\_ecwarend\\_english.html](http://www.bicc.de/projects/project_files/111_ecwarend_english.html).

The **Center on Global Integrity** project on ‘Making A Killing: The Business of War,’

see [www.publicintegrity.org/bow/default.aspx?act=resources](http://www.publicintegrity.org/bow/default.aspx?act=resources).

The **Fafo Institute** project on ‘The Economies of Conflict - Private Sector Activities and Armed Conflict’, see [www.fafonsp/ecocon.htm](http://www.fafonsp/ecocon.htm).

The **Global Policy Forum** documents on ‘The Dark Side of Natural Resources’,

see [www.globalpolicy.org/security/docs/minindx.htm](http://www.globalpolicy.org/security/docs/minindx.htm).

The **International Peace Academy** program on ‘Economic Agendas in Civil Wars’,

see [www.ipacademy.org/Programs/Programs.htm](http://www.ipacademy.org/Programs/Programs.htm) (completed programs).

**UNU-WIDER** project (2001) on ‘Why Some Countries Avoid Conflict While Others Fail’,

see [www.wider.unu.edu/research/research.htm](http://www.wider.unu.edu/research/research.htm).

The **World Bank** research program on ‘The Economics of Civil War, Crime and Violence,’

see <http://econ.worldbank.org/programs/conflict>.



# Why they fight: An Alternative View on the Political Economy of Civil War and Conflict Transformation\*

Olu Arowobusoye

## 1. Introduction

I read with great attention *The Political Economy of Civil War and Conflict Transformation* by Karen Ballentine and Heiko Nitzschke. Quite a few jaded observers of writings on war economies tend to view similar analyses with scepticism, amusement or even consternation. I do not have any of those emotions to this article. I sincerely think that it is an interesting endeavour, which will undoubtedly contribute to the body of work on conflict issues. The authors have provided a succinct overview of major debates on the issue, including policy development.

Similarly, it is always interesting to read work that attempts categorisation of social phenomena into neat and pat theories, which are then rigorously analysed. Undoubtedly, there is great merit to this approach, look at the achievements that result from thinking and working in this manner. But can different, and sometimes unrelated, phenomena really be observed, compared, analysed, characterised, and solved using this approach?

As we all know, conflicts are dynamic in nature and difficult to capture through linear analysis. How effectively does theory relate to on-the-ground lived practice and move from the theoretical realm to practice? Or do we stop at theory's use being merely to theorise? How closely do our theories approximate reality? How useful are these theories to the real phenomena of conflicts and the need to mitigate them, especially as we are dealing with real flesh and blood people with needs and feelings? Do our theories and research serve real policy purposes? This, to me, seems to be the crux of the matter. Of course a rebuttal could be that theories only serve as the laboratory for

\* The views expressed in this article do not in any way reflect the position of ECOWAS but purely that of the author.

practice, and that analysis is the process of achieving the intended outcome: to mitigate or ameliorate sufferings caused by conflict.

I suspect most people who work in this field must at times agonise over the usefulness of their theories in the face of, nay, increase in violent conflicts in several parts of the world. So can it be that we are asking the wrong questions and doing the wrong analyses or that we fail to order our thoughts in such a manner as to address the real issues? For example, as much as the nascent study of the role of economics in conflict is valuable, it continues to baffle several people why it has suddenly gained preponderance and focus. Karen Ballentine and Heiko Nitzschke, too, acknowledge that disagreement exists as to how it matters, and how much (Ballentine and Nitzschke in this volume, 12). This is particularly striking since control over economies is one of the goals of securing political power, for good or for bad, as any politician in any part of the world will tell you. I had the privilege in 2001 in London to have sat through a presentation given by one of the earliest and major proponents of the ‘greed and grievance’ theory. I listened to the stunning and sweeping conclusion that conflicts are really a result of greed! Cynics will say that perhaps this emerging field is yet another opportunity for experts to be born or for the furtherance of particular academic or political interests.

This comment therefore asks if the political economy perspective – by focusing largely and narrowly on the economic activities of ‘rebels’ and, to some extent, ‘governments’ – truly offers an understanding of the dynamics of conflicts. It also asks if it can possibly point towards future useful policy directions, particularly in understanding the impact of war economies on peace building activities.

It seems to me that the crux of the matter is that causes, nature, dynamics, and impact of conflict are highly complex, and that the political economy perspective is ‘reductionist’ in its attempt at examining these. Conflicts, as we all know, generally are the result of the interplay of a multitude of intervening variables. In my opinion, to give the role of economics an exaggerated role as the main motivation for conflict is not only to ignore the realities of those involved in conflicts but also to ignore past work done by sociologists, anthropologists, and political scientists. Gravest of all is to dismiss a complex interaction of physical, psycho-social, political, and economic issues, and to label those who are constantly faced with the dilemma of resorting to conflict as being motivated only or mostly by ‘greed’. This is not to completely foreclose the issue of ‘greed’ as playing a role in conflict. The question is, whose greed, how, when, and where? I will come back to this question below when I discuss the dynamics of war economies.

Therefore, this short article takes an alternative view on the causes, nature, and dynamics of conflicts and also an alternative view on the nature, characteristics, impact, and role of war economies. I close with a brief postulation of policy recommendations. Most of these recommendations are, in my opinion, self-evident and logical consequences stemming from an understanding of the dynamics of West African conflicts. Most of the policy recommendations are also freely available in the existing literature, particularly in the work of some non-governmental organisations and several Africanists.

## 2. Typologies of West African Conflicts

Despite the difficulty of drawing up broad categorisations, perhaps what could be called common characteristics in places that are conflict-afflicted in West Africa are such factors as: violent suppression of dissent, bad governance, military intervention in politics, lack of political and

economic accountability, inequitable distribution of resources, and uneven development between the regions and ethnic communities. These conflicts have tended to straddle borders and exhibit what are now known as sub-regional dynamics and implications.

Encapsulating the variables of conflicts in West Africa and categorising them is a difficult task, made more difficult by the distinctiveness of particular conflicts and the possible ideological interpretations and perceptions that can influence such categorisation. However, one could discern objective conditions that create discontent which fuels wars in West Africa (Mkandawire 2002). These objective conditions by the nature of their manifestations are the causes that define these conflicts. The new trend to increasingly focus on the means of financing these conflicts, coupled with the failure of the conflict perpetrators to coherently articulate and achieve their objectives and war aims, has progressively led to a discourse to find 'rational' arguments to dismiss the politics of such movements (ibid.). This inclination has sometimes led to frightening interpretations including purely economic ones, instead of a hard look at an amalgamation of factors. These factors differ in their level of significance, and often underpin or counteract each other.

I would propose that *identity/ethnicity* and *nation building* are broad typologies that more accurately than war economies encapsulate some of the causes of conflict in West Africa. These typologies are an amalgamation of the work of various scholars, trends and developments in conflict resolution and do not claim to exhaust the list of typologies. In any case, several works already exist on this matter. The incidents of wars in Africa, while they may vary, generally fit into global models. (Compare for example Collier and Hoeffler 2000, Furley 1995, Clapham 1998, and the February 2002 issue of the Journal of Conflict Resolution.)

A conflict can occur where a group with strong affiliation feels threatened. This affinity can take several forms, including ethnicity or religion. The question of identity/ethnicity then becomes an issue. The conflict could manifest itself in wars of internal self-determination, self-preservation and self-assertion, wars against exclusion and wars for self-autonomy (none of these categories are considered valid under a purely economic interpretation). Examples in West Africa can be found in Nigeria, Liberia, Côte d'Ivoire and Sierra Leone. It should be stressed that it is not being said that identity/ethnicity is the sole cause of conflicts in these countries, but rather that several factors cause conflicts and this is one. Needless also to say that it is not inevitable that there would be conflict in a location with a strong identity or ethnic crisis.

Numerous countries in Africa are faced with the onerous task of *nation building*. Little significance is given to this cause, except by Africanists. Nevertheless, it is crucial to understanding conflicts in several parts of Africa. This has its origin in the colonial history, heritage of the colonial state constructs. The unfinished task of nation building that impinges on the state's political, social and economic existence leads usually to a crisis of governance, corruption, lack of livelihood opportunities, and then violent conflict. In the case of West Africa, this has not included crises over land with current descendants of 'settlers' as in Zimbabwe and, potentially, Kenya, Namibia and South Africa, since the nature of West African colonialism and the manifestation of its legacy differ.

In all of these conflict configurations, the intention of the perpetrators is simple: to gain primacy, not only over their lives, but also over the politics and economy of their terrain, for the simple reason that control over the political and economic landscape fulfils their aspirations. Resources then become a tool, rather than the end in itself. In a somewhat perverse and atrocious manner, a combatant once told me that violence and conflict were the same as the process by which politicians in 'developed' countries acquired power by 'civilised' means and then dominated and controlled their economic and political landscape.

Finally, using econometric indicators to arrive at particular conclusions in an analysis of the causes of war is not an exact and precise science, and can be utilised to justify or disprove a desired position. An example is the situation in Liberia before 1979, where, in 1972, private American investment totalled over \$500 million, the largest in sub-Saharan Africa. Liberia had a thriving iron ore export industry, about the third largest in the world. It also had other natural resources such as diamonds, timber, etc. The GDP per capita was \$420, and Liberia was listed as middle-income country by the World Bank. Looking at available economic data, Liberia seemed stable and well. However, Liberia had to withdraw some of the subsidies on rice, the staple food in the country, to meet, among other things, payments to the London and Paris Club, which Liberia owed money. The subsequent riot, which followed the withdrawal of the safety net of subsidies, could be said to have been the first event in a series that has led to the present conflict situation in West Africa, since Liberia has been called the epicentre of the conflicts in West Africa. It is easy to say that the conflicts in Liberia were caused by only the economic factor of the withdrawal of subsidies, but that would be disingenuous. The Liberian war was as a result of a complex interplay of political, social and economic factors, not only economic ones.

### 3. The Dynamics of War Economies

Still, the significant role that economics play in conflict can be vividly demonstrated, but in a different way from the ‘greed and grievance’ school of thought. (For a particularly interesting response to that theory see Mkandawire 2002.) This is more poignant in the ‘new’ wars, where states are defined as collapsed or failed and violent conflict ensues between warring factions to acquire and control state resources, appropriating state authority for personal use.

In these new wars, economics do play a preponderant role. This role, though, has more to do with neo-classical paradigms of development. Perhaps a rigorously alternative perspective and focussed study of this correlation could offer useful alternative policy directions.

As a report puts it: “Recent scholarly research has also begun to shed new light on the links between Structural Adjustment Programmes (SAPs) and the incidence of conflict and disorder. Although the crisis in Somalia and the genocide in Rwanda were largely attributed by the international media to ‘clanism’ and ‘ethnicity’, Michel Chossudovsky (1996) puts part of the blame on the draconian economic policies of the IMF and the World Bank which removed all official economic safety nets and left the Rwandan economy in shambles after the collapse of the international coffee market in the late 1980s. With the price of coffee plummeting and the Rwandan franc repeatedly devalued, the general population was left destitute and impoverished. This, according to Chossudovsky, created conditions in which power hungry officials and leaders could sow the seeds of civil war and genocide. Hatred, which in a prospering economy could not and would not have surfaced, soon became apparent and was followed by the collapse of civil society. [...] It should be obvious by now that it is often the absence of justice that is the principal cause for the absence of peace. Any economic reform programme that denies human dignity is likely to be resisted by those who are being victimised. It is also likely to lead to further conflict and human misery.” (Report by the Independent Expert, Professor Fantu Cheru, 1999, UN Doc. E/CN.4/1999/50.)

Observers in West Africa have also linked the conflict in Côte d’Ivoire to the fact that the economy of that country was intensely susceptible to the whims and caprices of international financial institutions, particularly the global commodity cartels. When the price of its main export, cocoa, declined, and economic safety nets disappeared, ethnic alignments became the only remaining

‘safety net’ for survival.

In Nigeria, several ethnic conflicts boil up regularly, centring around economic issues – not in the sense of ‘greed and grievance’ but usually around the distribution of wealth. Withdrawal of subsidies on the advice of international financial institutions, particularly on petroleum products, has consistently increased tensions, with potential for further escalation into full violent conflict. In fact, a number of under-reported low intensity conflicts are already going on in several parts of the country, whose causes centre on the distribution of resources, inefficient governance, and withdrawal of subsidies.

As John Steinbruner and Jason Forrester (2004) say, the pattern of growth associated with the process of globalisation has so far been inequitable. Concentrations of wealth have increased throughout the world. Standard of living improvements have disproportionately benefited the top 20 percent income bracket. In many areas of endemic economic austerity that have emerged in the uneven pattern of globalisation the ability to preserve social coherence and thereby to control violence is already very seriously at stake. So, yes, economics do matter, but the question is in what direction and what kind of economics?

For whatever reason, analysis and discourses on war economies skirt around the importance and supporting role of the international dimension. The supply side of commodities, for example diamonds, is always studiously analysed, paying scant attention to the demand side. With the exception of NGOs like Global Witness, Oxfam, and some others, most academics tend to give little attention to this, too. While, at the same time, in the case of small arms the demand side is scrupulously attended to but not the supply side. (No doubt there are political and economic considerations imposed on researchers dependent on and constrained by funds from players who are themselves influenced by these very suppliers?) Africanists have always wondered why arms exporting countries could not simply clamp down on illegal arms’ sales, or control more vigorously their ‘legal’ arms export. Some have suggested in exasperation that if only the means were available ‘Third World’ NGOs would have embarked on ‘programmes’ in those countries to dissuade arms’ exports. Very little arms production is carried out in Africa and, similarly, very little consumption of diamonds happens in Africa. One can make the bold statement that war economies are truly globalised economies. The connections and contacts between war elites in Africa and the internationals who aid, abet and sustain war economies in one form or the other need to be given more attention in work on war economies. Perhaps studying this variable could offer policy recommendations for countries of both supply *and* demand.

Even if ‘greed and grievance’ theories miss the role of internationals and the role of neo-classical development paradigms in wars, the valid and legitimate question of the possible connection of criminality and war still remains. Are wars being fought to acquire resources criminally, therefore transforming struggling economies into war economies, as is asserted?

Boldly stated, what Karen Ballentine and Heiko Nitzschke describe as “distinctive features of War Economies” (Ballentine and Nitzschke in this volume, Box 1) constitute the nature of the economies of quite a number of developing countries, such as informality, cross border trade relying on ethnic contacts, and control of resources and assets by an elite group. Perhaps this is exactly what is wrong with the economies of Africa! “Combat economy”, “shadow economy” and “coping economy” are terms which, if we must use them, describe in one breath a ‘normal’ undeveloped economy that becomes transformed into a ‘survival and free for all’ economy in the atmosphere of increased anarchy in a situation of escalating conflict. These conditions, however, do not universally justify the label of war economies, as even in peace times similar economic relationships and situations exist. Of course, in any extreme situation – such as a war – the negative consequences of



these arrangements become accentuated.

Similarly, 'lootable' and 'unlootable' resources have always been available in several conflict zones, e.g. Liberia and Sierra Leone. The question to be asked is why it is that now, at this moment in time, they have become resources to be fought for and controlled by warring factions? Perhaps the answer lies in the simple fact that a generation of combatants who did not live under direct colonialism and the dynamics it unleashed – including the succession to political power by certain favoured groups after flag independence who continued the marginalisation of the people – has now grown up and wants a better quality of life in all ramifications. The chickens have simply come home to roost. The tension, after evolving through several phases, including the awakening of the (false) consciousness of the masses, now results in violent conflicts.

Further, care has to be taken in accepting automated policy implications of a classification into 'lootable' and 'unlootable' resources. The example of Sierra Leone in relation to Botswana cannot be used to arrive at a general principle without taking into consideration the different political history and demography of the two countries, which have largely shaped their situations. Also, if the logic of 'lootable' and 'unlootable' is utilised, oil in Nigeria requires heavy drilling and is thus unlootable, yet Nigeria is rife with conflicts.

Finally, could the problem of conflict, particularly its economic dimension, be attributed to situations, as Karen Ballentine and Heiko Nitzschke say, "where corrupt, exclusionary, and unaccountable governments fail to adequately share the resources generated or provide adequate public goods and services, [so that] a sense of economic deprivation may fuel other local resentments and feed separatist violence..." (ibid., 16)? Resulting in the combatants believing that they can share and provide these resources, goods and services themselves – and not being merely criminally motivated?

## 4. Areas of Exploration for Policy Formulation

More studies and research are needed. Such studies require a better understanding of the context and dynamics of war situations and they must realign themselves with good and appropriate work done in the past. An illustration of the need for better socio-economic contextual understanding can be found in recent DDR programmes in certain parts of West Africa. Ex-combatants in two contiguous parts of West Africa were to be paid disproportional amounts in a DDR programme run by the UN. The decision for this was made based on (economic) statistics provided by international development agencies, showing that the standard of living in one country was higher than in the other. Obviously, ex-combatants in the poorer country would rather go to the better-off country to disarm. It would be obvious to the discerning interlocutor with good contextual understanding that, with this kind of arrangement, the DDR programmes in both countries are booby trapped from the start. Therefore, policies must be grounded in real understanding of the context. If the search is only for ground-breaking theories, they will not be very useful to those affected by conflicts.

Further studies of the following issues could guide more holistic and comprehensive policy prescription on the economic dimensions of war, and particularly on mitigating violent conflicts and their impacts:

- The economic dimensions of wars should be analysed not only from the reductionist perspective of lootable and unlootable resources. There should be more concentrated and in-depth research on the linkages between Structural Adjustment Programmes, neo-liberal economic measures and conflict or peacebuilding.

- The economic dimensions of wars should include critical analyses of the roles of suppliers of arms and consumers of resources, such as ‘conflict’ diamonds. The role of multinational corporations and internationals in business and conflict needs to be revisited.
- The effects of anonymous banking in the international banking system and the recovery of money stashed abroad by warlords and corrupt leaders need to be sorted out. There is a need to make clear categorically to conflict entrepreneurs that war or corruption do not pay, and that even if the loot is stashed in the ‘developed’ world, it would be recovered and returned.
- An analysis of the impact of natural resources on conflict dynamics is required (Ballentine and Nitzschke in this volume, 15), rather than the other way round. We should not apply the linkages *ex post facto*, as ethnic linkages and political dimensions could also be part of the configuration (whether the presence or absence of resources fuels the war is another matter).
- It is necessary to develop better contextual knowledge of the dynamics of the war situation, including socio-economic factors.
- The issues of youth unemployment and availability of livelihood opportunities to all need to be given greater consideration in an analysis of the economic dimensions, beyond merely the DDR stages. At the opening of the African Union Extraordinary Summit of Heads of Governments on employment and poverty alleviation in Africa, on 8 September 2004 in Ouagadougou, Burkina Faso, the Director General of the International Labour Organisation described unemployment, underemployment, the working poor, and unaccounted workers in the informal economy as the world’s biggest security risk.
- The incorporation of explicit economic agreements into peace agreements could assist in quickly ending wars and in peacebuilding. The ECOWAS sponsored Comprehensive Peace Agreement for Liberia in Accra, August 2003 could serve as an example. There, such issues were addressed, including the establishment of a Contracts and Monopolies Commission to oversee the award of contracts, sound macro-economic policies, etc.
- We need to look at the role of the dichotomy of urban vs. rural areas. The vanguard of conflicts is usually an urban-based elite (Mkandawire 2002, 191ff) – and those who suffer most as civilians or combatants are the rural poor.
- The developmental question needs to be taken into the equation. The issues of ‘development’, infrastructure, and the provision of goods and services need greater attention.
- An integration of programmes offering livelihood opportunities into *all* conflict transformation activities needs to be put into practice.

## 5. Conclusion

To treat and isolate the war economy as a special category for the purpose of policy formulation, particularly à la ‘greed and grievance’, would be, in my opinion, diversionary and a waste of resources. No one is dismissing the economic factor as unimportant. But to reduce the cause of conflict to simply a question of warlords fighting over the spoils of war for self-enrichment and to assume that wars can only continue as long as they are financially viable is not correct. From the earliest records of human societies, warfare has been both an organising force and a prime source of political motivation (Steinbruner 2000). The fact that warlords fight and loot is not a new phenomenon, history is replete with it. Obviously, stopping access to funds (and arms) is important in managing conflicts and this in itself seems elementary enough. To now focus so much attention on these ‘spoilers’ and the dynamics that they are purported to unleash with a view to new policy

formulation seems not very promising.

Perhaps I read it wrong, but at times it appears to me that Karen Ballentine and Heiko Nitzschke on the one hand agree on the obvious limits of the ‘greed and grievance’ theory (Ballentine and Nitzschke in this volume, 12-15, 26), yet on the other occasional hand give credence to the theory, albeit in a new ‘skin’ (ibid., 15-19). I agree with their conclusion that war economies need to be dismantled, and that the path to peace is breaking the conflict trap of poverty, poor governance, and violence. The authors continue that there remain many unanswered questions as to when, how, and by whom measures might be best integrated into peace implementation efforts. To this I would like to add the need to give greater emphasis to the role of internationals and its relationship to conflicts.

The role of economic factors and resources in conflicts is not very complicated; they simply fuel the wars and provide means for their sustenance. They are not the sole reason why conflicts arise. Their impact on peacebuilding activities can be discerned by understanding them as a trigger for wars in a situation where limited economic opportunities exist for those who make up the bulk of combatants. Let us not build new theories and new experts on this matter. Our policies and theories must be grounded in reality and a deep knowledge of the context we deal with, rather than a ‘one size fits all’ theoretical approach.

## 6. References and Further Reading

- Ball, Nicole and V. Ramachandran (eds.) 2003. *Beyond Structural Adjustment: The Institutional Context of Africa Development*. New York: Palgrave.
- Boahen, Adu (ed.) 1983. *A General History of Africa – Africa under Colonial Domination 1880 – 1935*. Berkeley: California University Press.
- Busia, Nana K. A. Jr. 1998. Human Rights in Pre-Colonial Africa, in: Eileen McCarthy-Arnolds, David Penna and D. J. Cruz Sobrepena (eds.) 1998. *Human Rights and Global Systems – The Political Economy of Human Rights in a changing world*. Westport: Greenwood Press.
- Committee for Conflict Transformation Support (CCTS) *Newsletter ‘Economy, Conflict and the Private Sector’*, 19, Winter 2002/2003.
- Chossudovsky, Michel 1996. *Global Poverty: IMF, Macro-economic Reform and the Exacerbation of Poverty*. London: Zed Books.
- Clapham, Christopher (ed.) 1998. *African Guerrillas*. Oxford: James Currey Publishers.
- Collier, Paul and Anke Hoeffler 2000. *Greedy and Grievance in Civil Wars*. Washington, D.C.: World Bank.
- Cranna, Michael (ed.) 1994. *The True Cost of Conflict*. London: Earth Scan Publications Ltd.
- Furley, Oliver (ed.) 1995. *Child Soldiers and Youths in African Conflicts: International Reactions*. Coventry University: African Studies Centre (African Studies Centre Occasional Papers Series).
- Journal of Conflict Resolution* 2002, 46, 1.
- Lederach, Jean-Paul 1997. *Building Peace: Sustainable Reconciliation in Divided Societies*. Washington D.C.: United States Institute of Peace Press.
- Lahneman, William J. (ed.) 2004. *Military Intervention. Cases in Context for the Twenty-First Century*. Lanham: Rowman & Littlefield Publishers Inc.
- Maidoo, Sagaren 2000. *The Role of War Economy in Understanding Contemporary Conflicts*.

- (Global Insight No. 2.) Johannesburg: Institute for Global Dialogue. Available for download at: [www.igd.org.za](http://www.igd.org.za).
- Mamdani, M. 1996. *Citizen and Subject: Contemporary Africa and the Legacy of Late Colonialism*. Princeton: Princeton University Press.
- Mkandawire, Thandika 2002. The Terrible Toll of Post-Colonial Rebel Movements in Africa: Towards an Explanation of the Violence against the Peasantry, in: *Journal of Modern African Studies*, 40, 2, 181-215.
- Nnbli, O. 1998. *Ethnic Conflicts in Africa*. Dakar: CODESRIA.
- Osaghae, E. E. 1994. Towards a fuller understanding of ethnicity in Africa: Bringing rural ethnicity back, in: E. E. Osaghae (ed.). *Between State and Civil Society in Africa*. Dakar: CODESRIA.
- Report by the Independent Expert, Professor Fantu Cheru (Para 83, submitted in accordance with Commission decisions 1998/102 and 1997/103) 1999: Effects of structural adjustment policies on the full enjoyment of human rights. UN Commission on Human Rights, Fifty-fifth Session, Item 10 of the provisional agenda (Economic, Social and Cultural Rights, ESCOR). UN Doc. E/CN.4/1999/50.
- Steinbruner, John D. and Jason Forrester 2004: Perspectives on Civil Violence: A Review of Current Thinking, in: Lahneman, William J. (ed.) 2004. *Military Intervention. Cases in Context for the Twenty-First Century*. Lanham: Rowman & Littlefield Publishers Inc.
- Steinbruner, John D. 2000. *Principles of Global Security*. Washington, D.C.: Brookings Institution Press.

## Projects and Campaigns

- Conflict Diamonds: Crossing European Borders 2001. A Case Study of Belgium, the United Kingdom and the Netherlands*. Report published by the Netherlands Institute for South Africa Project (NIZA) as part of the International Diamond Campaign 'Fatal Transactions'. [http://www.niza.nl/fataltransactions/docs/eu\\_borders/douanereport.htm](http://www.niza.nl/fataltransactions/docs/eu_borders/douanereport.htm). For more information on the campaign see [www.niza.nl/fataltransactions](http://www.niza.nl/fataltransactions).



# War Economies and the Shadow of Globalisation

Peter Lock

## 1. Introduction

Karen Ballentine and Heiko Nitzschke comprehensively reflect the current state of the debate in their article. A commentator can only highlight certain aspects deserving additional attention, in order to improve our understanding of the dynamics of violence and civil wars. I would like to begin with some remarks on the intellectual underpinnings of the debate, in particular the greed-and-grievance dimensions which the authors portray in their article.

## 2. War and Peace – an Arguable Dichotomy

Progress has been made in recent years in deconstructing the ideologies of identity usurped by political actors implicated in civil wars. However, the accumulated knowledge concerning the main causes of armed conflict so far suffices at best to warn policy makers of some harmful steps which they should not take under any circumstances. Programmes currently carried out, and ideas in circulation on how to assuage violent conflict and create conditions for social reintegration in war-torn societies, form but a large trial and error laboratory. For the institutions involved, in particular the humanitarian agencies and the development community in western countries, it is admittedly difficult to acknowledge that they are still working in a fog of wanting knowledge.

The urgent need to improve our understanding of the dynamics that drive violent social conflicts was reflected in the creation of a research unit within the World Bank. Under the intellectual leadership of Paul Collier the unit produced an authoritative study entitled *Breaking the Conflict Trap: Civil War and Development Policy*. This study came to dominate political agendas. Its operational version now serves as an established Conflict Analysis Framework, which increasingly

guides the policies of international actors, International Financial Institutions (IFIs), and the UN-Security Council in particular. From there the paradigm currently cascades down to governments, which in turn outsource the implementation of their policies in responding to armed conflicts to private sector institutions. Yet the methodology applied in the World Bank study has been criticised as being seriously flawed. Karen Ballentine and Heiko Nitzschke correctly highlight this substantive criticism, but so far the disapproving debate has not mitigated Paul Collier's political impact.

There are many reasons to question the basic assumptions underlying his analysis. The most fundamental argument criticises the World Bank approach because it takes for granted that the dichotomy of war and peace –

“Shadow globalisation” is an emerging term. It highlights our expanding understanding of the dynamic interrelatedness of the living conditions of the wealthy in seemingly well-regulated western countries and the marginalised masses living in destitute conditions. Terms like “black economy” or “informal sector” fail to capture the global nature of the coping strategies and the ensuing economic transactions the apparent losers of the neoliberal globalisation engage in.

The current globalisation is the result of deliberate transnational economic regulation enforced, on the basis of the Washington consensus, mainly by the International Monetary Fund and, with some modifications in developing countries, by the World Bank. It is marked by concurrent dynamic processes of social inclusion and exclusion. By choosing economic growth and using Gross National Income (GNI) rather than social inclusion as its measure of success, it leaves a large part of the world population unaccounted for. Beyond the dynamic expansion of the global economy – representing the regulated spheres where states provide security and litigation of conflicts on the basis of laws – probably half of the world population lives in fragile informal spheres without access to legal protection and security.

Concurrently with the opening of economies and the downsizing of state regulation, the informal and criminal sectors went transnational and formed thriving networks. They have an essential foothold in the developed world, where they hook up with the regular economy. The economic logic demands that criminally appropriated commodities enter regular markets at some point. Symbiotic exchange with the regular economy constitutes the dynamic core of coping strategies in the shadow of globalisation.

Even though for obvious reasons no reliable statistics are available, it is estimated that the global criminal product amounts to at least 1500 billion US-Dollars. Drugs and migration seem to be its engines of expansion. Though many migrants live illegally in precarious conditions, remittances have become by far the largest item on the financial balance sheet of many countries.

or rather the absence of war – provides a valid analytical tool. As a matter of fact, this criticism applies to the entire debate portrayed and Karen Ballentine and Heiko Nitzschke's article itself. As far as war economies are concerned, the authors correctly observe that economic life does not cease to exist during war and that indeed the key elements of war economies, namely shadow economic transactions, are often pervasive long before armed fighting starts. The same liaison between the local economy and the spheres of shadow globalisation applies to the post-conflict economy. From these observations one may hypothesise that with respect to its economic dimension, the dichotomy between war and the absence of war is, at least, heavily diluted.

Similarly, a survey of world society concentrating on the victims of armed violence would not corroborate the assumed dichotomy. Data presented in the World Health Organisation's *World Report on Violence and Health* suggests that in a number of countries armed violence – in the absence of war – leads to higher ratios of persons killed than in countries plagued by civil war. Furthermore, it is important to take into account that the ratio of victims due to armed violence in war-torn societies is composed of war-related victims and victims of other forms of violence. Colombia is often cited as an example. The destruction of social cohesion and the weakening of accepted social norms during a lasting civil war nurture diverse forms of violence. These account for as many as half of the victims, while the other half can

be attributed to the ongoing armed conflict. In the words of a recent Humanitarian Policy Group report:

“In any conflict, different forms of violence are likely to co-exist: from organised warfare and systematic economic violence perpetrated by the state or other military actors, through to more individualised forms of violence linked to criminality and economic opportunism, and violent and destructive survival strategies.” (HPG 2003, 5).

Thus, two of the main properties which define societal violence as war and form the basis to distinguish war economies as a category of its own do not discriminate between war and the absence of war. What remains of the customary characterisation of war, then, is the definitional requirement that somehow organised military forces of two parties are involved, one of which must be a state (SIPRI 2004, 144).

### **3. Weak States – the Roles of Rebels and Governments**

State capacities are severely dehydrated in large parts of the world, caused, among other factors, by the implementation of the Washington consensus to impose a neoliberal regime of regulating global finances. Depleted state capacity is often a precursor to internal armed conflict. In many such cases, the distinction between state and rebels is virtually reduced to the formal ascription by international law. On the ground, both of their ‘war economies’ are of predatory nature. As a result, post-conflict scenarios are marked by a lack of legitimate leadership.

The shift by the major western powers from colluding with corrupt regimes (like Mobutu’s Zaire), which were at the same time major players in the transnational shadow economy, to imposing strict fiscal discipline led to the collapse of numerous regimes and produced many extremely weak states. It is often impossible to know whether the internationally recognised government or the armed opposition is more involved in transnational shadow economic transactions. The war in Angola was a perfect case in point. Such patterns are pervasive and render the mostly rebel-centred description of war economies meaningless. The properties of war economies regularly pertain to both sides. This implies that post-war situations are necessarily dominated by actors who follow the logic of the personal advantages that the diffuse and privatised nature of war economies, or rather the shadow globalisation, offers.

### **4. The Post-Conflict Equation – a Need for Realistic Analysis of Actors and Motives**

The rebuilding of institutions in such an environment poses a daunting task for all parties involved. This is regularly underestimated in the climate of enthusiasm associated with a peace agreement. But as Karen Ballentine and Heiko Nitzschke succinctly observe, “war economies are highly decentralised and privatised, both in the means of coercion and in the means of production and exchange,” which also holds true for post-conflict scenarios<sup>1</sup>. During the initial absence of institutions, the power brokers of the war economy usually demonstrate a spirited capacity to appropriate in-flowing reconstruction funds. They pose as government representatives, create NGOs, offer themselves as advisors to foreign donors, and erect a virtual

<sup>1</sup> At the end of World War II the inevitable continuity in Germany was veiled by the ideological construct called “Stunde Null”. Similar formulas are likely to triumph in today’s post-conflict scenarios, allowing the dominant players (of the war economy) to accommodate themselves to new circumstances.



shadow state. Post-conflict situations are permanently in danger of serving as a joint platform for all warlords, irrespective of whether they carried the label ‘rebel’ or ‘government’. They manage to take advantage of the goodwill of the international community and convert it into personal gain. Sometimes the booty is shared among members of an identity group, which leads to horizontal inequalities and breeds renewed conflict.

The despairing situation in both Bosnia and Kosovo lends considerable credibility to such a hypothesis. One might even expand the hypothesis and interpret the situation in these two international protectorates as an escalating symbiosis between a badly coordinated international ‘aid industry’ and criminal entrepreneurs commanding thriving, well entrenched transnational networks. The flourishing trade and exploitation of sex workers serving the expatriate community, whose task it is to foster peace, constitutes a rather sad, though vibrant, segment of this symbiosis. Furthermore, the state model that changing viceroys, now on behalf of the EU, attempt to implant operates at a cost level that the local economies will not be able to sustain for many years to come. An eventual local ownership of the ‘colonial’ infrastructure will be hard to achieve in these circumstances.

## 5. Reconstruction Myths

In their article, Karen Ballentine and Heiko Nitzschke present a number of policy options and recommendations. Bosnia, Kosovo and Serbia demonstrate the contradictions of some of these formulas. For the sake of brevity, only three recommendations will be explored: 1) the need of quick impact by demobilisation, disarmament and reintegration (DDR) policies to enable return to civilian life; 2) the priority of employment policies; and 3) the early involvement of IFIs in the post-war policy design.

### 5.1 DDR Policies and Return to Civilian Life – the Need for Realistic Timeframes

The rhetoric of DDR programmes to rapidly reintegrate former combatants into ‘civilian life’ rarely questions the capacity of ‘civilian life’ in the given circumstances to absorb the demobilised soldiers. The regular economy, though, if it exists at all, cannot absorb the inflow of additional labour. Even if one accepts the assumption underlying DDR programmes that full time fighters were the predominant type of violent actors to be weaned from the spoils of armed conflict, the intended return to civilian life predictably amounts to an integration into the existing shadow economy, which is structured by violent modes of regulation. The distribution of hoes and seeds, in the hope that violent actors will disappear into a pre-modern, self-reliant mode of life, is wishful thinking which fails to recognise that so-called war economies are Janus-faced. They are destructive – they deprive people of their livelihood and cause flows of refugees. Yet at the same time they are modernising – they forcefully integrate selective sectors into global flows of commodities and finances, and offer chances of personal gain. The reports that demobilisation allowances enter the economic circulation via spending sprees on alcohol and sex workers partly reflect the lack of absorptive capacity of the economy. More importantly, they reveal a lack of trust. The judgement whether such behaviour reveals a moral failure or a fatalistic response to a structural impasse is by no means straightforward.

Post-conflict economies thus minimise the chances of a quick impact of DDR measures. However, if donors are to be attracted to finance DDR, they must be assured that their commitment will not be open-ended. Hence, in order to mobilise resources for DDR programmes it seems paramount to project an unrealistically short duration, notwithstanding that, realistically, it takes many years to overcome the curse of the inherited war economy. Depending on the relative

geopolitical importance of the respective territory, the result of such programmes tends to be either outright failure, ending in the withdrawal of external actors (Angola is about to fall in this category), or a drawn-out presence to cover up the persistent failure (in this case, Bosnia and Kosovo come to mind).

## 5.2 Depleted Human Capital – the Need for Education and Realistic Employment Strategies for the Youth

Non-governmental groups often engage in post-conflict scenarios with enthusiasm and naiveté. They tend to underestimate the war-related loss of human capital, while focusing on rebuilding trust. Yet protracted internal wars produce generations of people who had no chance to regularly attend school. It takes years to overcome this deficit in accumulated human capital – human capital required to successfully rebuild and advance the economy. Undermining the expectation of rapid results of DDR, the rebuilding of human capital requires a dedicated effort over a period of no fewer than ten years. A cursory review of post-conflict programmes suggests that education as a factor determining productivity and competitiveness in the global economy is not sufficiently taken into account. It may well be that the elites in command are not interested in broad social mobilisation associated with nationwide educational campaigns. On the other hand, it is impressive to what extent parents often save and even starve to ensure the education of their children. They, at least, appear to have grasped the imperative precondition of individually succeeding in the global economy and are ready to strive for it, not least by emigrating, legally or illegally<sup>2</sup>.

A second tension runs through post-conflict programmes: employment strategies and IFI-imposed economic regulation are not compatible. The demographic fact of huge “youth bulges” in regions characterised by war economies and post-conflict scenarios demands an annual rate of job creation which exceeds by far the most optimistic figures which can be projected in the frame of open economies and neoliberal regulation. This problem, though, is of general nature and not restricted to war-torn societies.

## 5.3 The Role of IFIs – Open Markets and their Consequences

The neoliberal model predicts optimal economic growth in an open global economy. It furthermore assumes that higher growth rates are the best strategy to alleviate poverty rates<sup>3</sup>. However, there are fundamental problems with the model. While its implementation may actually produce the predicted global optimum of growth, the result is politically irrelevant in local contexts where neoliberal regulation persistently excludes significant parts of the labour force from participating in the regular economy. Societies trying to reconstruct a state after armed conflict will succeed if, and only if, they can offer constructive participation in this process to the entire labour force and in particular to the youth. Taking into account the destruction of physical and, even more importantly, social capital caused by armed conflict, it is out of the question that the entire labour force can be employed, if compliance with neoliberal regulation and open markets are imposed by IFIs. If exposed to the best performers in global markets, there will be only few niche activities where a post-conflict economy can perform competitively, because its endowment with the necessary factors of production is structurally insufficient.

The implication of this disadvantage is obvious: Under the conditionality of international creditors, i.e. the IFIs, post-conflict governments have little room for manoeuvre. Economic strategies

<sup>2</sup> The roles the diaspora plays in conflict scenarios and even more importantly their potential contribution to DDR and post-conflict consolidation in general is not well understood.

<sup>3</sup> The irony in this debate is that the economic performance of the People's Republic of China serves as statistically dominant proof that growth is associated with poverty alleviation.

focusing on full employment as a means of national integration, which would require protection of markets, would be severely reprimanded. “Bringing in IFIs at an early stage”, as Karen Ballentine and Heiko Nitzschke suggest, and implementation of efficient strategies of employment are mutually exclusive as long as the Washington consensus prevails. Bosnia and Kosovo demonstrate how little employment huge monetary inflow effects under the current paradigm of economic regulation.<sup>4</sup>

## 6. Strategies against Exclusion – Violence vs. Economic Perspectives

Pointedly formulated, when open markets meet a war-torn set of factors of production, they spur unemployment and thus an expansion of the shadow economy. Additionally, the regions where civil wars are recorded experience rapid urbanisation. The states lack the resources to cope with this rapid social change and fail to maintain the monopoly of legitimate violence. Slums are spreading in an unregulated fashion, leaving the dwellers without access to public goods (UN Human Settlements Programme 2003). The ensuing security vacuum is filled by private actors, gangs and criminal entrepreneurs who, in most cases arbitrarily, control economic transactions in their respective fiefdom. Economic development in such social orders is burdened with high transaction costs and a rapidly deteriorating quality of human capital. Economic chances are distributed on the basis of criminal acts.

Through the lens of this stylised environment the majority of young people in large parts of the Third World, but in particular in war-torn countries, perceive the global order and measure their chances to succeed – either individually or collectively. Economic modernisation, the replacement of self-reliant, rural economies by an agriculture oriented towards export markets, and the disappearance of the state as a large and secure employer combine to mark a sharp intergenerational discontinuity of social and economic roles and chances. Social norms embedded in traditional economic systems are no longer a behavioural guide for the young generations who find themselves living in urban slums with few chances to access the regular labour market. Survival in this cosmos is a permanent struggle without security beyond the immediate future.

Young people can be expected to ask for an accepted role in their society. But democratic elections are no vehicle for their aspirations either. The eligible political actors tend to be stakeholders of the older generation who are loath to enact policies of profound change which would enable the social inclusion of the masses of young slum dwellers, among others. Then, if violence is the perceived feature of the ‘winners’ in this system, joining them becomes an attractive option.

The lyrics of Rap and Hiphop songs<sup>5</sup> allow a glimpse into the mood of the young people who live in social and intergenerational ‘apartheid’. They are possibly the only authentic political communication of this huge layer of the global social hierarchy. The only voice they appear to have is violence. Young men in particular often see violence as their only access to livelihood, self-confidence, social recognition, and the often short illusion of inclusion by displaying ‘wealth’. In the lyrics of these songs, dreams of a just, non-violent world are expressed, but they return regularly to the hard reality in which violent crime is seen as the entry ticket to the world of mass consumption, to which the listeners are exposed daily in the media.

It is easy to see that violence offers a rational choice to young men,<sup>6</sup> given the dire

<sup>4</sup> In current debates it is overlooked that economic policies after 1945 were marked by strong market intervention aiming at full employment. Interventionist policies and managed exchange rates were the basis for the success story of post-war Germany.

<sup>5</sup> Rap and Hiphop are a global expression of youth culture. But the lyrics are mostly rather concise reflections of the local political cosmos and its marginal position. This assessment is based on an on-going collection of songs (by Katrin Lock and the author) from a wide range of countries and languages.

circumstances of their exclusion from the regular global economy. Statistically, it will take one or more generations for the economic growth generated by neoliberal regulation to absorb them. However, this economic truth is not transparent. Currently, few voices in the development discourse have the courage to confront it. Were the world society organised as a democracy of enlightened people, the current order would not survive a single election. By reversing this logic, one cannot avoid the conclusion that the continuation of the current order and its unequal distribution of chances relies, among others, on the continued political exclusion of the huge “youth bulges” in many important, socially fragmented states.

## 7. The Future of Wars – are ‘War Economies’ a Model of the Past?

Finally, I turn to the question whether the knowledge about war economies and their impact on armed conflict and post-conflict scenarios, which is competently resumed in the introductory article, addresses the future we have to prepare for, or whether it describes outgoing forms of armed conflict whose logic we finally begin to comprehend. The answer to this question is complicated by the fact that the US-led ‘war on terrorism’ is already distorting conflict configurations to such an extent that the options of the actors involved transcend again the limits of their autonomous war economies, as was the case during the Cold War. Countries like Colombia, Uzbekistan or Pakistan come to mind as precursors of this new configuration. However, it is difficult to predict the sustainability and hence durability of the current foreign policy paradigm that the Bush-administration stands for. It is therefore more important to look at structural trends with an impact on war economies and the operational feasibility of armed conflict.

Modernisation and urbanisation are pervasive trends, which affect virtually all regions of the world. In certain regions, modernisation and urbanisation have reached levels of relative saturation, while other regions – including those currently comprising many war-torn societies – experience a market- and export-oriented transformation of their agriculture. One of the consequences is an enormous growth in internal migration, leading to the formation of mega-cities encircled by extended belts of impoverished slums. The two trends combined substantially increase the vulnerability of societies in case of infra-structural disruptions, as livelihoods become fully dependent upon continuous flows of commodities over long distances. Any interruption spells disaster. Peasant agriculture, which was once pervasive throughout the world, by contrast offered a last resort, an autonomous sphere of production and life, largely invulnerable to infra-structural disruptions. It provided shelter for people who fled cities.<sup>7</sup> Peasants feeding war-fighting societies facilitated prolonged armed conflict.

If under current conditions the infrastructure breaks down, societies retain little elasticity of survival. The half-life period of self-reliant survival has shrunk to such an extent that conventional armed conflict is bound to lead to humanitarian catastrophes of ever greater dimensions in ever shorter times. As a result, the number of refugees crossing borders has been growing in recent conflicts, and the humanitarian agencies have gained a pivotal role.<sup>8</sup>

Against this background and the seemingly irreversible trends in human settlement

6 The reason for the on-going gender difference with respect to participation in the ‘market of violence’ is not sufficiently explained in the existing literature on gender and violence. For the time being, it is a fact that only in exceptional cases young women either have equal access to jobs in the market of violence, or are equally disposed to opt for violence as a way to relate to society.

7 During World War II civilians were evacuated from bombed cities and sent to live in the countryside. In Germany, entire schools were evacuated and operated for several years in rural areas throughout Germany and even in some conquered territories.

I surmise that the war economies diagnosed in the introductory article represent a transitional configuration which will eventually be replaced by more diffuse forms of deterritorialised armed violence. Already in today's armed conflicts, a general will be successful only if he is also a competent entrepreneur capable of keeping his respective war economy linked to the global circuits of the shadow economy. His relation to the civilian population is defined by the need to limit or manipulate humanitarian catastrophes to the extent they are useful and to draw in the 'humanitarian industry' as an exploitable resource. Otherwise, it is imperative to avoid operations which disturb his interests in the shadow globalisation.

As long as the current regulation of the globalisation process produces a dynamic symbiosis of globalisation and shadow globalisation, it might be necessary to rethink our conceptualisation of war to arrive at a more inclusive definition, which covers the ongoing transformation towards more diffuse and enduring forms of organised violence. The latter is already well entrenched in some countries – which might explain the seeming absence of civil war. Nigeria and Brazil would be cases to look at. But the transformation of the human habitat also constitutes an insurmountable dilemma for western 'humanitarian' military interventions: an 'enemy' who retreats into the urban jungles of the mega-cities can be defeated only at the price of destruction, which would require abandoning liberal values.

## 8. Change of Policies – What Can and Should Be Done

These general observations can be translated into specific policy recommendations, which should become part of the ongoing discourse on best practices in post-conflict scenarios.

- War economies have transnational systemic features. The policies applied in the context of post-conflict situations must be comprehensive and include those systemic features that are not located in the conflict region. During the Balkan wars the service sector in Cyprus was an integral part of the local war economies. However, very little was done by the EU to put pressure on the Cypriot government to sever these links. NGOs could have lobbied the European institutions to actively intervene.
- Massive education programmes do not feature prominently in post-conflict scenarios, because the war-related loss of human capital is generally underestimated, as is the importance of expanding human capital for political stability and successful integration into the global economy. These education programmes should include foreign languages to facilitate emigration, which will happen in any case – either legally or illegally. Massive education campaigns are attractive options because they are employment-intensive and require relatively little investment. They are likely to have a strong mobilising effect. These features should make them an attractive element in post-war consolidation strategies supported by the international community.
- As part of long-range stabilisation policies, massive scholarship programmes across all academic and professional fields in Europe should be offered to the young generation. The EU might also consider sponsoring scholarships in South Africa for students from war-torn African countries, thus supporting South Africa's education system and fostering continental bonds in Africa. As far as the EU policy in the Balkans is concerned, this element is clearly underdeveloped, particularly

**8** It should be pointed out that an inadvertent collusion between the United Nations Oil for Food programme in Iraq and the US-intervention produced a unique war scenario, in which the civilian population was supplied with food rations for six weeks to three months ahead of the invasion-related disruption of commodity circulation. For this reason the refugee camps erected by the humanitarian agencies in neighbouring countries found no 'customers'. Similar military invasions in countries like Mexico, Thailand or Brazil would unfailingly lead to severe and unmanageable humanitarian catastrophes, not least because no centrally administered food distribution would be in place.

in the case of Serbia. Europeans, in particular, should remember their post-war experience and the extraordinary importance of American scholarship programmes in the formation of democratic political actors. Currently, such programmes are overlaid by a phoney debate on immigration. Large scholarship programmes feed back into the home countries, and, yes, they inevitably also lead to immigration. But this is what the EU needs in any case. Why not combine the stabilisation and eventual integration of the Balkan with what Europe needs? In the name of post-conflict reconstruction, this debate must be opened.

- In the face of the “youth bulges” a strategic choice must be made in favour of economic policies setting social inclusion as their priority. This message has not yet sunk in. Currently, such a proposal has hardly a lobby. Instead, the debate is dominated by the paradigm of “failing states” or “states at risk” in political science (Schneckener et al. 2004) and by strategies of optimising growth which presumably solve all other problems in the field of economics. The former debate is focused on the proper functioning of the state and its institutions. It implicitly assumes that, if they are in place, the market will automatically maximise economic chances for all, though this is clearly far from the reality on the ground. The latter debate is neither amenable to politically necessary timing – like getting young people off the streets – nor to any fine-tuning of distribution effects. If social inclusion is taken into account, difficult choices are to be made: time may be more important in the context of stabilisation than optimal structures and efficiency.
- Pacification is not enough, war-torn societies are entitled to development. Converting the population into subsistence farmers can only be an intermediate goal. Modernisation, which implies urbanisation, is without alternative. For this to happen, the subsidised agricultural exports of the developed countries must be stopped instantly as a necessary condition permitting primary accumulation.
- There is a real danger that the priorities of the ‘war against terror’ will dominate development policies. The peace and development communities must be alert and oppose this tacit integration of policies even if the ‘war on terror’ promises increased resources. The imperial logic of this war antagonises the legitimate aspirations of the people trying to leave armed conflict behind.

## 9. References and Further Reading

- Collier, Paul 2003. *Breaking the Conflict Trap: Civil War and Development Policy*. Washington D.C.: World Bank.
- Hill, Alice 2004. *Future War in Cities. Rethinking a Liberal Dilemma*. London: Cass.
- Humanitarian Policy Group (HPG) 2003. *Power, Livelihoods and Conflict: Case Studies in Political Economy Analysis for Humanitarian Action*. (HPG Report 13.) London: Overseas Development Institute. Available for download at: [www.odi.org.uk/hpg/](http://www.odi.org.uk/hpg/).
- Schneckener, Ulrich et al. 2004. *States at risk. Fragile Staaten als Sicherheits- und Entwicklungsproblem*. (SWP Studie 43.) Berlin: Stiftung Wissenschaft und Politik.
- SIPRI Yearbook 2004. *Armaments, Disarmaments and International Security*. Oxford University Press.
- UN Human Settlements Programme 2003. *The Challenge of Slums. Global Report on Human Settlements 2003*. London: Earthscan.
- World Health Organisation (WHO) 2002. *World Report on Violence and Health*. Geneva: WHO.



# Defining a Different War Economy: the Case of Sri Lanka

Nicola Palmer

## 1. Introduction

Karen Ballentine's and Heiko Nitzschke's article *Political Economy of Civil War and Conflict Transformation* rightly recognises the limitations and contributions of the greed and grievance conceptualisation of conflict. In discussing this highly influential debate's merits and shortcomings, they move away from the 'resource reductionist' focus it offered in order to review other approaches that incorporate the economic dimensions of armed conflict into a larger constellation of motivations for war. Overall, their assessment of the key thinking in this sub-field of conflict analysis appears to favour a functionalist understanding of conflict, whilst also recognising that the economic functions of conflicts for individuals and communities remain inadequately examined by both policy makers and practitioners. Karen Ballentine and Heiko Nitzschke create a coherent synopsis demonstrating how the original debate has grown, yet their article falls short of addressing what this still new emphasis on political economy means for both the practice and theoretical backbone of conflict transformation. Doubtless, new understanding of the economic functions of armed conflict should become "an important addition to contemporary conflict analysis". But for these additions to make sense in implementation, more needs to be done to improve coherence between the variety of methodologies employed in conflict analysis, the mechanisms of intervention favoured by the international community, and the capacities and knowledge of civil society actors working towards conflict transformation on the ground.

Conflict transformation, different from conflict resolution, tries to concentrate not on short-term measures to reach agreements between warring parties but on long-term structural change. For this kind of change to stand a chance, a deep appreciation of the socio-political, cultural and economic history of the conflict context and of transnational influences is required. Until



recently, the practice of conflict transformation has concentrated on both the socio-political and the cultural dimensions of conflict but neglected the development of the political-economic dimensions. Recent concentration on self-financing civil wars, resource flows and illicit cross-border networks have influenced the way in which policy makers envision resolving ‘resource wars’, yet long-term consideration of the structural relationship between economic factors and other socio-political or cultural factors appears to be lacking. When we move away from conflicts defined by an abundance of resources, policy makers hoping to support processes of conflict transformation pay even less attention to the interrelatedness of development processes, economic ideologies, international donor intervention, and violent conflict.

Karen Ballentine and Heiko Nitzschke emphasise that beyond theoreticians’ concentration on wars driven by natural resources there are other economic aspects to conflicts that remain ill considered. This is easy to agree with, however, it is unfortunate that even in this re-focusing their conclusions often remain tied to an understanding of the economic dimensions of conflict as being primarily based on the exploitation of lootable or unlootable resources by armed groups. This may be due to the dearth in research on the contribution of economic factors to conflicts in countries that show little or no exploitation of natural resources, yet still manage to display protracted and sometimes self-financed armed struggles. In other words, it leaves little space for those working towards conflict transformation in ‘grievance’ dominated conflict systems to draw inspiration from the majority of approaches catalogued here. Similarly, the emphasis in the article on stakeholder analysis, and the subsequent examination of war economies through a model that layers wartime economic activity according to stakeholders’ motivations, seems hard to dispute. Yet not enough attention is paid to the state, the donor community, the formal economy, and the interface between the manifold layers composing war economies.

Sri Lanka is a case in point. The economic dimensions of Sri Lanka’s civil war are features that continue to be neglected. Perhaps the primary reason for this is that it appears to bear little resemblance to the warring environments analysed as part of the greed and grievance debate. A cursory glance at Sri Lanka through the framework of this dichotomy seems to indicate that it is a classical example of a grievance driven ethnopolitical conflict. The primary motivations for its protracted character seem evident in the minority - majority struggle over the political capital embedded in the country’s North-East. Unlike those countries whose conflict dynamics are fuelled by lucrative natural resources, Sri Lanka cannot be labelled a ‘resource war’. There are no obvious lootable or unlootable resources to serve as primary motivating factors driving militant violence or state kleptomania. Compared to the Democratic Republic of Congo, Afghanistan or Sierra Leone, Sri Lanka’s struggle seems cast in an entirely different mould, economic factors neither providing a rationale for the separatist violence nor encouraging overt transnational involvement in its war economy.

Consequently, the resource specific lens separates the Sri Lankan conflict from those wars driven by local, national and international interests in lucrative natural assets. This separation means that the complex set of economic motivations that constitutes part of the reason why conflicts like Sri Lanka’s remain intractable continue to be insufficiently analysed both by scholars and by practitioners of conflict transformation. Ongoing concentration on the political but not the economic dimensions of this war risks that donor programmes and externally funded civil society groups are not innovative in searching for potential win-win solutions in the area of fiscal power-sharing, distributive justice, development and humanitarian work.

Whether Karen Ballentine’s and Heiko Nitzschke’s article offers insights for the political economy of conflict transformation in Sri Lanka is the subject of this article. Beginning with a brief

illustration of the economic factors evident in Sri Lanka's conflict system, it goes on to suggest that lack of attention by the donor community to the historical relationship between economic factors and conflict has hindered progress on donor-funded conflict transformation initiatives. Taking Karen Ballentine's and Heiko Nitzschke's assertion that stakeholders' economic involvement needs to be more carefully assessed, the article looks at whether the model they offer is adequate for this context. This inspires a look at what Sri Lanka needs in order to kick-start a sequenced recovery and a reflection on how the international community can better support transition by considering the economic dimensions of Sri Lanka's conflict. Finally, the article concludes with a summary of my perceptions of the challenges that a non-resource defined conflict system presents for the further analysis of the political economy of civil war and conflict transformation.

## 2. A Non-Resource Based War Economy

If it is not based on competition to exploit and profit from natural resource wealth, then what is the defining characteristic of Sri Lanka's war economy? On multiple levels, twenty years of armed conflict and twenty-seven years of donor inspired liberal development strategy have shaped the country's economy (Bastian 2004). Sri Lanka is an apt demonstration that economic activities are not halted by conflict; rather, they influence conflict dynamics, they adapt to the conditions of armed violence, and they diversify. Jonathan Goodhand's model of the combat, shadow and coping economy is utilised to illustrate how moving away from a definition of war that is based on the use/abuse of resources to a more stakeholder-based analysis at once allows for a deeper understanding of the variety of economic diversification and the potential of different economic actors to become forces for positive social change. Goodhand, to this end, envisages how different actors, involved in different layers of a war economy, may have the potential to become part of conflict transformation rather than continuation.

In applying this model to the Sri Lankan case, a couple of factors become evident as potential limitations. The first is an appreciation of how donor policy has contributed to the conflict dynamic, the second an appreciation of how the state and donor-sanctioned formal economy exists as part of the war economy. The term 'war economy' is used to denote the economic activities that occur in wartime. Goodhand boils this definition down to identify three types of economies – the combat, shadow and coping economy – that enable groups to “wage war, profit, cope or survive” (Goodhand forthcoming). Whilst this approach clearly enables the identification of stakeholder motivations to contribute to, or spoil, conflict transformation, its inspiration is Afghanistan. Unlike Sri Lanka, this conflict system is seriously influenced by its resources. It is a failed state and has a specific history of exploitation and invasion. The limitations in grafting this kind of framework on to the Sri Lankan case lie in the ways in which its political class has managed the formal economy and in the donors' part in backing and supporting state economic policies. Both factors constitute a major dimension of Sri Lanka's conflict. If the aim of this framework of analysis is to better understand key stakeholders' economic motivations within conflict systems, then neglecting those who indirectly contribute to the continuation of conflict makes for incomplete analysis.

For Sri Lanka to find solutions that may transform its conflict, economic dimensions must be appreciated for their political significance, and so must the connections between economic strategies and socio-political histories be factored into conflict analysis. The relationships between the post-colonial political class, donor-supported economic liberalisation, and the Government of Sri Lanka (GOSL)'s refusal to consider anything other than fiscal centralisation all have a major

influence on the likelihood of conflict transformation. Similarly there are connections between the history of injustice toward minorities, the link of the Sinhala peasantry to the state (Bastian 2004), and the recent failure of the United National Front (UNF) government's strategy for peace. In terms of non-state economic activity, the growth and strength of diaspora-funded Tamil resistance is a primary economic reason why the Tigers have succeeded in becoming the hegemonic face of Tamil resistance. The interconnectedness of the formal economy and the politics of conflict makes easy separation of the war economy into Goodhand-inspired categories a hard task.

For instance, many Tamil families in the North-East of the country depend on remittances from the extensive and wealthy Tamil diaspora to survive. This remittance flow is largely controlled and sustained by the Liberation Tigers of Tamil Eelam (LTTE), meaning that survival for poor communities through access to remittances often depends on support for the LTTE. In Goodhand's conceptualisation, the poor communities are 'coping' and the rebels are engaged in 'combat' activities, yet, even within the Tigers parallel (shadow) territory, the activities of one part of the economy determine the formation of another. Another example that demonstrates the easy blurring of boundaries between different sectors of the war economy is found within the formal state structures. Some military personnel staffing the checkpoints dividing the North-East from the south and west of the country have long been involved in extortion and other criminal activities in order to profit from the war-imposed restriction of the movement of goods and people across the country. The majority of the Sri Lankan armed forces herald from the poor south of the country. Though this area is not war-affected to the same extent as parts of the North-East, most villages have experienced the loss of sons to the war, as well as to brutal southern political insurrections in these areas. Extorted 'black market' money and part of the military salaries now flow home subsidising life in southern villages and make up part of the coping economy. This flow of money is made possible by the state's investment in its armed forces, the attractive salary offered to new recruits and the targeting of poor, often illiterate southern Sinhala youth by recruitment drives. The knock-on effect of this situation is that support for the 'war for peace' in the south is driven by an economic dimension that mirrors the North-East Tamil peasantry's reliance on the parallel LTTE system for remittances.

As well as illustrating how categories are interrelated, these examples have an impact on how likely it is that such a framework can be used in determining the winners and losers in potential processes of transition to peace. Providing immediate economic solutions without exploring the complex relationships between governance, de-facto governance and individual motivations for economic activities will not provide durable solutions to violent conflict. Whereas Goodhand's framework is a big step forward in that it allows for economic motivations to be identified, it insufficiently takes into account politics that create these categories and the contribution of the formal economy in indirectly setting up and sustaining the war economy.

### 3. Enhancing Stakeholder Mapping

Whilst any mapping of stakeholders' economic rationale within Sri Lanka should include consideration of the political class and its management of the economy, it should also take care to avoid the popular assumption that this conflict is bi-polar. Although the GOSL and the LTTE are its primary protagonists, there are many other groups with invested economic interests in either the continuation of war or the transition to peace. The Muslim stakeholders, the Sinhala nationalist parties and the 'hill-country' or Indian Tamil population all have economic motivations to drive their interest in, or disruption of, any peace process.

### 3.1 The Sinhala Rural Class

The current political situation in the country sees an uncomfortable power-sharing between the dominant and Maoist inspired Sinhala nationalist party, the Janata Vimukthi Peramuna (People's Liberation Front – JVP), and the President's party, the Sri Lanka Freedom Party (SLFP). This is a re-arrangement of southern political power since the inception of the peace process in 2002; an arrangement bringing in a government that recognises that its tenure is all too insecure without the support of the rural working class. The recognition follows the failure of the last government's economic strategies for "Regaining Sri Lanka", a policy that both disenfranchised the Sinhala working class and alienated the LTTE. Donor support for the previous government's economic policies for transition reveals their lack of understanding of the socio-political context and of the way in which economic factors have historically contributed to the conflict dynamic. A deeper appreciation of the political economy of Sri Lanka's conflict could have led to a more nuanced approach to conflict transformation activities, both in their own interventions at a macro-level and in their support for programmes on the ground. As it stands, perceptions persist among the Sinhala rural working class that the dividends of peace are only available to big business or according to foreign agendas. Given such negative perceptions, there are few reasons why the rural classes would want to contribute to social change that is widely perceived to be derogatory to their interests. The degree to which empirical evidence bears out the perception that peace-process-inspired economic policies have been detrimental to the Deep South is questionable (Kelegama 2004, Sarvanathan 2003). What is certain is that the political propaganda made effective use of the southern sentiment that all attention was on the North-East's development.

### 3.2 Muslim East

Similarly, there is a growing number of Muslims who feel that their interests are not being served by the latest attempt to find a solution to armed conflict. A partial explanation can be found in the failure of a highly centralised state that ideologically and economically identifies with the Sinhala majority at the expense of minority rights and distributive justice. Land ownership and local resource control (predominantly of paddy cultivation, fishing rights and timber access) remain the dominant dividing issues in the heavily Muslim populated east, fuelling some of the most volatile situations in the country. Eastern Muslims are under the *de facto* governance of the LTTE, their grievances with this situation typically culminating in strained Muslim-Tamil relationships. The extent to which this conflict is actually fuelled by the nature of the war economy in the East is unexplored, yet clearly LTTE taxation in Muslim areas as well as Muslim trade links to the western province and the wider South Asia region are contributing factors to tensions there. The common assumption that identity-based conflict is the driving force for violence over land (over-emphasising supposedly age-old tensions between Eelam driven Tamils and Muslim 'settlers') is overly simplistic and negates economic solutions to the violence. The current peace process has not addressed Muslim political and economic reasons to either support or actively rail against a transition. Thus remains the conclusion, even without further analysis, that there are few economic motivations for Muslims to support a process that threatens to take away rather than increase their political and economic standing in the country. Instead, what has become an alternative is a steady increase in hard-line voices calling for Muslim political and economic self-determination within a breakaway eastern state.

### 3.3 Tea-Estate Tamils

The hill-country Tamil population remains the least analysed of the three, but constitutes the largest contributor to Sri Lanka's formal economy. Even though these workers have historically maintained the island's tea-estate industry, they are treated, by both the LTTE and the state, as imported workers with little or no political or economic rights and certainly no voice in the peace process. Their Indian Tamil origin has left this community in a difficult position. The Sinhala chauvinist state has consistently denied their citizenship, only very recently changing its policy to allow hill-Tamils the right to be Sri Lankan, whilst the LTTE have not recognised them as part of the Sri Lankan Tamil struggle for Eelam. Without significance in either the rebel struggle or the government's 'war for peace', neither side considered their support important, which has resulted in an identity built on alienation, exclusion, and poverty. The sea change in treatment of this group came around the time of the last election. It became vital for the LTTE to maintain hegemonic support amongst Tamils in order to build their constituency and demonstrate their legitimacy. The Tamil National Alliance (TNA) provided the legal means to contest seats in parliament, and with this opportunity to show the strength of support behind the Tamil struggle, the hill-country Tamil vote became more significant. Both the TNA and the government courted the workers, resulting in hill-country Tamil alignment with the larger Tamil cause. However, their new allegiance with the LTTE has so far failed to bring them any actual benefits. The majority of their problems results from the enormous injustice they have suffered and continue to suffer due to the state's chauvinism against minorities. To what extent their new brethren in the North-East can address these issues remains to be seen but it does seem likely that the economic dimensions of this minority group's struggle will gain relevance within the overall conflict dynamic as any peace dividend continues to evade them.

## 4. Sequencing a Way towards a Peace Economy

Even a cursory analysis of the economic investors in the island's conflict dynamic demonstrates that a durable peace agreement must pay close attention to transforming the formal, combat, shadow and coping economies. As a priority, the currently exclusive and stagnating process in Sri Lanka requires serious revision to at least enable different stakeholders to participate in the country's transformation. It goes without saying that the recovery and development process, which has become a prominent feature in the attempt to negotiate an agreement, has to be acknowledged as political in nature and thus as a necessary and distinct part of moving forward in negotiations. The main obstacles are lack of trust between protagonists, lack of constitutional innovation on the part of the GOSL to move away from unitary constitutional thinking, and extreme polarisation of visions in the Sinhala and Tamil polities that encompasses both political ideology and economic directions. Kick-starting sustainable recovery at this juncture will require negotiating these ingrained positions to utilise the small spaces that do exist. The economic dimension needs to be an integral part of this process, requiring much more analysis and more civil society thinking on sequencing steps to a recovery that can create conditions of social justice in Sri Lanka.

Donor policy – intended to aid peaceful transition – has largely failed. It seems clear that support in the form of aid came too early. It lacked coherence and consensus on the principles guiding its support. Consequently, it suffered from extreme politicisation, piecemeal implementation, uneven disbursement, and conflicting agendas within the international community. The facilitators of the process, providing soft diplomacy, could not reconcile their remit with the hard aid stance adopted by other co-chairs of the peace process. Overall, the international effort has lacked direction

and, although aid has been the primary mechanism of intervention, consideration of the complexities of the political economic landscape has been minimal. Policy of the international community in the face of this kind of negotiated peace process needs to go much further than it currently does in considering the economic rather than purely technical dimensions of transition and the relationship between economics and politics in conflict dynamics. Addressing how aid and diplomacy can work together to promote peace is likely to improve the coherence between mechanisms and could suggest ways to find a division of labour that allows different actors within the international community to capitalise on their strengths. Rushing toward often inappropriate and ill-timed liberal development has not been a cure-all solution for Sri Lanka. In fact, it has had a negative impact on the search for peace.

## 5. Conclusions

Consideration of the political economy of conflict transformation in Sri Lanka is necessary in envisaging creative solutions to its current crisis. Alongside efforts to find constitutional models suitable for a re-structured state, the fiscal dimensions of a power-sharing arrangement that considers the reality and legacy of the country's war economy demand much more attention and analysis than they currently receive. This response to Karen Ballentine's and Heiko Nitzschke's article has tried to point out that though Sri Lanka does not fit into the category of countries normally associated with the 'greed' take on conflict, neglect of its economic dimensions is highly detrimental to conflict transformation efforts. It seems that the legacy of 'resource reductionism' continues to influence how analysts look at different conflict systems. It would be more helpful to gain a deeper understanding of the variety of ways in which political economic factors pervade all conflict systems.

In order for political economic analysis to be an integral part of conflict transformation theory and practice, there not only needs to be more work on stakeholders' economic motivations within war economies, but more open thinking on who these stakeholders are. Analysing the historic reasons for state failure and the structural factors determining distributive injustices, underdevelopment and inequalities is key to identifying the range of stakeholders involved. This sort of conflict analysis links an understanding of economic dynamics with an understanding of politics. More rigorous analysis of the socio-political and economic history requires building ties with existing civil society actors and working on encouraging the growth of independent local voices. Multi-layered and multidimensional conflict transformation is required in order to encourage potential peace 'spoilers' to become part of the solution. Encouraging, for instance, the Tamil diaspora - responsible for supplying remittances and capacity to their relations in the North-East - to develop their own set of transformative principles defining the use of their 'aid' would recognise the potential of diaspora actors to be integral to conflict transformation attempts.

Sri Lanka's conflict remains resistant to durable solutions, with recent efforts to resume talks between the two primary protagonists continuing to stagnate in an unresolved impasse. The threat of escalation remains a real alternative to continuing with negotiations; no point of irreversibility has been found in this peace process. There is inspiration to be taken from the Political Economy of Conflict Transformation's round-up of current theory and practice, but there is also the potential to create new directions in this debate through encouraging analysts to consider more closely those less overt economic dimensions displayed in conflicts like Sri Lanka's.

## 6. References

- Bastian, Sunil 2004. How Development Can Undermine Peace, in: *Polity*, 2, July/August.
- Goodhand, Jonathan Forthcoming. *From War Economy to Peace Economy* (publication pending).
- Kelegama, Saman 2004. *Economic Dividend of the Post-War Period in Sri Lanka: Problems and Prospects*. (IPS Working Paper.) Singapore: Institute of Policy Studies (IPS).
- Sarvanathan, Muttukrishna 2003. *What Impedes Economic Revival in North and East of Sri Lanka*. (ICES Working Paper.) Colombo: International Centre for Ethnic Studies (ICES).

# The Challenge of War Economies: The Role of the International Community and Civil Society Organisations

Volker Böge and Angelika Spelten

## 1. Introduction

The article by Karen Ballentine and Heiko Nitzschke on *The Political Economy of Civil War and Conflict Transformation* provides an excellent overview of the topic. The authors' arguments reflect the current state of research and contribute significant new aspects to the discussion of war economies. The purpose of this commentary is therefore not to critically appraise their article but to stimulate fresh ideas for consideration and identify additional questions which, in our view, merit exploration and analysis.

In the first section, we comment on the authors' analysis of the political economy of civil war. In the second, we review their recommendations for policy action.

Karen Ballentine and Heiko Nitzschke deal convincingly with the *greed versus grievance* dichotomy. They make it clear that the study of the causes of war must move beyond the fixation on this dichotomy. They draw specific attention to time as a factor: the causes of, and motivations for, violent conflict may change over time. They also highlight the interaction of "economic motives and opportunities with socio-cultural, political, and economic grievances". Yet the authors themselves remain too entrenched in the greed and grievance discourse. This is evident, for example, from the importance they attach to methods of rational choice in conflict analysis, their adoption of the resource scarcity/ resource abundance dichotomy in the analysis of violent conflicts, and especially their adherence to the differentiation between lootable and unlootable resources. In our view, however, these schemes have only limited explanatory value.

Wars and armed conflicts can only be explained satisfactorily if they are perceived as complex social phenomena in which diverse structural causes (which *include* economic



factors) interact with stakeholders' own perceptions, interpretations and assessments of these structural aspects. The ensuing motivations trigger particular types of conduct and actions which only escalate into violence or war as events progress. For a conflict to cross the threshold into violence or war, a whole range of specific factors must come into play. The complexity of this scenario should not create a sense of fatalism or inertia but should be viewed as a chance for preventive action, for it opens up many opportunities for political intervention and conflict transformation measures. This is not fully reflected in methods of rational choice. Especially in the civil or 'new' conflicts in the crisis regions of the South, which are the focus of the article by Karen Ballentine and Heiko Nitzschke, the motives prompting stakeholders to engage in violent action often cannot be explained solely in terms of (economic) interests; indeed, in some cases, they defy all rational, interest-driven logic. This should be taken into account. In saying this, we are not advocating any reversion to the 'ancient hatred' explanations – which are quite rightly criticised in the Ballentine/Nitzschke article – or even a revival of the sometimes popular 'ethnic conflict' discourse. In our view, these approaches are far too reductionist and fail to deal with the complex causes of violent conflict. However, we would like to see motives that defy a Western and rationalistic understanding of conflict being explored as well.

We will attempt to exemplify this using the *abundance-scarcity dichotomy* discussed by Karen Ballentine and Heiko Nitzschke.

## 2. Abundance vs. Scarcity

Surplus/ abundance or scarcity of particular natural resources are highly relative socially-determined categories. In a globalised international economy based on market principles and dominated by the industrialised North (a scenario which can be summed up as 'capitalism'), oil, ores and copper resources are lucrative assets which can be converted into pecuniary value on the world markets. For stakeholders with an interest in these commodities, the issue of *abundance* arises; this may be linked with violent conflicts over access to, and exploitation of, these resources. At the same time, areas where oil or copper exists and is exploited may also be home to communities for whom these resources are fairly meaningless at first. Their (subsistence) lifestyles utilise very different resources occurring locally (i.e. agricultural land, water, forests, fish). But the exploitation of the *abundant* resources, i.e. oil or copper, may degrade and thus jeopardise these resources for the local community, potentially leading to a conflict situation, especially if the local community not only attributes economic and material significance to its key resources but also sees the forests as the home of its ancestors and uses the earth as a burial place – in other words, assigns spiritual significance to the physical world. This conflict dimension defies the West's conventional, 'enlightened' view of natural resources. Exploitation of the abundant resources, i.e. oil or copper, destroys forests and burial sites and thus impoverishes spiritual and cultural living-worlds. Once this is factored into the equation, it is debatable whether the violent conflicts in Nigeria's Niger Delta (oil), Papua New Guinea (copper) or other resource-'rich' regions of the South (Karen Ballentine and Heiko Nitzschke cite Indonesia, Sudan and DR Congo as examples) can really be described in terms of 'abundance'. From the local communities' perspective, it would be equally appropriate to emphasise the 'scarcity' factor. But neither term is adequate for the purpose of a comprehensive analysis.

We therefore conclude that ascertaining that there is an *abundance* – or, indeed, *scarcity* – of particular natural resources actually reveals very little about the (violent) conflict potential of specific scenarios. The presence of oil, copper or other resources is, at most, just one of (several)

necessary conditions that triggered the violent conflicts in the Niger Delta, Papua New Guinea, Indonesia or Congo. Before well-founded conclusions can be drawn, all the conditions, specific escalation pathways and conflict dynamics must be analysed on a case-specific basis. In the Niger Delta, for example, the motives of some local violent actors have shifted from grievance to greed as the conflict has progressed. Originally, the protest in the Niger Delta flared up as a result of the environmental destruction caused by oil production and the ensuing disintegration of traditional lifestyles and social structures (*grievance*). But as Karen Ballentine and Heiko Nitzschke also note, now that the environment has been destroyed and traditional lifestyles can no longer be maintained, many of those involved in the violence are motivated more by the desire for a 'share of the pie' and are seeking to enrich themselves in the modern market economy (*greed*).

### 3. Lootable vs. Unlootable Resources

The distinction between lootable and unlootable resources should also be analysed and its viability as an explanation of violent conflict reviewed. First of all, it is important to note that the mere presence of specific resources in a region is not an indicator that violent conflict will occur there. Australia, for example, has abundant resources which are a factor in violent conflicts all over the world. Yet the eruption of major internal conflicts over these resources in Australia any time soon is highly unlikely. In other words, it is the political, social, cultural and environmental context in which these resources are exploited and marketed, not the presence of the resources per se, that is conflict- or violence-relevant. The differences in the specific conditions are more significant than resource type in explaining violent conflict. Diamonds, oil or water are not vested with particular properties that render them especially prone to violence or conflict. However, Karen Ballentine and Heiko Nitzschke are correct to match specific resources to particular violent actors and types of violent conflict: they assert that easily exploitable resources (lootable resources) which can be extracted with minimal capital and technological input (e.g. timber, gemstones such as alluvial diamonds or narcotic crops such as opium and coca) are especially attractive to non-government violent actors such as warlords. By contrast, resources whose exploitation is technology- and capital-intensive (oil, natural gas, copper, gold, kimberlite diamonds) tend to benefit central governments, largely because exploiting and marketing these commodities involves cooperation with capital-rich external actors and transnational oil and mining companies, and requires secured control over the resource-rich territory.

In general, however, transnational oil and mining companies prefer to work with internationally recognised governments (however dubious their legitimacy may be) to avoid criticism from their home governments and the international community. Oil, etc. is therefore assumed to be *unlootable*. Karen Ballentine and Heiko Nitzschke argue that unlootable resources tend to be associated with *separatist conflicts* in which rebel organisations try to seize control of, and access to, these resources. By contrast, the exploitation of *lootable* resources does not require any government control and so these resources tend to be associated with *non-separatist conflicts*. This scheme may seem plausible at first, but the empirical basis on which to verify such assumptions is narrow. Karen Ballentine and Heiko Nitzschke themselves cite a number of violent conflicts which do not fit this scenario; in other words, linkages can also be established between *unlootable resources and non-separatist conflict*, and between *lootable resources and separatist conflict*. It would certainly be helpful to undertake further empirical research based on these hypotheses. But here, too, the question whether a violent conflict is separatist or non-separatist in nature cannot be

explained by a single variable ((un)lootable resources). Moreover, the boundaries between lootable and unlootable resources are fluid. In the Niger Delta, for example, oil – an *unlootable* resource – has recently become a *lootable* resource. A scenario which was almost inconceivable a few years ago – namely the appropriation and sale of oil on a large scale by non-government violent actors – is now commonplace in the Niger Delta.

## 4. Consistency of the Policy Options?

The policy options presented in the third part of the introductory article must be challenged in terms of their structure, methodology and consistency. Initially, the approach adopted by the authors – to categorise the mechanisms aimed at controlling war economies in terms of two clusters – appears very plausible and sensible. The first of these clusters focusses on “control regimes to curtail resource flows”; the second is concerned with addressing structural and institutional factors, i.e. the “transformation of the permissive causes of war”. The first cluster is presented and discussed primarily in terms of embargoes and schemes to promote transparency. The second cluster outlines various examples underlining the need to consider economic aspects, and especially stakeholder analysis, when developing policy strategies for reconstruction, peace processes and programmes for demobilisation, disarmament and reintegration (DDR).

But which new policy options are created by this analysis? Looking first at the second cluster, it is true that poised on the threshold between war and peace, various stakeholders weigh up the overall conditions governing their (economic) circumstances in war and peace respectively (although the question is how this can be assessed with any degree of accuracy). And having weighed up their own income-generation opportunities, many ex-combatants will undoubtedly have incentives to obstruct the transformation to peace. The reference to stakeholder analysis is logical here. However, we should not succumb to the misconception that with the help of sound analysis, there is the possibility of managing the transition from a war economy to a peace economy in a way which ensures there are no losers. After all, the whole purpose of transforming war economies is to change their underlying production processes and distribution mechanisms. Even in peacetime and under stable governments, comprehensive structural reforms may result in a fall in revenues. Shrinking profit margins are unavoidable when reforms take place, and this affects both the major profiteers as well as the overall network in which they operate. Paying full compensation for ‘losses’ is neither affordable nor sensible, as this could be viewed as an *ex post* reward for past violent or criminal conduct. In short, a dilemma – which must be managed – arises in post-war situations.

With respect to the first cluster, mechanisms to curtail resource flows and improve transparency and accountability can ultimately only be enforced by a ‘regulatory authority’ equipped with sanctioning capacities. However, national governments are often too weak, or there is no political will, to establish order, usually because the networks of the war economies have undermined the state’s ability to function. Financial flows can only be curtailed once regulatory structures are transformed. Whether this is successful depends, in turn, on the nature of the illicit financial flows.

## 5. Opportunities and Limits of Civil Society

So which stakeholders can help to break this vicious circle? In their recommendations for policy action, Karen Ballentine and Heiko Nitzschke highlight the key role of NGOs. We fully

endorse the authors' assessment to the extent that it aims to put the issue of better controls on capital and resource flows on the political agenda. Efforts should be made to raise public awareness of this theme through information and debate. However, the opportunities available to civil society should not be overstated. In regions where government institutions may be resisting comprehensive reforms, the authors place their hopes in civil society's capacity, over the long term, "to hold government to account for the use of the country's riches".

But in reality, some regions of the world are still very far removed from civil-society control of government action. The negative implications of conflict-based economic activities, aptly described by Karen Ballentine and Heiko Nitzschke, mainly arise on the margins of war economies where the demarcation of spheres of influence between various war entrepreneurs and/or the state must be asserted through force. Within these structures, however, some of these actors may actually provide a modicum of order and stability. These arrangements fall far short of human rights standards. However, from the local population's perspective, if there is a complete absence of government authority due to a lack of resources or other priorities, a bad system of law and order may still be preferable to no system at all.

A notable example for popular support of a warlord is Ismael Khan from Herat province in Afghanistan. Similar scenarios are found on the border regions between India, Myanmar, Thailand and Laos. Here, violent entrepreneurs, whose power is based on drug trafficking and therefore the financed use of force, still enjoy some measure of support and legitimacy among some local population groups. In such contexts, the 'watchdog' function of NGOs, which generally come from regional centres or the capital city, may actually exacerbate ethnic tensions and ultimately speed up the disintegration of society.

Against this background, further empirical research and discussion are required to identify civil society's opportunities – and limits – to compensate for poor regulatory policy on the part of the state.

## 6. The Role of the International Community

The international community has a key role to play in overcoming civil-war economies. In their policy options, however, Karen Ballentine and Heiko Nitzschke focus primarily on the development of sanctions. They offer a detailed analysis of the opportunities and problems associated with international sanctions and the changes that are required in this context. Their proposal for "international legal and normative frameworks" to improve the implementation and monitoring of sanctions and embargoes deserves our full support. But these frameworks only exist in countries that are still embroiled in war. Once ceasefires or peace treaties are in place, sanctions and the associated monitoring mechanisms are generally dismantled, and thus have little relevance to fragile post-war situations. Establishing new regulatory bodies and mechanisms to take on these tasks at national level is, of course, a lengthy process. International agreements are therefore required to map out the procedures which should be adopted in relation to governments which, in the medium term, are unwilling or unable to assert the state's monopoly of force and regulatory provisions. This begs the question whether the current practice – in which the removal of sanctions is also the signal for the UN expert panels and monitoring mechanisms to suspend their activities – is genuinely useful and appropriate. It would be helpful to determine whether these mechanisms could be redeployed, in a modified form, to safeguard the transparency of financial and trade flows during this critical phase.

Key issues arising in this context are the coherence of international strategies and the development of standardised ‘formats’. We would like to add to Karen Ballentine and Heiko Nitzschke’s recommendation that governments, International Financial Institutions (IFIs) and the private financial market should adopt the principles of the Publish What You Pay campaign: we believe that the World Bank, the International Monetary Fund and other UN organisations should link their commitment in post-war situations to the conclusion of an agreement providing for close international monitoring of trade and transaction flows for a limited period. Donor governments could, by agreement, also make commitments in the framework of their development policy subject to this condition.

## 7. Lack of Gender Sensitivity

Last but not least, we would like to cast a critical eye at the article’s lack of gender sensitivity. Karen Ballantine and Heiko Nitzschke completely ignore half of humankind, namely women as stakeholders, with the result that both their stakeholder analysis and their recommended policy options are gender-blind. The specific roles of women in the combat economy, shadow economy and especially the coping economy deserve more detailed study. In the context of the political economy of civil war in particular, women are not just passive victims but independent actors. Not least, the task of safeguarding material reproduction – both in families and in relation to the violent actors in civil conflicts in Southern countries – generally devolves on women. The various types of sanctions therefore have a different impact on women and men, and when wars and war economies end, women and men are confronted with different, gender-specific challenges. The more progressive DDR programmes now involve ex-combatants’ families and communities in the transformation process. However, less attention is given to the importance attached to bearing arms and the willingness to resort to violence in the local context – or, conversely, the willingness to disarm and participate in peaceful conflict resolution – in terms of culturally determined notions of femininity and masculinity. In Afghanistan, for example, some militias claim that their existence is essential to protect women. Here, the violent defence of women is a significant badge of honour and respect in the community. In some demographic groups, a young man with a Kalashnikov has better marriage prospects than a demobilised ex-combatant. What level of social prestige is enjoyed by drug traffickers compared with beekeepers – a sector in which training courses and financial support are offered within the framework of DDR programmes in Afghanistan?

A stakeholder analysis which does not contain a more detailed study of how the challenges of transforming war economies impact on specific gender roles and on male and female involvement as objects and subjects in war economies is far from complete.

## Reply to our Discussants

Karen Ballentine and Heiko Nitzschke

First and foremost, we would like to thank the contributors for their constructive and insightful comments and the Berghof Center for initiating this stimulating dialogue. While space does not permit us to comprehensively reply to the many valuable comments, we would like to briefly respond to four of the key issues raised: the problems of the greed versus grievance framework; the explanatory utility of the “lootable/ unlootable” distinction for disaggregating the varying impacts on conflict dynamics of different types of natural resources; the role of international economic actors; and the role of international development assistance.

### 1. The Greed vs. Grievance Dichotomy

Most of our discussants objected, many strenuously, to this dichotomy and the simplistic policy prescriptions that it may lead to. Clearly, economic or political economy approaches to conflict offer only *one* lens by which to approach as complex a phenomenon as violent conflict. As we indicated in our essay, they are not the only, nor necessarily a superior, analytical framework for understanding the sources of contemporary conflict. Indeed, we share our respondents’ concerns regarding the dangers of economic reductionism, a danger that was particularly pronounced in the early stages of the greed versus grievance debate, in which some proponents argued, in our view inaccurately, that civil wars were essentially caused by self-consciously “loot-seeking rebels”. This said, political economy analyses – and here we stress the *plural*, since there is a wide variety of theoretical approaches – offer a useful way of exploring the economic dimensions of armed conflict,

which, however fundamental, were an understudied area of conflict analysis.<sup>1</sup> These perspectives have brought renewed analytical attention to the complex interactions between development and security, to the corrosive and destabilizing effects of corruption, inequitable resource distribution, unaccountable investment, unsustainable resource exploitation and the role they play in triggering and sustaining armed violence. Focusing on these economic factors certainly does not mean that other explanatory variables for violence and conflict, such as culture and identity, state failure, security dilemmas, or political exclusion, should be discarded. Indeed, a more fruitful line of inquiry is to analyse conflict dynamics in terms of the complex and shifting interactions among these factors. This was the approach taken by the contributors to the volume *The Political Economy of Armed Conflict: Beyond Greed and Grievance* (Ballentine and Sherman 2003). One of the principal findings of this research was that among the cases studied, economic factors, whether construed as greed, grievance or something else, were nowhere the sole cause of conflict, but in some instances did play a signal role in shaping the character and duration of hostilities as well as posing obstacles for effective resolution. For this reason, they need to be taken into account by those policymakers seeking ways to achieve sustainable peace.

## 2. Lootable vs. Unlootable Natural Resources and Conflict

While our discussants took issue with this conceptual distinction, we nevertheless believe that it has heuristic merit in helping to disaggregate the different impacts on conflict of different types of natural resource endowments. And indeed, Michael Ross, the principal author of this conceptual framework, meant it as a heuristic device, cautioning, too, that the posited relationships between lootable and unlootable resources and conflict dynamics are propositions to be tested, not truths to be assumed. That his analytical distinction between lootable and non-lootable resources does not neatly apply to all conflicts, or is sometimes blurred – as Volker Böge and Angelika Spelten point out in connection with massive looting of oil in Nigeria – is a statement with which we agree. Ross himself has sought to clarify this distinction by noting that some “unlootable resources”, like oil when transported through vulnerable pipelines, may still be “obstructable” by armed groups, and thereby complicate conflict dynamics (Ross 2003). While one may take issue with the finer points of this, or any conceptual distinction, the fact is that it has helped to make clear that different natural resource endowments matter to conflict in different ways. And exploring these connections further is vital to designing appropriate policy responses in specific cases.

In terms of policy prescriptions, where conflict has been fuelled by the exploitation of lootable resources, peacebuilding efforts face additional challenges. Since these resources are often located in areas not under effective government control, their exploitation tends to be artisanal, and they generate important livelihoods for civilians. Against this background, peacebuilding support by the UN and multiple donors has given priority to restoring order and transparency in the diamond industry. In terms of the socio-economic aspects of the diamond exploitation in Sierra Leone, the Peace Diamonds Alliance as well as the Campaign for Just Mining were designed not only to provide income to the government by expanding the scope of licensed mining and raising official diamond exports; the programmes also ensure regular incomes, fair prices, and human rights education to artisanal miners and their communities. While diamonds smuggling is still pervasive,

<sup>1</sup> Alongside the rational-choice-influenced “rebel-centric” framework employed by Collier et al., other approaches emphasize state failure (Reno 1995), functionalism (Keen 1998), horizontal inequalities (Stewart 2002), punitive terms of trade (Addison and Murshed 2001, 2003), and the ill-fitting neo-classical prescriptions of IMF-sponsored structural adjustment programmes (Pugh and Cooper 2004).

official exports have dramatically risen, a result also of Sierra Leone's membership in the Kimberley Process.

The focus on the role and impact of unlootable resources and conflict highlights the need for transparent fiscal management and equitable distribution of resource rents as an important aspect of conflict prevention and peacebuilding. Often, it is exactly in the lucrative oil and gas sector where governance problems are most visible. And the attention that policymakers are now giving to the issue of resource revenue management has benefited from the connections made between the resource curse and violent conflict. Here it must be stressed that revenue sharing is increasingly regarded as a critical component of both sustainable development and conflict prevention. The use of multi-stakeholder trust funds in the Chad-Cameroon pipeline project, in Azerbaijan, and as proposed for eastern DRC (Heller, Krasner, McMillan 2003), are but one mechanism by which countries have sought to escape the pathologies of the resource-curse. The recognised importance of transparent and equitable resource management for conflict prevention is also reflected in the UN High Level Panel Report's recommendation that "the United Nations should work with national authorities, international financial institutions, civil society organizations and the private sector to develop norms governing the management of natural resources for countries emerging from or at risk of conflict." (United Nations 2004, 35.)

### 3. The International Dimension of Civil War (Economies)

Clearly, so-called "internal wars" have a variety of important international dimensions. That they are systematically connected to, and dependent on, international financial, commodity, and arms markets is a central fact. As Olu Arowobusoye and Peter Lock rightly point out, analysis and policy recommendations need to take this dimension into account. This applies to the trade in small arms, a perennial struggle fought by NGOs both in the North and the South and supported by a group of like-minded governments. Yet, it also applies to the range of actors – notably mercenaries, black marketers, transnational criminal organisations and others – who engage in the business of war and who benefit from conflict trade.

As the contributors also point out, some early work on the political economy of conflict that focused on "greedy rebels" tended to ignore the international dimension, particularly the negative impact on stability and development of the main agents of "economic globalisation": transnational corporations, and the international donor community. This is, happily, no longer the case. There is a body of empirical and policy analyses aimed at elucidating the ways in which otherwise legitimate business operations and investments in unstable countries may exacerbate violence, corruption and human rights abuse, whether directly, indirectly, inadvertently, or purposefully (Ballentine and Nitzschke 2004). Instances abound where oil, gas, and mining companies have played a contributing role in human rights violations, environmental pollution, and corruption in host countries, thereby exacerbating a vicious cycle of repression, protest and armed violence. Unregulated financial deals between extractive industry companies and repressive and unaccountable host governments, in particular, have become a major target of international criticism and policy action. In Angola, for instance, revenues from internationally-financed oil production have been systematically siphoned off by government elites, while the vast majority of the population suffers from devastating poverty – a situation which has changed little despite the end of hostilities. As such, we agree with Olu Arowobusoye that focusing also on the "demand side" of the equation is crucial. Numerous policy options are being developed to redress the negative impacts



of international trade and investment, in particular the role of the international extractives sector, on vulnerable or war-affected states which can be adapted and applied to conflict situations (Ballentine and Nitzschke 2005, Malone and Nitzschke 2005). As important, there is now an increased recognition that companies in conflict zones can no longer hide behind the fiction of “business as usual”: there is a compelling need for robust and effective global standards for the improved conduct of international corporations, particularly where local rule of law is weak or absent, and a need to hold these actors accountable where their activities are implicated in gross violation of international human rights and humanitarian law (International Peace Academy and Fafo AIS 2005, United Nations, Office of the High Commissioner on Human Rights 2005).

## 4. The Role of Donors in Conflict and Conflict Management

Our discussants were highly critical of the role of international lending policies, as well as of the relative marginalization of the issue in our essay. To the latter, we would reply simply that space considerations and a desire to emphasize some less familiar research dictated this omission. The problematic and indeed harmful impacts of neo-liberal prescriptions for developing economies have been well-studied. Many experts have come to criticize the contemporary peacebuilding orthodoxy of “liberal interventionism” for its rigid and often counter-productive reconstruction strategies based on early privatisation, economic liberalization, and macroeconomic stabilization (Paris 2002, 2004; Pugh 2002). As International Financial Institutions (IFIs) such as the World Bank and the International Monetary Fund become increasingly involved in conflict prevention and post-conflict reconstruction, there is dire need to reconsider their positive and negative impact in war-torn states. As Peter Lock puts it, “under the conditionality of international creditors, post-conflict governments have little room for manoeuvre.” Others have stressed the dangers of imposing generic Structural Adjustment Programs (SAPs) on countries emerging from conflict, where the constraints and challenges are utterly different. According to Susan Woodward, “the war economies that must be transformed to peacetime economies in contemporary cases of civil war are not emergency adjustments to an otherwise normal economy but an entire transformation of social and political institutions” (Woodward 2002, 192). IFIs thus need to review their post-conflict macroeconomic and fiscal strategies, relaxing stringent austerity so as to allow greater priority on restoring basic livelihoods and institution building. War-torn states do not need “less” government and “more markets”, they need to create better functioning and more accountable government and markets.

The poor record of aid conditionality tends to obscure sober discussion on its potentially positive benefits. If conditionality were directed in the interest of the recipients’ welfare rather than donor politics, it could become a positive lever for post-conflict recovery, particularly in the areas of anti-corruption, economic diversification, and restoration of equitable and effective management of natural resource exploitation. In all cases, such conditionality would achieve little unless accompanied by concerted donor support for training and capacity building. We thus agree that there is a need for more systematic analysis and frank discussion on what should be the appropriate role of the IFIs and of bilateral donors, and on what types of lending conditionality is warranted and best-suited to the particular challenges facing war-affected countries, even if effecting actual policy change remains a daunting uphill battle.

## 5. References

- Addison, Tony and S. Mansoob Murshed (eds.) 2003. Explaining Violent Conflict: Going Beyond Greed Versus Grievance, in: *Journal of International Development* 15, 4 (special edition, May), 391-396.
- Ballentine, Karen and Heiko Nitzschke 2005. *Profiting from Peace: Managing the Resource Dimension of Civil War*. Boulder: Lynne Rienner Publishers.
- Heller, Thomas, Stephen Krasner and John McMillan 2003. 'A Trust Fund for Ituri', mimeo, Center for Democracy, Development, and the Rule of Law, Stanford University, December 7, 2003. Accessible at [www.faculty-gsb.stanford.edu/mcmillan/personal\\_page/documents/Ituri.pdf](http://www.faculty-gsb.stanford.edu/mcmillan/personal_page/documents/Ituri.pdf).
- International Peace Academy and Fafo Institute for Applied International Studies (Fafo AIS) 2005. *Business and International Crimes: Assessing the Liability of Business Entities for Grave Violations of International Law*. Oslo: Fafo AIS.
- Malone, David M. and Heiko Nitzschke 2005. *Economic Agendas in Civil Wars: What We Know, What We Need to Know*. (UNU-WIDER Discussion Paper 2005). Helsinki: UNU-WIDER, January.
- Paris, Roland 2002. International Peacebuilding and the 'Mission Civilatrice', in: *Review of International Studies*, 28, 4, 637-656.
- Paris, Roland 2004. *At War's End: Building Peace After Civil Conflict*. Cambridge: Cambridge University Press.
- United Nations 2004. *A More Secure World: A Shared Responsibility*. New York City: United Nations High Level Panel on Threats, Challenges and Change.
- United Nations, Office of the High Commissioner on Human Rights 2005. Report of the United Nations High Commissioner on Human Rights on the responsibilities of transnational corporations and related business enterprises with regard to human rights. Geneva: Office of the High Commissioner of Human Rights, February 15, 2005, doc E/CN.4/2005/91.

(All other references can be found in Karen Ballentine and Heiko Nitzschke's introductory article.)

## About the Contributors

### Karen Ballentine

Karen Ballentine is senior consultant with the New Security Program of the Fafo Institute in Norway. From 2000-2003, she was senior associate with the International Peace Academy, directing the program on Economic Agendas in Civil Wars, and research associate for the Commission on the Prevention of Deadly Conflict at the Carnegie Corporation of New York (1994 to 2000). In 2002, she served as rapporteur for the Stockholm Process on the Implementation of Targeted Sanctions. She has also served as a consultant for the UN Global Compact, the Human Security Report, and the Millennium Development Goals. She is co-author (with Jack Snyder) of *Nationalism and the Marketplace of Ideas* (in *International Security*); and co-editor (with Jake Sherman) of *The Political Economy of Armed Conflict: Beyond Greed and Grievance* (Lynne Rienner Publishers, 2003), (with Michael Nest) of *The Economic Dimensions of Conflict and Conflict Resolution in the DRC* (Lynne Rienner Publishers, forthcoming), and (with Heiko Nitzschke) of *Toward Profitable Peace: Managing the Resource Dimension of Armed Conflict* (Lynne Rienner Publishers, forthcoming).

### Heiko Nitzschke

Heiko Nitzschke was senior program officer for the International Peace Academy's program on Economic Agendas in Civil Wars from 2002-2004, before joining the German Foreign Service. Prior to that, he has worked with the World Bank, Transparency International, and Oxfam America. He holds Master degrees in public administration and international affairs from the University of Potsdam, Germany, and Columbia University. He is author of IPA policy reports and journal articles on the political economy of armed conflict, including *Transforming War Economies: Challenges for Peacemaking and Peacebuilding*, and (with Karen Ballentine) *Business and Conflict: An Assessment of Issues and Options* (in *Die Friedens-Warte*). He is co-editor (with Karen Ballentine) of *Toward Profitable Peace: Managing the Resource Dimension of Armed Conflict* (Lynne Rienner Publishers, forthcoming).

### Olu Arowobusoye

Olu Arowobusoye is a former Nigerian career diplomat. He has previously worked with International Alert and Comic Relief in the UK, before taking up his current position as the Director of Humanitarian Affairs – Office of the Deputy Executive Secretary for Political Affairs, Defence and Security of the Economic Community of West African States (ECOWAS). The views expressed in this article do not in any way reflect the position of ECOWAS, but purely that of the author.

### Peter Lock

Peter Lock holds a diploma in rural sociology and economics, and a Ph.D. in international relations. His professional career spans coordinating programmes of the German Voluntary Service in Andean countries; research and teaching at the universities of Hamburg, Hannover, Bremen, Berlin and Kassel; and serving as research coordinator at the Berghof Institute for Peace and Conflict Studies from 1989 to 1992. Since 1993 he has been working as independent researcher and coordinator of the European Association for Research on Transformation (EART e.V.), a Russian-German research network of social scientists currently involved in *Challenge - The changing landscape of European Liberty and Security*, a EU-financed international research network. You can learn more at [www.Peter-Lock.de](http://www.Peter-Lock.de).



### Nicola Palmer

Nicola Palmer has been living and working in Sri Lanka for the past four years. After initially undertaking research for the UN Special Rapporteur for violence against women at the International Centre for Ethnic Studies, she contributed to an anthropological study of social suffering due to war. Her next position was with the Berghof Foundation for Conflict Studies' Sri Lanka Office, where she developed and coordinated their work on Political Economy.

### Angelika Spelten

Angelika Spelten, trained as a political scientist, has studied the role of development cooperation in the context of political tensions and crises for 15 years. Working at the interface between research, policy advice and project management, she has been involved with a variety of organisations and is currently employed as a senior researcher at the Institute for Peace and Development (INEF), University of Duisburg-Essen. She is a member of the Working Group on Development and Peace (FriEnt), established by German government organisations and NGOs to develop coherence and cooperation in the fields of development and peacebuilding. Her key areas of interest are early warning and prevention strategies, markets of violence, and conflict transformation processes.

### Volker Böge

Volker Böge, Dr. phil, is senior researcher at the Bonn International Center for Conversion (BICC). Current areas of interest include: conflicts and crisis prevention in cross-border river catchment areas in Southern Africa; comparative analysis of peacebuilding processes; and the role of the private sector in violent conflicts. His involvement with peace and conflict studies goes back more than twenty years, and includes work at the Institute for Peace Research and Security Policy at the University of Hamburg (IFSH), the University of Hamburg's Research Unit on Wars, Armament and Development (FRKE), and the Institute for Development and Peace (INEF) at the University of Duisburg. He has a particular interest in conflicts in the Pacific Region, which he has researched for many years. His numerous publications include the recent work *Muschelgeld und Blutdiamanten. Traditionale Konfliktbearbeitung in zeitgenössischen Gewaltkonflikten*, Hamburg 2004.

## **The Berghof Handbook: Transforming Ethnopolitical Conflict**

The Berghof Handbook offers both practitioners and scholars a systematic overview of the state-of-the-art of conflict transformation. In response to the contemporary challenges of violent conflict and to recent developments in the field of conflict transformation, the Berghof Handbook summarises and promotes dialogue about the „state of the art“ in the theory and practice of crisis prevention and non-violence, peace consolidation and the civil management of inter-group conflicts. The Berghof Handbook is designed primarily for practitioners seeking ideas and information for their own work and wishing to draw on the wealth of experience amassed by their colleagues in a range of regions and contexts. It is also intended for experts in politics, research and journalism.



**Alex Austin, Martina Fischer, Norbert Ropers (Eds.)  
The Berghof Handbook 2004.**

**473 pp.  
39,90 €  
ISBN 3-8 100-39 40-3**

**To order at:**

**VS Verlag**  
Abraham-Lincoln-Straße 46  
D-65189 Wiesbaden  
Fax +49(0) 611-7878-420  
[www.vs-verlag.de](http://www.vs-verlag.de)

