

‘War Commodities’ and the Settlement of Civil Conflicts

Philippe Le Billon
Liu Institute for Global Issues and Department of Geography
University of British Columbia

Abstract

The economic agendas of belligerents, including war profiteering, can represent major obstacles to the resolution of armed conflicts. This paper examines the distinctive characteristics of ‘war commodities’ constituting a significant share of the economy of many contemporary conflicts, and reviews a number of related conflict settlement initiatives and international instruments of enforcement. Putting the case of Colombia in perspective with conflicts in Africa and South East Asia, the paper suggests that the diversity of war commodities, the illegality of drugs, the international economic integration of the country, and the entrenched economic interests crossing belligerent lines represent altogether a major obstacle to a resolution of this aspect of the Colombian conflict.

Las agendas económicas de los beligerantes en conflictos armados, incluyendo el mercantilismo de la guerra, pueden representar obstáculos importantes a la resolución de los conflictos. Este trabajo examina las características distintivas de los ‘bienes de guerra’ que constituyen una parte importante de la economía en muchos conflictos contemporáneos. También revisa una variedad de iniciativas relacionadas a la resolución de conflictos, junto a instrumentos internacionales para su refuerzo. Comparando el caso Colombiano con conflictos en África y Asia Sur-Oriental, el trabajo sugiere que la diversidad de los bienes de guerra, el carácter ilícito de la narcoproducción, la integración económica internacional del país, y los intereses económicos de los diversos sectores beligerantes representan en conjunto un obstáculo importante a una resolución de éste aspecto del conflicto colombiano.

Introduction

The end of the Cold War have left many war economies to rely on sources of income other than foreign sponsorship, such as diaspora remittances, commercial activities, and economic crimes. Whereas some belligerents have been able to benefit from foreign aid and military support or tax revenues from a diversified economy, many others have had to rely on revenues from locally available and internationally marketable primary commodities.¹ In many developing countries, where the overwhelming majority of conflicts took place during the last decade, revenues benefiting belligerents have essentially been associated with the exploitation and commercialisation of primary commodities as gems stones, oil, timber, or cash crops including narcotic plants. This has been particularly the case for insurgent groups benefiting from a weak domestic tax base and limited outside support. Belligerents have raised revenues from these sectors in a number of ways, including the award of corporate concession contracts for (future) access to resources; direct exploitation or business partnerships; and taxation, protection schemes, theft, or racketeering of resource companies, their subcontractors, or the local economy. For the purpose of this paper, war commodities are defined as commodities whose control, exploitation, trade, taxation or protection contributes to, or benefits from the context of war.²

While for some belligerents war commodities have only served to finance a politically oriented struggle and occasionally allowed them to put into practice economic reforms such as the redistribution of land, access to resources, and progressive labour relations, for others (sometimes within the same armed groups) profits from war commodities have become an end in themselves, with violence and the context of war providing the means and impunity to access these revenues. Belligerents tend to use whatever means accessible to them to finance, or profit from civil conflicts, the specificity of such war economies and the distinctiveness of war commodities may have some significant implications for the settlement of these conflicts. In Angola, for

¹ Primary commodities, commodities, and resources are alternatively used in this paper.

² War commodities are also frequently called 'conflict goods'. This definition builds upon definitions by Neil Cooper, 'Conflict Goods: the Challenge for Peacekeeping and Conflict Prevention', *International Peacekeeping*, vol. 8, no.3, 2001, p. 27; and Global Witness, 'The Logs of War. The Timber Trade and Armed Conflict', FAFO report 379, March 2002, p. 7.

example, oil and diamonds came to dominate the economy of the conflict in the 1990s.³ Exclusive access to off-shore oil fields provided revenues and loans to the government, allowing it to continue fighting the UNITA rebel movement despite losing Soviet and Cuban support. Similarly, UNITA sustained its insurrection by accessing diamond fields difficult for the government to control. This dual flow of revenues to belligerents constituted one of the main obstacles to an effective settlement of the conflict, prolonging it for a decade and bringing about the death of more than half a million people before the government was finally able to secure a military victory in the context of an international economic embargo on UNITA.

Building on previous work examining the relative importance of natural resources in relation to the causes and dynamics of civil conflicts, I focus in this paper on the obstacles posed by distinct war commodities on the resolution of conflicts. While rejecting a simplistic ‘environmental determinism’, I argue in the first section that the distinctive characteristics of war commodities, in terms of their territoriality, political economy, and accessibility associate them with specific types of conflicts. In the second section, I present some of the arguments and findings relating war commodities and the duration of conflicts. In the third sections, I briefly review international instruments targeting war commodities, arguing that wealth-sharing agreements have frequently collapsed in the absence of third party enforcement and overwhelming sanctioning costs to the weaker party. In the last section I discuss the relevance of such approach to the case of Colombia and suggest that the diversity of commodities, including the illegality of some of them, and the intricate economic links between opposing parties represent major obstacles to a resolution of the Colombian conflict.

Civil conflicts and ‘war commodities’

³ Philippe Le Billon, ‘Angola’s Political Economy of War: The Role of Oil and Diamonds, 1975-2000’, *African Affairs*, vol. 100, 2001, p. 67.

A discussion of the relationships between primary commodities and the causes of conflict falls beyond the scope of this paper, but several aspects can be briefly presented.⁴ The first aspect relates to the economy and politics of primary commodity export dependent countries, many of which face a pattern of growth collapse, corruption, and delegitimised state authority. While many developing countries, such as Colombia have move away from a near-total dependence on primary commodity export, the issue of translating resource exploitation into political stability and economic development remains central for entire regions, most crucially in Africa, the Persian Gulf, and Central Asia. The second aspect concerns the economic, environmental or socio-cultural dimensions of conflicts related to resource exploitation between local populations, business interests, the state, and global environmental and human rights groups. While most of these conflicts are either peacefully resolved, or limited to social protest movements and small-scale skirmishes, in some cases patterns of violence, political radicalisation, and opportunism have given rise to full-scale civil wars. The last aspect, on which this paper focuses, is the operational and motivational dependence of armed groups on commodity revenues. Accessible and internationally marketable commodities such as diamonds, timber, or drugs have figured prominently in armed conflicts during the 1990s. Arguably, natural resources have provided the bulk of revenues financing wars in developing countries since the end of Cold War.

This section examines the distinctiveness of commodities relevant to the dynamics and potential settlement of on-going conflicts, with a focus on the level of accessibility to commodity revenues by belligerents. Among belligerents, many studies focus on accessibility by rebel groups, taking for granted the legitimacy of the government and confining the issue of government 'war profiteering' to corruption and lack of accountability rather than to a structural pattern associated with the causes and/or the prolongation of war.

⁴ See Paul Collier and Anke Hoeffler, 'Greed and Grievance in Civil War', (Washington DC: World Bank, October 2001); Michael T. Klare, *Resource Wars: The Changing Landscape of Global Conflict* (New York: Henry Holt, 2001); Philippe Le Billon, 'The Political Ecology of War: Natural Resources and Armed Conflicts', *Political Geography*, vol. 20, no. 5, 2001, pp. 561-584; Michael Ross, 'How Does Natural Resource Wealth Influence Civil War?', mimeo (Berkeley, CA: UCLA, 2001).

At its most basic, this accessibility is determined by the *ability to secure resource sites*, which is often jeopardized military, socio-economic, and relative location of resource exploitation and transport factors. Among these factors are: underpaid and poorly disciplined government security forces facing motivated and well-equipped opposition groups, the absence of a ‘social fence’ securing the site due to resentment and antagonisms with local populations, and unfavourable terrain in remote or border regions.

The *physical and market characteristics of resources*, which help determine the physical, technological, and legal accessibility of markets and the amount of financial revenues. The main characteristics include the ease of exploitation and transport, the price per volume, and the legality or criminal nature of production and trading. The accessibility of belligerents to commodity revenues are largely dictated by their characteristics in terms to their *lootability*: the ease of resource exploitation, theft, and transportation; their *obstructability*: the ease of blocking production and transport allowing for extortion revenues; and their *legality* with respect to domestic and international markets.⁵ For example, on-shore oil is not highly lootable but easily obstructable, while alluvial diamonds are highly lootable but largely unobstructable. Ross tests several hypotheses in relation to these three characteristics, suggesting that the higher the lootability of a resource, the more likely it is to benefit local peoples, the poor, and rebel groups.⁶ Lootable resources also seem to prolong control and to create problems of discipline within armed groups controlling them. Less lootable resources are more likely to lead to separatist conflicts, since they may benefit less local people. If obstructable, resources are more likely to prolong and intensify conflicts. Finally, illegal resources are more likely to benefit rebels, unless the government is willing to endure international sanctions.

Finally, the *behaviour of businesses* also determine the ease with which belligerents can access resources revenues. These relations range from advance payments to belligerents to keep ‘open lines’ and secure future interests, concession contracts, joint

⁵ See Le Billon, ‘The Political Ecology of War’; Ross, M. (Forthcoming) ‘Oil, Drugs, and Diamonds: How Do Natural Resources Vary in their Impact on Civil War?’, in Ballentine, K. and Sherman, J. (eds.) *Beyond Greed and Grievance: The Political Economy of Armed Conflict* (Boulder, CO: Lynne Rienner).

⁶ Ross, ‘Oil, Drugs, and Diamonds’.

ventures, brokering, commodity purchase, taxation, to the payment of protection money or ransom for kidnapping.

As such, the specific spatial, political, and economic characteristics of commodities can define the relative accessibility and rewards afforded to belligerents, and in particular rebel forces through exploitation, theft, or extortion (see Table 1).

-- Table 1 --

Le Billon also stresses the importance of specific commodities on the sustainability of revenue flows in relation to the prolongation of armed conflicts, the tactics and 'seasonality' of commodity-related violence, and the relationships between opposing belligerents.⁷ Commodities bringing high returns on short-term investments can motivate entrepreneurs to take bigger risks (e.g. alluvial diamonds), while some commodities can be exploited despite chronic violence and forced displacement during relatively short peaceful intervals (e.g. perennial crops such as coffee). The seasonality of harvests for cash crops, or the influence of climate on phases of exploitation (e.g. screening of diamantiferous gravel at the beginning of the rainy season) can also mark the rhythm of violence accompanying looting and extortion. Finally, exploitation and access to markets may demand commercially motivated temporary cease-fires or other agreements (e.g. transportation of timber).⁸

Beyond the practical implication of accessing revenues for profits, recruitment, access to arms and support networks, commodities can also have a discursive significance in the conflict. A discourse of foreign exploitation and corruption can serve to justify continued insurrection, either along a class-based or ethnic register (e.g. oil is stolen from 'the people'/'our' place by a 'corrupt'/'distant' domestic elite serving the interests of foreign corporate interests). Similarly a discourse of criminalisation can strengthen the self-legitimation of authoritarian rule and the choice of military options over negotiated settlements (e.g. 'criminal' drug-trafficking armed groups are threatening

⁷ Le Billon, Philippe (Forthcoming) *Fuelling War: Natural Resources and Armed Conflicts*. Adelphi Paper (Oxford: Oxford University Press/IISS).

⁸ For an econometric model of equilibrium between predators and producers, see Mehlum, Halvor, Karl Ove Moene, and Ragnar Torvik (2001) 'The Market for Extortions', Discussion Paper 2001/26, WIDER/UNU.

the interests of the state, corrupting the democratic workings of society, and opposing international law).

Taking into considerations the political economy, discursive, and geographical characteristics of resources, four broad categories of primary commodities can be broadly using spatial concepts of relative location vis à vis the government, expressed in terms of 'proximity' or 'distance', as well as to the relative concentration of access, expressed in terms of 'point' or 'diffuse' resources. As such:

- ***proximate resources*** are close to the center of power (i.e. firmly under the control of the government) and less likely to be captured by rebels than those close to a border region inhabited by a group lacking official political representation.
- ***distant resources*** are located in remote territories along porous borders, or within the territory of social groups politically marginalized or in opposition to the extant regime (i.e. under tenuous or controversial control of the government).
- ***diffuse resources*** are spatial spread over vast areas and often exploited by less capital-intensive industries. These include alluvial gems and minerals, timber, agricultural products, and fish.
- ***point resources*** are spatially concentrated in small areas and include mainly resources that can be exploited by capital-intensive extractive industries, such as deep-shaft mining or oil exploitation, and which generally employ a small workforce.

Based on these different categories, resources are more likely to be associated with specific types of conflicts (see Table 2). The argument is not that conflicts in oil-producing countries can only be secessions or coup d'état because oil is a point resource, but that resources contextualise political mobilisation as well as the motivations, strategies, and capabilities of belligerents. Furthermore, if the characteristics of a commodity influence the motives of conflicts and balance of opportunities between opposing parties, complicity between members of supposedly opposing groups, corruption and involvement of government officials or agencies in the illegal economy are frequently blurring the boundaries of these neat categories. The distinctiveness of commodities may, however, play a role in determining the type of armed activity and most effective processes of conflict settlement.

-- Table 2 --

Resources and coup d'états

Point resources are more accessible to governments than rebels because they are less lootable than diffuse resources and exploitation and trade often depend on international political recognition for mobilising investors and accessing markets. If rebel movements cannot engage in extortion from vulnerable infrastructures and staff – and in the absence of alternative sources of finance and a political basis for secession – their best option is to rapidly capture the state through a coup d'état in the capital city. Failing to succeed, one may expect the conflict to rapidly end through a military victory of the government.

Resources and warlordism

While rebel movements generally attempt to overthrow the incumbent regime, the existence of lootable diffuse resources distant from the centre of power can provide an economically viable fall-back position in case of failure, as it did in the case of Charles Taylor in Liberia in the early 1990s. Rebel groups thereby create areas of *de facto* sovereignty imposed through violence and defined by criminal and commercial opportunities, such as mining, forested, or border/smuggling areas. Areas where resources can be obstructed, such as pipelines or railway, can also become the target of such practices.

Resources and secessions

Most secession attempts have a historical basis, yet resource wealth offers a strong incentive for secession to local opposition movements. The control of such resources (or in some cases the 'myth' their existence or the wealth such control would procure) is a powerful tool for political justification and mobilisation of opposition, while the prospect of future revenues is an additional source of motivation. Because opposition groups are often required to assume sovereign rights to access point resources, they are more likely to be associated with secession than warlordism. Unable or unwilling to gain control over the existing centre of power, secessionist movements have an interest in asserting sovereign claims over the lucrative peripheral regions they claim as theirs. Although

these valuable resources can prove difficult, if not impossible, to access through direct exploitation, theft, or extortion,

Resources and peasant/mass rebellion

Diffuse resources involving large numbers of producers are more likely to be associated with rioting in nearby centres of power, such as a provincial or national capital, and with support for peasant or mass rebellions involving class or ethnicity issues. The displacement or exclusion of peasants by agribusinesses and poor labour conditions on large plantations has prompted political mobilisation and the expansion of revolutionary struggles in Latin America and Southeast Asia. Highly coercive forms of warlordism are less likely to be economically sustainable than 'participatory' forms of rebellions because of the need to sustain a large volume of labour input and the difficulty of controlling workers over large areas. Conditions of slavery and control of labour can be imposed through hostage-taking, over short periods but like most predatory economic activities, these cannot be sustained over the long-term. Rather, a balance of economic incentives to sustain peasant productiveness and coercion to maintain its military viability is likely to emerge. Over time, and to minimise local challenges while maximizing revenues, the armed faction is likely to act as a 'protector' towards local populations, more in the sense of a Mafia group than a welfare state, possibly replacing some of the local patrons. Such 'protection' is most welcomed in the case of commodities coming under threat from the central government or competing groups. The expansion of the New People's Army in the Philippines in the 1970-80s largely came in association with the protection of peasant population whose subsistence agriculture was threatened by agribusinesses, logging companies and hydropower projects supported by the government of Ferdinand Marcos. Similarly, FARC guerrilla units in Colombia have provided protection to peasants on land holdings and guaranteed minimum prices for both coca and agricultural products.⁹ Both groups, however, the FARC and the NPA secured most of their support and funding from taxation and extortion schemes related to drugs trafficking and cattle ranches, and plantations, logging, and mining, respectively.

⁹ Alain Labrousse, 'Colombie -Pérou: Violence Politique et Logique Criminelle', in François Jean and Jean-Christophe Rufin (ed.), *Economie des Guerres Civiles* (Paris: Hachette, 1996), p. 386.

Resources and foreign interventions

Foreign interventions occur in all types of armed conflicts detailed above, and often involve indirect control over ‘strategic resources’ such as oil or major mineral deposits and the protection of major commercial and strategic interests. External actors may also intervene in secessionist attempts by manipulating local political identities into providing access to resources. Within the turmoil of Belgian Congo’s independence, Anglo-Saxon and Belgian commercial interests eager to secure their hold on copper mines in the province of Katanga supported a secession led by Moïse Tshombe, leading to military clashes between corporate-funded foreign mercenaries and UN troops supporting the unity of the country.¹⁰ More recently, the *de facto* secession of eastern provinces in the DRC since 1998 has been accompanied by a virulent debate over the inclusiveness of Congolese citizenship and the rights of populations from so-called ‘Rwandan origins’ to access land and mineral resources.¹¹ Secure access to critical energy and raw material supplies, not to mention profits from these resources, can motivate foreign interventions by industrialised countries. Noting the growth of mass consumerism and the ‘economisation’ of international affairs in the 1990s, political scientist Michael Klare fears that such foreign interventions will increase in the coming decades.¹² Asia’s growing energy demand is of particular concern for traditional large oil importers. Market forces and technological progress have mitigating effects. Yet, as the case of Iraq suggests, the readiness of some countries to secure their access to resources through military force, as well as the political instability of many producing regions also present major risks.

War commodities and the duration of armed conflicts

¹⁰ Jean-Marie Balancie and Arnaud de La Grange, *Mondes Rebelles. Guerres Civiles et Violences Politiques* (Paris: Michalon, 1999), p. 446-8.

¹¹ Interview with Prof. Séverin Mugangu, Université Catholique de Bukavu, April 2002.

¹² Klare, *Resource Wars*.

War commodities may affect the duration of armed conflicts in several ways. In terms of prolonging conflicts, commodity revenues can first provide a financial support to the weaker side enabling it, and possibly motivating it to fight longer militarily. Second, revenues can also create a financial incentive for opposing armed groups to settle into a 'comfortable conflict stalemate' that is mutually beneficial and relatively non-threatening in order to control, produce or market resources. In Cambodia, for example, the Khmer Rouge controlled the forests, while the government controlled access to markets.¹³ Neither side had an immediate financial incentive to change this status quo. While such relationship can lower the intensity of a conflict, it does not systematically translate into a lower impact for civilians and can provide an incentive to sustain a context of war to maintain a privileged access to resources, as in the case of drugs in particular. Third, resources can also prolong conflicts by providing political networks of support, including 'private resource diplomacy'. UNITA's diamonds not only allowed the rebel movement to buy arms, but also secured diplomatic and logistical support from regional political leaders.¹⁴ On the other side of that conflict, the MPLA rapidly gained favour with major western powers and their oil companies once it was established that UNITA had lost the elections and was unable to gain power through military means. Fourth, not only bilateral actors may be inclined to accommodate commercial interests benefiting their corporations, but commodity revenues also decreases the potential leverage of donors to exercise pressure on the government in favour of a negotiated settlement. Finally, access to commodity revenues can act as a divisive factor among domestic and international players. Resource wealth can prolong conflict by weakening the application of a cease-fire or peace agreement by local commandants who stand to lose financially from

¹³ The Khmer Rouge benefited from export authorizations granted by the Cambodian co-Prime Ministers to Thai companies operating in its areas. The Khmer Rouge also directly benefited from logging fees paid by companies based in government-controlled areas. These fees were crucial to the viability of small Khmer Rouge groups located in 'front-line districts' far from the main bases along the Thai border. Government soldiers and authorities were of course able to collect fees from these same companies. Interviews with former KR soldiers and commanders, Pailin and Along Veng, 2001.

¹⁴ United Nations, Report of the Panel of Experts on Violations of Security Council Sanctions Against UNITA S/2000/203 (New York: United Nations Secretariat, 2000).

resources their control, hence potentially leading to a factionalisation of movements along lines of commercial interests.

Although resource wealth tends to prolong wars, it can also shorten them in several ways. First, it can produce an overwhelming concentration of revenues in the hands of one party, as oil did for the Angolan government. The government's consequent ability to rearm and reorganise allowed it to mount a decisive military campaign between 1999 and 2002 against UNITA.¹⁵ Second, a government's greater access to resources can motivate rebel groups to defect to the government and provide an incentive in peace negotiations, or even lure rebel leaders to the capital to allow their capture. Local commanders or movements eager to protect their commercial interests may strike a peace agreement with the government, as occurred within several armed groups in Burma. Pressure points, such as economic sanctions and the cooperation of neighbouring countries in closing their border to rebel trade, as well as trust-building mechanisms around wealth sharing agreements can be essential in this regard (see below). Finally, the control of commodity revenues can create problems of trust and discipline within movements, with fragmentation often affecting rebel movements as a result of the 'bottom up' direction of resource flows (i.e. from local units to headquarter).¹⁶ While as noted earlier, this process can lead to a prolongation of the conflict, the weakening of discipline and chains of command can also reduce the military effectiveness of the movement. A Khmer Rouge commander noted:

¹⁵ After disengaging in late 1997 from the richest mines due to a combination of political compromise, loss of regional allies, and military pressure, UNITA also faced many difficulties to exchange its diamonds for arms and logistical support due to an increasingly effective sanction regime. Ironically, UNITA's diamonds wealth in the early to mid-1990s may have encouraged its leadership to pursue a bold but ultimately self-defeating conventional warfare strategy that the rebel movement was not able to sustain (see Assis Malaquias, 'Diamonds Are a Guerilla's Best Friend: the Impact of Illicit Wealth on Insurgency Strategy', *Third World Quarterly*, vol. 22, no. 3, 2001, pp. 311-25).

¹⁶ In contrast, when resources follow a top-bottom flow within the movement – which tended to occur during the Cold War through foreign sponsorship – leaders can maintain a greater degree of control over their allies and subordinates. see Keen, *The Economic Functions of Violence*.

‘The big problem with getting our funding from business [rather than China] was to prevent an explosion of the movement because everybody likes to do business and soldiers risked doing more business than fighting’.¹⁷

In order to prevent such an ‘explosion’, or fragmentation, the Khmer Rouge fully supported soldiers and their families and tightly controlled cross-border movements. The hierarchy also supervised business dealings by local units.¹⁸ To prevent such fragmentation and loss of control, the leadership may also retain authority through a mix of leadership charisma, ideology, and coercive measures.¹⁹ In the case of the Khmer Rouge, tensions arose because of financial disparities between Rouge regional units, leading to a fragmentation, massive defections, and the ultimate demise of the movement in the midst of internecine conflicts.²⁰ Finally, the economic agendas of rebel groups

¹⁷ Interview with the author, Cambodia, January 2001.

¹⁸ In 1996, a new commander was sent to a local Khmer Rouge unit that had become too cosy with provincial authorities as well as to settle a contractual dispute with the movement; fourteen workers and the boss of the logging company involved were captured and beheaded.

¹⁹ UNITA’s security apparatus, the status of Savimbi as ‘all seeing’ among many of the rank and file, as well as severe punishment including summary executions for such offences as alcohol making or drinking, stealing diamonds, or disrespect for officers, long instilled fear and a culture of strict discipline within UNITA’s ranks and the general population. To protect diamond-mining operations and prevent diggers from ‘stealing’ high-quality stones that it systematically seized, UNITA set up a special force reportedly headed by late UNITA vice-president Antonio Dembo. Torture and summary executions of diggers by UNITA soldiers or Congolese ‘collaborators’ explain much about the movement’s capacity to control and centralise the diamonds business and prevent fragmentation and corruption.

²⁰ This process tracked the decline of gem mining revenue from reserve depletion and military attacks on mining sites, as well as the drying up of logging revenue as the Thai government closed its border to trade with the Khmer Rouge following pressure from a British NGO, Global Witness, and the US administration. The fall of logging revenues from mid 1995 onwards increased tensions and distrust within the leadership of the movement throughout 1996. In the southwestern part of the country -- the Khmer Rouge-controlled area with gems and richest in timber -- local commanders resisted demands by the party elite in the north for more orthodox policies and increased revenue transfer. As both sides of the divided movement accused each other of embezzling money, the crisis led to infighting and let to atomised negotiations with the government. Local Khmer Rouge commanders defecting to the government obtained partial control of their territory and its resources, as well as tax exemptions on fuel imports and financial aid to build schools. Government cronies also set up several casinos in the semi-autonomous territories in partnership with former Khmer Rouge cadres.

allows to portray them more easily as mere economically driven ‘bandits’, possibly making them more vulnerable to losing domestic and international political legitimacy. Ignoring similar ‘criminal’ practices on the part of government officials or paramilitary groups thus facilitates in turn the sanctioning and political isolation of rebel movements like the RUF, UNITA and the FARC. Such a policy can, of course, run the risk of marginalizing a negotiated settlement of the conflict in favour of coercive options that may not settle more rapidly the conflict.

Ross examines the differential impact of specific commodities on the duration of fifteen conflicts according to their lootability and obstructability with regard to three hypothesis: funding supporting the weakest party, discipline problems, and financial incentives not to abide by a peace settlement.²¹ He finds support for the hypothesis that lootable commodities and to lesser extent obstructable commodities prolong war by financing the weaker side of a conflict, and creating discipline problems, while a general conclusion cannot be drawn from the effect of financial incentives on peace settlements. The other hypotheses (‘private diplomacy support’, aid conditionality, criminalisation, financial incentive to abide to negotiated settlement) have not yet been examined.

War commodities and the negotiation and enforcement of conflict settlement

Increased awareness of the importance of ‘war commodities’ in civil wars has resulted in a growing number of initiatives to negotiate or enforce a conflict settlement. This section briefly reviews wealth-sharing mechanisms and international regulatory instruments, the challenges that they face, and assesses their effectiveness (for a summary, see Annex 1).

Wealth sharing negotiations

The economic logics of commercial profits and ‘peace dividend’ as well as some of the grievances of rebel groups would suggest that wealth sharing could play a significant role in the negotiated settlement of civil conflicts. Such negotiations can take place between all parties, with specific factions, or even only local units. In Cambodia, several Khmer Rouge commanders defected to the Cambodian government after being guaranteed

²¹ Ross, ‘Oil, Drugs and Diamonds’.

amnesty and continued control over gems and timber resources. The Government of Sudan was able to attract international investors and companies in large part thanks to the 1997 Sudan/Khartoum Peace Agreement, which was boycotted by the rebel Sudanese People's Liberation Army (SPLA) but which established an effective if short-lived cease-fire with some southern factions in control of the oil fields. This included a wealth-sharing accord between the parties that was incorporated into the 1999 constitution.

The caveat is that unsupervised or ill-considered wealth-sharing mechanisms can prolong wars rather than consolidate peace, even if they can tactically be used to bring belligerents to the negotiating table. As part of the Lomé peace agreement over the conflict in Sierra Leone, the leader of the RUF, Foday Sankoh, was appointed Chairman of the Commission for the Management of Strategic Mineral Resources (CMRRD). Sankoh used this position to make numerous deals on his own or the RUF's exclusive behalf. Ultimately, the only benefit of this initiative was purely logistical: Foday Sankoh took up residence in the capital, which facilitated his eventual arrest after RUF guards in Freetown fired at people demonstrating against the movement in May 2000. Wealth-sharing mechanism in Angola similarly failed, while allowing both parties to rearm during the peace lull.

Analogous to the process of demobilisation of soldiers and supervision of elections attendant to most peace processes, a war economy should be 'demobilised' and 'supervised'. Too frequently, these periods of uncertainty and hope are used as mere breathing spaces for military reorganisation and rearmament. The economic aspects of peace processes are generally neglected and too often placed under the initiative of belligerents jockeying for key economic positions within the new authority or simply embezzling funds to re-arm. Economic supervision instruments controlling resource and financial flows could prove to be a powerful instrument to reduce levels of conflict trade while fostering legitimate trade benefiting the population and increasing a greater degree of trust between belligerent through the use of a third party (see Figure 1).

-- Figure 1 --

Such instruments are, of course, likely to be resisted by governments and rebels movements at war, but cease-fires and peace agreements may provide an opportunity to use such measures. Beyond sanctions and global regulatory measures, it is thus

imperative to set up practical regulatory frameworks depriving belligerents of revenues that would allow them to follow a double agenda of peace transition and rearmament, as has happened repeatedly in the 1990s.

The 'oil for food' program, set up to assist in the implementation of UN sanctions against Iraq and lessen their humanitarian impact, represents an early example of such scheme. There are now numerous calls for creating a transparent and accountable oil sector in Iraq, even if some Iraqi exiles have declared that they would not accept a third party supervision of the oil sector.²² Despite being cumbersome and having only achieved limited results, the UN expert panel on Liberia has recommended a similar program to prevent the proceeds of the Liberian shipping and corporate registry from financing arms sanctions-busting.²³ The Security Council has moved in this direction by calling upon the government of Liberia to establish transparent and internationally verifiable audit regimes over its use of revenues derived from both its shipping and corporate registry as well as the timber industry, to demonstrate these are not used for busting sanctions but for 'legitimate social, humanitarian and development purposes' (S/RES/1408). The attempt by the IMF to audit the oil sector in Angola in 2000 and 2001 also aimed, in part, at reducing the unaccountability of public finances by a government at war. A leaked IMF report estimated that about \$4 billion had gone 'missing' between 1997 and 2001.²⁴ The indirect oversight role of the World Bank over the Chad-Cameroon Petroleum Development and Pipeline Project intended to prevent conflicts and prioritise the allocation of oil revenues to social sectors.

With an ongoing war, rising oil-revenues and a viable (if fraught) peace process, Sudan is a strong candidate for a supervised wealth-sharing mechanism between the different parties and the population. Military threats to oil operations have dramatically increased since some of these southern factions signatory to the 1997 Khartoum Peace Agreement rejoined the SPLA, but the logic of an agreement on peace and revenue sharing persists. Some government officials have declared that 'oil-sharing for cease-fire deal makes sense', but SPLA leader John Garang himself is against sharing oil revenues

²² Press release by Transparency International, Berlin, 30 April 2003;

²³ S/2001/1015, para. 59.

²⁴ The Economist, 'Measuring corruption', 26 October 2002, p. 48.

absent a broader agreement.²⁵ Some SPLA officials even acknowledge that without proper supervision each party is likely simply to increase its military capacity, resulting in an intensification of the war.²⁶ An economic supervision scheme may also probably benefit the population of the Democratic Republic of Congo.

Like many other enforcement mechanisms, the effectiveness of economic supervision appears to be highly relative (see below). The economic situation of the target, the nature of the resource involved, willingness and compliance mechanisms on resource businesses, and the potential leverage of international authorities are key to its success. In any case, the complexity of the administration of such instrument, its transaction cost, and the many possible loopholes should not be underestimated. Furthermore, and although the autocratic control of resource revenues has long been an influential instrument of political order and stability, the key to long-term success, furthermore, is a strong democratic control over resource revenues, rather than a weak external mode of regulation.²⁷ In this regard, an external supervision scheme risks creating a façade of legitimacy through a partial control of the resource rents by a few selected civil-society representatives and foreign advisors, and an early integration of domestic political institutions is thus necessary (e.g. parliamentary commissions on natural resources and on budget).

International Instruments of Enforcement

International regulatory instruments range from purely voluntary measures designed and adopted by resource businesses, to mandatory regulations imposed by intergovernmental bodies under international law. They also include market-based legal instruments creating an incentive for compliance (e.g. tax rebates or market access/reward linked to ethical business practices). Each type of instrument has its own advantages and disadvantages, which will vary according to the type of target (actors, activities, or resources). Voluntary instruments have the advantage of a greater ownership of policy and better adaptation to specific conditions faced by companies, but can be limited in scope – generally

²⁵ Cited in ‘God, Oil and Country’, (Brussels: International Crisis Group, 2002), p. 195.

²⁶ Interview with SPLA official, Nairobi, November 2001.

²⁷ Interview by the author with Charmian Gooch, Global Witness, London, June 2002.

concentrating on core activities – and frequently lack accountability through independent auditing and enforcement. Although only legal instruments offer the opportunity of consistent and fair judgments, as well as greater deterrence, it should not be taken for granted that a mandatory international instrument will prove more effective than a voluntary one given the frequent lack of enforcement of international treaties by domestic authorities. Many recent instruments are now mixing voluntary membership and mandatory compliance - through significant incentives to join, peer or independent monitoring, and credible mutual enforcement and threats to ensure compliance (such as the Financial Action Task Force on Money Laundering) and may prove the most effective in the current international economic and political environment.

Overall, there is growing consensus that despite recent progress, current international enforcement instruments have been largely ineffective and insufficient,²⁸ in part because they are facing major challenges, including:

- Economic sectors are largely operated by private profit-driven actors coming under a variety of jurisdictions, and occasionally including international criminal outfits;
- Lack of capacity and perverse incentives in police, customs, and judiciary systems in many countries, most notably conflict-affected countries;
- Protection of private and public economic and strategic interests by authorities (e.g. corrupt interests of state officials, protection of multinational corporations, access to strategic commodities such as oil, international political alliances);
- Problems of consensus, coordination, and commitment by states and multilateral agencies at national, regional and international levels hinder effective enforcement;

²⁸ Stock-taking workshop on the regulation of the private sector in relation to armed conflicts, International Alert, 17 October 2002; Philippe Le Billon, Jake Sherman, and Marcia Hartwell, 'Controlling Illicit Resource Flows to Civil Wars: A review and analysis of current policies & legal instruments' (New York: International Peace Academy, 2002); Neil Cooper, 'Conflict Goods: the Challenge for Peacekeeping and Conflict Prevention', *International Peacekeeping*, vol. 8, no.3, 2001, p. 27; Jake Sherman, 'Policies and

- Uneven jurisdiction at the international level creates major loopholes (e.g. off-shore banking and incorporation).

So far, regulatory initiatives with regard to war commodities have focused on two areas: corporate conduct and trade regimes/economic sanctions.

Corporate conduct

If investment and commercial activities are essential to economic and human development, resource businesses need to recognise that they can produce - in the main, unintentionally – a number of negative consequences. These include:

- Increasing inequalities and economic rents amenable to factional control;
- Sustaining poor governance by participating in the corruption and legitimisation of unrepresentative and repressive authorities;
- Directly or indirectly contributing to human rights abuse by degrading local livelihoods and resource entitlements, accepting forced or child labour, or the use of disproportionate force by security forces protecting their operations and staff;
- Hindering peace processes by voluntarily or involuntarily bankrolling belligerents and thereby reducing the leverage of local populations, international institutions, and foreign powers (i.e. commercially driven diplomacy).

Once a conflict has started, businesses often play a role of financial intermediary for belligerents. Although some businesses simply attempt to cope with a degrading political and security context, others see in the situation an opportunity or competitive advantage. The complicity of businesses in conflicts varies from simple economic intermediaries to complex forms of influence, including political and military support. Operating in instable areas, businesses are also frequently to act as financial supporters and brokers for arms deals. There is a clear need for a regulatory framework and instruments of enforcement to influence the behaviour of businesses in relation to conflicts. Several instruments need to be given particular attention:

OECD Guidelines for Multinational Enterprises

Binding on member states, but not on multinational enterprises, these Guidelines currently represent the most potent and broad-based instrument for the regulation of corporate conduct, especially in terms of financial transparency and human rights.²⁹ The Guidelines' compliance mechanism offers a limited capacity of enforcement through the Guidelines' National Contact Points. With specific reference to enterprises operating in conflict-affected countries, an OECD background note invited enterprises to contribute by "improving management in the immediate vicinity of their operations (especially of security forces and resettlement operations); [and] participating in the search for long-term solutions to these countries' problems by helping them move toward healthier public governance (in particular by becoming more transparent in their financial relations with troubled host countries)".³⁰

This instrument, however, is lacking in global coverage (e.g. Southeast Asian and Chinese multinational enterprises) and is generally slow, ineffective, and biased towards the interests of the enterprises rather than those of affected populations. It could be strengthened if more countries adhered to the Guidelines, the OECD Council strengthened its compliance mechanism, notably for instance of violations occurring in non-participating countries, and National Contact Points in charge of its implementation increased their capacity (and will) to intervene more decisively.

'Publish what you pay' and Transparency initiative

There is a strong argument in favour of global and mandatory instruments given the financial confidentiality clauses imposed by many host governments on resource exploitation contracts and the competitive nature of trade. Mandatory legislation in home countries would provide the legal ground for overturning these financial confidential clauses. Applied globally, a mandatory instrument would also help to create a level playing field for all companies. More generally, such instruments would also have the

²⁹ Howen, N. (2001) *Business wrongs and rights: human rights and the developing international legal obligations of companies*. Geneva: International Council on Human Rights.

³⁰ OECD Guidelines for Multinational Enterprises - Annual Report 2002.

advantage of being relatively cheap to implement, since it would rely on available accounting data. Such legislation would avoid the charge of being ‘neo-colonial’, since it simply provides information on revenues to the public, without dictating the ways in which they should be allocated. Given these advantages, these measures should be promoted as an essential element of good governance of the global economy.

In 2002, the UK Prime Minister Tony Blair launched at the WSSD meeting in Johannesburg the ‘Extractive Industries Transparency Project’, which is being backed by a number of governments and major companies and could lead to either a voluntary or mandatory transparency instrument. A coalition of NGOs led by George Soros and Global Witness is currently seeking to fill the lack of transparency in fiscal reporting by companies operating with corrupt regimes through their ‘Publish What You Pay’ campaign, which aims at making the disclosure of all payments by oil, gas, and mining companies to host governments a mandatory condition for being listed by international stock exchanges.³¹ Because this latter measure would not affect non-listed companies, such as privately owned or state companies, the campaign also aims to set similar obligations of public disclosure under national or regional company law. A further loophole that will need to be addressed concerns the regulation of international brokers registered in offshore jurisdictions and para-statal companies in host countries. Such brokers specialise in carrying out the ‘dirty work’ of obtaining resource concessions (often through corrupt deals), before selling them on in a ‘clean’ manner to resource companies. Local ‘sleeping partners’ associated with the operations of resource companies, in the form of board directors or para-statal companies in charge of some subcontracting operations, also act as vehicles for corruption by diverting large cash bonuses, commissions, or profit shares.³² A system of mandatory disclosure, peer-review and industry certification associated with financial incentives and possibly market access would thus need to be extended to these types of companies.

³¹ ‘Publish What You Pay’, press release (London: Global Witness, 13 June 2002).

³² For more details, see Paper 2, ‘Reporting on Resource Revenues’.

'US-UK Voluntary Principles on Security and Human Rights'

Adopted in December 2000 by a number of (mostly resource-based) companies and NGOs at the initiative of the US and UK governments, this instrument defines voluntary and principles to guide companies in maintaining the safety and security of their operations within an operating framework that ensures respect for human rights and fundamental freedoms.³³ Participating companies themselves have noted that there remain practical barriers to the viability of the principles, with significant delays and difficulties experienced in application. Lacking compliance assessment by third parties, like most voluntary codes of conduct, the efficacy of these principles pivots on the good will and priorities of individual managers, as well as the operational context in which they have to take decisions, the profit motive, competitive pressures, and the practices of local security agencies constituting formidable countervailing forces. This instrument provides a useful model of collaboration between governments, resource companies, and human rights groups. In particular, continued dialogue between parties provides the opportunity of reviewing the principles and sharing experiences in implementing them. The instrument is open to new parties and could therefore set a global standard, although some companies operating in conflict areas and most exposed to the problems of abusive and unaccountable security arrangements are not welcome for fear of bad publicity for the initiative.

Mandatory ethical review and code of conduct for TNC activity in conflict zones
Lawyers from the University of Toronto Investments have drafted a preliminary code of conduct that could be adopted by national governments.³⁴ This code defines the responsibility of TNCs to ensure that their activities are not contributing to human rights abuses or to the enhancement of the capacity of repressive regimes; that their security

³³ The initial participants are Chevron, Texaco, Freeport MacMoran, Conoco, Shell, BP, Rio Tinto, Human Rights Watch, Amnesty International, International Alert, Lawyers Committee for Human Rights, Fund for Peace, Prince of Wales Business Leaders Forum, International Federation of Chemical, Energy, Mine and General Workers Unions.

³⁴ Georgette Gagnon, Audrey Macklin, Penelope Simons (2003) *Deconstructing Engagement: Corporate self-regulation in conflict zones – implications for human rights and Canadian public policy*. Relationships in Transition.

arrangements in conflict zones shall observe international human rights norms and relevant domestic laws and standards; that they should conduct an independent risk assessment including human rights and humanitarian consequences for their investments in conflict zones, which should itself be approved by a Corporate Social Responsibility Group. This proposal also recommends the creation of an ethical review process for investments in countries identified as 'conflict prone'; specific criminal offences for breaking the code; and the protection of 'whistleblower' employees.

Payment of ransom

The payment of ransom for kidnapping can be particularly lucrative for armed groups, and there have been calls for curtailing such payments, possibly through prohibiting the use of kidnapping insurances.³⁵

Trade regimes and economic sanctions

International trade regimes and economic sanctions represent some of the most powerful instruments of enforcement bearing on trans-border trade in conflict resources. There is a significant experience in the field of trade regimes in primary commodities relating to non-economic interests, mostly through the Convention on the International Trade of Endangered Species and to some extent the international conventions on narcotics production and trafficking. In both cases, extensive enforcement mechanisms have been deployed by customs and specialised agencies with mixed results - the profitability of trade, inconspicuousness of 'high value/low bulk' goods, and continued demand constituting major obstacles. Similar obstacles are now being faced by the agreement on a 'Kimberley Certification Process Scheme', which seeks to rid the international rough diamonds trade of 'conflict diamonds' by establishing a voluntary system of industry self-regulation.

Kimberley Certification Process Scheme

In force since January 2003, the Kimberley Scheme suffers from a number of weaknesses including a failure to establish sufficiently strong independent monitoring requirements and penalties for non-compliance, as well as a major loop-hole for non-participating

³⁵ Azam, Jean-Paul, Paul Collier and Anke Hoeffler (2001) International Policies on Civil Conflict: an Economic Perspective. Manuscript (14 December 2001).

countries able to access the polished diamonds market by setting up polishing and cutting activities. The Kimberley Scheme, however, is likely to deter large scale diamonds mining investments in rebel held territories in the future (as seen in Angola prior to the UN sanctions on diamonds), slightly increase the risks and possibly lower profits for dealing in conflict and illicit diamonds, and help curbing illicit trading and increase transparency in the trade with the possibility of improving government and corporate accountability. It is unlikely that a similar trade regime be rapidly established for other natural resources, given the exceptional characteristics of diamonds and its involvement in armed conflicts. Other types of schemes emphasising the legality of production and trading processes, however, are currently being devised notably in the timber sector (e.g. EU's Forest Law Enforcement, Governance and Trade initiative). Criteria for legality and commodity-tracking along the supply chain constitute two of the major challenges for such initiatives.

UN Convention against Transnational Organized Crime

The UN Convention against Transnational Organized Crime could be completed, such as it has been on arms and human trafficking, with a protocol specifically addressing the 'Illicit Exploitation of and Trafficking in Natural Resources' could be examined. This protocol could cover a broad range of issues for conflict prevention and conflict termination purposes, including financial complicity in war crimes, application of certification and sanctions regimes, legality of exploitation, record keeping and public access to import/export and revenue figures, and financial transparency of governments and private sector. To such ends, the protocol would provides provisions relating to the prevention of offences and requesting a criminalisation of offences, as well as requiring the record-keeping of production and trade in natural resources, marking/tracking of traded resources, international trading licensing and authorization systems, and the registration and licensing of brokers. The impact of such a protocol on small-scale producers and traders, especially in developing countries, should be carefully assessed in order to not create further economic imbalance to their disadvantage.

UN economic sanctions and expert panels

While general trade regimes remain at a fledging stage with regard to conflict resources, there is a longer experience regarding specific economic sanctions even if these have been mostly deployed by the United Nations over the last decade. The effectiveness of UN sanctions, as well as that of other multilateral institutions or national governments, remains debated. Judging by the record of conflict termination in the 1990s, military interventions appear to be a more effective instrument than commodity sanctions.

Advocates of sanction regimes point out, however, that sanctions have often played a weakening role on the targeted groups. The main problem faced by sanctions regimes has been their effective enforcement. In this regard, a major recent initiative has been the creation of independent expert panels mandated by the Security Council to investigate violations. These panels have greatly improved the knowledge about sanction violations and war economies, allowed for the 'naming and shaming' of violators, and provided innovative recommendations to the Security Council. With peace in Angola and Sierra Leone, the use of expert panels will be greatly reduced. There is a need to reflect on this experience, notably to consolidate the future use of such instrument, and to create of a small permanent unit tracking war economies and sanctions violators.

Targeted sanctions should remain at the core of an enforcement strategy to deal with conflict resources. Such sanctions should be even further informed by the findings of expert panels, and most importantly, the Security Council should promote greater linkages with national-level judicial instruments to achieve the criminal prosecution of sanctions busters, directly through domestic governments or through regional organisations and possibly donors and international financial institutions through aid conditionally.

Discussion

This paper has reviewed some of the relationships between war commodities and conflicts, focusing on the accessibility to revenues by rebel groups and the impact on the duration of conflicts. To sum up, resources can participate in shaping the type of armed conflict taking place, objectives of territorial control, relations between belligerents and

populations, as well as the duration and intensity of the conflict. Resources can also affect the internal cohesion of armed movements, occasionally leading to their fragmentation, as well as to instances of collusion between adversaries. Although the availability of resources tends generally to prolong conflicts, under certain circumstances it may in fact contribute to conflict termination.

War commodities are far from representing the only source of revenue for guerrilla movements, paramilitary groups, and the government in Colombia. A large proportion of the income of guerrilla movements comes from the extortion of non-commodity sectors, including through kidnapping of people unrelated to resource sectors, as well as investments in many sectors of the economy both domestically and internationally.³⁶ War commodities are nevertheless significant to the dynamics of the conflicts in Colombia, in particular through drugs and oil, but also other sectors such as coal, gold, coffee and cattle.

Drugs probably represent the greatest challenge in terms of conflict settlement. In terms of negotiation, the government is unlikely to negotiate a viable sharing agreement on this commodity with armed groups - as for example occurred in Burma - since the commodity is illegal. Although the Colombian government appeared to have *de facto* followed such a path in the past, the current stand and influence of the US, as well as the further criminalisation of insurgency by the current government do not point at such an option. Furthermore, in terms of enforcement, international instruments regarding the regulation of drug have long been in place and forcefully implemented at production, trade, and financial levels with only a very relative success and at the cost of a further militarisation of the conflict. Finally, like most other drug producing countries, there remain the basic issue of livelihood options to be addressed for a vast impoverished peasantry, not to mention the question of the perpetuation of lifestyles and aspirations associated with 'quick money' generated for some by drugs.

Oil represents another challenge, but also possibly an opportunity for the settlement of the Colombian. Unlike drugs, the redistribution of oil revenues can become a bargaining chip in negotiations, especially if the progressive socio-economic agenda of

³⁶ Rangel Suarez, Afredo (2000) 'Parasites and Predators: Guerrillas and the Insurrection Economy in Colombia', *Journal of International Affairs* 53(2): 577-601.

insurgent groups is to be taken seriously. Like with the issue of land redistribution, oil revenue distribution can constitute a major aspect of negotiations for a settlement of the conflict. However, the US government involvement in the defence of the Coveñas oil pipeline can strengthen the argument of those pointing at a further militarisation of the conflict, rather than a negotiation and development approach preferred by some oil companies.³⁷

Along with other legal economic sectors subjected to theft and extortion schemes, agricultural commodities and cattle in particular have long provided a source of revenues to armed groups. In their history of Colombia, Safford and Palacios characterize the late period *La Violencia* from the mid-1950s to the mid-1960s as one integrating a prominent form of 'mafia violence' focusing on extortion of coffee producers and cattle rustling.³⁸ By the late 1990s, these schemes had been extended to a number of other sectors including most prominently gold and coal mining, but also road and river transport.³⁹

The paper has also briefly reviewed the main international initiatives currently undertaken or considered with regard to war commodities. Even if well implemented, international instruments of enforcement are unlikely to put a complete halt to the mobilization of war commodities in armed conflicts. This is especially the case in a conflict like Colombia where a locally based - but internationally connected - war economy is well entrenched and unlikely to be affected by international instruments. Such instruments may be able to drastically reduce the profitability of legal war commodities by raising the production and transaction costs of belligerents and their accomplices. Yet these raised costs need to be sufficiently high, however, to reflect the significant discounts that belligerents are often willing to make. Furthermore, many of the revenues are generated by extortion, rather than production and trade, entailing an policy of protection rather than sanction of the affected sectors of the economy. Moreover, drugs

³⁷ Pearce, Jenny (2002) *Beyond the Perimeter Fence: Oil and Armed Conflict in Colombia*. Manuscript.

³⁸ Safford, Frank and Marco Palacios (2002) *Colombia: Fragmented Land, Divided Society*. Oxford: Oxford University Press.

³⁹ Richani, Nazih (2002) *Systems of Violence: The Political Economy of War and Peace in Colombia*. SUNY; Rangel Suarez, Alfredo (2000) 'Parasites and Predators: Guerrillas and the Insurrection Economy in Colombia', *Journal of International Affairs* 53(2): 577-601.

are not so much concerned by such economic mechanisms since there is no alternative legal source of supply to drive prices down (which does not mean however that prices cannot be reduced by international competition in this market).

Finally, although falling beyond the scope of this paper, it must be noted that while profit making has been recently stressed among the motivations of belligerents, this is far from been always the case. Politically motivated belligerents will generally find ways to adapt their struggle to more difficult economic conditions resulting from effective enforcement measures. Such economic difficulty can, however, have major implications on the military capability of insurgents potentially promoting a settlement of the conflict through negotiations and/or military victory.

Table 1 – ‘War commodity’ accessibility by rebel forces⁴⁰

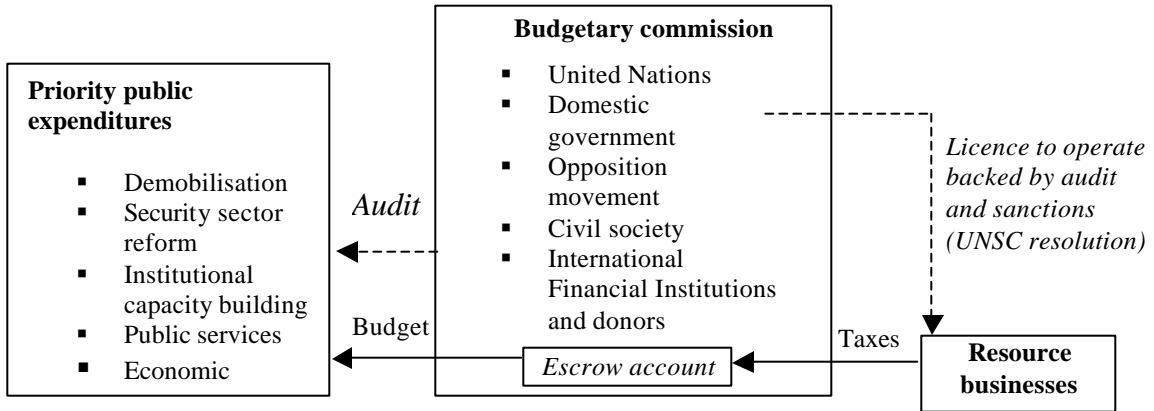
Resource	Accessibility by rebel forces			Price range (\$/Kg)
	Exploitation	Theft	Extortion	
Alluvial gems and minerals	High	High	High	20 – 500,000
Drugs	High	High	High	???
Cattle ranching	Medium	High	High	???
Timber	Medium	Medium	High	0.1
Agricultural commodities	Medium	Medium	Medium	1.5 (<i>coffee</i>)
On-shore oil	Low	Medium	High	0.12
Kimberlite diamonds	Low	Medium	Medium	500,000
Deep-shaft minerals	Low	Low	Medium	2 (<i>copper</i>)
Off-shore oil	Low	Low	Low	0.12

Table 2 - Relation between the characteristics of resources and types of conflicts

<i>Characteristics</i>	Point	Diffuse
Proximate	Coup d’etat / foreign intervention	Peasant/mass rebellion
Distant	Secession	Warlordism

⁴⁰ Approximate price in producing country during the 1990s, adapted from Richard Auty, ‘How Natural Resources Can Generate Civil Strife’, *Geopolitics*, (Forthcoming), and interview with Gavin Hayman, Global Witness, London, June 2002.

Figure 1 – Economic supervision scheme during peace processes



Annex 1 – Main instruments, goals, and effectiveness

Instrument	Goal	Institutional structure	Selected cases	Effectiveness	Future plans
<i>Sanction regimes</i>					
UN Security Council Sanctions	Conflict attenuation and resolution through economic leverage and criminalisation	Mandatory. International law implemented by member states and targeting states, groups, or individuals	Southern Rhodesia, Iraq, Yugoslavia, Cambodia, Libya, Haiti Angola, Afghanistan, Sierra Leone, Liberia	Strong to medium , if effectively enforced	More precisely targeted sanctions and effective criminalisation of sanction busting by member states
Regional sanctions (e.g. by ECOWAS)	Conflict attenuation and resolution through economic leverage	Mandatory. Regional regulation implemented by member states and targeting states, groups, or individuals	Burundi, Liberia, Sierra Leone	Medium , function of implementation by neighboring/trading countries	Improved compliance and enforcement mechanisms by member states.
UN experts panels	Report on sanctions violations and war economies and recommend follow-up actions	Voluntary. Independent group of experts mandated by the UN Security Council and reporting to the UN Secretary General	Angola, D.R. Congo, Sierra Leone, Liberia	High in terms of exposure and ‘naming and shaming’. Weak in terms of enforcement via recommendations	Systematic use during sanction regimes. Centralised support unit
<i>Judicial instruments</i>					
International Convention for the Suppression of the Financing of Terrorism	Prevent the financing of terrorism	Mandatory. Implementation by States overseeing activities of private sector and individuals		Potentially strong , function of relation to ‘Al Qaeda’. Weak for other types of terrorists (besides use by national authorities)	Possible application of the broad definition of terrorism to include all war criminals. Development of relevant financial tracking mechanisms.
International Criminal Court	Provide an international jurisdiction over war crimes, genocide, crimes against humanity	Mandatory. International tribunal.		Untested.	Possible extension of jurisdiction to financial accomplices of crimes covered by Statute.

UN Convention against Organised Crime	Promote international legal standards on resource exploitation and trade	Mandatory. Implementation by States		Untested.	Possible protocol on the 'Illicit Exploitation of and Trafficking in Natural Resources''
Certification regimes					
Kimberley Certification Process Scheme	Prevent laundering of 'conflict diamonds' in legitimate trade	Mandatory. International agreement by participating member states to be legally implemented by industry	Angola, Sierra Leone	Weak, until globally adopted and effectively monitored, which is unlikely	Extended globally to restrict market access for non-certified diamonds, and independent monitoring
Timber certification (e.g. FCS)	Achieve sustainable forest management	Voluntary. Adhesion to an independently monitored certification process	Worldwide	Weak, concerns only a minor share of the timber trade	Extended globally to restrict market access for 'conflict timber' (non-certified)
<i>Aid conditionality</i>	Use economic leverage to improve governance by aid recipient	Mandatory. Suspension or cancellation of loans and grants by donor agency	Angola, Cambodia	Untested, problem of foreign policy focus on terrorism, function of significance of aid versus resource revenue	Integration of standards of resource governance in aid and trade agreements
Economic supervision	Supervise resource exploitation, trade, and revenue allocation during peace processes	Mandatory. Implementation by transitional authority mandated by resource project contract, peace agreement, UN Security Council	Cambodia	Untested in the context of a peace process (or weak for Cambodia 1992/3)	Incorporation into peace negotiations, and UN peace-keeping / transitional authority mandates - possible future use in context of Sudan
Chad-Cameroon Petroleum project	Monitoring oil revenue allocation to promote development and avoid renewed conflict	Mixed. Domestic host country legislation and international monitoring mechanism	Chad	Potentially strong, but untested in condition of normal oil revenue	Systematic use by World Bank and industry in petroleum project development in developing countries
Corporate conduct					
Global Mining Initiative	Identify and address environmental	Voluntary. Industry association and	Worldwide	Medium normative impact. Untested effectiveness,	Industry guidelines, continued

	and social challenges facing the mining industry	independent research		function of follow-up implementation by industry	dialogue with stakeholders
UN Global Compact	Adoption by business of UN principles on environmental, labour, and human rights	Voluntary. UN team facilitating dialogue, non-binding principles	Worldwide	Medium in terms of visibility and dialogue, effectiveness remains to be seen	Long term value-based platform for dialogue, short-term outputs in corporate practices.
OECD Guidelines for Multinational Enterprises	Improve the practices of corporations and offer 'soft' regulatory channel	Voluntary. Set of guidelines, advisory commission, and national contact points for dissemination and soft regulation	Burma, DR Congo	Weak enforcement impact. Medium normative impact	Strengthening of enforcement and increased adoption by non-OECD countries.
Electronic industry and 'conflict coltan'	Prevent the use of 'conflict coltan' from DRC in the downstream industries	Voluntary. Warning and recommendations by industry associations	DR Congo	Medium , function of alternative coltan sources, and UN reporting	Continued avoidance until the issue is cleared up