Philippe Le Billon

Fuelling War: Natural Resources and Armed Conflicts

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The resource curse

In the aftermath of the Second World War and decolonisation process, much hope was placed on the promise that extractive sectors would 'lift' developing countries from their poverty. Natural resources, it was assumed, had the potential to assist poor countries in developing economically and politically. With its exceptional natural endowments, Canada serves as an historical example of a success story, while more recently, Norway is a role model for European countries, with Chile and Malaysia leading the way among developing countries. Yet, these examples not-withstanding, resource-dependence is generally characterised by poorer economic growth and lower standards of living, higher levels of inequalities and corruption, as well as authoritarianism. Resource-dependent countries are also among the most conflict-ridden. Although some argue that these problems characterise poor countries in general, others infer from the severity of the problems faced by countries rich in resources that they present a specific political and economic context and uniquely perverse incentives defining a 'resource curse'.[1] These problems include:

- *Poor economic growth and exposure to shock.* Since the 1970s developing countries benefiting from a wealth of natural resources have experienced a lower economic growth rate than resource poor countries.[2] Small mineral exporting countries have been particularly affected. The impact of falling copper prices since the mid-1970s and resistance to economic adjustments on the part of ruling groups has resulted in sharp decline in countries such as Zambia.

- *Low standards of living, poverty and inequalities*. Mineral and oil dependence is correlated with lower social levels of development, for example, child mortality of UN Development Programme's Human Development Index, than seen in resource poor countries.[3] Oil dependence is also associated with high rates of child malnutrition, low health-care budget; low enrolment rates in primary and secondary education, and low adult literacy rates. Higher levels of mineral dependence are strongly correlated with higher poverty rates and lower life expectancy. Even in the case of a 'success story' such as that of Botswana, which has benefited from sustained high levels of economic growth, significantly better governance than in most Sub-Saharan African countries, and a per capita GDP of $6,872, prominent inequalities have left about 60% of the population of living on less than $2 a day.[4]
- *Corruption*. Governments in resource-dependent countries tend to be more corrupt as a result of the discretionary control of large rents generated by resource exploitation.[5] Corruption is particularly rife in less developed economies with weak institutions and in which resource discoveries or price booms bring rapid cash inflows. Once entrenched, corruption can drastically affect the economy of a country, the quality of governance, and legitimacy of rulers. The late General Sani Abacha and his family embezzled at least $2.2bn over his four-year period as head of state of oil-rich Nigeria.[6]
- *Authoritarianism and poor governance*. Both oil and mineral wealth inhibit democracy and affect the quality of governance.[7] Rather than promoting democratisation, resource rents tend to strengthen autocratic rule, all the more so in poor countries. The prevalence of autocracies in the oil-producing countries of the Middle East amply attest to this even in the case of rich countries; while this could be attributed to their political culture, the direct correlation between resource wealth and autocracy also holds true for resource-dependent countries in other regions.
- *Civil war*. Resource-dependent countries face a higher risk of civil war. This risk is particularly acute when primary

> commodity exports represent a substantial portion of GDP, with a maximum risk of war of 22% for a country whose exports account for 32% of GDP compared to a risk of 1% for a similar country with no primary commodity exports.[8] Less resource-dependent countries tend to be industrialised democracies, a group largely insulated from civil wars. More resource-dependent countries include essentially large oil producers which have long been in a position to 'buy out' social peace from relatively small populations through populist agendas and the co-optation of political opponents, and to deter internal armed opposition – if not terrorism or foreign intervention. Powerful energy importers have also supported the political stability of these countries through military assistance and acquiescence to non-democratic rule and poor human-rights records. Home governments of oil majors – US, UK and France - have long supported such regimes in the Gulf of Guinea and the Persian Gulf.

Not all resource-dependent countries are equally exposed to the risk of war and not all wars are resource-related. Undeniably, history and the economic development of a country as well as its political culture, institutions, and the personality of its leaders are determined by factors in addition to natural resources. An Angolan journalist, jailed for denouncing the corruption and war fuelled by oil and diamonds, said: 'It's fashionable to say that we are cursed by our mineral riches. That's not true. We are cursed by our leaders'.[9] Yet a wealth of natural resources do tend to structure the choices of political regimes in exporting countries and represent a source of power that cannot be ignored. As political scientists Michael Shafer and Terry Karl have demonstrated, resource-dependent states often embody extreme levels of institutional conservatism and inertia, as organised interests and state bureaucrats controlling resource rents fight to maintain a status quo in their favour, while governments rely on fiscal transfer rather than statecraft to sustain such regimes.[10] Thus, it is essential to explore the links between resource-dependence and economic growth collapse, poor governance and, in particular, the role of natural resource access and control, as well as their consequences, in setting both conditions and aspirations propitious to the outbreak of war.

The political economy of resource-dependence

Given the opportunity, ruling groups routinely manipulate economic sectors for political and personal financial gain. Natural resource ownership is generally 'public' and can generate large rents, and as a result resource-based sectors lend themselves to political control and political rulers can take advantage of available resource rents to consolidate their power independently of the population and international principles. In their efforts to capture resource rents, some rulers systematically prevent government accountability by weakening competing state institutions, such as resource management departments or an independent judiciary, through political patronage, intimidation, legislative interference, or outright kleptocracy. It is therefore not surprising to find that governments in resource rich countries tend to be more corrupt, ineffective, prioritise military expenditures and are more authoritarian. These factors are generally associated with armed conflict.

Resource-dependence and economic growth collapse

Although resource exploitation can provide a valuable source of foreign exchange, local direct and indirect employment, as well as technological transfers, several empirical studies have demonstrated that resource-dependence can adversely affect growth and the structure of the economy, with negative consequences for the majority of the population and the stability of the country.

The political economy of resource-dependence can be adversely affected by a number of factors, including economic vulnerability and a high level of inefficiency, subsidisation of politicised schemes, as well as opportunities for budgetary mismanagement. Since the 1970s, the volatility and declining prices of most primary commodities have significantly reduced per-capita economic growth in producing countries. Government economic policy and the quality of governance and institutions have not made a significant difference in this generalised economic slowdown.[11] Declining prices have promoted a cost-cutting strategy within the resource industries. The extraction of rents from the resource sectors has also reduced incentives to invest in the maintenance or development of exploitation systems, occasionally crippling the most capital-intensive resource exploitation activities and in some cases prompting their replacement by small-scale activities concentrating on the most accessible and profitable deposits.

Many African countries have lost their position on the international market. Low prices have also generated fears that industry closure would trigger a political crisis and push some countries to subsidise their resource industries, but at the cost of greater fiscal deficit and further depression of international commodity prices. Loans contracted by resource exporting countries at times of low resource prices often turn into costly debt overhangs when prices fail to recover or after loans are mismanaged or squandered in corruption and 'white elephant' projects.[12]

Congo Brazzaville, a potentially prosperous oil-producing country, has one of Africa's highest debt-per-capita ratios, and typifies the problems of adjustment to decreasing resource revenues.[13] When oil prices slumped in the mid-1980s, the government turn to oil-collaterised loans to avoid restructuring the economy and downsizing its bloated bureaucracy. As oil prices failed to recover, debt servicing increased and the government was unable to pay civil servants. In the context of a fraught democratisation, this led to massive violence between political competitors supported by disgruntled youths in 1993 and 1997. A similar process of declining mineral revenues, corruption, and indebtedness weakened the Sierra Leone state in the 1980s and set the stage for civil war in the 1990s.[14] In Rwanda, the dependence of parts of the ruling elite and many farmers on coffee exports was a structural factor in the political and economic vulnerability of the country. The poor performance and ultimate collapse in 1989 of the International Coffee Agreement in charge of regulating world coffee prices led to a drastic fall in prices from the mid-1980s onwards. Along with the collapse of the mining sector, the decline of coffee export earnings from $144m in 1985 to $30m in 1993 strained state finances, increased hardship among farmers, and hurt the private interests of many in the ruling elite.[15] Yet too much can be made of this economic argument, and the massacre in Burundi of tens of thousands of Hutus by the Tutsi-dominated army in 1972 after of long period of stable coffee prices demonstrates its limits.

Resource-dependent economies generally fail to diversify because of the attenuated economic linkages between a resource sector and the rest of the economy. This is particularly the case for oil and deep-shaft mineral sectors, which are capital-intensive and employ a very limited number of people. This absence of productive linkage is amplified when resource revenues are directed towards imported consumer goods – in particular, food – which depresses the local agricultural sector and increases non-productive employment in state bureaucracies. Even state attempts to support the non-resource sectors through the protection of 'infant industries' often fail to achieve real competitiveness, especially when subsidies are waylaid by corruption. The *Front Islamique du Salut*, for example, had an easy task in denouncing the failure of the Algerian government's economic model of state-led industrialisation and 'socialist market', and exploiting the economic and social difficulties of the regime that followed its mismanagement of the post-1986 fiscal crisis when oil prices slumped.[16]

Ultimately, subsidies provided by the resource sectors to the rest of the economy can undermine their own competitiveness, especially through a lack of reinvestment, as has occurred for the copper and diamonds parastatal companies in Zaire since the early 1980s. Conventionally termed 'Dutch disease', large resource-export earnings can lead to an appreciation of the local currency.[17] This, in turn, makes other exports less competitive, while demand for non-exported services leads to inflation and reduces the competitiveness of non-resource sectors. Rent-seeking government officials and elites allocate efforts and investments to the resource sector rather than other activities.[18] Rulers benefiting from resource rents have little incentive to promote a diversified economy that could provide a source of economic power for their political competitors. By devolving the exploitation of the resource sector to foreign firms, rulers can ward off the risk of political competition from the domestic control of economic levers. This measure also offers the advantage of satisfying international financial institutions (IFIs) and consolidating external political support through 'private' diplomacy driven by business interests. In this way, resource businesses and importing countries replace the local population as a key 'political constituency' of the regime.

By contrast, the absence of valuable resources places a premium upon the efficient use of labour and encourages market discipline. Resource-poor states are compelled to deploy significant organisational and political efforts towards satisfying domestic political and economic constituencies, and have less ability to sustain flawed policies and delay necessary reforms. To ensure sustainable or growing fiscal returns, such states generally want political systems and budgetary policies that promote stability as well as economic growth, rather than predatory ones. In the ideal case, a virtuous circle of social and political change links economic development, urbanisation, educational improvement, occupational specialisation, and progressive democratisation. Resource-poor South Korea and Japan are among the best examples. In non-diversified, resource-rich economies, occupational specialisation is low and socio-cultural changes are slow, which in turn affect the growth potential of the rest of the economy. In short, while states develop strong economic policies and institutions necessary to their tax base in the context of a resource-poor economy, those benefiting from access to resource wealth tend to maintain, often unintentionally, economic underdevelopment.

Resource-dependence and poor governance

Several dampening effects of resource-dependence on democracy and the quality of governance have been cited. These include:

- the *'rentier state effect'*, whereby the availability of resource rents to the government allows it to pursue the politics of patronage towards the population that avoids bargaining and institutional building needed by a broad-based taxation;
- the *'repression effect'*, which occurs when resource rents financially support higher internal security expenditures, warding off democratic pressure; and
- the *'modernisation retarding effect'*, which results as economic growth based on raw materials fails to bring about socio-professional and cultural changes that tend to promote democracy and a thriving civil society.

Political scientist Michael Ross finds tentative support for all three of these causal elements in the case of oil exporters, and for the rentier effect and to a lesser extent for the modernisation retarding effects in the case of non-fuel mineral exporters.[19] Population movements, such as rapid urbanisation and migrant labour, accompanying resource booms and the rise of a cash economy, can indeed accelerate social change and demands for political representation. These effects are aggravated by the corruption of many resource-dependent regimes, their propensity to spend more on the military in general, and the support of resource businesses to autocratic regimes.

Abundant and valuable natural resources offer opportunities for corruption and rent-seeking behaviour by the ruling elite and their cronies, with both economic and political consequences. Corruption on a grand-scale is facilitated by the secrecy and discretionary power of decision-makers of capital-intensive resource projects, such as oil and deep-shaft mining, or large logging concessions. Competition between resource companies over a limited number of profitable or promising reserves raises the stakes and the temptation of employing corrupt means to succeed. Even the innocuous 'wining and dining' of government officials by companies, which so often characterises negotiations, risks promoting a 'lifestyle' that officials can later sustain only through corruption. In Angola, the corruption of officials in the oil sector was allegedly encouraged in that way by the behaviour of the parastatal oil company, Elf.[20] Windfall gains resulting from a price or production-hike often trigger a 'feeding frenzy' among competing groups.[21] In the case of timber booms in Southeast Asia, politicians often succeed in dismantling and weakening resource management and budgetary institutions and regulatory systems in order to capture or 'seize' the huge rents coming under state control.[22] Compounded by a frequent lack of welfare-oriented fiscal policies, this generally leads to high levels of inequality.

The economy and politics of resource-dependent states is also affected by their propensity to spend more on defence.[23] The priority of military expenditures over civilian ones reflects the rulers' fears of domestic or regional opposition, as well as foreign incentives to trade resources for arms for the sake of mutually profitable political and resource flow stability. High military spending is also motivated by a 'resource variant' of the security dilemma, whereby the resource wealth in unstable domestic or regional environment, motivates a greater defensive capacity, which is perceived as a threat by, as much as a deterrent against, potential opponents. The oil-rich Persian Gulf and now the Caspian Sea are typical examples. Furthermore, the value and secrecy of arms procurement contracts also offer huge windows for corruption that often motivate disproportionate budgetary allocations. Not only is the overall economic productivity of the country affected by such military overspending, but wealth and power become increasingly dependent upon controlling rents from the resource sector and transfers to the military apparatus, raising the stakes of military control and potentially pitting military against civilian officials.

The key role of businesses as intermediaries between resources and markets, often leads to their support of autocratic regimes. In most cases, businesses seek to maintain a profitable and stable political order rather than intervene in a democratisation process that they are not legitimately or politically qualified to get involved in, and that could end up jeopardising their interests – even if many businesses would prefer a democratic regime with a strong rule of law. Businesses have also been wary of 'messy democratisation processes' resulting in political instability and violence threatening their investments. If strongly democratic regimes are more stable than autocratic regimes, the risk of instability and conflict is actually higher for formative democracies that are typical in regime-transition processes.[24] In the context of civil strife affecting the Niger delta oil producing region and in the wake of the execution of local activists by the Abacha regime, a Shell manager in Nigeria bluntly argued that 'for a commercial company trying to make investments, you need a stable environment. Dictatorships can give you that'.[25]

The problem, however, is that even autocracies have become increasingly unstable since the end of the Cold War, as a result of international and domestic democratic pressure, transition to market economies, and decreasing political, military, and financial support from foreign sponsors. Since most resource-dependent states were autocracies, it is therefore not surprising that, as a group, resource-dependent countries are more susceptible to political instability. Furthermore, many resource-dependent autocracies have been unable or unwilling to sustain 'benevolent' patronage or to promote economic growth and diversification that benefits the population, thereby increasing the likelihood of destabilising political opposition and a non-peaceful transition to democracy.

The diplomatic and military support of local regimes in the Persian Gulf was closely linked to the protection of Western oil interests. Occasionally associated with rapid socio-cultural and economic changes contrasting with continuing autocracy, some of these relations have precipitated massive and violent opposition from the population. In the late 1970s, demands in Iran for greater democracy by a liberal movement merged with the aspirations of religious and traditionalist quarters for an Islamic state and led to street protests, strong expressions of anti-Americanism, the exile of the Shah, and the Islamic Revolution. While dreading a similar scenario in Saudi Arabia, the US administration has long seen no reasonable alternative to pursuing a policy of military and intelligence support to the Saudi regime – with its consequences playing a part in the '9/11' terrorist attacks on the US. In sub-Saharan Africa, Elf has for decades been at the heart of such relations between French economic and strategic oil interests and several regimes in the Gulf of Guinea, with tens of millions of dollars sustaining mutually profitable partnerships with autocratic rulers, the company, and its French political backers. So far, Gabon has proved a stable financial haven for the company. But Elf's internal divisions between competing French political parties and personalities have also led the company to support opposing local partners and, in effect, to fuel the wars in Angola and the Republic of Congo.[26]

Resource-dependence and underdevelopment trajectories

The political and economic trajectories pushing some resource-dependent countries towards war are diverse, but general patterns can be identified for 'benevolent rentier states' and for 'predatory' ones.

At best, rulers entertain benevolent policies towards the population, establishing a benevolent rentier state that contents people by lowering taxes or increasing patronage through public welfare. This is the case in many oil-rich micro-states such as Brunei and the Gulf emirates, and more generally in oil and mineral exporting countries where resource-dependence often leads to a disproportionate reliance on the fiscal transfer of resource rents at the expense of statecraft. The veil of legitimacy provided by such patronage rapidly tears when rents slump and adjustment takes place – a process that is occurring in Saudi Arabia. The removal of food import subsidies is a classic source of tension between resource-rich governments and poor populations, even if economically justified for the stimulation of domestic production. The oligarchic Liberian regime of the True Whig Party triggered serious rioting and looting in the capital in 1979 when President William Tolbert raised the price of imported rice, financed (as in neighbouring Sierra Leone) through mineral exports; the first anniversary of the suppression 'rice riots' saw a successful coup by Sergeants Samuel Doe and Thomas Quiwonkpa.[27]

A disconnect between popular aspirations on one hand, and available means, regime ideology, the practices of rulers, and the compromises necessary to maintain the flow of resources on the other, is also likely to exacerbate tensions. After a decade of rising oil prices, the fall in prices from $52 to $15 per barrel in the mid-1980s debilitated many oil-producing economies and jeopardised their political systems.[28] In Saudi Arabia, economic growth has not kept pace with rising population size and aspirations, resulting in a significant decline in per-capita income, growing inequalities between the extended Royal Family and the general population, and support for Islamic fundamentalism and terrorism. Even without corruption, clientelist politics weaken state capacities, as benevolent governments come under pressure to relinquish resource rents and have to trade coherent economic policies, maximising long-term welfare for short-term management of the demands of political constituencies and social tension. This trade-off results in inefficient investment and low growth. If the resource rent proves insufficient to dampen demands for reform, the vulnerability of the state and social tensions increase while the opportunity cost to an individual of joining violent dissenting groups decreases.

Among major oil producing developing countries, for example, only Indonesia managed to rein in government spending of its mineral wealth in a way that resulted in successful economic diversification and significant social improvements for its population. Key to the Suharto regime's 'performance legitimacy' was its recognition of the need to reach out to constituencies other than the wealthy overseas Chinese community that traditionally dominated the economy and on whom the regime could not base its political power, given racial tensions and previously demonstrated popular revolutionary potential.[29] Suharto's prioritisation of agriculture to achieve rice self-sufficiency had a major impact in channelling the rent towards the long-term needs of the population. The oil rent was also 'sterilised' in an early period of the 1973 oil boom by the rapid repayment of the huge debt contracted by the national oil company through corruption and mismanagement – factors that affect many sectors of the economy and ultimately spelled the regime's demise during the Asian financial crisis in the late 1990s.[30]

At worst, rulers use resource revenues to pay for a repressive security apparatus and reward a small circle of political supporters and economic benefactors, including foreign firms and their governments, thereby establishing a kleptocratic state. Without effective anti-corruption mechanisms or politically sensible redistribution schemes, kleptocratic states are generally driven by 'spoils politics', whereby 'the primary goal of those competing for political office or power is self-enrichment'.[31] The weakness of such rule and the high risk of losing power to competing political-military entrepreneurs are such that rulers establish competing security apparatuses to keep each other in check, and seek external backing from states or mercenaries. When the economy and rent distribution falter, the most predatory forms of 'spoils politics' drift towards a criminalisation of the state apparatus and its economic activities, and spur rises in violence.

Liberia's trajectory since the 1980 coup by a group of soldiers led by sergeants Samuel Doe and Thomas Quiwonkpa illustrates this process. Following the coup, in the context of continuing reduction of iron ore mining revenues but sustained US assistance, members of the ruling People's Redemption Council (PRC), jockeyed for self-enrichment and extended family and ethnic patronage in the long-neglected rural counties from which most of them originated. Nominated head of state and co-chairman of the PRC, Doe brutally consolidated his power by executing several rivals and driving others into exile, including Quiwonkpa (who had become general of the army) and some of his protégés such as Charles Taylor, who fled to the US after allegedly embezzling close to $1m from the government's funds. In response, Quiwonkpa and his supporters conducted a raid on government offices and the Yekepa iron ore mine in Nimba country in 1983 and mounted a failed coup in Monrovia in 1985 during which Quiwonkpa was killed. Through his political insecurity, violence against whole social groups, and self-serving financial ambitions, 'Chairman Doe' had already defined the model of the modern Liberian warlord.[32] Before a full-scale civil war brought an end to his regime in 1989 and engulfed the region, Doe's years in power were described as 'years of rape and plunder by armed marauders whose ideology is to search for cash and whose ambition is to retain power to accumulate and protect wealth'.[33] In the following eight years of civil war, rival armed factions vied for control of the presidency, natural resources and trading routes. Emerging from the aftermath of civil war as the elected president, former warlord Taylor attempted to pass in 2001 a 'Strategic Commodities Act' declaring that:

> *The President of the Republic of Liberia is hereby granted the sole power to execute, negotiate and conclude all commercial contracts or agreements with any Foreign or Domestic Investor [that] shall become effective and binding upon the Republic.*[34]

Qualified by the Liberian political opposition as 'theft by legislation', the Act represented a caricature of the 'direct, exclusive, and discretionary' allocation rights politicians seek to gain through a reconfiguration of institutions and regulations in order to seize rents. Other measures included the transfer of concessions to crony companies of the president that also benefited from tax waivers for fuel purchase and exemptions from environmental and logging regulations.[35]

While Liberia provides an extreme example of the pattern of politics associated with resource-dependence, it is in no way unique. Relations between resource-dependence and a violent pattern of politics, however, are not systematic. Botswana provides a well-known counter-example. At independence in 1966, it was not burdened by a strong colonial presence, nor, therefore, with residual British economic interests. Moreover, at that time the extent of its mineral wealth was relatively unknown, and state institutions of abusive power and economic predation were minimal. Furthermore, an indigenous cattle-owning and mostly aristocratic ruling class was already well-defined, both economically and politically, facilitating the transition to independence but also limiting the temptation to abuse political power for economic gains.[36] But perhaps most importantly, and least structurally, Botswana enjoyed the fortuitous benefit of enlightened political leadership at the dawn of independence.

The winner of the 1966 elections for the Botswana Democratic Party (BDP), President Seretse Khama, benefited from a double legitimacy as traditional chief and persecuted nationalist. In his electoral campaign, Khama chose to vest mineral rights in the central government rather than private companies or his own ethnic group where most known deposits were located. He kept this promise once elected and diamonds were commercially exploited in 1971.[37] Botswana's first president also promoted a culture of probity in the government. Meritocracy applied to the civil service, which was paid living wages, and until 1982 was barred from engaging in business activities. Education received much attention and foreign experts were brought in if necessary. While corruption scandals increased from the mid-1980s, the resulting progress of the opposition movement in the 1994 elections led the progressive factions of the BDP to impose more stringent controls. Sound governance of the economy and public sector and effective institution building under President Ketumile Masire, as well as a stable and profitable joint venture with South African diamonds giant De Beers, considerably helped the capacity and legitimacy of the state and ruling party. Despite the continued rule of the BDP since independence, democratic politics take place peacefully in Botswana.

In contrast, the legacies of predatory colonial institutions and trade relations in the resource-rich Belgian Congo influenced the shaping of post-colonial practices and the opportunities for corruption available to national elites. Furthermore, Zaire's ruler, Joseph Mobutu, was a penniless army major whose intelligence and sense of politics – including those of the Cold War – replaced an initial lack of political legitimacy. Unlike Khama, Mobutu rapidly moved towards a rule based on patronage, graft and summary executions to co-opt or coy political opposition. Revenues necessary to Mobutu's politics of patronage relied even more on external sources of finance as most agro-businesses and manufacturing industries collapsed as a result of their nationalisation in 1973 and the revenue of the agricultural sector was often captured by local elites and smuggling networks. By the early 1980s, the nationalised copper and cobalt mining parastatal Gécamines provided 51% of the total revenues of Zairean state. Along with Mobutu's stance against communism, which granted his regime massive Western assistance, the political redistribution of this mineral rent sustained Mobutu's 30 years in power.[38] Expatriates imposed by the IMF and major donors to rein in the corruption were increasingly marginalised. In an international context of political and economic liberalisation, once foreign aid and mineral resource rents weakened, Mobutu's politics of patronage became unsustainable and resulted in a steady weakening of his influence before the regime was finally toppled in 1997 through a military intervention joining neighbouring countries and long-established domestic opponents.

In many ways, resource-dependence both reflects and sustains 'political underdevelopment' – that is, ineffective, arbitrary and unaccountable rule. Arguably, political development comes in large part through the taxation of society by authorities. Many poor and conflict-affected states 'live to a high degree on 'unearned income' – mainly mineral resources and development aid – and correspondingly face limited incentives to bargain with their own citizens over resources or to institute or respect democratic processes around public revenue and expenditure'.[39]

Conversely, people and informal business groups not burdened by heavy taxation by a government relying on resource rents would be less concerned by a government's lack of accountability and legitimacy than heavily taxed ones, and would thereby be less motivated to promote political change. Rulers can play on this by ignoring corruption and allowing most of the economy to become informal. Mobutu did precisely that when urging citizens to 'fend for yourselves' and to 'steal a little in a nice way', without aiming to become rich overnight or to transfer funds overseas a 'policy' that became popularly known as 'Article 15' of the Zairean Constitution and served as a justification for all forms of illicit business. These policies reflected Mobutu's pragmatism in the face of an economic meltdown, as much as the instrumentalisation of disorder by local political and economic actors.[40] Smuggling and the unofficial economy did provide the marginalised population in general and the political opposition in particular with an alternative political economy that delayed political polarisation, but they also further weakened the state's fiscal base, promoting corruption and lethargy among officials and sustaining opponents such as Laurent Kabila in peripheral regions. While a resource-rich economy is neither a necessary nor a sufficient condition for politically underdeveloped rule and resultant conflict, it can facilitate it.

Conflicts over resource-exploitation

Distributional conflicts frequently arise relating to the ownership of natural resources and the allocation of the revenues they generate among the state, businesses, local communities, and other interest groups such as environmentalists. On Bougainville Island in November 1989, a local land owner, Francis Ona, walked out of an environmental assessment meeting at the huge copper and gold

Panguna mine that had provided nearly half of Papua New Guinea's export earnings over the past 20 years. Mining consultants had just rejected demands for compensation for chemical pollution by his local community on grounds of insufficient scientific evidence. With no other weapons than explosives stolen from the mining company, Ona and other militant landowners within days blew up several electric poles at the mine site and boldly demanded $11bn in environmental compensation payments, the closure of the mine, and secession from PNG.[41] Initially dismissed, their actions led to the rapid closure of the mine. Repression and a blockade by the government turned the conflict into a war, with possibly more than 10,000 people dying over the next decade.

Conflicts can seek to appropriate a greater share of the revenues, but also to deny it to those perceived as benefiting the most. In Bougainville, the conflict involving the copper mine was in part a struggle against the sovereignty of PNG's government over the island, which many Bougainvilleans would not recognise. The mine was both an economic instrument and a political symbol of appropriation by PNG, and violence against its staff and infrastructure was aimed at keeping 'the mine closed, thus punishing the PNG government that had taken so much … without putting anything back in return'.[42] In Sierra Leone, the Revolutionary United Front (RUF) did not appropriate the assets of the Sierra Rutile mine. Rather, this long held symbol of government corruption was destroyed and left with a clear statement: for no president 'to enjoy'.[43]

There are, furthermore, many other potential sources of conflict directly or indirectly resulting from resource exploitation, such as:

- loss of local livelihoods due to land-use changes, pollution, or forced displacement, as well as reallocation of employment opportunities and participation in resource management;
- restriction of access to and use of resources, such as water involved in or polluted by mining activities, as well as project infrastructures such as roads or electric power stations;
- changes in social status, order and values within communities resulting from changes in economic opportunities and social activities, including ostentatious consumption by privileged groups which exacerbates social fault-lines;

- migration driven by resource development and rapid urbanisation that overstretches local services and economic opportunities and leads to tensions among and between newcomers and the native population;
- abuses by security forces, including forced displacement and heavy-handed law enforcement.

Many of these conflicts go well beyond the local setting and increasingly involve global networks drawing in international advocacy groups such as Survival or Friends of the Earth, multinationals such as Shell, BP or RTZ, and multilateral agencies like the UN Environment Programme or the World Bank. These conflicts often centre on the resources of indigenous minorities, or on transborder ecosystems of global significance such as the Amazon rainforest. The much-publicised conflicts over oil exploitation in the Niger Delta embrace such issues as pollution resulting from oil spills and flaring, lack of local employment opportunities and public services, forced displacement and fire and explosion hazards, as well as brutal repression. Used as a justification for political and armed resistance as well as economically motivated crimes, these environmental or social issues have fed a specific form of 'petro-violence' ranging from the social violence of corruption, repression, and criminality, to the ecological violence perpetrated against the environment and its users.[44] The closure of project sites also increases the risk of conflict by, among other factors, raising unemployment and thickening migration flows.

The long life span of many resource development projects also means that they become part of deeper historical grievances, often rooted in colonial practices. Conflicts over land appropriation of a large copper mine in Bougainville – which drove a secessionist war in 1989 – started with the Australian colonial legislation forbidding direct land dealings between indigenous landowners and foreigners. At the time of independence, state royalties were transferred to the government of PNG, which returned less than 5% of proceeds to the province, sustaining a sense of confiscation among the local population.[45]

Finally, resource exploitation frequently involves specific forms of physical or structural violence, such as resource appropriation, price manipulation, forced labour or population displacement, as well as a militarisation of both legal and illegal exploitation schemes.

New ownership and user rights over resources have often been violently imposed on local communities. Forest resources, for example, have a long history of disputes and have violently imposed new rules for hunting, logging or conservation purposes. There was a long-established pattern of violence in the diamond fields of Zaire prior to the conflicts of the late 1990s. During the 1970s, the paramilitary force of the main diamonds company in Zaire, MIBA, executed clandestine diggers authorised by customary authorities and local police. The liberalisation of the diamonds' sector in 1982 precipitated a vast increase in the number of operators and networks of private political and military protection.[46]

Local populations in politically disputed areas are often seen as a threat, not only on production sites but also along transport routes. Pipelines in Burma, Indonesia, and Sudan have a history of violence. In Colombia, BP has been accused of supporting an army unit notorious for its murder of civilians for the sake of protecting an oil pipeline threatened by rebels.[47] Distrustful of local populations because of potential support for armed separatist movements, the Sudanese army has supported in-fighting between South Sudanese militia and used aerial bombardments as well as helicopter gunship and ground attacks to kill or drive people out of oil areas that it does not fully control.[48]

Such institutionalised violence may have the secondary effect of prompting armed conflict as an alternative to other expressions of grievances (e.g., demonstrations and land-occupation), and low-level forms of resistance such as theft.[49] In Chiapas, self-defence groups and the Zapatista movement staged a relatively peaceful 'armed rebellion' to respond to an entrenched local political economy of dispossession and neglect towards indigenous communities, to challenge the 'global neo-liberal order' which supported it, and to attract the attention of the government and media as a means of improving their bargaining position.[50] In that case, limited violence was the tool of political leverage and expression rather than a direct mode of reappropriation.

To sum up, in the absence of strong pre-existing institutions and a developed economy, a wealth of resources is likely to result in poor governance and economic crisis that conflicts with the high expectations of populations associated with a resource bonanza. Although the 'resource curse' is not inevitable, the availability of large resource rents tends to structure the choice of rulers and shape powerful coalitions of domestic elites and foreign business interests that dampen political accountability. In their quest for power, rulers often capture and redistribute resource rents at the expense of statecraft and democracy, dangerously putting their discretionary power and fluctuating rents at the core of the political order. As autocracies and clientele-based regimes came increasingly under attack from the 1980s onward as a result of structural adjustment, the end of the Cold War, and democratisation, many resource-dependent states have faced growing political instability. The exploitation of resources also shaped conditions and motivations – for instance, the exacerbation of competitive politics and corruption, state institutional collapse, the delegitimisation of the state monopoly on the use of force and the rise of sectarianism – that were conducive to localised armed conflicts. In these contexts, violence has often become the prime means of political action, economic accumulation, or simply survival. As political instability turns into full-scale armed conflict, natural resources often play a strategic role in sustaining it.

Chapter 2

The strategic role of resources in wars

Natural resources 'have been used in the past, and will be used in the future, as tools or targets of war and as strategic goals to be fought for'.[1] Strategic thinking about resources has been dominated by an equation linking trade, war and power, at the core of which were valuable overseas resources and maritime navigation. During the mercantilist period of fifteenth century, trade and war became intimately linked. Naval powers sought to accumulate 'world riches', mostly in the form of precious metals, upon which much of the balance of power was perceived to be determined.[2] Money was the 'sinew of war', and for political philosopher Raymond Aron, paraphrasing Carl von Clausewitz, commerce had reciprocally become 'the continuation of war by other means'.[3] Since sea power rested on access to timber, the supply of this resource became a preoccupation for major European powers from the seventeenth century onward, motivating overseas alliances, trade and empire-building. England in particular pursued a policy of open sea 'at all costs' that led to several armed interventions in the Baltic.

With growing industrialisation and increasing dependence on imported materials during the nineteenth century, Western powers intensified their control over raw materials. This, along with many other factors, such as political ideologies and prestige, eventually led to an imperialist 'scramble' over much of the rest of the world. Late imperial initiatives also influenced the Prussian strategy of consolidating economic self-sufficiency by securing access to resources provided by a 'vital space', or *lebensraum*, while railways' complicity in allowing land-based transcontinental control of resources threatened maritime-based power, giving way to the idea of containment of the 'Heartland' powers. The significance of imported resources, and in particular oil, during the First World War reinforced the idea of resource vulnerability, which was again confirmed in the Second World War. Strategic thinking about resources during the Cold War continued to focus on the vulnerability of rising resource supply dependence, and to consider the potential for international conflicts resulting from competition over access to key resources.[4] In the post-Cold War context, for sociologist David Keen 'war has increasingly become the continuation of economy by other means'.[5] In this regard, the conditions of access to resources, or in other words their 'lootability', by belligerents have been critical to the type and course of armed conflicts.

The lootability of resources

Belligerents tend to use whatever means accessible to them to finance or profit from war. Yet the specific characteristics of a resource provide a context affecting a conflict. In Angola, the National Union for the Total Independence of Angola (UNITA) rebel movement used as diverse sources of finance as foreign support from China and many Western-aligned countries, international investments, gold, timber, wildlife and diamonds. In the post-Cold War context, however, the characteristics of oil and diamonds came to dominate the economy of the conflict. The government benefited from quasi-exclusive access to offshore oil fields, while UNITA maintained throughout the war a capacity to access diamond fields spread over a vast territory that proved difficult to fully control. As a result, both sides benefited from a constant flow of revenue during the 26-year civil war that devastated the country and brought about the death of more that half a million people.

Natural resources are particularly susceptible to looting or extortion because of their fixed location, often in remote areas, and the minimal infrastructures needed to tax or trade them. Unlike manufacturing and to some extent, agriculture, extractive activities cannot be relocated. Confronted by war, extractive businesses may decide not to invest or to disengage from their operations. Yet they generally seek to sustain their access to resources and protect their investments by paying 'whoever is in power' – ranging from a few dollars to allowing a truck past a check-point, to multi-million dollar concessions, with signature bonuses or resource-collateralised loans paid in advance of exploitation to belligerents. Furthermore, resource exploitation can often be sustained through conflict, either through the military protection of infrastructure or because low-investment means prove commercially viable. Investors are unlikely to rush to rebuild a multi-million dollar mining venture after its destruction. But small-scale entrepreneurs and junior companies are more likely to accept risks to access timber and high-value alluvial minerals that can be extracted with minimal outlays and traded without the need for massive transport capacities.

Although a resource-rich environment is generally propitious for financing rebellion, opportunities for government or rebel groups to access resource revenues also depend upon several other factors. These include:

- ***an ability to secure resource sites***, which is often jeopardised by underpaid and poorly disciplined government security forces, as well as a high level of armed banditry and criminality associated with marginalisation;
- ***a specific location and mode of exploitation of resources***, which determine the accessibility to resources through production, theft, or extortion;
- ***a physical and market characteristics of resources***, which help determine the accessibility of markets; and
- ***the practices and complicity of businesses***, which will determine the ease with which belligerents can control resources.

Securing resource exploitation

The lootability of a resource is clearly related to the ability of official authorities and companies to secure it from existing threats. On the one hand, underpaid soldiers and officers with poor logistical support often provide weak security for resource exploitation sites as they seek to sustain themselves through both licit or illicit business ventures or protection rents. A lack of respect and the absence of trust from local communities and businesses can compound the problem. Some companies and central governments have attempted to increase security by hiring Private Military Companies (PMCs) or mercenaries, such as the South African-based Executive Outcome, both to protect economic assets and to prosecute military objectives through combat. While these PMCs increase the capability of local government forces, they can add to the resentment of the army; as in Sierra Leone where the coup by elements of the army in 1997 resulted in part from jealousy over the rise of the Executive Outcome-trained Civil Defense Force, and in PNG, where the government attempt to hire the British PMC Sandline to end the rebellion in Bougainville nearly resulted in a coup.

On the other hand, manpower, trucks, communication and firearms can obviously provide a 'competitive advantage' to military entrepreneurs. Armed groups can also extract protection rent through threats of violence, destruction of equipment, or murder. Both the *Ejército de Liberación Nacional* (ELN) in Colombia and RENAMO in Mozambique have been able to extort money from companies by blowing up their pipelines. In forested areas affected by insurgency, armed groups often collect fees from logging companies. Kidnappings are also a major source of financing which does not require looting as such. With more than 3,000 kidnappings per year, kidnapping has become massive and a regular source of income for the guerrilla and criminal gangs in Colombia. The staff of resource businesses are particularly exposed because operations in remote areas are often weakly secured by government army units that may also be complicit with rebels. Such circumstances have produced the private acquisition of resource projects, and the establishment of 'kidnap and ransom' teams specialising in negotiations and guidance of local police forces. But some sectors, such as logging, remain highly vulnerable given the local terrain and difficulty of securing vast areas. The kidnapping of local staff and expatriates working in the logging industry was very common in Cambodia in the mid-1990s, and often involved a high degree of complicity between private security guards with links to local police or army units or alleged KR groups.

As with most military matters, the terrain in which resources are located is also important in determining their lootability. In Namibia, diamonds are easily found and retrieved on vast beaches. Recognising the problem, colonial authorities defined the area as *Sperrgebiet* or 'forbidden zone', and stringently enforced access rules to prevent theft. The open terrain of the deserted coast also offered no cover to a guerrilla force. Thus, as a former SWAPO fighter, now director of mines, noted: 'We could not have operated there, the South Africans would have simply bombed us.'[6]

Nature, location and mode of exploitation of resources

The properties and geography of resources, then, significantly influence their lootability (see Table 1 below). Required investment, technological demand for exploitation and price/weight ratio determine what opportunities are available to rebel forces. Trading facilities, such as trucking and international financial networks, also influence the lootability of many commodities. In areas such as Central Africa, the degradation of transport infrastructures has limited economically advantageous exploitation to the most valuable and transportable resources, mainly precious and semi-precious minerals.

Resources can be further distinguished in terms of their proximity to the centre of power, in both spatial and political terms:

- ***proximate resources*** are close to the centre of power and less likely to be captured by rebels than those close to a border 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 marginalised or in opposition to the extant regime.

Table 1 Resource accessibility by rebel forces[7]

Resource	Accessibility by rebel forces Exploitation	Theft	Extortion	Price range ($/Kg)
Alluvial gems and minerals	High	High	High	20 - 500,000
Timber	Medium	Medium	High	0.1
Agricultural commodities	Medium	Medium	Medium	1.5 (*coffee*)
On-shore oil	Low	Medium	High	0.12
Kimberlite diamonds	Low	Medium	Medium	500,000
Deep-shaft minerals	Low	Low	Medium	2 (*copper*)
Offshore oil	Low	Low	Low	0.12

Oil resources, while usually far from a capital, nevertheless tend to be closely safeguarded by the state and relatively unlootable by opposition forces since companies will only deal with the recognised government. Still, on-shore installations, especially pipelines, remain highly susceptible to extortion schemes. Resources are more accessible to rebel groups if they are highly valuable, easily transported, and spread over a large territory rather than a smaller area that can be more easily defended. Rebel access also depends on the degree of centralisation and mechanisation of the production.

As such, a broad distinction can be made as to the nature and concentration of the resource in terms of physical characteristics, spatial spread and socio-economic linkages between *diffuse* and *point* resources.[8]

- ***Diffuse resources*** are more widely spread and include mainly resources exploited over large areas, often by less capital-intensive industries that can employ a large workforce. These include alluvial gems and minerals, timber, agricultural products and fish.

Alluvial gems and minerals are often highly valuable and easily mined through artisanal means. Diamonds, for example, have been dubbed a 'guerrilla's best friend'. In Angola, diamond exploitation provided up to $3bn in revenue to UNITA during the 1990s.[9] Similarly, the control of the most prolific diamond areas of Sierra Leone may have generated hundreds of millions of dollars for the RUF during the same period.[10] In the eastern DRC, several rebel factions operate as intermediaries for the control of the diamonds by Ugandan interests, while the government has granted the Zimbabwean military some of the best diamond concessions in return for its support. Small, low-weight, easily concealable, as well as anonymous and internationally tradable, alluvial diamonds are not easily amenable to government control. Accordingly, diamonds also represent a 'currency of choice' for money laundering and financing clandestine activities, including those of Islamic terrorist groups such as al-Qaeda.[11] Like gold, diamonds also serve money-laundering roles for criminal activities, such as drug cartels. More generally, diamonds are among the favourite vehicles for stockpiling and transferring wealth without the risk of volatile local currencies, unreliable banking systems, or financial sanctions. The high lootability of diamonds also facilitates the illegal exploitation by networks of diggers, traders, armed gangs, as well as colluding civilian and military authorities. Unsurprisingly, such a situation erodes the sovereignty and effective rule of states. In response, ruling elites have developed modes of appropriation detached from the legal and institutional apparatus of the state, often in creating parallel mechanisms of involvement and control in the private or informal diamonds' sector. The RUF noted in its propaganda: 'when a valuable gemstone is found [Presidents] jump into a plane and shoot off to Europe to sell the diamonds, trusting no one but themselves'.[12] Roughly half of the main producers of alluvial diamonds have been embroiled in diamond-fuelled wars.

Besides diamonds, many other valuable metals and minerals have similar lootability characteristics. Sapphires and rubies provided the KR in Cambodia and the Karen in Burma with significant revenues during the early 1990s. In Afghanistan, the late Ahmed Shah Massoud, the United Front's commander, annually netted an estimated $50m from the sale of emeralds and lapis lazuli.[13] In the DRC, the mining and trafficking of alluvial gold in the hilly terrain of southeastern Kivu sustained Kabila's rebel movement, the *Party Révolutionnaire du Peuple*, between the late 1960s and the creation of the *Alliance des Forces Démocratiques pour la Libération* (AFDL) in 1996. Gold continues to finance the numerous armed groups operating in this region, from Ugandan troops to local 'Mayi Mayi' self-defence units. But new alluvial minerals have also appeared on the balance sheet of the Congolese 'war economy' as increased international demand turns them into valuable resources. The price of coltan, a metal ore used in electronics, rose sharply in 2000 because of rising demand from the mobile-phone industry; this resulted in a short-lived rush to coltan mining areas of the Kivu provinces. At the height of the boom, the UN expert panel investigating the role of natural resources in the conflict estimated the monthly earnings of the Rwandan army controlling most of the area at $20m - 'substantial enough to finance the war'.[14]

Forest resources, mostly in the form of timber, are among the most common resources fuelling wars. There are several reasons. Firstly, forests are globally widespread as compared to, for example, diamonds. Secondly, insurgents use forests as refuges from the government security forces. But although the difficulties governments encounter in controlling forests increases their lootability, the bulkiness of logs and the need for roads or river rafts do permit some control of transport and trading. As a Thai general commented about the conspicuous nature of logging deals with the KR across the border, 'We are talking about logs, not toothpicks'.[15] While gems can easily be smuggled and transported over large distances, the exploitation of timber rests on highly 'porous borders' and a high degree of collusion between rebels, governments and businesses, as demonstrated in the case of Cambodia.[16] Underpaid or opportunistic military forces deployed for counterinsurgency purposes frequently join in illicit business or authorise loggers to operate in rebel-controlled areas in exchange for bribes. Finally, the logging industry tends to be risk-prone in order to access increasingly rare and valuable old growth timber, as demonstrated by the presence of international companies in the disputed areas of Liberia, West Papua in Indonesia, or the Cabinda enclave in Angola.

Agricultural commodities are also the objects of mass-scale looting. In Somalia, the banana sector financed some of the belligerents and competition for physical control of the sector, including plantation land and transport/export routes, resulted in violent skirmishes between factions. Following the resumption of the war in DRC in 1998, coffee and cattle were among the main commodities 'systematically drained' from areas controlled by Burundian, Rwandan, and Ugandan forces and their local ally the Rally for Congolese Democracy. These forces not only conducted large-scale confiscation of the stockpiles of local companies, but also looted banks and dismantled some factories, while individual soldiers stole savings from Congolese citizens. Armed groups, even if they lack marine capabilities, can also loot fish supplies by 'licensing' fishing operations by foreign vessels, which occurred in Somalia.[17]

- ***Point resources*** are concentrated in small areas and can mainly be exploited by capital-intensive extractive industries, such as deep-shaft mining or oil exploitation. They generally employ a small workforce.

Copper or oil, requiring large-scale infrastructure and, minimally, some form of commercial authorisation by national authorities for exploitation and international trading are not as lootable as alluvial diamonds or coltan. In many instances such resources have a low price/volume ratio, which means that they also require substantial means of transportation to yield appreciable profits. Ironically, it is precisely that demand for high technology and heavy foreign investment, and centralised control by the ruling elite that allow state looting on a grand scale. In terms of lootability, therefore, these resources generally most benefit governments and their allies. In the DRC, the export of copper ore from the Lubumbashi area during the conflict was possible because of functioning infrastructures and proximity of processing plants in Zambia, as well as the authorisation of the government in Kinshasa (the area was controlled by its ally, Zimbabwe). Government or mine owners can also more easily identify large shipments and can request authorities in importing countries to impound stolen goods. Banro Resource Co. was able to seize a shipment of casserite (tin ore) in South Africa that had been exported by Sominco, a company granted concession rights after late President Kabila had expropriated Banro.[18]

The lootability of oil by rebel groups is mostly linked to the vulnerability of staff and infrastructure, such as pipelines. In Colombia, where most of the oil is inland and shipped through pipelines, the sector is believed to pay an annual total of $100m per year in protection rent to guerrilla and paramilitary groups, while major oil companies pay $250m to the government as a 'war tax' set up in 1992.[19] To sustain extortion, guerrilla units have inflicted only limited damage to keep the oil flowing; but as a result of more effective government military offensives they have recently shifted to a strategy of total destruction to deny oil revenue to the government.[20]

Unless the armed opposition has access to airborne weapons or marine commandos, which UNITA enjoyed when supported by the South African Defence Force, the offshore oil sector is largely insulated from threats of violence. Rebels instead tend to target the sites of state power. Direct action against offshore facilities is not unheard of, however. In Nigeria, protests and kidnapping have been staged on oil platforms. In 1998, about 100 youths occupied a Chevron platform to protest against environmental and distributional issues and demand monetary compensation and jobs, leading to a joint police and navy operation that resulted in the death of two protesters. In 1999, a small commando force of the

'Enough is Enough in the Niger River' group kidnapped three staff and hijacked a helicopter on a Shell platform, later releasing them for ransom. In many instances of kidnapping, the companies had not paid in advance protection fees to the 'right people'.[21] Ironically, the large cash transfers occurring between some oil companies and 'violent' youth groups to pacify them through 'surveillance contracts' have led some of these groups to expand their predatory capabilities – for example, by purchasing speedboats to be used in smuggling, piracy and attacks on platforms. [22]

Resources and types of armed conflicts

As David Keen remarked, economically motivated violence among rebels will be more likely when the potential rewards are great and when 'natural resources can be exploited with minimal technology and without the need to control the capital or machinery of the state'.[23] Alluvial diamonds perfectly fit this description and it is therefore not a surprise to see that about two-thirds of poor countries producing alluvial diamonds have been affected by armed conflicts. More broadly, the characteristics of natural resources can play a role in determining the type of armed activity, distinguished here as: coup d'état, warlordism, secession, and rioting/peasant rebellion. 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 can contextualise political mobilisation as well as the strategy, tactics and capabilities of belligerents. In other words, conflicts may need to respond and adapt to the characteristics of the available resources presented above (point versus diffuse resources, and proximate versus distant resources) some types of conflicts are more likely than others (see Table 2 opposite).

Resources and coup d'états

Resources are generally less lootable than diffuse resources and exploitation and trade often depend on international political recognition for mobilising investors and accessing markets. As a result, they are much more accessible to governments than to rebel movements. In the case of high-investment energy and mineral sectors, only when staff or infrastructures are vulnerable to attacks, as with pipelines or railways, can rebels effectively extort them. In the absence of alternative sources of finance and a political basis for secession, the

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

Resource characteristics	Point	Diffuse
Proximate	**State Control/ coup d'état**	**Peasant/ mass rebellion**
	Algeria (gas)	El Salvador (coffee)
	Congo-Brazzaville (oil)	Guatemala (cropland)
	Colombia (oil)	Mexico-Chiapas (cropland)
	Iraq-Kuwait (oil)	Senegal-Mauritania (cropland)
	Yemen (oil)	
Distant	**Secession**	**Warlordism**
	Angola/Cabinda (oil)	Afghanistan (gems, timber)
	Chechnya (oil)	Angola (diamonds)
	Indonesia/Aceh-East Timor-West Papua (oil, copper, gold)	Burma (timber)
	Morocco/Western Sahara (phosphate)	Cambodia (gems, timber)
	Nigeria/Biafra (oil)	DRC (diamonds, gold)
	PNG/Bougainville (copper)	Liberia (timber, diamonds)
	Sudan (oil)	Philippines (timber)
		Sierra Leone (diamonds)

best option left to an armed opposition movement is to rapidly capture the state through a coup d'état in the capital city.

The conflicts in Brazzaville in 1993-4 and 1997 between competing politicians – Denis Sassou-Nguesso, Pascal Lissouba, and Bernard Kolelas – was clearly a contest for state power exacerbated by the control of an offshore oil sector representing 85% of export earnings. The fact that these conflicts took the shape of coup attempts in the capital city was in this respect predictable, and Lissouba's government should have rapidly won the war through its control of the oil rent and associated military power. However, the war in 1997 dragged on for five months before being brought to a conclusion in favour of former president Nguesso by the military intervention of the Angolan government. They, in turn, as allies of the former president were eager to protect Angolan claims over the oil-rich enclave of Cabinda and prevent the use of Congo as a platform for UNITA diamonds-for-arms deals.

Destroying a large part of the capital and leaving thousands dead, the stalemate in Brazzaville resulted from several factors. Firstly, a large part of the army did not engage in the conflict, while others supported Nguesso, their former patron and ethnic affiliate. Secondly, both contenders benefited from access to the oil rent, as Nguesso was allegedly favoured over Lissouba by the French oil company dominating the sector and parallel channels supported Nguesso's arms purchases.[24] Finally, at street level, the conflict rapidly changed in nature as the different militias supporting politicians benefited from the looting of the capital city. Urban youths on all sides used the political conflict to challenge the legitimacy of a corrupt political elite that had dominated and plundered the country for more than 30 years.[25] Looting became known as 'killing the pig' or 'taking a share in Nkossa [the new Elf oil field]'.[26] This form of justification echoed the devastating plundering of the Liberian capital Monrovia in 1996, when National Patriotic Front of Liberia (NPFL) fighters hijacked their leaders' military offensive, renaming it 'Operation Pay Yourself' and seeing it as a form of compensation for years of fighting 'without compensation from their leaders'.[27]

Resources and warlordism

Diffuse resources are more easily exploited and marketed than point resources by illegal groups, especially if they are distant from the centre of power. This is typically the case with alluvial diamonds or forests located along border areas, hence their association with economically viable forms of 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. Rebel groups thereby create areas of de facto sovereignty imposed through violence and defined by criminal and commercial opportunities such as mining areas, forests, or smuggling networks.

In Liberia, Taylor's bid for power in 1989 first targeted the capital Monrovia. Failing to capture the Presidential Palace because of the intervention of international troops, he nevertheless succeeded in establishing his rule over 'Greater Liberia' and took control of lucrative sectors such as timber and rubber, as well as key infrastructure such as the port of Buchanan, which was crucial to iron ore exports. Taylor did not limit his resource grab to Liberia, but extended it to neighbouring Sierra Leone, where his support for the RUF provided him with access to diamonds. Similarly, the RUF was able to sustain a guerrilla war essentially targeting the civilian population during the 1990s through its control of diamond mining areas as well as gold and cash crops. In the Philippines, the lucrative taxation of logging sustained many insurgent groups and transformed some from political opposition into self-interest groups.

Resources and secessions

Opposition groups are often required to assume sovereign rights to access point resources and therefore they are more likely to support 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, their existence or in some cases their 'mythology' is a powerful tool for political justification and mobilisation, and the prospect of future revenues is an additional source of motivation.

Most secession attempts have a historical basis. Yet the economic and social changes associated with the development of Western Sahara's important phosphate industry, for example, laid 'the basis for the rise of a modern nationalist movement, setting its sights on the creation of an independent nation-state'.[28] As Saharawis recognised the prospect of an economically viable or even prosperous country, and the simplistic assumption that Morocco aimed to capture their new-found mineral wealth, served to mobilise armed resistance. Secessionist armed movements can also emerge around the socio-environmental impact or wealth redistribution associated with the commercial development of resources. Secessionism in Aceh is rooted in the independent sultanate, which prevailed until the Dutch militarily defeated it in the late nineteenth century. Yet the formation of the Aceh Freedom Movement (GAM) coincided with the exploitation of major gas reserves in the early 1970s, and GAM's 'Declaration of Independence' in 1976 specifically claimed that $15bn in annual revenue was exclusively used for the benefit of 'Javanese neo-colonialists'.[29] Land expropriation and exploitation of other resources such as timber by Javanese-dominated businesses exacerbated the conflict.

Similarly, the island of Bougainville has a history of separatism based on a distinct geography and identity. Yet local politicians' demands for 'special status', including favourable funding allocations during the period of transition to independence, clearly centred on the economic significance of the island's gold and copper mine in Panguna. The secessionist agenda set in 1989 by Francis Ona, was related to the impact of copper mining, compensation and closure of the mine, as well as a 'Government of PNG [that] is not run to safeguard our lives but rather to safeguard the few rich leaders and white men'.[30] Ona, a former mine surveyor, is a local dweller but not a titleholder of the mining lease area. As such, he had little say in the allocation of the new trust fund set up in 1980 by the mine to compensate local communities. Although Ona's agenda 'is most reasonably understood as part of his conflict with his own relatives in the kind of land dispute … characteristic of [local] Nasioi culture', his analysis nevertheless resonated throughout the local Nasioi community, especially after repression began by PNG forces.[31]

In Sudan, a Nuer fighter provided a telling explanation for the renewal of conflict after the first phase of the war for self-determination of southern Sudan between 1955 and 1972: 'We fought for 17 years without even knowing of the true wealth of our lands. Now that we know the oil is there, we will fight much longer, if necessary!'.[32] The Sudanese People's Liberation Army (SPLA) has recently made the destruction of government-controlled oil installations in the South of the country a priority, to improve its bargaining position vis-à-vis the northern government and to obtain money from oil businesses.[33]

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. In Nicaragua, landlessness as well as neglect by the state and exclusion from or marginalisation within local patron-client schemes provided fertile ground for peasant support for the Sandinista revolution. Yet the creation of state farms by the Sandinista regime, rather than the rapid provision of individual plots, reinforced the bonds between some landed patrons and their client peasants, rapidly increasing their support for and participation in the US-sponsored Contra movement.[34] In the context of democratisation and an economic downturn precipitated by the fall of cacao prices and the liquidation of the commodity Exchange Stabilisation Fund dictated by the IMF and World Bank, migrant labour issues associated with agricultural were repeatedly used for political gains in the Ivory Coast in the late 1990s. Although the media focused on coup attempts in the capital, migrant workers were also the targets of violence including forced displacement.

Highly coercive forms of warlordism are less likely to be economically viable 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. Over time, to minimise grassroots challenges, the armed faction is likely to act as a 'protector' towards local populations, even if more in the sense of a Mafia group than a welfare state. FARC guerrilla units in Colombia, for instance, provide protection to peasants on land holdings and guarantee minimum prices for both coca and agricultural products.[35] While there has recently been a drift towards more criminal activities, FARC's maintaining of a balance of economic incentives to sustain peasant productiveness and threats has been key to the viability of the revolutionary movement since its inception in the 1950s. Similarly, the expansion of the New People's Army (NPA) in the Philippines in the 1970-80s largely came from a 'symbiotic' relation with a peasant population whose subsistence agriculture was threatened by agribusinesses, logging companies and hydropower projects. The NPA provided an alternative to the regime of Ferdinand Marcos that had lost all legitimacy and even presence among rural communities. Yet both the Revolutionary Armed Forces of Columbia (FARC) and the NPA secured most of their support and funding from taxation and extortion schemes related to drug trafficking, as well as cattle ranches, plantations, logging and mining, respectively.

Resources and foreign interventions

Foreign interventions occur in all the 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. Although there is as yet no evidence of US support for a short-lived coup by business leaders and military officers against democratically elected President Hugo Chavez on 12 April 2002, the failure of the US administration to condemn it demonstrated US dependence on Venezuelan oil and its distrust of Chavez. Foreign intervention can also reflect vested commercial interests in a regional context, as with Zimbabwean and Ugandan presence in the DRC, as well as a means of self-financing transborder security operations, which seems to have driven Rwanda's involvement in the DRC.

External actors may also intervene in secessionist attempts by manipulating local political identities into providing access to resources. In the late nineteenth century, the discovery of gold and diamonds in the newly created Boer republics in South Africa led to both stronger resistance to annexation by Britain and a massive influx of British prospectors. The refusal of Boer authorities to grant political rights to these British *uitlanders* (outlanders) led British entrepreneurs such as De Beers' founder Cecil Rhodes to arm British settlers' militias, and precipitated the Boer War.[36] In 1957, the French government saw its resource interests threatened by the war of independence in Algeria, and organised the institutional secession of the resource-rich Sahara in the south, placing it along with parts of Mauritania and Mali under the direct control of Paris through the *Organisation Commune des Régions Sahariennes* (OCRS). In response, the Front de Libération Nationale (FLN) placed the territorial integrity of the country at the top of its cease-fire negotiation agenda with the French to ensure its control of the Saharan resources.[37] Despite its political character, the Biafra secession in Nigeria and its repression by the government were largely motivated by local oil reserves. French oil interests supported the Biafra secession attempt and the Nigerian army started fighting in July 1967 'more than a month after the declaration of independence but only days after Shell … agreed to pay its royalties to Biafra rather than Nigeria'.[38] 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 Moise Tshombe, leading to military clashes between corporate-funded foreign mercenaries and UN troops supporting the unity of the country.[39] 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.[40]

Influencing the course and duration of armed conflicts

The availability of resources and contests over their control generally prolong conflicts.[41] Natural resources can support the weaker party and allow it to continue fighting and to maintain access to a source of wealth. Furthermore, as profits take priority over politics, the conflict risks becoming increasingly commercially driven, with the belligerents correspondingly motivated by economic self-interest.

These developments also have a significant impact on the organisation and cohesion of armed movements and thereby on the course and duration of the conflict. It does not automatically follow, however, that a war would be shorter in the absence of resources. Indeed, desperate belligerents lacking access to resources may well intensify predation and attacks on civilian populations. There seems, however, to be no clear correspondence between access to resource wealth by belligerents and attacks on civilians. In theory, large-scale revenues can allow belligerents to shift from a war of focusing on 'easy targets' such as civilians to a conventional type of conflict more respectful of the laws of war. In practice, however, wealthy rebel groups such as RUF and UNITA have calculated non-economic tactical advantages in perpetrating violence towards civilians. Furthermore, many civilians often use the context of war to engage in violent and economically motivated crimes.

The withdrawal of foreign sponsorship towards the end of the Cold War motivated most belligerents to further develop alternative revenues. Although other factors influence the prolongation of wars, the availability of highly lucrative natural resources allowed wars to be sustained. In resource-poor Mozambique, cash-strapped RENAMO relied on an intergovernmental trust fund and adhered to the peace process in the early 1990s, whereas UNITA and the *Mouvement Populaire de Liberation de L'Angola* (MPLA) – awash with cash from diamonds and oil exploitation, respectively – twice returned to war. While RENAMO had benefited from smuggling and protection rackets over the flow of goods from three neighbouring land-locked countries, there were few resources on which to build its war economy when these flows could be channelled through South Africa. To some extent, peace in El Salvador was partially the result of a lack of resources as foreign support was cut off, in contrast to Colombia, where local resources sustained the conflict.[42] Even prior to the end of the Cold War, revenues extorted by the ELN from oil companies through kidnappings and taxation of their sub-contractors assisted the movement in recovering from a devastating government army offensive in 1973, and allowed it to grow from less than a hundred to more than 4,000 members by the mid-1990s.[43] In 1988, KR leader Pol Pot had stressed the 'need to find ways to develop natural resources' to fight the Vietnamese.[44] Following the departure of Vietnamese troops in 1989, the KR succeeded in doing so by capturing gem mines and forested areas along the Thai border, allowing them to fight the government for six years beyond the termination of their Chinese sponsorship.

Many conflicts have also been prolonged by violent access to natural resource revenues. The proliferation of armed factions in the Liberian conflict and repeated failures of peace processes have been attributed in part to the profitability of resource looting and their impunity from any adverse consequences. Some leaders not only repudiated agreements or set up front-factions to pursue their aims, but proved unable to enforce the compliance of their supposed 'followers'. When violence embodies the exercise of authority and acquisition of status, it consolidates a materialist idea of power in which guns and access to consumer goods predominate. This ideology feeds a cycle of fragmentation and conflict perpetuation, as nominal leaders fail to rally these followers to a 'national' political project. Unsurprisingly, as in Somalia, businesspeople previously working in the shadow of warlords often emerge as powerbrokers once the guns have fallen silent.[45] Having accumulated financial capital and built extensive social networks, they also enjoy greater de facto legitimacy than most politico-military entrepreneurs and often succeed in carving out a larger area of influence.

As natural resources gain in importance for belligerents, so the focus of military activities centres on areas of economic significance. This has a critical impact on the location of military deployment and intensity of confrontations. Complementing guerrilla strategies of high mobility, concentration of forces, and location along international borders, rebel groups seek to establish permanent strongholds or areas of 'insecurity' wherever resources and transport routes are located. Government troops generally attempt to prevent this by extending counter-insurgency to these areas, occasionally displacing and 'villagising' populations. In many cases, however, government troops join in the plunder.

The overall effect of natural resources in such contexts is ambiguous. On one hand, resources can intensify confrontations over the areas of economic significance. This occurred in Sierra Leone over the best diamonds areas and in Cambodia over log yards. On the other hand, armed groups can settle for a 'comfortable stalemate' in which opposing parties secure mutually beneficial deals to produce and market resources. This relationship can favour localised peace agreements and defections, when local commanders lower the intensity of conflict and even negotiate their individual disengagement without approval from their supposed leaders. In Cambodia, the KR benefited from export authorisations granted by the co-prime ministers to Thai companies operating in its areas. The group also granted logging companies permission to operate chainsaws, lorries and sawmills in areas that it controlled in exchange for monthly fees in cash or rations. These fees were crucial to the viability of small KR groups far from their bases.[46] Government soldiers and authorities were able to collect fees from the same loggers. In the short- and medium-term, neither side had an incentive to change the status quo.

Beyond these financial and military effects, resources can also prolong conflicts by providing political networks of support, including 'private resource diplomacy'. UNITA's diamonds allowed the rebel movement to not only buy arms, but also attracted diplomatic and logistical support from regional political leaders.[47] 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. In Cambodia, the KR benefited from the support of Thai military and political officials who used logging revenues to finance their electoral campaigning. Most prominent among these was General Chavalit Yongchaiyut, a commander-in-chief of the Thai army with similar logging interests in Burma and who became Prime Minister in a corruption-marred election.

Finally, resource wealth can prolong conflict by weakening the prospects for third-party peace brokerage. Access to resources acts as a divisive factor among international players. Bilateral actors are inclined to accommodate domestic interests in order to secure commercial benefits for their corporations. In addition, the ability of the belligerents to draw on private financial flows decreases the potential leverage of multilateral agencies (e.g., the IMF the World Bank and the UN) exercised through grants and loans. In many contemporary armed conflicts, private capital inflows have assumed greater importance than foreign assistance, especially in comparison to conflicts in the Cold War era.

Although resource wealth tends to prolong wars, it can also shorten them in several ways. Firstly, it can produce an overwhelming concentration of revenues in one party, as oil did in 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, which despite significant diamond stockpiles was unable to exchange them for arms and logistical support. Ironically, UNITA's diamonds wealth may have encouraged it to pursue a bold but ultimately self-defeating conventional warfare strategy.[48]

Secondly, a government's greater access to resources can motivate rebel groups to defect to the government, provide an incentive in peace negotiations, or lure rebel leaders to the capital. The applicable caveat is 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, 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: 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.

A third way in which resources can participate in ending conflicts relates to agency problems and fragmentation often affecting rebel movements as a result of 'bottom up' resource flows.[49] Unless the leadership is able to monopolise the means of exchange (e.g. vehicles, airports, roads, bank accounts, export authorisations, middlemen, importers) between a resource supplier and the its customers, economic space is available for their allies and subordinates to become autonomous through commercial or criminal activities based on local resources. The inherent risk of private appropriation can undermine trust between members of an armed group. More generally, this pattern of resource flow is likely to weaken discipline and chains of command. In contrast, when resources are fed into the conflict from outside, which tended to occur during the Cold War, leaders can maintain the coherence of their armed movements through the tight control of the flow of foreign resources to their allies and subordinates. A KR commander noted:

> *'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 that fighting'.*[50]

In order to prevent such 'explosion', or fragmentation, the KR fully supported soldiers and their families and tightly controlled cross-border movements. The hierarchy also supervised business dealings by local units. In 1996, a new commander was sent to a local KR unit that had become too cosy with provincial authorities, as well as to settle a contractual dispute with the movement; 14 workers and the boss of the logging company involved were captured and beheaded. Tensions also arose because of financial disparities between KR regional units, leading to a fragmentation of the movement, massive defections and the ultimate demise of the movement. 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 KR 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 KR-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 KR 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 the former KR.

The leadership may also retain authority through coercion, charisma and strong ideologies, or adopt radical measures such as strict discipline, harsh sanctions, forced recruitment (especially of children), indoctrination inside the movement, and the violent repression of the population. UNITA's security apparatus, the status of Jonas Savimbi as 'all seeing' among many of the rank and file, severe punishment including summary executions for such offences as alcohol-making or drinking, diamond-theft, disrespect for officers, long instilled fear and a culture of strict discipline within UNITA's ranks and the general population.[51] 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 diamond business and prevent fragmentation and corruption.

Finally, an armed group that exploits natural resources is vulnerable to losing popular support and political legitimacy in the event that its adversary portrays the group as bandits or criminals driven more by economic self-interest than by political ideals. Ignoring similar 'criminal' practices on the part of government officials or paramilitary groups facilitates 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 marginalising a political resolution of the conflict in favour of a military solution. This, in turn, risks alienating local populations and drastically reducing their political support.

To sum up, natural resources can play a dual strategic role in contemporary wars by motivating and financing them both before a conflict begins and as it unfolds. Although there is no deterministic relationship, resources can participate in shaping the type of armed conflict taking place, objectives of territorial control, relations between belligerents and populations and the duration and intensity of the conflict. Resources can also affect the internal cohesion of armed movements, frequently leading to their fragmentation, as well as to instances of collusion between adversaries. This strategic role therefore has significant implications for both conflict prevention and conflict resolution.

Chapter 3

Preventing and ending 'resource-fuelled wars'

Freed from Cold War confrontation and shaped by new norms of rights and sovereignty, the current international context can promote better governance of resources. So far, efforts have been concentrated on the protection of the environment, as well as upholding the human rights of indigenous communities directly affected by resource exploitation. Preventing armed conflicts related to resources, however, requires broader engagement by external actors, more systematic and transparent domestic management of resource sectors and the imposition of specific measures for tackling the role of resource revenues in fuelling war.

Preventing 'resource-fuelled wars'

Preventing a context of resource-dependence and poor governance conducive to war requires that appropriate frameworks be put in place to ensure that the financial wealth created by resource exploitation is captured and diffused in the interest of society, and that interest coalitions are able to sustain this situation. These subsidiary objectives are:

- Increasing corporate responsibility;
- Maximising and cushioning resource revenues;
- Allocating revenues fairly and efficiently;
- Diversifying the economy;
- Promoting peaceful and secure resource supply.

Increasing the corporate responsibility of resource businesses

Resource corporations have long argued that they are neutral economic actors disengaged from the 'business of war'.[1] But the role of businesses, as well as trading infrastructures and financial services, can be significant in the initiation and course of resource-linked wars. If investment and commercial activities are essential to economic and human development, resource businesses need to recognise that they can - in the main, unintentionally produce a number of negative externalities.[2] These include:

- Exacerbating inequalities, greed and grievances by aggravating inequalities or increasing economic rents amenable to factional control;
- Sustaining poor governance by participating in the corruption and legitimation of unrepresentative and repressive authorities;
- Directly deprecating human rights by degrading local livelihoods and entitlements, promoting discrimination, denying populations access to democratic political processes, slave or child labour and the use of disproportionate force to protect their interests/security;
- Hindering peace processes by voluntarily or involuntarily bankrolling belligerents and thereby reducing the leverage of local populations and international institutions, as well as influencing the foreign policy of home countries through commercial interests (i.e. commercially driven diplomacy).

Rarely do belligerents operate resource exploitation schemes on their own, and all require business intermediaries – from local 'barefoot entrepreneurs' to international brokers and multinationals - to access commodity, financial, or arms markets. Some businesses simply attempt to cope with a deteriorating political and security context, while others see the possibility of competitive advantage. This complicity varies from simple economic intermediaries to complex forms of influence, including political and military support. Antagonisms between private and public foreign interests can emerge. Foreign mercenaries may act against the interests of their home country; US oil companies supported an Angolan communist regime condemned and fought by the Reagan administration.

Businesses, from petty gem traders to oil majors, often decline to play a direct role in resource-fuelled wars, acknowledging only the direct impact of their core operations (such as labour practices).

The business perspective is often that conflict-affected countries are 'intrinsically unstable areas': as US Vice-President Dick Cheney, a former oil-company executive, noted 'the problem is that the good Lord didn't see fit to put oil and gas reserves where there are democratic governments'.[3] Yet as oil expert Thomas Waelde observes from the history of the oil industry, 'at the beginning of most corporate or individual successes … was usually some bold, rarely very ethical, exploitation of commercial opportunities blocked to competitors by politics'.[4] Oil businesses gain a competitive advantage by engaging with 'pariah states' that other companies avoid to protect their good name or to preclude sanctions. The presence of the British company Premier Oil in Burma supports a democratically illegitimate and coercive regime through both financial and private diplomatic means, even if its CEO justifies the company's engagement by declaring that 'If Burma is ever to rejoin the human race, our nationalisation programme for staff will have prepared the country'.[5] Similarly, Unocal, a US energy company also present in Burma, courted the Taliban in Afghanistan until its pipeline project was terminated in late 1998 as the US militarily retaliated against al-Qaeda's terrorist attack in Nairobi.

Countries in conflict also constitute a valuable 'niche market' for businesses whose competitive advantage lies in their risk-taking mentality, political savvy, or connections with security services. At best, 'pioneers' of the international economy provide local jobs, humanitarian assistance and tax revenue much needed for social services. At worst, opportunistic 'bottom-feeders' directly support war criminals in their financial and arms dealings. Often, there is a thin line between these two categories. Junior companies in particular seek out markets characterised by high political risks or legal barriers, creaming off easily accessible resource reserves or preparing the ground for investment by larger businesses. Referring to mining deals in **the DRC,** Swedish entrepreneur **Adolph Lundin argued,** 'if you want big finds, you should go to countries that are not popular'; countries like Sudan where US oil companies cannot go.[6] To access and secure resources in these 'unpopular places', businesses often associate themselves with dubious brokers or private military corporations. In other cases, businesses deal with arms traders paid through natural resource concessions or mortgaged resource production, or directly deal in arms.

Business interests also 'invest' in rebel factions with an eye to accessing resource areas in the short term while paying the government to keep longer-term options open, or vice versa. During the Algerian war of independence, the Italian oil company ENI reportedly supplied money and arms to the FLN in return for future 'considerations'.[7] Western businessmen did the same with Savimbi in Angola during the 1980s. From late 1996, many foreign companies supported the Rwandan and Ugandan backed AFDL as it gained control of eastern and southern Zaïre, including key mining sites. In Liberia, Taylor rapidly gained the recognition and payment of 'taxes' by major businesses, including a subsidiary of Firestone, owning a major rubber plantation, not only under the guise of 'protection', but also to restart production.[8] Some companies may even appear politically progressive as a result. Shell, for example, has long sought contacts with separatist groups in West Papua, currently under contested Indonesian rule, which in turn may have enticed the Indonesian government to consider further political and fiscal devolution for the province.[9] With huge demand for arms and wealth of mineral resources, Angola became a prime target of savvy businessmen juggling political relations, arms dealing and natural resource-brokering in the 1990s. On both sides of the conflict, businesses assisted in the 'looting' of diamonds and oil reserves for the pursuit of war and financial self-interest.

The search for valuable reserves in the form of old-growth tropical forests has prompted logging businesses to venture into areas of potential or actual conflict, often angering local populations, as in Sarawak, or underwriting the continuation of war. The enclave of Cabinda in Angola, Thai-Burmese border areas, Cambodia, Central Africa, or West Papua have become some of the last frontiers of the tropical timber industry. In Liberia, logging businesses have become one of the chief sources of revenue since the onset of the war in 1989. They have also directly assisted in the logistics of illegal arms transfers to the RUF in Sierra Leone, busted the Security Council arms embargo imposed on Liberia since 1992, and set up militias accused of human rights abuses that fight alongside Taylor's forces against the rebel Liberians United for Reconciliation and Democracy (LURD).[10]

Two important first steps towards reducing political conflict and violence on resource exploitation sites would be improving communications among different stakeholders (mainly, companies, local residents and governmental authorities) and establishing security measures respectful of human rights. Many conflicts are based on the 'mythology of plenty' accompanying the development of resource exploitation projects, and the culture of secrecy of many managing governmental institutions reinforces this myth. Conflicts are more easily avoided if realistic revenue forecasts, emphasising the finite nature of resource reserves and the vagaries of international prices, as well as the costs and benefits of resource exploitation are communicated to the population and host authorities from the outset of the project. Often taking place in remote areas with politically marginalised populations, resources can easily become the private domain of businesses and governments. The multiplicity of ownership of many land-based resources often increases the potential for conflict, but participatory management and a fair allocation of revenues or compensation can attenuate this tendency. Numerous forms of co-ownership and management have emerged, such as long-term concessions and production-sharing agreements between the state and the private sector, or community-based natural resource management schemes providing local populations with some degree of control over resource access.[11]

The complexity and internal tensions within local communities also demand constant attention, communication, and conflict management skills on the part of authorities and businesses. There is a case for business engagement in conflict prevention along the following principles:[12]

- strategic commitment on the part of the management, translated through explicit policies on human rights, corruption, and security;
- risk and impact assessment of the company's core business and social investment activities;
- dialogue and consultation with key stakeholder groups on a regular basis;
- partnership and collective action with other companies, government, and civil society organisations to address sensitive issues and to invest in practical projects; and
- evaluation and accountability through performance indicators, independent verification, and public reporting.

The deployment and use of security forces to prevent banditry, enforce ownership rights, and protect staff and infrastructures against violence is also a particularly sensitive issue. At the initiative of the US and UK governments and in partnership with a small number of major companies and NGOs, a process was set to define 'Voluntary Principles on Security and Human Rights' to guide companies in their operations. These principles, adopted in December 2000, relate to risk assessment, and interactions between companies and public as well as private security. There remain practical barriers to their viability. On one hand, the application of the principles has produced delays and difficulties in undertaking 'business as usual' in security practices. Conversely, the agreement does not carry the force of law or even mandate compliance assessment by the US and UK governments.

Like most voluntary codes of conduct, the efficacy of these principles pivots on the good will of shareholders and individual managers. The profit motive and competitive pressures constitute formidable countervailing forces. Many corporations still see a systematic trade-off between shareholder value and social responsibility, and as a result more progressive businesses are wary of the advantages that could accrue to less socially minded competitors. Strong compliance with standards or binding legal regulation can also carry their own negative externalities. Although major transnational corporations can set positive standards within the sectors they dominate and act as 'gatekeepers' against bad practices, these corporations can also abuse this situation to marginalise smaller competitors and emerging markets. For example, the blanket labelling of all African artisanal diamonds as 'conflict diamonds' makes 'cleaner' diamonds coming from large mines and developed countries such as Australia and Canada more marketable and potentially impedes the development of Third World enterprises. There is thus a need systematically to balance global legal standards for business practices against the requirement to encourage entrepreneurship in developing countries and the need to ensure that established businesses continue to have incentives to invest in the developing world. In fact, the move to regulate the global diamonds trade is being accompanied by both international aid and business partnerships to assist authorities and small businesses in producing countries to adapt to the new regulatory environment.

Maximising and cushioning resource revenues

Producing countries need to maximise revenues from resource exploitation, not so much through increased volume than through improved taxation, greater employment and added value to exported commodities. Not only can increased revenues assist in poverty-alleviation, but the process of maximising revenues can be in itself a major driving force for development and diversification; as domestic governments must prepare for the reconversion of the economy and find alternative fiscal revenues to cope with resource depletion in the case of extractive sectors. Within the context of a global and specialised economy, this represents a major challenge - even for resource-dependent provinces of developed countries - involving balancing taxation and investment incentives, training and integration policies for national workers, as well as progressing towards higher-value resource processing.

Resource-exporting countries should promote higher and less volatile prices for raw materials. At a domestic level, governments and businesses in producing countries often use revenue stabilising funds to accumulate reserves during boom times, and release them when the economy or commodity prices flag. Such funds can also insure greater equity between regions, thereby acting as a mechanism of national solidarity and equality. In Ivory Coast, the coffee and cacao stabilisation fund (CAISTAB) allowed for producers throughout the country to obtain similar prices, whatever the distance from the ports in the south. Such a measure assisted in raising revenues in the otherwise impoverished northern part of the country. Its liquidation in 1998 jeopardised the northern economy, sent the cacao price tumbling and aggravated tensions between an affluent urbanised and Christian south, a mostly Muslim north and a migrant labour force accounting for close to a third of the population. Savings funds can also 'sterilise' rent windfalls and avoid uncontrolled and wasteful public spending. Yet while supposedly based on financial and political economic criteria, individual politicians motivated by corruption or populism often raid these funds.

At an international level, resource prices need to be stabilised and favour poor exporting countries over rich importing ones. Most international commodity agreements and organisations have collapsed over the past 15 years, in part as the political rational of superpowers in using these schemes to sustain favourable regimes in producing countries declined, and neo-liberal economics came to predominance. As a result most resource-dependent countries are 'price takers' rather than 'price makers', and exposed to decreasing and volatile prices. Resource price shocks can not be covered domestically given their magnitude and the absence of alternative sources of growth, exporting countries need to be insured against negative export price shocks. When helping to define the post-war economic order, John Maynard Keynes proposed the creation of an international institution in charge of stabilising commodity prices, but the US Congress was opposed to the idea. The International Trade Organisation was stillborn and its new embodiment, the WTO, does not deal with this issue. By 1996, the economic clauses of all commodity agreements had lapsed or failed. The main reason was a general unwillingness to resolve the practical difficulties of price stabilisation in a world perceived as increasingly market driven, globalised, and competitive.[13] In 2000, the IMF eliminated its Buffer Stock Financing Facility, noting that there was no eligible commodity agreement in which this credit scheme could be used. The IMF also reduced its provision of non-concessionary medium-terms loans for covering temporary shortfalls in export revenues through the Compensatory and Contingency Financing Facility. Similarly, while the EU remains interested in boosting these stabilisation mechanisms, its STABEX scheme was abandoned because it entailed excessive delays between initial economic shocks and the disbursement of project-specific financial aid.[14] Rather than 'pushing against the water' by trying to manipulate markets, the World Bank currently only promotes financial-hedging techniques through a couple of pilot projects among a few commodity producers.[15]

Maximising and cushioning resource revenues for exporting countries, however, is not a panacea. High prices can promote further political competition and institutional breakdown through corruption in the absence of adequate institutions.

Nevertheless, there remains a crucial need to provide transitional finance during negative price spikes to lessen the severity of shock-induced recessions. This could take the form of a 'rapid reaction' foreign assistance scheme suspending debt servicing or providing programmatic aid contingent on a fall in resource export prices affecting the poorest or most unstable resource-dependent countries.[16] Donors, commodity-based associations, or IFIs already follow the evolution of resources prices and their possible consequences on producing countries, but a more institutionalised early warning scheme following the evolution of resource prices, the degree of dependence of countries, and their overall economic and political stability (drawing on other early warning systems) coupled with clear selection criteria and financial procedures of assistance, may help improve such a situation.

Allocating revenues fairly and efficiently

The greatest challenge in regulating the use of natural resources is to guarantee that revenues benefit populations and strengthen rather than erode governance and the legitimacy of authorities. Transparent, negotiated and accountable revenue collection and allocation schemes are therefore essential. Regularly audited funds channelling resource rents are increasingly used, but the details of such audits are rarely made public and transparency at an aggregated national level is often insufficient given the myriad opportunities for corruption, embezzlement, and mismanagement available to decision makers in government. Even when audits and figures are publicly available, potential auditors from civil society or elected representatives often lack the capacity, time, or funds necessary to properly investigate revenue management. In many developing countries, the IMF is the only real auditor, but it is adverse and not mandated for political debate and has its own agenda and rules of confidentiality.

Effective schemes require constitutional and legal reviews, as well as the creation or strengthening of institutions that can provide checks and balances on government officials and businesses, such as anti-corruption regulations and organisations, public auditing and independent judiciaries. Such institutions need to be effective at multiple levels, from initial contracts on resource projects to the disbursement of public budgets by local authorities. Decentralisation of revenue management can also favour greater accountability, but involves a shift in power from the capital to the periphery with potential risks that could include a loss to national cohesion, heightened local corruption and weaker management. In this vein, the political and economic outcomes of the Indonesian government's recent fiscal devolution of 70% of energy and mining revenues to the provinces of Papua and Aceh are likely to be highly relevant.

To curtail corruption at the international level, the Organisation for Economic Cooperation and Development (OECD) and the EU have adopted anti-corruption regulations, and a new global NGO, Transparency International, is specifically dedicated to the problem. The EU also introduced in the Cotonou Agreement a clause of 'essential elements' for partnership, such as respect for human rights, democratic principles and the rule of law and the absence of 'serious cases of corruption'. Following suspension of EU aid to Liberia in June 2001, the government of Liberia submitted to its demand for an audit of Liberia's public finances. The IMF and the World Bank are also taking bolder steps to tackle budgetary transparency and corruption issues. The active collaboration of business and financial institutions is also essential, not only in terms of transparency vis-à-vis their payments to the state or other recipients, but also in terms of using their leverage over the proper management of public revenues they help create. Rather than accepting clauses of confidentiality over taxation issues in their contracts with governments, the international norm should be for businesses to push for minimal standards of transparency and accountability. Such norms could be enforced by stock exchange regulations and standards of corporate governance. While capital-market sanctions remain controversial, improved norms of mandatory corporate disclosure have been high on the 'Comprehensive Corporate Reform Agenda' of the US administration following the accounting scandals of Enron and other major listed companies in 2001. The decision to 'move corporate accounting out of the shadows' should not only benefit shareholders in the US, but also populations in producing countries.

Diversifying economies

Resource-dependent countries need to diversify their economies in order to provide broader sources of income. Such an effort can take the form of vertical diversification through the processing of resources into valued-added products, or horizontal diversification into non-related sectors. Many efforts on the part of exporting countries have been counter-productive and competitiveness in manufacturing has long been obstructed by importing countries imposing higher tariffs on processed resources than on raw materials. In 2001, however, the EU initiative 'Everything But Arms' opened up the European market to nearly every product from all

Least Developed Countries (LDCs), with the exception of Burma. The hope is that greater access for secondary commodities will diversify the economy of LDCs. The track record of such preferential agreements, already in place for the African, Caribbean, and Pacific group of countries (ACP) since the 1960s, is, to say the least, disappointing. Of all ACP countries only Mauritius, which has very few natural resources, represents a clear success. Diversification is also hampered by a set of domestic and regional factors, including a dearth of financial markets, low productive and marketing skills, and political impediments to licensing and taxation.

A shift away from revenue-dependence from foreign companies and markets should also favour political accountability towards local constituencies. A simplistic strategy of privatisation benefiting local companies, however, carries significant risks, as demonstrated by the disastrous 'Zaireanisation' of the Congolese economy or the corrupt and insider privatisation process in Russia in the early 1990s. In both cases, adequate institutional barriers and an appropriate incentive environment for the new owners and managers were not in place, leading at least in the initial phase to a 'mining' of the assets of privatised companies and massive capital flight.

Promoting peaceful and secure resource supply

Well-managed interdependence can promote stability and wealth transfer towards poor resource exporters. Ideally, importing countries and businesses would promote supply diversification and international institutions for resource conservation and collaboration as alternative forms of supply security to military forces or accommodation with domestic dictatorships. The EU's policy is to aim at convincing states in the Middle East and Central Asia to share resources and revenues in order to lower tensions. The interdependence resulting from the development of a gas sector dependent on fixed pipelines is often cited as a factor conducive to peace between connected countries, motivating them to collaborate and put aside their political differences. Unlike oil or other resources, gas cannot easily be shipped elsewhere, nor can importing countries find as cheap an energy resource. The case of the Burma-Thailand gas pipelines, however, proves that economic interdependence can also sustain dictatorial regimes while not resolving contentious political issues, such as border control and drug smuggling that can result in military skirmishes.

Importing countries also have a responsibility to ensure that resources are exploited legally, in particular because 'conflict resources' often use the channels of illegal trading. About a third of the timber imported by the G8 and China has been illegally felled.[17] This results not only in environmental damages and massive economic and tax revenue losses in exporting countries, but also promotes a climate of corruption and impunity in the sector. Rather than setting an embargo on timber coming from countries where illegal exploitation is prevalent, the main importing countries should set legality requirements on procurement rules as well as continue to work with exporting countries and their forest industry to improve the situation. There is already a precedent with the Forest Stewardship Council scheme, which certifies sustainably harvested timber. The Convention on International Trade in Endangered Species (CITES) also requests exporting and importing countries to ensure that the traded species do not figure among a list of threatened or endangered species.

There is also a need for international institutions to manage the demands for key commodities, starting with petroleum that has already been used as an economic weapon and been a source of insecurity, motivating military action by major powers. But while the diversification of supply and substitutes to essential commodities may reassure the industrialised world, this strategy could be costly to resource-exporting countries. Like blanket sanctions, decreasing demand and increasing competition between exporters could increase the gap in wealth between industrialised countries and poor resource exporters, with potentially dangerous consequences for both. This calls for a negotiated solution addressing the needs of the poorest resource exporters and measures assisting in the diversification of their economies if their sector is negatively affected by such policy.

Ending 'resource-fuelled wars'

The scope and number of measures to curtail the access of belligerents to financial means has greatly increased since the end of the Cold War. The following section examines these measures, including targeted sanctions, international investigations by the UN and civil society organisations, the use of judicial trials and aid conditionality, market regulation and commodity certification schemes, as well as economic supervision.

Policing and shaming: UN sanctions and expert panels

Under article 41 of the UN Charter, the Security Council may impose restrictions on economic relations by UN members with targeted countries or groups. UN sanctions regimes are now aiming to put them 'out of business', by prohibiting commodity exports in which they have a stake. The logic of sanctions has thus evolved from containment to policing. Prior to 1990, only Southern Rhodesia had been submitted to a commodity export embargo. Since then, seven countries or groups have seen their commodity exports prohibited or otherwise limited, reflecting a general pattern of greater use of sanctions as a tool of international policy (see Table 3 over).

To enforce sanctions, the Security Council relies on its members to prohibit trading in target commodities through regulatory or military means. According to article 25 of the Charter, members must abide by and implement these sanctions. Although member states may themselves be sanctioned for non-compliance, there is general reluctance to propagate so-called 'secondary sanctions'. Furthermore, the lack of adequate national legislation and enforcement by some governments has left many sanctions with a merely rhetorical effect. Such ineffective enforcement can favour criminal groups by forcing more legitimate companies out of resource sectors, with potentially negative consequences in terms of conflict prevention. Recognising this dynamic in the context of sanctions against UNITA, the Security Council specifically urged 'all States … to enforce, strengthen or enact legislation making it a criminal offence under domestic law for their nationals or other individuals operating on their territory to violate the measures imposed by the Council'.[18]

Very few implementation measures, however, have involved ground policing through military deployment by member states or UN peacekeeping missions. Immediately after the Iraqi invasion of Kuwait in 1990, the Security Council imposed a sanction regime to block Iraqi-controlled oil exports. The Multinational Interception Force (MIF) led by the US Navy acted under Security Council Resolution 665 (1990) to interdict all maritime traffic to and from Iraq to ensure a strict implementation of sanctions. Iraq is highly dependent on foreign trade and huge debts, and Iraqi oil exports were reduced by 90% between 1990 and 1995, crippling its economy. Yet Saddam Hussein proved sufficiently resilient or unconcerned by the plight of his population to withstand sanctions that were

Table 3 UN Security Council sanctions against resource exports

Year	Country	Resolution
1966	Southern Rhodesia	S/RES/232 (1966) and 253 (1968) on all commodities.
1990	Iraq	S/RES/661 (1990) on all commodities; S/RES/665 (1990) calls for halt, inspection, and verification of all maritime shipping in the Gulf area to ensure strict implementation of S/RES/661.
1991	Yugoslavia	S/RES/757 (1991) and 787 (1992) on all commodities.
1992	Cambodia	S/RES/792 (1992) on log exports, requests adoption of embargo on minerals and gems exports, and requests implementation measures by UNTAC.
1993	Libya	S/RES/883 (1993) banned the provision to Libya of equipment for oil refining and transportation.
1994	Haiti	S/RES/917 (1994) on all commodities.
1998	Angola	S/RES/1173 (1998) on all diamonds outside governmental Certificate of Origin regime and the provision of mining equipment and services to non government-controlled areas; S/RES/1237 (1999) establishment of expert panels; S/RES/1295 (2000) establishment of a sanctions monitoring mechanism.
2000	Afghanistan	S/RES/1333 (2000) banned the provision to Taliban-controlled areas of acetic anhydride used in heroin production.
2000	Sierra Leone	S/RES/1306 (2000) on all rough diamonds pending an effective governmental Certificate of Origin regime, and creation of expert panel on the implementation of sanctions.
2000	DRC	S/PRST/2000/20 establishment of expert panel on the illegal exploitation of natural resources and other forms of wealth.
2001	Liberia	S/RES/1343 (2001) on all rough diamonds, and establishment of an expert panel; S/RES/1408 (2002) establishment by government of Liberia of transparent and internationally verifiable audit regimes on use of timber industry revenues.

progressively eroded by 'oil-for-food' programmes and smuggling. By the late 1990s, oil smuggling was estimated to bring annual revenues in excess of $500m, with Iranian authorities selling 'transit permits' to smugglers to pass through their territorial waters.[19] Major and small oil purchasers and companies are involved. Nevertheless, there remains some potential for more effective enforcement of sanctions. The unique physical characteristics of oil fields and the availability of databases allow for the identification of the oil transported to the international market. Shell, for example, was fined $2m by the UN for such dealings after one of its tankers was found transporting Iraqi oil in April 2000.[20]

In 1992, the Security Council asked the UN Transitional Authority in Cambodia (UNTAC) to impose a log export ban to dampen the KR's efforts to undermine the peace process. Although UNTAC was 22,000-strong and had an extensive mandate, it was wary of, and not mandated for involving itself in possibly escalating military intervention with a high likelihood of casualties, assessing that the required high degree of military and official involvement in the provinces would prompt stiff resistance. UNTAC deployed military observers to monitor Cambodia's international border, without power of arrest. The KR refused such monitoring in its territories and the Thai government denied access on its side of the border. Despite holding documentary evidence of log trade into Thailand from KR territories, UN Secretary-General Boutros Boutros-Ghali took a 'quiet diplomacy' approach towards the new Thai government, which had just replaced a military junta. While he took the matter personally to the Foreign Minister of Thailand, the newly elected Thai government remained reluctant to offend the political views of pro-KR military and provincial officials or interfere with their economic relationships with the armed faction. Although log exports were eventually prohibited by Thailand, the Cambodian government's lifting of the ban after nine months undermined its overall impact. In the end, Thai timber imports for 1993 were only 20% lower than in 1992 and 1994, while the gem trade also benefiting the KR continued largely unabated. As in Iraq, the ban promoted smuggling as well as environmentally dangerous and economically inefficient practices.

Besides physically denying commodities through military means, Security Council compliance measures have mostly targeted the identification and criminal conviction of sanctions-busters.

Following the past failures of the UN in Angola, including sanctions implementation, lobbying by NGOs and the urging of Canadian officials in 1999 produced a new approach under which international agencies, governments and businesses were directly enlisted to help implement of sanctions. Along with publicising work of the media and advocacy NGOs such as Human Rights Watch, Global Witness, and Partnership Africa Canada, the UN also publicly 'named and shamed' sanctions-busters, including heads of states, shattering the law of silence generally characterising relations within the UN. Key to this revolution was the innovative involvement of independent experts whose work was not hampered by diplomatic protocol and who were provided with both the time and budget to conduct in-depth investigations. The main enforcement strategy of sanction became public 'naming and shaming'. As put by the chairman of the DRC panel, the goal of this strategy was 'to shock' those benefiting from the 'looting' of eastern DRC, namely Rwanda and Uganda.[21] As seen in the cases of the presidents of Togo and Burkina Faso, who were among those 'named and shamed' by the panel on UNITA sanctions, the first reaction from Rwanda and Uganda was to protest and even threaten disengagement from the Lusaka peace agreement. But a more conciliatory tone was adopted in the medium term, and may have contributed to the subsequent realignment of Ugandan-backed rebels with Kinshasa.

Experts do not work under cover and rely on voluntary testimonies, which complicates their task in comparison to intelligence or police work. Nevertheless, UN expert panels have provided information that has significantly deterred sanctions busting, even if their most sweeping recommendations have not been implemented. With staff hired on a 'consultant' basis and budgets averaging $1m for a typical team of five over a six-month period, expert panels are relatively easy to set up. Adding Interpol representatives also facilitates exchanges with police institutions worldwide. There is some momentum on the part of the UN Secretariat, member states and policy think-tanks behind the prospective creation of a permanent sanction-monitoring unit centralising the information of panels as well as logistically facilitating their work and their links with relevant institutions. The institutional location of such a unit under the Security Council or the Secretariat remains debated, however. Placing it under the umbrella of the Security Council could prevent any impairment of the credentials of the Secretary-General's 'good offices', but the legitimacy of the Security Council is itself somewhat tainted by the dominance of the five permanent council members. Some expert panel members have otherwise suggested that ad hoc panels with a shorter two-month reporting period, relying on independent consultants rather than corporations such as accounting firms, would be sufficient and in fact more effective. The model of parallel independent monitoring of the humanitarian impact of sanctions used in Liberia could also be generalised. In any case, it is salutary that expert-based monitoring is likely to become a permanent feature of the sanctions regimes in particular and conflict resolution in general.

Individual countries and regional organisations have also imposed commodity export sanctions. In the US, the federal administration, state governments, and even municipalities have multiplied unilateral sanctions against countries or individuals - sometimes with extra-territorial reach as through the Iran-Libya Sanctions Act (1996). Few of these sanctions, however, have been targeted at belligerents supported by resource exports. The US administration did, of course, impose sanctions against Iraq immediately after its invasion of Kuwait. It also targeted the military regime in Burma in 1995, through an investment moratorium affecting mostly US energy companies. But that measure fell short of requiring disinvestment or even deterring reinvestment in existing projects. In the context of civil strife and the hanging of Ogoni activists by the Abacha regime in 1995, a Nigerian Democracy Act banning new investments was presented to Congress, but it was rejected after lobbying from US business associations and the Nigerian government. President Bill Clinton offered to pass an equivalent legislation if multilateral consensus could be achieved, but European governments opposed the move on the ground that it could have jeopardised debt repayment and risked expropriation of oil-business assets, and preferred to adopt non-economic sanctions.

Commodity exports have also been the focus of sanctions by regional organisations. The Economic Community of West African States (ECOWAS) imposed economic sanctions against NPFL-controlled areas in 1993, after its military-arm, the ECOWAS Monitoring Group (ECOMOG) had organised a military blockade and takeover of Taylor's leading port in Buchanan, from which the

NPFL had imported arms and exported timber, rubber and iron ore. Although Taylor lost a significant portion of his income as a result, unimpeded diamonds and timber trafficking allowed him to maintain his military strength until he was elected president in 1997. A political and trade embargo was imposed for more than two years on Burundi by neighbouring countries after a military coup in 1996. Much criticised for its macroeconomic and humanitarian impact, the embargo was systematically violated by participating states, allowing for the export of all key commodities from Burundi, notably the smuggling of coffee, which was also encouraged by the low prices offered by the parastatal marketing board.[22]

The idea that commodity export sanctions should be lifted to promote positive economic engagement that benefits populations does not easily hold with respect to extractive industries. This is primarily because the targeted national authorities often control the rent of the extractive sector, and secondly, because extractive industries generate little local employment. In Angola, for example, the oil rent is controlled through the presidency, Ministry of Finance, and the parastatal oil company Sonangol, and the sector has generated only 10,000 local jobs, half of them public. UN sanctions against the Liberian logging sector have been debated by UN expert panel members and Global Witness arguing that timber revenues supported the RUF, and the humanitarian coordinating branch of the UN (OCHA) contesting that too many jobs would be lost to an already very weak economy. Siding with the humanitarian argument and waiting for indisputable evidence on the link between logging and arms, France and China – the two main importers of Liberian timber – have opposed such sanctions.

Prosecuting business accomplices

The judicial prosecution of sanctions busters and commercial actors engaging with war criminals is still in its infancy. Progress in the short term is most likely to come from national judicial systems in commodity importing countries. There have already been some cases in Belgium involving arms and diamond dealers, including an international mandate of arrest issued against notorious arms dealer Victor Bout and his associate Sanjivan Ruprah arrested on charges of criminal association and holding a false passport. Human rights activists and victims of human rights abuses are also increasingly using extraterritorial jurisdiction over resource businesses involved in human rights violations, provided, for example, by the US by the Alien Tort Claims Act. The most significant formal measure could be the International Convention for the Suppression of the Financing of Terrorism, which theoretically applies to businesses dealing financially with terrorists and war criminals and entered into force on 10 April 2002, following UNSC Resolution 1373 urging member states to ratify it in the light of the '9/11' terrorist attacks on the US.[23] This convention could be applied to diamond dealers linked to al-Qaeda financing networks.

The UN Convention against Transnational Organized Crime, with its focus on the criminalisation of the laundering of proceeds of crime (art.6) and corruption (art.8), also has the potential to cover the laundering of natural resources obtained through criminal offences defined either domestically (such as armed rebellion or 'grand corruption') or internationally (such as war crimes). There is, however, no specific reference to this type of criminal activity or to natural resources as a potential proceed within the text of the convention. Following the current argument on the criminalisation of the state and the economic agendas of belligerents, the assimilation of repressive and illegitimate governments as well as rebel forces to 'organised criminal groups', the convention could be complemented by a protocol specifically addressing the 'Illicit Exploitation of and Trafficking in Natural Resources'. Such protocol could be modelled upon the Protocol against the Illicit Manufacturing of and Trafficking in Firearms, Their Parts and Components and Ammunition, which provides both general provisions requesting a criminalisation of offences defined by the protocol, as well as specific provision relating to the prevention of offences, including *inter alia* record-keeping, marking and deactivation of firearms, international trading licensing and authorisation systems, and the registration and licensing of arms brokers. A 'Protocol on the Illicit Exploitation of and Trafficking in Natural Resources' 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 resource businesses.

In terms of global jurisdiction, the International Criminal Court could play a role that has not yet been fully explored. There are obvious difficulties in this regard, starting with the necessary expansion of the court's subject-matter jurisdiction and the likely resistance of the US.

Leveraging international aid

The effectiveness of aid conditionality - conditions set by donors upon recipients for aid provision - on regulating resource flows is highly dependent upon the importance of this aid to the targeted recipient, which would most frequently be a state assisting a rebel group with resource trafficking. But aid or trade dependent countries such as Thailand, and, to a lesser degree, Liberia, have responded to aid conditionality.

By the mid-1990s, the US government was under growing pressure, most notably from Global Witness, to use aid conditionality on the Royal Thai government to end assistance to the KR. The US Congress included to this end specific clauses in the Foreign Operations Act, first threatening to end military assistance in 1996 and then all assistance in 1997. Congress further asked for a report on this matter from the Secretary of State. Further, the IMF pressured Thailand to end its acquiescence to unauthorised exports by cancelling part of its Enhanced Structural Adjustment Facility loan in late 1996. Such pressures significantly contributed to the demise of the KR movement. In 2000, following years of 'quiet diplomacy' and aid commitment towards the Liberian government to improve human rights and regional stability, the EU suspended about US$50m in aid on evidence of government involvement in arms and diamond trading with the RUF. This suspension reportedly had little effect on the trade itself but was part and parcel of broader measures that convinced the RUF to lay down its arms.[24]

Restricting market access

Financial markets and individual businesses involved in the processing and marketing of conflict resources are under growing pressure to end their complicity in war economies. In 2001, the US House of Representative passed the Sudan Peace Act, which calls for the president to prohibit 'any entity engaged in the development of oil or gas in Sudan from raising capital …or from trading its securities … in any capital market in the United States'.[25] Sudan has been under a US trade embargo since 1997, and the Sudan Peace Act specifically recognises that the 'Government of Sudan has repeatedly stated that it intends to use the expected proceeds from future oil sales to increase the tempo and lethality of the war against the areas outside its control'. Although threatened by a veto from the Bush administration, the Act sends a clear message to companies such as Talisman and PetroChina already affected by disinvestments from US pension funds. At the London Stock Exchange, a listing already requires companies 'to create systems to identify, evaluate and manage their risks and to make a statement on risk management in their annual report' that account for business probity issues; the UK Pensions Act requires pension funds to inform customers about social policy commitments and disclosure of ethical considerations in their investment portfolio. Most financial markets, however, continue to provide funds without stringent regulations on corruption and the financing of war. Most recently, a coalition of NGOs led by George Soros and Global Witness started the 'Publish What You Pay' campaign making the disclosure of all payments to host governments by oil, gas and mining companies a mandatory condition for international stock exchange listings. The campaign seeks to eliminate concerns by companies about confidentiality clauses imposed by host governments and level the playing field between competing listed companies, while minimising costs given the ready availability of relevant accounting data. Although such a measure would secure the compliance of most major resource companies, it would not affect non-listed companies, such as privately owned or state companies. This loophole could be avoided by similar obligations of disclosure under national or regional company law. A further loophole that will prove more difficult to close concerns the regulation of international brokers registered in offshore jurisdictions and parastatal companies in host countries. Such brokers specialise on carrying on the dirty work of getting resource concessions in the first place 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 parastatal companies in charge of some subcontracting operations, also act as vehicles for corruption by scooping large cash bonuses, commissions, or profit shares.

Individual companies have also come under pressure to disengage from war-torn areas and pariah states through NGO campaigning and non-regulatory governmental pressure. Sabena/ Swissair suspended their shipment of coltan by cargo flights from East Africa after being named by a UN expert panel report as intermediaries in the coltan trade, fuelling the war in eastern Congo. This decision was also influenced by an innovative campaign by Belgian NGOs denouncing the complicity of these companies in bringing 'blood coltan' to the mobile-phone industry by sending text messages to a large number of mobile phone users. The world's second-largest processor of coltan also declared - albeit in the midst of a glutted market – that it would not buy anymore coltan from the Great Lakes region.[26] The UK government attempted but failed to pressure Premier Oil out of Burma, while it succeeded in preventing the London Stock Exchange from listing Oryx, a diamond company operating in the DRC in which the Zimbabwean military has interests.[27] But the Canadian government took a 'conciliatory and positive dialogue' path towards the government of Sudan despite an incriminating report commissioned by the Ministry of Foreign Affairs of human rights abuses by Canadian oil company Talisman in Southern Sudan.[28]

The relative success of economic sanctions has led both international and local NGOs to question their humanitarian impact. Following an extensive study, the Congolese group POLE argued that despite the clear links between war and coltan as well as the need to stop the illicit economy organised and controlled by armed groups, 'the people of the Kivu would not gain [from an embargo], but lose one of their very few remaining sources of income'.[29] To this end, an ideal regulatory framework should address the dilemma of sustaining the local economy in the interest of the population while weeding out activities supporting belligerents. At the same time, 'buying-out' belligerents through economic incentives may be a necessary step towards achieving peace. This challenge thus entails both economic supervision and wealth sharing.

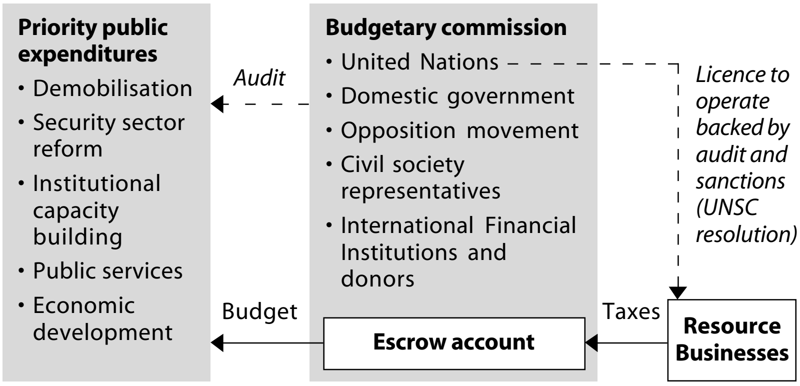
Supervising economies during peace processes

Like the demobilisation of soldiers and monitoring of elections attendant to most peace processes, a war economy needs to be 'demobilised' and 'monitored' in order to help avoid the resumption of conflict. Ceasefires and peace agreements offer the opportunity to implement such measures, but they are too frequently used as mere breathing spaces for military reorganisation and rearmament. Beyond sanctions and global regulatory measures, it is imperative to set up practical regulatory frameworks that deprive belligerents of revenues that could allow them to follow a double agenda of peace transition and rearmament, as was seen to happen repeatedly in Angola, Cambodia, Colombia, Liberia, Sierra Leone and Sri Lanka. Although economic activities, even illicit ones, often contribute to social peace by increasing the wellbeing of the population and changing the focus of groups in conflict, some nevertheless run the risk of fuelling future tensions.

This economic aspect of peace processes is 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 rearm. As mentioned earlier, Sankoh either ignored the mineral commission he chaired following the Lomé agreement, or used its legitimacy to advance his personal interests and to re-arm the RUF. Similarly, while UNITA handed over to the government the control of its main diamond areas in late 1997, the rebel movement continued mining and purchasing weapons.

The expoitation of resources can at least be limited during periods of transition through internationally supervised tax collection and budgetary allocation using escrow funds. In such a scheme, populations would benefit from tax transfers to social services, while the respective administrative and military structures of belligerents would receive monitored budgetary support to implement their effective integration into new government structures. Businesses themselves would be deterred from operating outside the scheme through a system of incentives, such as secure legal ownership, and deterrents, such as effective sanctions. If successful, and in the absence of alternative sources of support, opting out of a peace process would become a prohibitively costly alternative for belligerents. Like all instruments of control, the effectiveness of such scheme would depend upon the characteristics of resources, the mode of exploitation, and the economic incentives attached. Alluvial diamonds, for example, would remain a difficult commodity to control, especially if the scheme included a taxation process.

Figure 1 Economic supervision scheme during peace processes



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 a scheme. 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. The Security Council moved a step in that 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. These audits are required to demonstrate that the revenues are not used for busting sanctions but for 'legitimate social, humanitarian and development purposes'.[30]

The World Bank has also indirect oversight over the Chad-Cameroon Petroleum Development and Pipeline Project intended to prevent conflict and prioritise the allocation of oil revenues to social sectors. After nearly three decades of civil war, negotiations between the northern-dominated government and the main southern rebellion in the mid-1990s made it feasible for oil companies to develop fields in southern Chad. The oil companies' consortium viewed the World Bank as the 'centrepiece of its risk reduction strategy' by attracting institutional funding as well as assisting the Chad government in revenue management and implementing social and environmental programmes.[31] To manage the estimated $1.5bn in forecasted revenue over the next 28 years, the Chad parliament placed this revenue into an offshore escrow account, allocated it to social and environmental priority sectors and submitted it to a public auditing and an oversight committee. However, President Idriss Deby, who came to power through a military coup in 1990, used $4m from the oil development 'signature bonus' to purchase weapons; this move triggered an outcry from human rights and environmental NGOs and led the World Bank and the IMF to threaten the government with exclusion from their debt-relief programme. As 'moral guarantor' of the scheme, the World Bank also established an International Advisory Group to observe the implementation of the project and make recommendations to both governments. These measures notwithstanding, there remains a risk that the oil factor will bring about internal conflicts – a risk already clearly demonstrated in neighbouring Sudan.

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. The Government of Sudan was able to attract international investors and companies in large part due 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 ceasefire 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. Military threats to oil operations have dramatically increased since some of these southern factions rejoined the SPLA, but the logic of an agreement persists on peace and revenue sharing. Some government officials have declared that 'oil-sharing for ceasefire deal makes sense', but SPLA leader John Garang is against sharing oil revenues in the absence of a broader agreement.[32] 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.[33]

The key to long-term success, however, is a strong democratic control over resource revenues, rather than a weak external mode of regulation.[34] An external supervision scheme could pose risks of the resumption of conflict if the scheme dampened pressure for democratisation by providing a façade of legitimacy through a partial control of the resource rents by a few selected civil-society representatives and foreign advisors.

Regulating 'conflict resources': the case of diamonds

In 1978, the head of the De Beers diamond cartel, Harry Oppenheimer, could think 'of no commodity less susceptible to dangers from UN sanctions than diamonds'. [35] Operating in South Africa, where the apartheid regime had just come under a Security Council arms embargo, and in South African-ruled Namibia, the threat of commodity export sanctions that would affect De Beers' interests seemed real. Yet Oppenheimer knew that tens of millions of dollars could be smuggled out from these countries in an attaché case, and he believed that there would always be buyers. Ironically, 20 years later, De Beers supported UN sanctions against 'unethical' diamonds - not because they bankrolled apartheid or colonial regimes, but because they were so-called 'conflict' or 'blood' diamonds 'used by rebel movements or their allies to finance conflict aimed at undermining legitimate governments'.[36] A year after De Beers became the target of a campaign by Global Witness in 1998, denouncing its complicity in fuelling the war in Angola through its open-market purchasing practices, the company pulled out of Angola's open diamonds market as a broader NGO campaign publicised the fact that 'most people would be horrified to learn that their diamond jewellery had financed the purchase of landmines or guns in one of Africa's brutal conflicts'.[37] This decision was also motivated by De Beers' testy relations with the Angolan government and a new marketing strategy in which the cartel would reduce its huge price-regulating stocks and move from 'buyer of last resort' to 'supplier of choice' for the high end of the market.[38] Abandoning its monopoly policy for a branding one would also allow the company to sell directly on the US market.

Although the role of diamonds in fuelling several African conflicts has long been known, international attempts to regulate this 'conflict resource' were slow to materialise and tainted by the self-interest of the industry. Early attempts, such as the proposal of a ban on imports of UNITA diamonds by Belgian MPs in 1993, had failed for several reasons, including the ease with which diamonds could be concealed, the difficulty of identifying rough diamonds in mixed shipments, and the customary tolerance of the industry and importing countries for illicit diamonds smuggled to avoid taxation in producing countries.[39] Politically, the delay in imposing UN sanctions was explained by the UN's obligation 'to behave impartially between the two sides in helping them to implement the [Lusaka] Protocol … [even if] there were doubts about the sincerity of Savimbi's commitment to do so'.[40] There may have also been some resistance on the part of Western political circles aligned with UNITA and with close links to the mining industry. The UK minister then responsible for the issue, Baroness Lynda Chalker, argued that imposing restrictions on UNITA diamonds would be 'impractical'.[41] Furthermore, it is possible that business interests interfered, as several mining multinationals were eager to develop large-scale mining operations in alluvial fields and probably believed they could do so successfully only with the approval of UNITA or in the absence of a civil war. Finally, importing countries such as Belgium, where about 80% of rough diamonds are internationally traded, were weary that drastic regulations on traders could drive the industry elsewhere.

It took the exasperation of the UN at the lack of cooperation of UNITA and the failure of its successive missions in Angola to bring about international sanctions on diamonds, while the campaigning skills of Global Witness and Partnership Africa Canada to raise the profile of the issue since 1998 initiated a change in the practices of the industry. These initiatives resulted in a flurry of media attention and regulatory initiatives, giving conflict diamonds international prominence. Within four years, the Security Council imposed import prohibitions on 'conflict diamonds' from Angola, Liberia and Sierra Leone, and an international agreement urged by the UN General Assembly aimed at preventing the laundering of 'conflict diamonds' by the legitimate industry through a global Certification of Origin by 2003. This interest in regulating conflict diamonds had much to do with the stark contrast between the symbol of love and glamorous image promoted by the industry and the grim reality of amputee children in Sierra Leone. After its initial denial of the problem and argument that the provenance of diamonds could not be determined, the diamond industry recognised its vulnerability to a consumer boycott in light of the discretionary luxury status of diamonds and their image-driven value.[42] The fear of a consumer boycott, as occurred to the fur industry in the 1980s, led the diamond industry as well as producing and key trading countries to react by organising both public relations events and international negotiations to set up a certification regime.

The Kimberley Certification scheme

Launched in May 2000 in Kimberley, South Africa's first diamond town, by African producing countries eager to protect their trade, the 'Kimberley process' consisted of a dozen international meetings, drawing together government officials from up to 38 countries as well as representatives of the diamond industry and NGOs. The dominant position of De Beers in the marketing chain, the existence of the Diamond High Council (HRD) in the main trading centre of Antwerp, and the creation during the 2001 diamond industry conference of a World Diamond Council, which was specifically tasked by member industries with eradicating the trade in conflict diamonds, facilitated the negotiation process, as did implementation of the country-specific certification scheme in Sierra Leone. The positive, if sometimes tense, engagement between NGOs, government, and industry was relatively innovative and succeeded in preserving the legitimate 80% to 96% of an economic sector that employs several hundred thousand people and is critical to the economy of Botswana and Namibia. The agreement on a 'Kimberley Certification' scheme establishes a voluntary system of industry self-regulation centred on a certification process requiring all participants:[43]

- not to trade in rough diamonds with any non-participant;
- to ensure that each export shipment of rough diamonds is accompanied by a certificate and to require such certificate on all imports;
- to establish a system of internal controls on exploitation and trade, as well as a mode of shipment eliminating conflict diamonds from any exports;
- to collect and maintain data on production, import and export statistics;
- to cooperate and be transparent with other participants, including through external reviews and assistance to fulfil minimal requirements.

The process was concluded in late 2002, after conflicts in both Angola and Sierra Leone had officially ceased. Although many diamonds will certainly continue to be smuggled, this scheme remains innovative and should significantly assist in preventing diamonds from fuelling war, as well as limiting corruption and the politicisation of this sector by bringing about greater transparency and curbing illicit trading. The agreement does not, however, establish sufficiently strong independent monitoring requirements or penalties for non-compliance. Furthermore, it does not include a mechanism of direct regulation for individual companies, leaving this task to national authorities while placing the threshold of compliance at the state-level. This could prove too high to allow for rapid penalties against offending companies that benefit from the complicity or complaisance of national authorities. Finally, there is still a need to regulate non-participating countries that are likely to continue smuggling illicit and conflict diamonds, and possibly to help set up diamond polishing and cutting activities to short-circuit rough diamonds markets and directly link the supply chain to jewellers operating outside the Kimberley Certification scheme.

National legislation and control schemes

In parallel to the Kimberley Certification scheme and Security Council resolutions, both exporting and importing countries have taken legal and institutional initiatives.

Among exporting countries, Sierra Leone was the first to set up, with the assistance of official representatives of the Belgium diamond industry, a chain of custody linking individual mines to the diamond-buying market in Antwerp following UN Security Council Resolution 1306. Diamond mines as well as local buyers and exporters are licensed and monitored by the government, and legal diamond shipments are examined by an independent diamond valuator, who assesses their value and certifies that they do not come from rebel-controlled areas. Certified diamonds are then taxed and shipped in sealed containers along with a certificate of origin, while identification details of the parcels are send to Antwerp for checking them upon arrival. Despite receiving the approval of the UN sanctions committee, the regime has several loopholes. First, the scheme is essentially geared for increasing government diamond revenues; while low, the export tax of 3% induces many traders to smuggle their best diamonds out of the country thereby sustaining illicit networks that can also channel conflict diamonds. Second, monitoring is open to bribery since officials are paid only about $50 per month and have no logistical support, often making them reliant upon the very miners and traders they have to monitor. Third, some licensed mines bordering RUF territory were poorly monitored and allegedly used as 'reception' or laundering centres for RUF diamonds.[44] Finally, while sanctions on diamonds were adopted for Liberia, illicit trade through Gambia, also denounced by the UN expert panel, has continued, providing an exit conduit for illicit diamonds.[45]

Unlike Sierra Leone, Angola has adopted a marketing monopoly to facilitate the control of diamond trade. The scheme has met some success, but it is relatively non-transparent and raises fears that it privately benefits members of the presidential entourage. As the monopoly imposed low prices, it also resulted in the smuggling of the best stones to the DRC, a country that also had a monopoly system but which rapidly collapsed under the pressure of entrepreneurs accustomed to avoiding taxation from a predatory state that would give little in return.[46]

Among importing countries, the US represents 65% of the world's diamond jewellery market and legislators led by Tony Hall have attempted to push the Clean Diamonds Trade Act through Congress. Passed by the House of Representatives in late 2001, the Act defines safeguards against the trade in conflict diamonds by exporting countries, provides the president with authority to block rough diamond imports from non-implementing countries, permits US Customs agents to seize suspect diamonds or jewellery, and authorises $10m to assist countries in implementing the Kimberley Certification system.

Sanctions on diamonds were useful for promoting the disengagement of the most visible mining or trading companies and imposing greater difficulties of access to legitimate markets. Beyond their financial impact, sanctions also served to politically marginalise rebel groups and their allies, essentially by portraying them as 'greed-driven' bandits or 'spoilers'. The denunciation of major sanctions-busters, including African heads of state, by UN expert panels was relatively effective in undermining far-reaching support, including diplomatic assistance and arms trafficking. The imposition of sanctions on Liberia following recommendations by the UN expert panel also gave credibility to this new policy of sanction implementation.

Yet not only was the international community slow to react to a problem long identified, but since sanctions came into place only a handful of suspected violators have been arrested on charges of tax evasion, arms trafficking, and false papers - but not sanction-busting.

Military interventions by national armies, the intervention of private military companies, and peacekeeping deployments were arguably more effective than regulatory measures in bringing about a solution to 'conflict diamonds'. A military option can nevertheless be inappropriate. In Sierra Leone from 2001 onwards, for instance, political and economic confidence-building measures allowed for the demobilisation of most rebel and paramilitary forces. Intervention spurred by private interests, such as that of Executive Outcomes in Sierra Leone, can also be morally repugnant.

The international regulation of diamonds through a combination of Security Council sanctions and the Kimberley Certification Process should nevertheless provide, if not a complete solution, at least a significant means of preventing diamonds fuelling war and bring much needed transparency to an industry in which opacity sustains illicit commerce, money-laundering, and corruption. Beyond the diamond sector, this system of regulation could also provide a model for other 'conflict resources' - in particular, timber, which is probably the most prevalent yet least regulated resource involved in armed conflicts. The criminalisation of sanctions violations and international policework should also help to increase risks and penalties to businesses involved in exploiting resources in ways that fuel conflict. While much effort has been concentrated on global regulatory issues, more attention should also be given to local regulatory measures.

To sum up, major initiatives that occurred should be sustained and extended. Besides promoting a comprehensive legislation on resource governance and conflict commodities, a general sequence of measures for the regulation of conflict resources based on available instruments should include:

- early warning systems to identify the existence of conflict resources based on media, business, and NGO reports, possibly by a permanent UN monitoring mechanism;
- UN Security Council resolution setting up an expert panel and possibly prohibiting the import of the conflict resource by member states pending adequate national certification or international supervision of the resource sector;
- An assessment of the potential role of UN peacekeeping deployments in targeted resource areas, especially if a mission is ongoing;

- international review of legislation and practices in resource extraction and trading in neighbouring countries and other areas identified as transit or importing countries;
- criminal prosecution of sanction-busters using national and international legislation;
- aid and assistance to targeted countries to facilitate compliance with international certification schemes and Security Council resolutions.

Beyond initiatives curtailing the laundering of conflict resources through the international market, there is a need to ascertain that revenues generated by natural resources reach government budgets and are used fairly and efficiently through strong and legitimate institutions. To facilitate this process, a global regulatory regime for key resources, such as oil, minerals, and timber, is probably needed to promote transparency and accountability in resource and financial flows. Finally, resource-dependent countries would benefit from an international economic and aid environment that prevents economic shocks and maximises resource revenues and economic diversification.

Conclusion

Natural resources have long been a strategic concern for states. Despite rising demand for raw materials and remaining tensions related to resource access in key areas such as the Persian Gulf, the fear of shortages in oil or rare minerals that drove this concern eased when the Cold War ended and international trade became freer, more flexible and more reliable. There is a need to continue moving towards negotiated solutions, including resource sharing and conservation measures, and to avoid renewing a militarised approach. Apparent progress also has not resolved and may even have aggravated several other strategic issues involving the export of natural resources.

The first strategic issue relates to the political economy and governance of resource-dependent countries, both domestically and through the interventions of IFIs, many of which face a similar pattern of growth collapse, corruption, and delegitimised state authority. Given the importance of natural resources in the economy and the economic potential of most developing countries, the issue of translating resource exploitation into political stability and economic development will remain central in the years to come, often for entire regions.

The second concerns the scale and number of economic, environmental or socio-cultural conflicts related to resource exploitation that function in increasing opposition to the welfare of local populations, business interests, the state, and global environmental and human-rights networks.[1] While most of these conflicts are either peacefully resolved or limited to social protest movements and small-scale skirmishes, in some cases a pattern of violence, radicalisation of ideologies and political opportunism have turned them into full-scale civil wars. Growing opposition to unbridled forms of economic globalisation on one hand, and increasing demand for raw materials on the other hand, is likely to increase adversarial politics and the need for more effective dialogue.

The last but most pressing issue is the operational and motivational dependence of armed groups on natural resource exploitation. Accessible and internationally marketable resources such as diamonds and timber, not to mention drugs, figured prominently in conflicts in at least 20 countries during the 1990s. Even if 'conflict resources' come under greater regulatory pressure, given the high incidence of wars in poor countries with few foreign-earning sources, natural resources are likely to remain an economic focus of most belligerents.

This study has examined some of the reasons, processes and possible solutions relating to these issues, with a focus on the characteristics and role of 'conflict resources' in fuelling wars. The cases examined here suggest that the vulnerability of populations and the need for political and economic accountability in resource management should be taken seriously at both local and international levels. There is no simple and comprehensive measure that can reduce the prevalence of conflicts in resource-dependent countries, but several factors can assist in this regard.

The UN Security Council, national governments, business associations and advocacy NGOs have been developing an array of rules, investigation procedures, sanctions, and implementation measures targeted at specific commodities over the past few years. These initiatives need support and encouragement.[2] Most noticeably, diamonds have been the targets of unprecedented regulatory measures. However, in the absence of sustained monitoring, these efforts will most probably remain plagued by difficulties inherent in the physical and market characteristics of the commodity. In other cases, vested commercial and economic interests, as well as the potential humanitarian impact on the targeted 'conflict resource', have continued to limit sanctions, with mixed results. Although isolating the resources that fuel war from international markets is generally necessary, it should remain a short-term measure given the risk of long-term counter-productivity. To sustain the economy of affected countries while limiting the possibilities of further hostilities, alternative mechanisms associating targeted sanctions and economic supervision are required.

Beyond regulating war economies, an array of audacious policies is also needed to prevent resource-driven conflicts. International financial mechanisms and trade rules should give renewed attention to the stabilisation of primary commodity prices and continue to open the markets of rich countries to processed-commodities from developing countries. A revolutionary move in this direction would be the inversion of trade tariffs that long protected and often continue to protect the wealthiest economies. An international trade agreement imposing tariffs on the import by industrialised countries of raw materials rather than processed goods would motivate investors to consider more seriously downstream processing in resource-dependent and poor countries. Capital and technology-intensive downstream industrialisation, however, has a poor record in developing countries and the movements in this direction should be made with special caution and deliberation, and a diversification strategy targeting value-adding industries outside the resource sector might often be preferable. Light manufacturing and service exports in particular have recently helped many countries to move out of resource-dependence.

Although developing countries as a group have greatly reduced their level of resource-dependence over the past few decades, many of the poorest and most unstable countries are likely to remain resource-dependent over the coming one. It is thus imperative to maximise the capture of revenues by resource-exporting countries while strengthening the quality of their governance and the legitimacy of their institutions. Such a policy would entail broad goals, such as democratisation processes that also consolidate the legitimacy and capacity of the state, as well as sector specific ones such as improved communication among different stakeholders and greater respect for human rights and effective mechanisms of transparency and accountability at the project level. These institutions must permeate all the way down to final customers to ensure greater and more diverse leverage.

In this connection, businesses often are both the victims and the beneficiaries of the 'politically sensitive environment' in which they operate, having to cope with higher risks but possibly reaping higher profits from the deterrent effect of those risks on competitors. Left to its own devices, the current process of economic globalisation risks following the colonial tradition of distinguishing between 'useful' and 'useless' areas in resource-dependent countries, creating commercially driven enclaves around the most profitable resource reserves and ignoring the rest. Sustaining autocracies has so far been the frequent context, if not the principal recipe for securing minimal and profitable political order, but democratic pressure is challenging this arrangement, sometimes with dramatic consequences after years of predatory regimes. Isolating countries by branding them as 'pariah states' is not a long-term solution, either. Reinforcing an exclusionary form of 'globalisation' that bars countries with pariah states from investments and legitimate trade will only further promote their re-inclusion in the international arena in the form of trade trafficking, illegal immigration and fraud or, now, 'terrorist havens', and condition political instability through poverty.

This situation has become untenable. Both businesses and international regulators need to promote an alternative framework in which trade comes to reinforce governance. If outside involvement is to succeed in mitigating the economic vulnerability and dampening effects of resource-dependence on domestic politics in producing countries, UN Secretary-General Annan's call 'to unite the powers of markets with the authority of universal ideals' must be heeded. So far, unfortunately, this call has only led to the creation of the value-based platform of the 'Global Compact', which has merely demonstrated the relative strength of businesses in the new mode of engagement by international institutions.

A global regime of governance for resources is thus required to level the playing field for populations, governments and businesses. To take the example of accountability in the oil sector: the demand of the local population for full fiscal transparency is more likely to be conceded by the host government if it is legally imposed on oil companies by stock-exchange regulators and commercially urged by consumers. Such a global regime entails a custody-chain to secure accountability through systematically ethical consumption. Inspiration for such schemes can be found in the regulatory initiatives on diamonds, the Forest Stewardship Council certification of 'sustainable timber harvesting', or in the fair trade movements for coffee or garments. In short, mass consumerism in the twenty-first century needs to be 'strategic' if it is not to sustain mass poverty, authoritarian rule and war in the developing world.

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Conclusion

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