

# BUYING PEACE OR FUELLING WAR: THE ROLE OF CORRUPTION IN ARMED CONFLICTS

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**Abstract:** Although corruption may have a corrosive effect on economies and rule-based institutions, it also forms part of the fabric of social and political relationships. This endogenous character means that conflict may be engendered more by *changes* in the pattern of corruption than by the existence of corruption itself. Such changes, frequently associated with domestic or external shocks, can lead to armed conflict as increasingly violent forms of competitive corruption between factions ‘fuel war’ by rewarding belligerents. Controversially, ‘buying-off’ belligerents can facilitate a transition to peace; but ‘sticks’ such as economic sanctions, rather than ‘carrots’, have dominated international conflict resolution instruments. While ‘buying peace’ can present a short-term solution, the key challenge for peace-building initiatives and fiscal reforms is to shift individual incentives and rewards away from the competition for immediate corrupt gains. This may be facilitated by placing public revenues under international supervision during peace processes. Copyright © 2003 John Wiley & Sons, Ltd.

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## 1 INTRODUCTION

There is now a broad consensus on the deleterious impact of corruption on economic growth, equitable wealth distribution and the legitimacy and efficiency of governing institutions. As Theobald (1990, p. 130) summarizes, ‘the political ascendance of naked self-interest intensifies social inequalities, encourages social fragmentation and interne-cine conflict and propels a corrupt society into an unremitting cycle of institutional anarchy and violence’.

This argument, however, does not go unchallenged. Such a view of corruption lacks historical and cultural contextualization, as the widely diverging experiences of relations between corruption, development and politics demonstrate in the recent history of Asian, African and Latin American countries (Johnston, 1986; Szeftel, 2000). Corruption is not

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systematically 'naked self-interest' but can respond, for example, to codes of reciprocity within (neo)patrimonial political systems based on legitimate patronage (Chabal and Daloz, 1999). More broadly, corruption is endogenous to many political structures in which it serves key hierarchical functions, thereby contributing to political order (Cohen *et al.*, 1981; Charap and Harm, 1999).

Although corruption has in itself a corrosive effect on economies and rule-based institutions, corruption is part of the fabric of social and political relationships. This endogenous character means that conflicts may arise more from changes in the pattern of corruption, than from corruption itself. Domestic or external shocks affecting the pattern of corruption may therefore contribute to conflict, particularly when corruption is pervasive. Such external shocks include the international delegitimization of authoritarian rule motivated in large part by the end of the cold war together with the enforcement of new international standards in public finance, democracy and 'good governance' which have, over the last decade, resulted in a decline in public rents and a readjustment towards the private sector. While some of the resulting conflicts have opened dialogue and promoted positive reforms in societies, others have degenerated into large-scale violence and even further illegitimate and predatory rule characterized by a shift from monopolistic forms of corruption to criminal and competitive ones. In turn, corruption played a role in the prolongation and termination of these conflicts.

Building on empirical evidence from a number of cases facing violent conflicts, this article examines the relations between corruption and the outbreak, duration and termination of conflicts. The following section discusses briefly the nature of corruption in relation to its legitimacy and functions. The third section examines the contending arguments linking corruption to war or peace. The fourth section analyses the role of corruption in the different phases of armed conflict. Section five concludes.

## 2 A TYPOLOGY OF CORRUPTION

The debate over corruption is largely articulated along moralist and judgmental lines, dividing those condemning corruption as inherently 'bad' and those advocating for cultural relativism or realpolitik pragmatism. The relative paucity of quantitative data and detailed empirical analysis, as well as the difficulty of comparative studies due to great variability in norms and rules, hinder the lack of clarity in the debate. The corrupt character of what is in essence *predation* relates to the 'reprehensible deviation from a politically legitimate state of affairs', most notably the violation of public duties by private interests when rules or norms objectively define these two realms (Chabal and Daloz, 1999, p. 95). At a conceptual level, deciphering the political consequences of corruption thus requires both a contextualization and a differentiation of the types of corruption involved.

As Johnston (1986, p. 1003) argues, the effects of corruption are not systematically disintegrative or destabilizing and their assessment requires 'a knowledge of the systems involved and of the extent to which the linkages and divisions fostered by corruption correspond with the more basic fault lines of society'. Johnston differentiates four types of corruption—market, patronage, nepotism and crisis—along the line of numbers of suppliers and the stakes involved. In his analysis, market corruption, which involves routine stakes of exchanges and many suppliers dispensing corrupt benefits, is integrative and very stable. Patronage, involving few suppliers but routine stakes concerning large

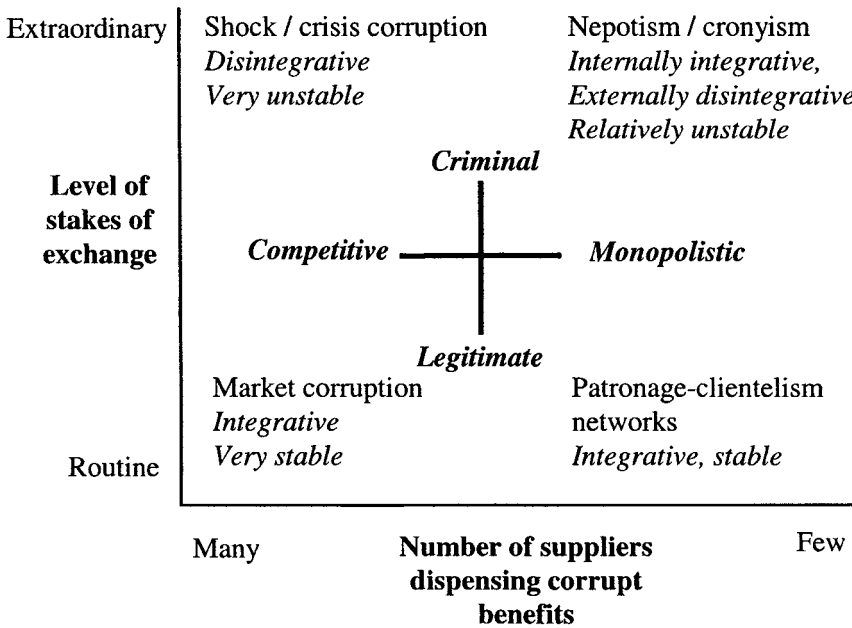


Figure 1. Types of corruption and consequences for political integration and stability. Adapted from (Johnston, 1986).

networks, is integrative and stable. Nepotistic corruption, which involves extraordinary stakes and a few suppliers within a kinship and friendship network, is disintegrative outside this network and likely to be unstable. Finally, crisis corruption, involving multiple suppliers and extraordinary stakes, is the most unstable and disintegrative. Building on this differentiation, the potential degree of conflictuality associated with corruption thus responds to legitimacy and competitiveness (see Figure 1).

### 2.1 Legitimate or Criminal?

Although illegal by international standards of good governance, corruption is often an integral part of the political order and may even be seen as legitimate by a significant proportion of the population. As noted in the case of market corruption, the pervasiveness of corruption in most aspects of daily life and its rewarding of individuals according to a condoned social order positively relate to its legitimacy. For example, petty corruption ensures the survival of low ranking civil servants, even if some of their bureaucratic activities are in themselves questionable.

Similarly, the corruption of politics through a system of patron–client relationships guided by private interests can ensure some degree of political stability due to the prevalence of reciprocity among political actors. In large parts of sub-Saharan Africa, such legitimacy is bounded by ties of kinship and community within which redistribution is governed by a logic of patronage. Corrupt behaviour is therefore not only driven by greed and structural forces, but also by informal codes of conduct associated with reciprocity ties within particularist and communitarian social networks (Chabal and Daloz, 1999). The

legitimacy of corruption is thus bounded by the legitimacy of control over resources; with conflicts arising when this control extends beyond the mutually recognized resource boundaries of social networks or fails rules of reciprocity.

While these codes of conduct do not reflect a universalistic (or Western) notion of public good, their legitimacy rests on benefits channelled down these networks, outside which non-reciprocal or even predatory relations dominate. The point is not whether corruption is illegal but whether or not it is interpreted as legitimate; that is, within the boundaries of acceptable behaviour for the elite, the military, the business community, or the general population. The obvious questions are thus which people decide upon this legitimacy and how can they be informed of the level and use of corruption to decide upon its acceptability. Social and political identities as well as access to independent media are thus crucial issues as demonstrated by the importance of corruption in political rumours, notably circulated through *radio trottoir*.<sup>1</sup>

## 2.2 Monopolistic or Competitive?

The degree of conflictuality associated with corruption is also related to its level of competitiveness. In divided societies, a distribution of the spoils of office among different and possibly antagonistic groups and regions can help to stabilize a country's politics and economy. The tacit institutionalization of corruption within the hierarchy of the state apparatus—for example by means of below-subsistence civil service wages or the purchase of decision-making positions—is a powerful means for a ruling group to retain the allegiance of its individual members and organizations by providing both an inescapable economic incentive (access to rents/bribes) and a disciplinary threat (dismissal for corruption). Finally, political corruption provides rulers with a means to channel funds outside through a parallel budget used for political purposes, such as patronage or electoral campaigning, thereby often sustaining a stable—if not just—political order.

This relation between political corruption and stability is dominated in many democracies by the motivation of businesses to influence politics and the demand of politicians for party funds, giving rise to the creation of corruption networks establishing informal social networks of trust between actors with generally no kinship relations (Cartier-Bresson, 1998). Elite schools, cabinet appointments and positions in the headquarters of major corporations assist in developing these networks and reducing competition. In many developing countries, on the contrary, it is informal social networks that are driving corruption, as public actors controlling access to the state rents respond, in part, to the demand of relatives, cronies and clients (Médard, 1998). In such cases the possible lack of institutionalization and the breakdown of patronage regimes increase the risk of competitive corruption. In Zaire, Mobutu sustained a political order largely by co-opting dissent and buying allegiance through regularly reshuffling lucrative positions in his government, providing generous cash handouts from foreign aid and mineral rents, and by the preferential allocation of nationalized foreign businesses (Emizet, 2000).<sup>2</sup> While this monopolistic form of corruption initially consolidated his power, the erosion of public rents from the mid-1980s onwards and the democratization taking place from 1990

<sup>1</sup>*Radio trottoir*, or 'sidewalk radio', is a Francophone Africa expression referring to information rapidly circulating at street level through individual conversations.

<sup>2</sup>Mobutu reshuffled his government 43 times between 1965 and 1990.

onwards were paralleled by the rise of competitive forms of corruption within his entourage, the administration and the army, leading to the ultimate collapse of his regime under military pressure in 1997.

### 3 CORRUPTION, ORDER AND CONFLICT

Quantitative studies have indicated that corruption is positively correlated with political instability (Mauro, 1995).<sup>3</sup> We try to confirm this result using corruption indexes and levels of political violence and find that the correlation is strong and positive at an aggregated regional level, with regions described as most corrupt also being the most affected by political violence and vice-versa.<sup>4</sup> This relation is still significant, but weaker at an individual country level, with important variations within regions. As pointed out earlier, this variation is due to the type of corruption involved, but also to the type of polity concerned. Building on the argument of Bardhan (1997) that the economic impact of corruption depends on the degree of its centralization and that of Charap and Harm (1999) suggesting that corruption is an efficient organizational tool to create order from a situation of anarchy, the 'sound management' of corruption could thus play a major contribution to political stability. Conversely, its mismanagement—both in terms of centralization and legitimacy—could contribute to instability and conflicts.

#### 3.1 Corruption Fuelling War

According to the 'corruption fuelling war' perspective, corruption may influence the occurrence of conflicts involving large-scale organized violence. In the absence of a political regime legitimating the use of public functions for private interests, such deviation is deemed to be conflictual, the more so when resource control is orchestrated along social identity fault lines defining the sharp inequalities that fuel both grievances among marginalized groups and greed-driven jockeying within dominant ones. This perspective is based upon three inter-related processes.

First, corruption can increase grievances and conflictual demands for political change. Economic grievances can result from the negative impact of corruption on investment and economic growth (Mauro, 1995). The rates and collection of public taxes, as well as the allocation of public expenditures and the implementation of public programmes, are negatively affected by corruption. Most notably, the allocation of public resources to sectors which have limited opportunities for corruption, such as education, is undermined in favour of high opportunity ones, such as defence or large infrastructure projects (Mauro, 1998). Not only is a country's education endowment an important determinant of economic growth, but it also increases the opportunity cost for educated youth in joining a rebellion; in this way it reduces the risk of armed conflict (Collier, 2000). Corruption may also result in a deepening of inequalities (Gupta *et al.*, 1998). More generally, the impact of corruption is aggravated when corrupt practices have no concern for the long-term sustainability of economic activities by taxing them beyond their profitability,

<sup>3</sup>It should be noted that Mauro's analysis does not cover two-thirds of African countries.

<sup>4</sup>R-squared correlation of 0.8775 at a regional level between the estimated extent of corruption and the incidence of political violence (IMF, 1999).

thereby 'mining' the economic sector, or failing to reinvest its proceeds in the community or country, thereby 'bleeding' the economy.

Grievances can also be purely political, for example when corruption becomes 'scandalous' and undermines national prestige and the legitimacy of the ruling group.<sup>5</sup> More generally, by increasing grievances, corruption creates political instability through popular support for political change (McMullan, 1961). The would-be rulers can legitimately accuse rulers of corruption and benefit from popular support to precipitate rapid political change as corruption acquires a criminal character that is not simply defined by its formal illegality—since relevant laws are often defined by corrupt incumbent leaders—but by collective perceptions. Indeed, most coup leaders justify their violent intervention in the affairs of the state by referring to the corruption of the previous government, hoping to shore-up support from the population (Nye, 1967; Médard, 1998). In some cases, as with Rawlings in Ghana and Sankara in Burkina Faso, the new rulers may indeed effectively fight corruption with the support of the majority of the population. Past (alleged) corruption could even motivate new totalitarian regimes to conduct vast purges against the 'corrupt classes', such as in revolutionary China and Cambodia, with a dramatic impact on societies. In most cases, however, the new ruling group is or becomes corrupted—as alleged in the case of Rawlings—vindicating yet more violent opposition and instability. Alternatively, political change can degenerate into unstructured conflicts characterized by widespread violence and diffuse authority as the new leadership is unable to retain control over key military and business forces for lack of (corrupt) financial incentives; leaving many to regret the by-gone 'corrupt order'.

Ironically, reform programmes conducted in the midst of economic crises may have the same impact. By weakening and fragmenting governments through civil service reforms, deregulation and privatization, a 'corrupt order' may give place to a more competitive and conflictual predatory regime—something observed for example in Sierra Leone in the late 1980s and in Indonesia since the fall of Suharto (Reno, 1995). Reforms and good governance principles targeting corruption—for example, the US and OECD initiatives against corporate involvement in corruption, the advocacy work of Transparency International, or the trial of former South Korean leaders for corruption—also contribute to delegitimizing corruption. Although these initiatives can improve governance, as in the case of South Korea, some may unintentionally result in conflicts by undermining state authorities and creating or exacerbating grievances. While most effective in dealing with corruption involving licit trade, rulers engaging in illicit trade with criminal networks may subvert these reforms. This 'criminalization' of the state generally undermines formal institutions and results in greater competition over state rents and corrupt proceeds, that can degenerate into large-scale violence if competitive groups can challenge the ruler's monopoly of violence—something increasingly facilitated by the availability of small arms (Bayart *et al.*, 1999). This criminalization and competitiveness of corruption were characteristic of Yugoslavia in the 1990s. Republican elites jointly developed corrupt economic interests aided and abetted by criminal groups and delegitimized the federal political order, instrumentalizing violent nationalism to serve, *inter alia*, private economic interests (Schierup, 1992; Bojicic and Kaldor, 1997).

Second, the availability of rents for the leadership can constitute the prize for capturing the state, or at least the most lucrative rents controlled by the ruling elite. Greed can thus

<sup>5</sup>Such grievances are often manipulated by opposition groups, for example they go by the name '*les affaires*' in French politics.

motivate marginalized politico-military groups to act for change. This 'marginalization' is relative and can range from the leader's immediate collaborators and even relatives, to rank and file soldiers or petty criminals. Such groups can be motivated not only by their self-interest but also by that of segments of society whose interests they aim to protect. For example, the murder of Sankara in Burkina Faso was partly motivated by the defence of the privileged classes against his anti-corruption and socialist reforms. In countries where economic rents are almost exclusively channelled through the state, as in many undiversified mineral economies, corruption resulting from the embezzlement of public taxes or the monopolization of industries by political cronies leaves individuals and groups with precious few avenues for aggrandizement outside of political patronage, thereby heightening the stakes of state control and the risk of political violence.

Beyond personal greed and the necessities of rewarding a circle of supporters, or co-opting potential opponents, the sustainable pattern of high level corruption is further embedded in and rationalized by the insecurity of power tenure and retirement from the seat of power, as well as personal safety. In many democracies, the electoral insecurity of power tenure can similarly invite political corruption—the use of corrupt gains for political aims rather than economic ones—even if tacit forms of post-mandate rents exist, such as political lobbying positions in large corporations.

Third, political corruption and the concomitant corruption of politics undermine institutionalized public affairs, including processes of political change and conflict resolution mechanisms. When elections are rigged, for example through vote buying, or constitutional and judicial processes are flawed, both the ruling group and the opposition are likely to use violence to defend or assert their position. The corruption of the Kashmiri elite further delegitimized a political leadership already undermined by dubious elections in the 1980s and turned many people to radical movements (Ganguly, 1997). Similarly, corruption can weaken both the ethics and capacity of security forces, increasing the likelihood of seeing interventions affected by vested interests but also by a greater inability to defend efficiently the sovereignty of the state. The efficiency and legitimacy of Indian security forces have been undermined by the growth of corruption within its ranks, through involvement in parallel markets, illegal logging, bribes from insurgents, or extortion of ransoms for releasing civilians (Noorani, 2000). This process can extend into a criminalization of political and economic relations in society, as with the spread of '*magendo*' in Uganda from the late 1970s onward (Prunier, 1983). Not only did the Ugandan political system prove to be unstable but the entire national leadership lost credibility among the general population; this led to a loss of respect for authority and law and undermined faith in the public good, which in turn affected local responses to public policies (Ouma, 1991).

Whether motivated by greed or grievances, conflict often has much to do with corruption. Ruling groups can resort to violence to maintain corruption, transforming bureaucratic corruption into a form of violent racket and using it to prolong their rule beyond legal mandates. Marginalized politicians and would-be rulers can be tempted by the availability of corrupt rents to precipitate political change through violence. Finally, the corruption of the incumbent regime can motivate the population or economic interest groups to support or participate in an armed rebellion.

Corruption alone, however, is not a sufficient factor for envious opposition groups or disenfranchised populations to violently challenge rulers. Nor does corruption systematically bring about economic underdevelopment and raise popular grievances to a state of violent rebellion. In fact, corruption can take place along with political stability and

economic growth. In this respect, the legitimate or illegitimate character of corruption in political processes is a key issue. While advocates of corrupt governance are rare in the 'international community', the practices of many states attest to their acknowledgement that some forms of corruption can bring about political stability by buying off political opponents and restive groups, at least from the perspective of their own national interests. This strategy has even been used, with some measure of success, in conflict resolution and peacekeeping initiatives.

In Mozambique, the innovative and controversial stand of the international community in assisting and financially rewarding RENAMO to join the peace process in the early 1990s and to transform itself from a guerrilla- to a political-movement was perceived as 'buying out' the rebel movement. The Trust Fund established for that purpose, amounting to US\$ 10 million (with Italy providing more than half the funding), was only part of a package which ensured that RENAMO would enjoy a 'peace dividend', if not a share of the 'spoils of victory'. This package also included: the taxation of businesses in RENAMO's areas of control; an agreement with FRELIMO placing three advisers in each provincial administration; and a pre-electoral agreement to be included in the new government, the latter two measures allegedly ensuring RENAMO's partnership in any illicit deals possibly taking place and securing economic privileges for its ruling members. While the post-conflict administration was criticized for being highly corrupted, the sustainability of peace was lauded.

### **3.2 Does Corruption Buy Peace?**

According to the 'corruption buys peace' argument, corruption facilitates the creation of a political order in which rulers can coopt opposition groups, thereby providing a measure of political stability and avoiding conflict. In other words, corruption is able to satisfy the greed and reduce the grievances of politically restive groups by extending clientelistic circles. In such a context, a culture of political corruption can be conducive to social and political peace if applied throughout society—from the upper to the lower classes—and in this way it becomes broadly legitimate.

Huntington (1968), the most prominent proponent of this argument, pointed out that corruption and violence have the same causes and serve the same functions: encouraged by modernization, they are symptomatic of weak political institutions and are prevalent in praetorian societies that offer few opportunities for mobility outside of politics. Corruption is deemed preferable to violence and may even prevent it when group pressure for policy change is reduced and so long as vertical mobility exists. Scott (1969, p. 122) notes in this regard the ability of a political party 'to organize and provide material inducements (often corruptly) operates as a means of solving, for the time being at least, conflicts that might otherwise generate violence'. From an economic perspective, Bardhan (1997, p. 1394) also notes that, '[e]ven at the expense of inefficiency some sharing of these spoils of office is, of course, to be tolerated for the sake of keeping ethnic envy and discontent under control'. It can be argued that the dividends of peace obtained from corruption outweigh the costs of inefficiencies.

The political stability of many countries in their early post-independence history argues in favour of this 'corruption buys peace' perspective. Material rewards often served to maintain the cohesion and dominance of single party politics and peace was often purchased through the integration of a restive competitive elite or large-scale redistribution to



the restive masses. In Senegal, the opposition was both suppressed and integrated into the ruling party (UPS) during the 1960s through a policy of reconciliation with the government together with financial rewards (O'Brien, 1967). At the end of World War II, the business elite in the Philippines used the patronage ties of 'political machines' to buy-out a restive landless peasantry (Scott, 1969). In Côte d'Ivoire, the corruption of President Houphouët-Boigny served to bolster his regime, most notably by buying-off potential competitors and redistributing resources from the predominantly Christian and urbanized south to the predominantly Muslim north. A controlled and relatively rational use of corruption characterized by a sustainable rate of extraction and redistribution facilitated Houphouët-Boigny's grip on power (Faure and Médard, 1982). However, corruption alone was not enough to sustain the political order; violent repression also played a role. The simultaneous use of corruption and violence has played a key role in accumulating power in ethnically divided and loosely bound countries such as Indonesia and Nigeria (this enabled rulers to head off large-scale conflict, at least for long periods of time).

From the mid-1980s onwards many societies came under stress through a combination of rising external debt, structural adjustment programmes, the disengagement of cold war patrons, and the advance of democratization. These factors combined to challenge the prevailing political order. In some cases, a 'moral economy of corruption' may have 'greased the wheels' of political transition by facilitating a redistribution of wealth. However, in many cases the scale of the shocks (such as those generated by economic crisis) as well as new strategies of power and the sectarian ethos of many leaders caused the pattern of corruption to switch from being integrative monopolistic and possibly legitimate, to being competitive and criminalized.

Côte d'Ivoire provides an example of such a switch in the pattern of corruption. While Houphouët-Boigny managed the *Caisse de Stabilisation* and other state resources as his own, this form of corruption helped to create the popular political legitimacy he enjoyed. This worked as long as it did not overstep the boundaries of the reasonable.<sup>6</sup> The uncertainty and political competition resulting from his death and the collapse of the world cacao price combined with the sectarian political agendas of his successors led to criminalized corruption, transforming it into a source of conflict.

To sum up, proponents of the 'corruption buys peace' perspective argue that political stability—and vested interests—can be promoted by sustaining legitimate corruption through political handouts, public subsidies, aid or commercial activities. Among the most prominent of them are the interest groups influencing relations between developed and developing countries, such as the *Françafricain* networks linking French and African political-military-business interests (Glaser and Smith, 1997; Verschave, 1997). While this approach indeed served the objective of political stability, its unsustainable character and resulting misery and social injustice nevertheless beg for an alternative.

#### 4 THE ROLE OF CORRUPTION IN ARMED CONFLICTS

Several authors have identified the occurrence of war with the failure and degeneration of patrimonialism or clientelism into 'spoils politics', whereby 'the primary goal of those competing for political office or power is self-enrichment' (Allen, 1999, p. 377).

<sup>6</sup>The construction of the World's largest cathedral in Houphouët-Boigny's hometown in the midst an economic crisis is an exception (Médard, 1998; Chabal and Daloz, 1999).

Combining violence, exclusion and privatization of the public realm, the exacerbation of the most predatory practices of 'spoils politics' along what Bayart (1990, p. 106) termed, the 'Somali road to development', ultimately results in the collapse of the state and the outbreak of armed conflict. In short, violence becomes the prime means of political action and economic accumulation. This criminalization of politics is indeed backed up by evidence from the conflicts in Liberia or Sierra Leone and, as mentioned above, the last phase of Cambodia's conflict. The economic exacerbation of 'spoil politics' includes a shift towards increasingly illicit but profitable activities (e.g. drug trafficking, money laundering) and the plunder of available and mostly natural resources (Le Billon, 2001a). This can in turn be explained by economic crisis resulting from the rise of competitive sources of patronage, economic mismanagement and structural adjustment, difficulties in engaging in formal international trade, and the internationalization of criminal activity. The criminalization of the economy can thus be partly interpreted as the use of (and adaptation to) globalization and market deregulation (Duffield, 1999).

Such societies see an increased use of organized violence together with its mobilization and justification through sectarian politics. This criminalization of political processes rests on the willingness to gain or retain power by all means, as not only wealth accumulation but also sheer survival is in the balance (Allen, 1999). As public and private armed forces multiply and develop commercial interests, violence is not only used in the higher realms of power, but also becomes a 'dirty trick' or a form of '*débrouillardise*' (smartness/resourcefulness) to be used like any other in everyday relations (Mbembe, 1990; Ellis, 1999). Spoils politics can be most easily sustained economically by the availability of lootable resources, mostly valuable natural resources attracting commercial partners and without systematic recourse to *political* violence as long as violence is itself criminalized and loses its political meaning. In such cases, corruption does not systematically result in the outbreak of armed conflict but simply in the erosion of social cohesion. Criminalization is not a unidirectional process with armed conflict as its inescapable dead-end. Depending to a large extent on the international economic context, social groups can move in and out of criminalization.

While most states have lost the capacity to decide when they wage or end wars, and recurring rebellion and large scale banditry can define a state of chronic instability and insecurity rather than war, war may be intentionally prolonged by belligerents who, in the perpetuation of violence, find a mode of acquisition of status and accumulation of wealth (Keen, 1998). Corruption prolongs war through two interrelated mechanisms associated with the profitability of a state of war. First, war provides a fertile ground for corruption and unlawful enrichment. Defence related contracts, wages of ghost soldiers, licensed looting, reliance on imports, prevalence of parallel markets, or impunity for ruling groups offer opportunities for corrupt practices. Second, corruption can undermine the efficiency and morale of armed forces, especially government forces (e.g. the South Vietnamese government; Russian military operations in Chechnya). This is the case, for example, of arms deals selected not so much on the basis of the adequacy of the weapon systems to be purchased, but on the opportunities of retro-commissions for the buyers (on the Angolan case see Le Billon, 2001b). In contrast, the absence of corruption on the rebel side can foster its capacity and popular support (e.g. the Khmer Rouge at its beginning, the Eritrean EPLF). On the one hand, both mechanisms will tend to prolong a war as armed forces develop a vested interest in the continuation of war while their actual capacity to achieve victory decreases. The Indian government has bribed and granted a 'right to loot' to those captured Kashmiri militants who are willing to turn into counter-insurgents, thereby

replicating the state-sponsored terrorism it practised in Punjab during the 1980s (Human Rights Watch, 1996; Noorani, 2000). Yet, on the other hand, corruption can be successfully used to accelerate victory; the Taliban was for a long time successful in buying out competing groups before it too was toppled by the United States which bought out or 'rented out' Taliban and warlord turn-coats (Rashid, 2000; Burke, 2001).

The relation between corruption and the termination of war is probably the most complex and tenuous. At a 'grass-root level', the buying-out of combatants generally takes the form of support for disarmament and demobilization, for example when cash handouts are used to defuse potential unrest among ex-combatants and to accelerate demobilization (Berdal, 1996). However, the failures of past demobilization initiatives prove that it is dangerous for promises of assistance not to be decently met (e.g. as happened in the squalid cantonment camps of Angola); mere financial assistance and patchy reintegration schemes do not guarantee the peaceful reintegration of veterans into society. And while financial incentives may prove of interest to top combatant leaders, attempting to buy them out may only provide a short-term solution at best in the absence of a genuine political solution. The political considerations and personal security of leaders and commanders are generally paramount over those of the foot soldiers. Confidence-building measures for leaders might include integration in the government and the army, the disarmament of all forces and policing by third parties, the possibility of retaining bodyguards, or the provision of a safe and durable place of exile.

The shift from a political economy of war to one of peace is in itself a propitious moment for corruption as new economic activities emerge in a context of persisting violence and a weak regulatory environment. Risk-taking business people are willing to invest to get a head start, and are often willing to use corruption to gain extra leverage. People in power see peace as well as democratic elections as a political and economic risk and indulge in corruption. Using corruption to reward the winners and co-opt or punish the losers often follows war, but the resulting alliances can prove unstable (in Cambodia corruption-sharing agreements between the two parties finally collapsed under the threat of winner-takes-all elections, see Ashley, 1998; Le Billon, 2000). In Mozambique, often hailed as the most significant success of conflict resolution, the unstable liberalization undertaken in the context of a structural adjustment and a return to peace has created conditions for greater corruption (Addison, 2003; Harrison, 1999). There is thus a risk of conflict recurring if these corrupt political economies face significant shocks, especially when international aid programmes and diplomatic attention have declined.

Analogous to the process of demobilization of soldiers and monitoring of elections attendant to most peace processes, a war economy could be 'demobilized' and 'monitored' by economic supervision. But these periods of uncertainty and hope are too often used as mere breathing spaces for military reorganization and rearmament. The economic aspects of peace processes are generally neglected and are frequently placed under the initiative of belligerents jockeying for key economic positions within the new authority or simply embezzling funds to re-arm.

Key sectors of the war economy, such as natural resources industries, could come under 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, including effective

sanctions. If successful, and in the absence of alternative sources of support, opting out of the peace process would become a prohibitively costly alternative for belligerents.

Oil revenue supervision in Chad provides an interesting model. Similarly, the UN Security Council called upon the government of Liberia to establish transparent and internationally verifiable audit regimes over its use of revenues derived from both its shipping and corporate registry as well as the timber industry, to demonstrate these are not used for busting sanctions but for legitimate humanitarian and development purposes. Iraq and Sudan are strong candidates for a mechanism to supervise the sharing of oil wealth between the different parties and the population. The key to long-term success, however, is strong democratic control over resource revenues, rather than weak external regulation.

## 5 CONCLUSIONS

Donors and analysts have elevated corruption to the position of a primary explanation of a whole range of development problems (Adams, 1991). Yet, corruption must be understood as being partially driven by internal processes of capital accumulation and global structural forces (Szeftel, 2000). Historic underdevelopment ensures that local accumulation rests heavily on the appropriation of public resources and political power (Bayart, 2000). Rather than the driving force of an historical path of developmental failure and conflict, corruption is both its symptom and the most efficient means for individuals or groups to cope with a political economy of high uncertainty, scarcity and disorder through the proper cultivation of social relations. Controversially, without efforts to create legitimate political processes, attempts to root out corruption may lead to anarchy rather than economic efficiency by destabilizing the existing hierarchy and order, thereby aggravating internal conflict (Charap and Harm, 1999).

Corruption is therefore not in itself a sufficient or even necessary factor in the outbreak of armed conflicts. Different types of corruption have different relations with conflict, thus requiring a differentiation of the types of corruption and an examination of the factors affecting their legitimacy and functions. Corruption can lead to, and sustain violent conflict, in the context of patrimonial regimes that are degenerating under local or international shocks and pressures for reform. Yet corruption can sustain a degree of stability and even peaceful consensus when it is politically savvy and economically benign. This apparent contradiction is explained by the legitimacy of pervasive corruption and the effectiveness of corruption as an instrument to build a political and economic order within a context of relative disorder.

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