

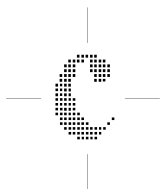
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Political Economy of Internal Conflict:
A Review of Contemporary Trends and Issues

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Contents

Executive Summary	5
1 Introduction	9
2 Major debates within social sciences	13
2.1 The role of the state in internal wars	13
2.2 The economic dimension as a cause of contemporary violent internal conflicts	16
2.3 The impact and consequences of globalization	19
3 Contemporary trends related to the political economy of violent conflicts	21
3.1 The crisis of the neopatrimonial state	21
3.2 Globalization of the world economy	22
3.3 Aid conditionalities: Structural adjustment, democratization and good governance	23
3.4 The privatization of violence	25
3.5 The emergence of private security agencies	26
3.6 Fragmentation and regionalization of internal conflicts	27
3.7 Conclusions	28
4 Resources involved in the contemporary political economy of conflict	29
4.1 Introduction	29
4.2 Looting, plunder and extortion of civilians during conflict	30
4.3 Extraction of natural resources	31
4.4 Transfer of financial assets and money laundering	36
4.5 Abusing external emergency aid during internal conflict situations	37
4.6 Conclusions	39
5 Policy-relevant issues related to the emerging new political economies of conflict	41
5.1 Unintended side effects of economic and political reform in weak states	41
5.2 The abuse of external aid and development funds	42
5.3 Meddling in conflict: Third-actor Parties and the Dilemma of Private Security Firms	43
5.4 Uneven impact of globalization: The role of non-state actors and multinational companies	44
Bibliography	45

Executive summary

This paper has been written in the framework of the research project entitled ‘Coping with Internal Conflict Project’ (CICP) executed by the Conflict Research Unit (CRU) of the Netherlands Institute of International relations ‘Clingendael’ for the Netherlands Ministry of Foreign Affairs. The CICP consists of four different components, namely ‘Power Sharing’, ‘Political Military Relations’, ‘Political Economy of Internal Conflict’ and ‘Resources, Entitlements and Poverty -related Conflict’.

This paper highlights a number of topical issues, trends and concepts related to the ‘Political Economy of Internal Conflict’. Chapter one deals with the salience of the issue of political economy of internal conflicts. The specific configurations of actors inside and outside weak states collaborating to extract valuable resources within the context of violent conflicts have drawn the attention of major donors and the global media. Two important new features stand out: the capacity of such coalitions to bypass national governments and to operate independently on a global scale; and the deliberate abuse of civilian population groups. The latter are stripped of assets and used as human reservoirs, both to attract outside emergency relief and to procure fresh recruits for armed factions engaged in mostly protracted internal conflicts. The tentative definition of ‘political economy of internal conflict’ focuses on the role of individual actors’ economic agendas, stressing their drive for self-enrichment.

Chapter two features some major debates within social sciences. The role of the state in internal wars is reviewed. A number of theoretical state models are also reviewed. To what extent has the prevailing Western concept of the state been transplanted, partly transplanted, ‘indigenized’, transformed or superficially applied to the ‘South’? A number of existing ideas about the transfer and adaptation of specific state models are applied to the concept of the ‘new’ political economies related to violent conflicts. It is postulated that both the post-nation-state concept and the so-called adapted ‘neopatrimonial’ model of states provide useful insights for contemporary developments within weak states. The more exclusive and narrow ‘clientelist’ policies entertained by ruling elites combined with the fragmentation of centralized power enable the emergence of the current proliferation of coalitions of local and international actors exploiting specific niches in the political economy of weak states. Furthermore, the economic rationale of civil wars is highlighted. So far, this dimension has been overlooked or simply ignored. The importance of economic agendas in civil wars is amply demonstrated. Nevertheless, economic incentives fail to account for the complexity of factors eventually leading to the outbreak of violent conflicts. Thirdly, the differential impact of ‘globalization’ is reviewed. Security-seeking and integrative tendencies can be distinguished in core areas, whereas in peripheral parts of the world centrifugal forces are at work, whereby profit-seeking elites resist contemporary Western ideologies, such as the so-called free market ideology.

The third chapter deals with major changes and current trends regarding the political economy of violent conflicts. Firstly, post-Cold War changes in the Third World have resulted in the withdrawal of superpower support to local regimes. The loss of external resources has resulted in the decline of so-called neopatrimonial regimes, notably in sub-Saharan Africa. The loss of left- or right-wing support

to rebel or insurgency movements in many Third World states has caused such movements to look for alternative venues for income generation. Local elites have abandoned the objectives of state building and the improvement of institutional capacity. State bureaucracies are either captured or undermined and destroyed by state elites, which view such independent structures as possible vehicles for internal opponents to check their hold on power. Secondly, 'globalization' of the world economy has resulted in the erosion of state power, and many non-state actors are now capable of bypassing national governments. Improved communications have resulted in fast capital movements creating incentives for deregulation and the evasion of local and global conventions and laws. This has facilitated local actors to link up with international private companies and has led to illicit resource extraction in weak state environments where state control has been lacking. Thirdly, new donor demands on economic and political reform have been hijacked by incumbent political elites to their own advantage. Privatization is mostly realized through selling off state properties to cronies or dubious financial corporations. Local rulers pay lip service to donor conditions regarding political reform, such as democratization and good governance, whereas in reality most elections are manipulated or rigged and government performance remains weak. Fourthly, there is the issue of privatization of violence and the 'criminalization' of the state. Private security firms proliferate in connection with elites in weak states. Connections between non-state international actors and local warlords or strongmen and remaining state elite groups enable such firms to operate in the local context. Internal chaos and violence are a result of the deliberate manipulation by coalitions of gain-seeking actors to create an atmosphere in which resource extraction and all types of illicit trade as well as money laundering can materialize to the benefit of local and international elite groups. Violence has become an instrument to reach the short-term aim of self-enrichment. This tendency has led to the emergence of private military companies, which are hired by embattled elites in poor countries. In exchange for future exploitation rights and other natural resources, such companies have meddled in various conflicts, notably in sub-Saharan Africa. As a result regime legitimacy has eroded further and internal conflicts have been manipulated by these external actors to their own advantage. Finally, the protracted nature of internal conflicts in weak states has led to a fragmentation of the various belligerent forces. This phenomenon is widespread and has resulted in patterns of looting and plunder by roving bands of soldiers and rebels, detached from central command and largely catering for their own survival, leading to further anarchy and state collapse.

Chapter four focuses on a number of thematic subjects related to the contemporary political economy of violence. The first section deals with looting, plundering and extortion of local population groups. Such practices are highly disruptive for local livelihood systems and mostly result in a transfer of assets from civilians to armed factions engaged in such violent conflicts. The second section deals with the extraction of all types of natural resources, including mineral resources - such as diamonds, gemstones, silver, gold, uranium and oil - but also so-called renewable resources, such as land, animals or wood. It is concluded that the illicit extraction of specific natural resources can be used as an illustration for the general developments elaborated in chapters three and four. Two case studies, respectively on the illicit trade of diamonds and hardwood, illustrate the workings of the 'new' political economy of war. The interaction between internal power elites and external commercial actors clearly demonstrates the 'creative' use of global commercial networks and ways to circumvent control mechanisms. A third section reveals the illicit transfer of financial assets and money laundering practices by protagonist factions in weak states. Some financial institutions in weak states are manipulated to enrich power elite groups. Furthermore, banks operating in both the private and

public realms are used to generate additional income for such groups by manipulating the differences between official and market-related exchange rates. The last section looks into the abuse of external emergency aid and donor support that is generally aimed at easing the suffering of population groups but in reality is often appropriated by different actors involved in such conflicts. Furthermore, the application of external conditions for aid, such as structural adjustment or the privatization of state-owned companies, has by and large led to alternative strategies by incumbent elites. In many cases, they have outsmarted the attempts of the international donor community to enforce structural political reform. As a result, the internal power struggle between competing elites has increased, leading to a deterioration of the internal security setting. In order to outflank potential rivals, incumbent elites and powerful private companies have frequently engaged private security firms to protect their business interests inside weak states. The manipulation of emergency and relief aid shows that many internal and external actors stand to gain from such operations. In fact, aid has become an important additional source for internal actors, whereas external donors and notably executing agencies profit politically and bureaucratically.

Chapter five reiterates a number of policy-relevant issues with regard to the emerging new political economies of conflict. The unintended side effects of structural adjustment and deregulation in weak states are reiterated, thus demonstrating the flaws of uniform conditions for reform. The issue of the ongoing abuse of external aid and development funds by actors involved in violent 'resource competition' urgently calls for a critical review of aid during violent conflict. The apparent indifference of the Western world has by and large led to the boosting of local solutions for local problems. This in turn has led to the intervention of regional security organizations in conflict areas. However, as many such forces are ill equipped, and dominant regional actors have engaged in partisan activities, such interventions have been highly controversial and mostly counter-productive. The uneven effects of 'globalization' - from voluntary cooperation and integration in the North to deliberate obstruction against free markets and increasing competition in the South - demonstrate the need for a better understanding of local deviations from the 'universal' model. Attention is drawn to the issue of the built-in acceptance of warlord states through the acknowledgement of state sovereignty in the international system.

1 Introduction

Economies of violent conflict deserve special attention nowadays, as warfare has changed in nature and the economies of many states have progressively become dominated by warlord-type politics. In fact, the increasing scale on which economic activities take place under the cover of many so-called internal conflicts or civil wars is staggering. Whereas official data for many conflict-ridden countries show negative growth rates and a falling Gross Domestic Product, in reality informal economic activities in these same states have boomed. In sub-Saharan Africa, shadow economies have taken on significant proportions and may have superseded the output and profitability of formal economic activities. Entire countries have become ‘pumps’ for the laundering of money obtained from different illicit sources and activities. The dubious status of cities such as Shanghai and Tangier as ‘free towns’ of organized crime during the early part of the twentieth century nowadays applies to weak states such as Liberia, Sierra Leone or Afghanistan. These countries serve as interface entities between the formal global economy and the illegal shadow economy. As such, illicit trade and war economies are not a new phenomenon. However, the specific configuration of war, shadow economies and the globalization of illegal economics through connections between warlords, flexible small-scale economic operators, often based in Western economies and private security companies, has created a new type of conflict-related political economy.

One of the striking features of this new political economy is its capacity to bypass national governments, international law and conventional agreements on the ethics of doing business. As a result, the actors engaged in such war economics have become a security hazard for the entire international state system, not only through the ruthless exploitation of resources and the deliberate undermining of taxation systems and international financial regulations, but also through the generation of civilian suffering on a massive scale. Most refugees and internally displaced persons are the result of protracted civil wars in various weak states. The ensuing humanitarian crises have in many cases been manipulated by contending factions engaged in such conflicts, as they deliberately abuse external aid provision. A second feature of the modern political economy of internal war, therefore, is the deliberate displacement of civilian population groups mostly residing in resource-rich areas. In fact, this is not ethnic cleansing but simply human or social cleansing, sometimes under the convenient cover of inter-ethnic rivalry.

The cumulative result has been that warring factions control and exert a monopoly over specific resources while simultaneously controlling population ‘reservoirs’ in refugee camps, where these latter groups can be easily controlled through the distribution of food and other primary goods. Both forms of monopoly give warring factions access to scarce economic resources amid violent conflict. Hence, the distinction between civil war and warlordism has become blurred as most armed factions coerce people into obedience. As a result, a ‘winning hearts and minds’ strategy, widely viewed as a necessary prerequisite in order to acquire popular support for successful armed rebellions, has become almost obsolete. Currently, all actors engaged in violent conflicts stand to benefit from the ongoing

war, provided that warfare is executed at a 'functional' level without real face-to-face military confrontations between belligerent forces but rather the application of random violence by all factions against unarmed civilians. Civilians have become an attractive commodity of warfare, both as a source for looting and plundering as well as a source to attract external aid-related resources. Hence, the new political economy of internal warfare hijacks both the civilian populations of countries in conflict and the international community.

The current internationalization of warlord-related economics has seriously jeopardized efforts to sustain fragile peace processes in a number of states. The ability of state elites to obfuscate and transform to their own advantage external pressures for democratization, in the form of multiparty elections and structural adjustment in the form of downsizing central government and promoting privatization of state assets, has provoked fierce debate on the legitimacy for external meddling, as many such interventions produce extremely controversial outcomes. Hence, many strong state governments eager to promote 'good governance' are looking for more effective policy instruments with which to tackle these creative elite manoeuvres and force reluctant actors into compliance in the search for promoting peace and stability in war-torn societies. A better understanding of the workings of new political economies related to so-called internal conflicts is vital in this respect.

Political economies of war: A tentative definition

In the conventional meaning political economies of war refer to the historic relationship between state formation and the mobilization of economic means to support war efforts, in turn securing state survival. This relationship has gradually changed throughout the contemporary history of Europe. In the twentieth century and during both World Wars, entire states redirected their economies in a highly centralized manner towards so-called total war efforts in a bid to defeat belligerent states¹. In other words, war economies can be viewed as the legitimate means to generate capacity for self-defence of sovereign states in times of need. In this notion a formal link exists between economic activities and war activities. This interlinkage culminates in the protection of the territorial integrity of individual states against outside threats. However, due to the increasing effectiveness of technological innovations in warfare, war became an exercise in mass destruction without securing viable strategic gains for the parties involved, as the Iran-Iraq border war has amply demonstrated. The Cold War, furthermore, proved to be a rather costly peace in terms of the build-up and maintenance of the extensive military capacity of the contending states involved, as peace was maintained through deterrence capacity on both sides of the political divide. The ensuing Cold War peacetime economy nurtured an extensive military-industrial complex, which consumed a considerable part of available government funds. In turn, the armament race between the superpowers fuelled economic activity, provided jobs and had many side effects on non-military economic activities. Concluding, a (sometimes substantial) part of economic activities has always been linked to military activities and has been instrumental towards the execution of war in general. Hence, in a narrow sense the political economy of wars relates to the economic enabling environment that produces the means to be able to execute wars, i.e. the hard- and software required. In a broader meaning, war economies refer to the economic mechanisms that allow actors, including all types of state and non-state actors, to conduct

¹ Kaldor, 1999.

wars or participate in violent conflicts. This broader definition points to sources of income for such actors and the generation of economic means at their disposition, which *can be transformed either into assets necessary for the conduct of war or into supplies to maintain a support base*, be it a geographic zone populated by civilians, a rebel base or expatriate communities sympathizing with a specific actor.

Moreover, current debate has questioned the conventional view on the causal relationship between economy and war, whereby economic means facilitate the conduct of war. This relationship could well be viewed in reverse, whereby the conduct of war becomes instrumental to the accumulation of economic assets for parties involved². As a result, any definition of the contemporary nexus between economics and politics in situations of localized violent conflicts should be approached with extreme caution. Such a tentative definition should allow for the broad inclusiveness of economic activities as well as the direction of the underlying causal relations between accumulation and warfare. Critical, however, is the presence of violent conflict in a particular geographic area and the economic activities generated from such areas during conflict by various actors engaged. Hence, in this paper political economies related to conflicts are defined tentatively as:

“the way in which economic resources are generated and exploited by participating factions and actors, internal and external, located in specific areas characterized by so-called internal conflict, in order to sustain their own existence and further their own political and economic interests.”

Internal or localized conflicts?

The idea that many internal wars are limited to the domestic dimension stems from prevailing ideas about the predominance of states in the international system³, but seems to have lost its significance because the external ramifications of internal war cannot be neglected. Such wars are internal in so far as most violent activities and war theatres can be located inside a specific territory. The conflict dynamics involved, however, are increasingly interconnected with international trends, markets and actors. It could even be postulated that many such conflicts are ‘resource-related external-demand-driven’ violent conflicts materializing close to extraction sites. However, important internal political dynamics must not be overlooked. Most social scientists agree that these wars thrive on the nexus between internal political dynamics and external demand generated through the globalization of finance, markets and trade. Such wars can hardly be called civil wars as the participation rate is quite low and civilians are deliberately targeted by all parties regardless of ideology or political agendas.

About war and peace

Simultaneously, conventional Western ideas about war and peace need to be reviewed. A debate is currently being entertained on the dichotomous Western thinking about war and peace as two distinct and opposing realities without any overlap. Unfortunately, many so-called protracted internal conflicts demonstrate a staggering diversity in types of warfare, degrees of intensity of war and locality as well as scale of violence. Pockets of relative stability coexist with areas of extreme violence and disruption.

² Keen, 1998, p. 12.

³ This issue will be discussed in more depth under the heading *The crisis of the neopatrimonial state* in chapter 3.

As a result, so-called peace might refer to a situation in which a faction has successfully gained control over an area and its population, but repression is high and random violence is perpetrated against civilians and sporadic violence occurs as a result of the incursions of neighbouring factions. Such a situation could be classified as notably more peaceful than a shifting sphere of influence in an area between two or more contending factions that change fortune every now and then and where civilians always bear the brunt of successive waves of violence and looting.

About elites, weak and strong states

A number of concepts are used frequently in this paper, and need to be defined more clearly. Firstly, the notion of 'elite' is used in a very broad manner, comprising the power elite of all parties and actors involved in internal conflicts. A clear distinction between a criminal elite type and a so-called non-criminal elite cannot be formulated, because many incumbent political leaders of sovereign states presently engage in illicit practices to acquire personal wealth without due consideration for their formal obligations or moral status as head of state. Such political leaders cannot lay claim to a more legitimate status. The concept of elite in this paper furthermore extends to commercial and economic power groups inside local society as well as to outsider groups.

So-called 'weak' states lack sufficient institutional capacity and state bureaucracies that enjoy some degree of autonomy *vis-à-vis* their political masters. By contrast, strong states are characterized by impersonal bureaucracies that execute government tasks independently and distribute public services rather efficiently, without the interference of clientelist policies or the private agendas of important politicians and other power elite members.

2 Major debates within social sciences

With regard to the emerging ‘new’ political economy of internal conflict a number of topics deserve special attention. In this ‘state of the art’ paper a number of pertinent issues will be reviewed. Firstly, the role of the state in internal wars is highlighted, notably whether, and to what extent, prevailing state models have been adopted by numerous countries in the South. Secondly, the debate on the economic dimension as a cause of internal wars will be discussed. Thirdly, the impact and consequences of globalization provoke debate among social scientists and have led to opposing views.

2.1 The role of the state in internal wars

The discussion on the role of the state is ongoing and the classification presented in this section only reflects major analytical interpretations and perspectives. It is important to consider these interpretations regarding the nature of the state in various parts of the world and the degree to which the Western ideal type of state has been transplanted, copied or refused.

The first, so-called modernist, perspective is based on the assumption that the Western state has been introduced and adopted by recipient countries, albeit with minor local adaptations. This interpretation holds that the current crisis is the cumulative result of mismanagement and economic marginalization and that decline can be reversed provided that donors are willing to help the political elite to retrace the steps of decline and to adopt appropriate measures. This approach can be found notably in the work of Zartman⁴. His analysis is based on the transfer of the Weberian ideal type of modern Western-style de-personalized state institutions. The scenario presented by Zartman to counter state decline or failure simply asserts that the degenerative process can be reversed by rebuilding institutions and restoring the social fabric of society. Zartman has used the metaphor of an object tumbling down a staircase; it can stop at any level and might regain its previous position on a higher level. His model has been labelled as highly mechanistic and largely based on developmental clichés. The reality of contemporary politics in Africa for instance, based on co-optation through vertical clientelist structures as well as the use of coercion of marginal groups in society, is largely ignored. This approach, however, has been used to legitimize outside interventions by a variety of powerful actors and should not be dismissed as irrelevant or simplistic.

A second perspective focuses instead on the apparent contradiction, exemplified by many contemporary African states, of a state that is both strong and powerless, overdeveloped in size and underdeveloped in functional terms⁵. This so-called neopatrimonial approach depicts the state as both illusory and substantial. It is illusory because it works only informally and its ability to enforce and

⁴ Zartman, 1995.

implement policies is virtually non-existent. Nevertheless, the state organs have been overdeveloped and provide an income for a large group of civil servants and present a venue for the distribution of state resources, hence represent a major prize for political elites vying for state power. In fact, the appearance and visible features of governance are replicas of Western-style bureaucracies but patrimonial politics govern its underlying functionality. This model explains why the private and public spheres of neopatrimonial states overlap and why the public sphere is appropriated by private interests.

The third perspective on the state stresses the successful adaptation of a Western state in a non-Western environment; the 'hybrid' state approach. Despite strong centrifugal forces the modern state in many so-called Third World countries has been able to mix inherited statehood from colonialism with local cultural value systems leading to a genuine 'indigeonized' state. Success is defined in terms of effectively defending mostly artificial boundaries and incorporating a wide variety of different peoples into a national mould. The hybrid state theory underscores the modernist vision of global state evolution, despite different sociocultural settings and historical trajectories.

Fourthly, the 'transplanted' state perspective focuses on the imperfect transfer of the Western state. This failure to transplant the Western state has been attributed to cultural differences in the recipient society. This model stresses culturally induced transformations and argues that transplanted states are distinct from the original model to the point that large sections or tasks of the Western model have been discarded altogether and that such states have acquired a culture-specific logic. The model, however, is deterministic as it assumes that distinct cultures are to a large extent self-contained and that political institutions or ideas cannot be transplanted at all. The merit of this idea has been to dismiss the rather naive assumptions of modernist approaches to state formation in the non-Western world.

Finally, a fifth assumption emerged during the 1990s in which the term 'post-nation-state' was coined. This so-called post-modernist approach to state evolution stresses the decline of states within the context of a globalizing world economy. Although strong states, mostly found in the Western world, continue to have considerable leverage on international politics and the global economy, weak states have been bypassed by powerful non-state actors. The post-nation-state is unable to perform conventional state-type tasks or maintain centralized bureaucracies that function effectively. As a result, post-nation-states are dwindling entities that have shrunk to rump-state proportions controlled by local political elite groups, competing with other political entrepreneurs for access to state resources and control over population groups. The only advantage hitherto bestowed upon these embattled elite groups is the international recognition of state sovereignty in the international state system, legitimizing their doubtful claim as genuine representatives of a given territory and its people.

The various models presented all have their merits and shortcomings, but for the purpose of this study it is crucial to identify the predominance of a specific model in the international political 'discourse'. Time and again contemporary history has demonstrated the enormous impact of a specific ideology on the interstate system. Once a specific idea about the nature of the state in the South has been widely adopted by 'mainstream' politicians and policy-makers in the North its ramifications are numerous and profound. Such fixed images tend to become icons, unchallenged for a long period of time. Hence, the modernist idea of almost complete adoption of Western state structures by non -

⁵ Chabal and Daloz, 1999, p. 9.

Western states has guided at least two decades of development policy and related economic interventions in many so-called Third World countries. The stubbornness of this idea has survived until recently among protagonists working in influential niches such as the World Bank. The debate on the nature of the state therefore has important consequences for perceptions about the role of Southern states and the analysis of major actors involved in the contemporary political economy of conflict.

The modernist approach postulates *ipso facto* that the state in the South, more or less, is a replica of the ideal-type Western state. Illicit trade and resource exploitation are aberrations or anomalies perpetrated by gangsters or actors operating outside the realm of the state itself. By consequence, the state is viewed as a neutral actor, albeit weak in countering such practices.

The neopatrimonial approach by contrast emphasizes the predominance of a hidden power structure, orchestrated by incumbent leaders in a bid to outsmart potential rivals. This interpretation firmly puts the blame with local actors rooted in local political and sociocultural traditions. Neopatrimonial states hijack the Western state model by adopting only the facade. The state has therefore become the ultimate prize for elites engaged in political power struggles, and state institutions are manipulated to generate revenue, hence state structures are diverted from their conventional trajectory and have become important instruments to cover up patterns of illicit trade and resource exploitation. This influential interpretation has been recently adapted by a number of Africanists⁶ to incorporate contemporary changes. The major thrust of their idea is that the broad inclusive patrimonial systems of the post-colonial period have eroded and are replaced nowadays by more narrow clientelist political systems, working according to identical principles of co-optation and inclusion.

The hybrid state interpretation follows the logic of the modernist view, to the extent that the apparent successful indigenous states manage state affairs according to proper cultural standards. The abuse of power or the bypassing of state power does not reflect weakness but rather resilience. In fact, from a long-term perspective such phenomena can be interpreted as a 'normal' state-building trajectory. The state is still in the process of struggling to control various actors.

The concept of the transplanted state views the proliferation of illicit practices and violent conflicts as the ultimate proof that the attempted transfer has completely failed. The state in many Southern countries is only a disfigured caricature of the original model, incapable of controlling even domestic violence let alone the highly flexible patterns and processes of illegal trade and exploitation. Consequently, no local adaptations have been applied to the transplanted model; it leads a handicapped life of its own in an alien environment.

The post-nation-state model emphasizes the irrelevance of conventional state-centric interpretations in non-Western states. The concept of state evolution, whether according to Weberian ideals or according to indigenous cultural values, is presently incompatible with the reality of many such states. Political power has become atomized and transferred to non-state actors according to emerging patterns of communication, trade and asset transfer. The contemporary political economy of conflict can therefore not solely be accounted for by actions of states and counter-reactions by non-state actors. Consequently, the incumbent state elite is only one actor among many.

Tentatively, two mutually reinforcing theoretical perspectives are retained in this study, as both possess a strong explanatory potential: the adapted neopatrimonial state theory and the post-nation-

⁶ Bayart, Chabal, Daloz and Ellis.

state interpretation. Both explanations have taken recent developments into account and have inserted the consequences of broad changes, such as globalization and the post-Cold War changes in patron-client relationships in poor countries, into their models. According to the post-nation-state model, it seems that the state-centric analysis of domestic political developments in many weak states has become obsolete, since weak states have proliferated and conventional state tasks and responsibilities have been abolished or simply withered away. By contrast, creative adaptations of the neopatrimonial state by threatened state leaders have emerged that nuance this perspective⁷. The retained models present both extremes of the predominant pattern of political and economic interaction between weak and strong states: the ‘new’ economic ideology from the North is countered and absorbed by an ‘informal’ economic response from the South.

2.2 The economic dimension as a cause of contemporary violent internal conflicts

In 1996 Brown⁸ identified three strong and three weak points in research on the causes of internal conflicts:

- (1) Much is known on underlying/permissive conditions eventually leading to violent conflict, but little is known on triggering or proximate causes of conflict, i.e. when does a conflict become violent, which event(s) lead(s) inevitably to violent conflict?
- (2) Much is known about mass-level perspectives on internal conflicts, little is known on elite perspectives on internal conflicts.
- (3) Much is known about the internal forces at work, little is known about the external influence on internal conflicts, little analysis is based on in-depth knowledge on the external agents at work. The prevailing bias focuses on contagion/diffusion effects of conflicts in the immediate surroundings.

Brown concluded that most internal conflicts are triggered by internal elite-level activities (bad leaders) and to a lesser extent through discrete actions by some neighbouring states (bad neighbours) or other international actors.

Much attention subsequently focused on the political dimension of internal conflict. The Carnegie Commission on the Prevention of Deadly Conflict listed the deliberate actions of state elites as a major contributor to the outbreak of violent conflict⁹. The Dutch government-sponsored comparative research entitled ‘Causes of Conflict in the Third World’, confirmed these findings by emphasizing the salience of political-military factors with regard to the outbreak of violent conflict. Sufficient institutional capacity of the state as well as adequate processes of power sharing and power transition are required in order to diminish the eventuality of an outbreak of violent conflict¹⁰.

Socioeconomic and external factors, although crucial for the understanding of societal dynamics, were considered to have a more indirect impact on the outbreak of violent conflicts, and were by

⁷ Chabal and Daloz, 1999, pp. 3-16.

⁸ Brown, 1996, p. 22.

⁹ The Carnegie Commission on the Prevention of Deadly Conflict, 1997,.

consequence somewhat downplayed. Nevertheless, the mobilizing capacity of inter-group inequality and marginalization by incumbent state elites of specific geographic areas or specific sociocultural groups was almost universally recognized. Some scientists have demonstrated that there is no statistical significant covariance between economic growth or decline and the occurrence of violent conflict, hence economic factors have been dismissed as important direct factors¹¹. By contrast, others have stressed the importance of economic agendas in civil wars. David Keen argues that economic incentives provide a powerful motivation both for leaders and followers to engage in violent conflicts. Multiple resources stem from the breakdown of law and order and can be conveniently exploited at gunpoint, such as pillage, protection money, labour exploitation, control of trade, land appropriation or stealing aid supplies¹². Furthermore, valuable resources in areas of conflict can encourage the emergence of war economies in apparently chaotic situations. For embattled elites in so-called weak states as well as for rebel movements deprived of outside support, provoking economic violence can be an affordable way to fight each other or confront opposing forces in society. Therefore, opposing parties often have a stake in continuing violent conflict rather than brokering peace. In fact violence is used as a means to an economic end and 'has increasingly become the continuation of economics with other means'¹³.

The main argument between those who adhere to socioeconomic inequalities as strong mobilizing factors and those who claim that economic incentives drive violent conflict has recently been characterized as the contrast between greed and grievance¹⁴. Paul Collier and Indra de Soysa¹⁵ have used quantitative statistical methods to unravel the mystery of causality. The result of Collier's analyses points to the importance of greed-related variables over grievance-related ones. A relatively high education enrolment rate among young people tends to offset the proportion of young men liable to engage in conflict, but on average countries with a high percentage of primary commodity export and a high ratio of young men with little education are very conflict prone¹⁶. Although loudly voiced ethno-religious cleavages, 'ancient hatreds' and other grievance-related factors do not account for the outbreak of conflict, they do serve in hiding the economic agendas of the so-called violence 'entrepreneurs'. Grievance-related variables however do not correlate significantly with the advent of violent conflict. Purely grievance-related rebellions face problems of collective action, notably the lack of direct benefits for those who consider joining (the free-rider problem), the problem of how to mobilize sufficient support (coordination problem), as well as trying to motivate people to offset possible future gains against required immediate personal risk (referred to as the time-consistency problem). Small-scale greed-related militia can avoid these collective action dilemmas and attract immediate gain-seeking individuals. In wars people become more opportunistic, criminality increases, markets are more easily controlled and monopolized by fewer actors and rent-seeking predation increases markedly. As a result, economic opportunities open up for power-holders and armed militia. Collier distinguishes four distinct benefiting groups: businessmen, traders, rebels and criminals. Peace

¹⁰ Douma, Frerks and van de Goor, 1998.

¹¹ Peiris, 1997, pp. 545-577.

¹² Keen, 1998.

¹³ Keen, 1998, p. 11.

¹⁴ Berdal and Malone, 2000.

¹⁵ Berdal and Malone.

¹⁶ Berdal and Malone, p. 97.

will be achieved when those groups that stand to gain from it are more influential and politically powerful than those that gain from continued war. 'The relative power of economic interest groups is the classic question posed by modern political economy'¹⁷.

Although the 'economists' have presented a number of valid arguments in favour of the 'greed'-related factors, the significance of statistical correlation should not be overestimated. In fact, in many cases rebel movements rely ultimately on the support and acceptance of broad communities within which they operate. The motivations, grievances (perceived and real) and actions of these communities often provide the backbone for sustained rebellion against oppressive political forces and actors. The contemporary phenomenon of violence-related plunder and warlordism should not be equated with the drive of entire population groups to emerge from a situation of forced subservience.

Despite the appealing simplicity of the contradiction between greed and grievance, it seems that both concepts are intricately linked, and while grievance may provide the initial drive for people to seek ways to redress their plight, direct economic gains may help to overcome the initial hurdles related to collective action dilemmas.

Therefore, the debate between 'greed and grievance' needs to be taken beyond the current superficial rhetoric and focus on underlying motives for group mobilization into violence, mostly related to social and cultural grievances. However, economic motives do play a role once the war dynamic has gained momentum and the prevailing lack of institutions and a culture of impunity may provide the necessary preconditions for a scramble for personal gain among armed factions and warlords. It was argued during the November 2000 seminar held on the Political Economy of Internal Conflict in The Hague¹⁸ that an approach acknowledging the relevance of both greed and grievance would greatly benefit a more comprehensive understanding of many contemporary internal conflicts.

As a result, research attention should include a focus on the so-called invisible, i.e. non-material incentives for violent behaviour, in order to balance the current emphasis on the material roots and causes of such conflicts. It was suggested that in order to be able to highlight such factors, local contexts must be studied as well as actors that hitherto received scant attention due to their marginal military or economic power position.

To conclude, protagonists of an 'economic causality' paradigm nurture a deterministic view of individual motivation, notably with respect to the role of young uneducated men in weak states. To some extent, the debate on the economic dimension of civil wars reflects the current post-ideology trend in social sciences, where material incentives are presented as the ultimate drive for participation in armed gangs and militias, solely in order to acquire goods by inflicting violence upon others.

The prevailing consensus in social sciences, however, still focuses on multi-causal explanations and country- and situation-specific sets of factors eventually leading to internal war.

2.3 The impact and consequences of globalization

¹⁷ Berdal and Malone, p. 105.

¹⁸ This seminar was held on 22 November 2000 at the Netherlands Institute of International Relations 'Clingendael'.

The impact of globalization has yet to materialize sufficiently to draw pertinent conclusions. However, if globalization is interpreted as the increasing integration of world markets through technological innovations, notably in telecommunications and information technology, many world regions lag behind. The prevailing interpretations about the eventual impact of globalization worldwide have so far stressed the expected beneficial effects for all countries opening up to these new technologies and trade patterns. Neoliberalism has emphasized the inescapable nature of the process whereby countries will become marginalized if they refuse to adapt to this global economic transformation¹⁹. Critically, in this view protectionism will be swept away and prices will be entirely based on unhindered trade flows and perfect market mechanisms. Such rhetoric, however, is a far cry from the contemporary workings of the global economy and more explicitly from protectionist regulations governing trade between most regional economic power blocs and poor countries.

The core economic regions have experienced economic growth partly due to the increase of trade exchanges between them. For many poor regions exports to and imports from core regions have diminished. EU imports from ACP countries have declined notably, from 6.7 per cent to 2.6 per cent between 1976 and 1994²⁰. Globalization has therefore yet to bypass effectively the global political decision-making process regarding economic exchanges, tariffs and trade (such as UNCTAD and the G-8 meetings).

Setting apart the unresolved issue of political inhibitions to unhindered globalized trade, the neoliberalist view can also be challenged on the basis of the contemporary workings of the world economy itself.

The globalization thrust reinforces the existing international labour division between states, as core economic states profit disproportionately from such innovations as opposed to poor countries, which mostly rely on primary production and the provision of raw resources. In cases where some of these poor states catch up with modern innovations they tend to develop selectively in technology enclaves, disengaged from the domestic economy. In India, for instance, the information technology has spawned a generation of highly skilled computer specialists, which have become either cheap long-distance contract workers for foreign companies or simply the next 'brain drain' generation. The comparative advantage of cheap labour that generates income for Indian nationals, in this specific case, is offset against the structural incapacity of the Indian government to generate sufficient jobs for computer specialists based on real demand from the domestic economy.

Moreover, the differential impact of globalization in various parts of the world has created dichotomy in exchange modes between 'virtual' trade through electronic highways, communication and paper transfer of money as opposed to exchange and barter of real goods, products and money through existing trading networks. In many cases this transborder trade is intimately connected to the new political economy of conflict as the main outlet for goods and services, and notably capital accumulation for war profiteering elites in weak states. The patterns of transborder trade remain intact, but the nature of goods transported has changed substantially. Whereas previously most transborder trade consisted of locally produced agricultural and manufactured goods, it nowadays covers a whole range of imported primary goods and manufactured products from Western economies and export of

¹⁹ World Bank, 1997.

²⁰ Duffield, 1999, p. 1.

mineral and natural resources and other products generated by local war economies. Transborder trade differs from the production-finance economy in Western economies because it is based on maintaining differences, it enforces informal protectionism and it is mostly based on forms of socially constructed control outside the formal realm of state or market control. Hence, monopolistic control and price regulation create powerful mechanisms for local strongmen to generate revenues from transborder trade and many elite commercial groups therefore oppose economic rationalization because they justly fear losing control of local markets. As a result, transborder trade physically counteracts efforts to liberalize markets and the commercial elites involved vehemently oppose the free market ideology. 'The anti-free market and quasi-feudal tendencies associated with trans-border trade find their most violent expression in contemporary forms of post-nation-state conflict'²¹.

During the seminar in The Hague on the Political Economy of Internal Conflict it was argued that the current emphasis on globalization tends to obscure the changing impact of the prevailing world political order on the periphery. Many internal wars are the contemporary response mechanism of dominant states to the challenge of controlling 'borderlands' without having to invest too many resources. Some participants in the seminar postulated that the shrinking of the conventional forms of the capitalist economy has created a dominant 'narrative of war economies' as an effort to control the peripheral areas in order to contain them within the conceptual confines of the dominant Western economic and political world system. The ambiguous nature of the Western rationale to intervene selectively in some cases and to refrain from direct interventions in most other cases can be viewed as a sign of weakness and loss of control. Therefore, the political economies resulting from internal conflicts tend to escape the logic of the dominant Western political and economic paradigms and extend beyond the narrow logic of globalization. Moreover, the current debate on internal wars in weak states, poor states or 'borderlands' has a strong normative bias judging such conflicts merely as forms of regression, such as regression of the state institutions or of the developmental process currently underway in many poor states. However popular this view on contemporary conflict might seem to policy-makers from an interventionist perspective, it needs to be criticized from a perspective of transformation. Over time, conflicts change in scope and nature. In fact, it could be argued that the contemporary changes in many poor states reflect a process of transformation, in which new forms of governance and societal make-up appear. People residing in war zones are not only passive victims but also active participants in the changing social configurations at the local level.

To conclude, it seems that neoliberalist assumptions about the overall positive impact of globalization fail to take into account structural cleavages in the world economy between strong and weak states, as well as local response mechanisms to adapt to powerful outside economic pressures. Furthermore, the gradual transformation of local internal conflicts creates new social configurations challenging the dominant Western political and economic paradigm of globalization.

²¹ Duffield, 2000, p. 81.

3 Contemporary trends related to the political economy of violent conflict

3.1 The crisis of the neopatrimonial state

With the demise of the Cold War the necessity to uphold friendly regimes in various parts of the world abruptly ended. In a very short time many so-called puppet regimes in Third World countries lost the material support of their principal benefactors. The distribution of substantial financial loans and development aid, as well as material support by means of secret supplies of arms and the provision of logistical and military support to friendly regimes had provided an important source of income for many incumbent political elite groups. For various historical and cultural reasons an ideal-typical state-building trajectory, based on Western perceptions, had failed to materialize throughout the last decades of the post-colonial era. As a result of almost blind support to friendly regimes and strongmen, the major political powers had contributed to the maintenance of an extensive neopatrimonial system, notably in sub-Saharan Africa. The ensuing neopatrimonial states came to depend heavily on external resources for their survival as domestic resource generation failed. The import substitution model of development had mostly created so-called white elephants, detached from local industrial capacities and infrastructure, or had led to the construction of assembly lines for licensed production based on Western know-how and technology. Agriculture had been neglected and adequate financial institutions and extension services were underdeveloped or simply lacking.

By consequence, the loss of external support seriously undermined the possibilities for incumbent elite groups to maintain the neopatrimonial state they had captured from their predecessors. Meanwhile, as many states proved incapable of generating income through taxation, both as a result of clientelist privileges for elite groups and a lack of institutional capacity to impose tax discipline on the general public, the state bureaucracies became more of a burden instead of an asset to these embattled elites. In the local context, demands by an ever-increasing number of clients on scarce state resources further compromised the possibility of maintaining the existing, broad and inclusive, clientelist mode of governance. The local elite groups sought ways to acquire alternative income and to satisfy client groups while simultaneously trying to ward off internal opponents. A selective policy of co-optation and exclusion emerged, in which enterprising elites and politicians used the remnants of state bureaucracies and state power to divide distinct groups within local society as well as to promote dissent between local strongmen vying for power. Consequently, open state repression and violence implemented by the security forces was directed by local leaders against internal opposition groups, sometimes aiming at specific ethnic groups and thus creating cleavages between groups on the basis of access to or denial of scarce state resources. Such overt and crude clientelist policies had a tremendous impact on the internal security setting of many so-called weak states.

In Liberia under Samuel Doe this is well documented by Ellis, who explains that Doe was the first Liberian leader deliberately to divide the population and demolish the existing all-encompassing patronage network of the True Wig Party²². Increasingly, army officers and common soldiers applied tactics of ordinary plunder and looting in order to supplement their meagre incomes, openly condoned by the strongmen in power. This in turn spiralled a breakdown of law and order leading to the proliferation of all types of armed bands and groups.

Under the cover of international recognition of state sovereignty, despite the fact that their leaders inflicted suffering upon the populace, a struggle for resources evolved between various armed factions in which the state elite was just one faction among a whole range of actors. Easily exploitable resources, such as timber, wildlife, minerals, gold, diamond and oil, became the prime target for these armed groups in order to secure an income. Local elite groups that were engaged in a struggle for survival had no interest in long-term structural engagement regarding state building and the improvement of institutional capacity, further undermining the relative autonomy of state bureaucracies.

To conclude, the loss of superpower support has led to the implosion of weak states by precipitating the fall of the neopatrimonial state and the dismantlement of the remaining state bureaucracies, which have been replaced by overt predatory economies and increased inter-group competition over resources.

3.2 Globalization of the world economy

The main effect of the so-called globalization tendency is that state actors have become gradually superseded as exclusive gate-keepers of international trade patterns and that power has become more decentralized and splintered into a myriad of interdependent non-state private companies with worldwide connections. Globalization has furthermore opened up new opportunities for individual non-state actors within weak states to link up to global trading networks and potential partners without state interference. This tendency has greatly encouraged internal competition in weak states between the state elite and contending elite groups. Improved communication technology, fast capital movements and increased deregulation in Western economies have created the necessary preconditions for unlikely coalitions between local warlords, non-state private business, intermediary agents and emerging private security companies. These coalitions are able to capitalize on the lack of state control over resource extraction in weak states. State elites have always worked for private gain through informal connections, but they were to some extent checked by the rump bureaucracies that were remnants of the colonial state. Nowadays, most of these bureaucracies are paralysed and put on the sidelines of real decision-making. State bureaucracies are deliberately undermined and destroyed by state elites as they view such independent structures as possible vehicles for internal opponents to check their hold on power. These elite groups and their business cronies provide an ideal environment for external private business interests. According to Mark Duffield, modern war economies need to be analysed in the context of the post nation-state tendencies, in which authority has moved beyond territory, people and also beyond consent. They are rather flexible, adaptive international structures

²² Ellis, 1999.

with highly inter-dependent resources and lines of transport and communication. They have autonomous lines of command and mostly well-defined corporate or private policy objectives. Hence, the modern war economies reflect and reproduce the networked structures associated with globalization²³.

3.3 Aid conditionalities: Structural adjustment, democratization and good governance

For many years the international community believed that development would somehow trickle down to poor countries, as their economies would gradually adapt to Western standards and production modes, while political institutions would copy Western-style government. Despite proof to the contrary, development aid was generously distributed to many so-called Third World countries for decades. As the debt crises emerged in the early 1970s and 1980s donors came to realize that government performance should match intended developments, hence the emphasis was turned to reform of local economies. When in the early 1990s many internal conflicts somehow seemed to emerge out of the blue and governments notoriously failed to provide even the barest minimum of public goods such as security, a political dimension was added to the existing economic reform agenda and democratization and good governance became the professed aims of political reform. Nowadays, therefore, the main thrust of donor countries focuses on this two-pronged approach.

In the economic realm, structural adjustment has induced two important changes, namely government deregulation and privatization of state assets. In the rhetoric of the creditors, government discipline was needed and viable private actors were encouraged to generate revenues for the state treasury. The criticism of IMF-induced austerity programmes have drawn extensive media coverage focusing mostly on the visible effects such as spontaneous popular riots against the overnight cancellation of government import subsidies on primary products such as rice and oil. Simultaneously, government austerity resulted in massive layoffs of civil servants and the sale or closure of important state enterprises. These measures had a profound negative impact on already dismal government service performance and maimed its capacity to invest.

Beneath these visible effects of adjustment policies, however, the Bretton Woods institutions' interest in securing debt arrears payment coincided to a large extent with the interest of local politicians, who had vested interests in order either to sustain or to create their own clientelist networks and to ward off potential rivals. The example of Sierra Leone under Momoh has been scrupulously unveiled by William Reno²⁴. Momoh manipulated external IMF demands to outmanoeuvre the existing clientelist network of his predecessor Stevens. In securing funds from the IMF in return for concessions granted to foreign private firms in resource rich areas, Momoh outflanked the dominant Liberian hold on the political economy of Sierra Leone. This move facilitated Momoh's attempt to generate critical resources to pay back arrears to the creditor community, restoring regime credibility, while simultaneously appropriating rival resource strongholds, even to the point of destroying the local habitats of supporters of political opponents²⁵.

²³ Duffield, 2000, pp. 69-89.

²⁴ Reno, 1995.

²⁵ Reno, 1995, p. 157.

Privatization of state assets has undermined weak states' capacity to direct investments and has eroded their capacity to promote specific economic developments. Moreover, in many cases privatization has led to asset transfer between ruling political leaders and a narrow circle of political cronies or lenient financial institutes with a dubious reputation²⁶.

Finally, economic reform intended to improve government performance and to restore revenue generation for the local treasuries resulted involuntarily in shaping the features of future resource struggles between contending elite groups and laid the foundations for future alliances between local strongmen and foreign companies. Moreover, it provided an important incentive to assist in the decline of existing, but weak, government bureaucracies, hence compromising the possibility of creating independent structures in order to promote the institutional capacity of these states and to check the private agendas of local power elite groups.

In the political realm donors pressed many elites in poor states to comply with multiparty elections as a prerequisite for political legitimacy and popular support. Despite a few exceptions, this donor pressure spawned the intensification of political competition between contending elite groups, led to many disputed polling procedures, to staged elections, to rigged elections and to all types of manipulation of the electorate, including the implicit threat of force if a specific warlord was not elected to the highest office. During the 1997 elections in Liberia, Charles Taylor had openly campaigned with the slogan that he had started the war and was the only one to end it²⁷. Although rigged elections are a constant feature of so-called democratic elections in many states, overwhelming majorities were attributed to reigning politicians. This in turn led to legitimisation of more covert majority vote rigging such as Samuel Doe's 'election' with a 51 per cent vote in 1985, publicly acknowledged as a 'positive aspect' by the US Under Secretary of State Chester Crocker²⁸. In some cases multiparty systems were banned by incumbent leaders on the premise that such practises would lead to cleavages in strongly divided states traumatized by years of civil war.²⁹ In some cases, the entire government propaganda machinery as well as official state property has been used by numerous ruling politicians to manipulate elections, exemplified by Arap Moi of Kenya and, more recently, Robert Mugabe of Zimbabwe. Simultaneously, repressive methods were deployed through the use of armed militias to unleash violence against opposing ethnic groups (as in Kenya) or against a selected minority of foreign white settlers (as in Zimbabwe). The effects of donors' demands for democratization therefore seem to have had rather unintended side effects, again appropriated by shrewd local politicians in a bid to acquire or maintain a political hold over the local economy.

Finally, the issue of good governance has attracted much attention, although its precise meaning remained fluid, and measurable criteria are still lacking by which government performance could be judged. The United Kingdom, however, has recently taken initiatives to formulate a standard set of criteria, notably with regard to respect for human rights, poverty alleviation, provision of health and education services as well as a number of economic parameters. Another important development aid donor, the Netherlands, has integrated the objective to promote good governance as an integral part of foreign policy. Applied to the current situation in Rwanda, however, this has not yet led to a clearly defined set of sanctions as the incumbent Rwandan government has, so far, failed to live up to donor

²⁶ Reno, 1998, pp. 183-216.

²⁷ van Walraven, 1999.

²⁸ Ellis, 1999, p. 63.

expectations³⁰. On the contrary, the Dutch government intends to add Rwanda to the list of 'privileged' countries with which full bilateral relations are entertained, despite apparent doubts about the nature of some Rwandan government policies.

In reality, it seems as if the introduction of the concept of good governance has created a rather arbitrary instrument to legitimize donor withdrawal from a number of poor states, in which incumbent elites blatantly abuse public office and repress civilians. However, the political calculus based on the good governance objective, by which certain states qualify for support and others are denied access, cannot be traced back to a consistent set of measurable criteria, and hitherto seems to perform as a convenient screen to disguise pragmatic policy choices. In view of past experiences with astute and creative local politicians in response to external demands, it is highly probable that the conditionalities resulting from the good governance imperative will be manipulated and appropriated by such interest groups, as long as donor ambiguity and lack of donor coordination prevail.

3.4 The privatization of violence

In recent years a major shift has occurred in the use of state security agents in many poor and weak states, notably the national armies. Whereas many post-colonial independent states have copied the practices of their erstwhile masters regarding the use of security forces to coerce compliance among the civil population and to protect national integrity mainly against strong centrifugal forces, overt use of such state organs for private interests of a limited political elite is a recent phenomenon. Idi Amin was one among many African rulers to apply such practices by which the army became an extension of exclusive privatized political power in the hands of one individual. Subsequently, many embattled dictators and autocratic rulers came to rely heavily on the support of national armies for their political survival, spawning the development of military institutions, which in turn became the sole venue for social mobility of ambitious people. This development entailed the definite loss of legitimacy of political leadership in weak states and heralded the miniaturization of local societies.

The violence bestowed upon many groups resulted in the growth of armed resistance of local militia, armed rebellions and in some cases the overthrow of established dictators such as Doe in Liberia, Mobutu in Zaire and Hisène Habré in Chad. The training of so-called extremist elements by Muammar Gaddafi in Libya has provided the well-trained core of many successful rebel movements. As the privatized armies were used to coerce rivals and opposition factions into silence, exile or compliance, an atmosphere of terror materialized in many weak states in which the basic rights to physical protection and personal security were obliterated. The civilian population became subject to random harassment, torture and extrajudicial killings perpetrated by the official state security agents. The breakdown of the internal security setting created the preconditions for the proliferation of armed factions. Entire states were thus manipulated for individual profit and the criminalization of the state became reality³¹.

²⁹ This has been voiced by Museveni in the case of Uganda.

³⁰ Douma, 2000.

³¹ Bayart, 1999, pp. 1-31.

Meanwhile, the army itself became a threat for the power ambitions of local politicians and ruling elite. The co-optation of senior officers into the prevailing political economy based on the exploitation of natural resources, external aid and the looting of civilian property marginalized the junior officers and ordinary soldiers, who had to rely on the meagre spoils of looting and plundering during military campaigns in so-called rebel territories. As a result, some young officers rebelled against the ruling elite and managed to take over the state, such as the *coup* in Sierra Leone that allowed Valentine Strasser to take power.

In the process, various armed factions have become entangled in a scramble for scarce resources in which civilians and their claims to local livelihood systems and entitlements have become a nuisance. A modern catch-22 scenario has hence materialized whereby parties engaged in conflict scrupulously avoid open battle and even barter and exchange commodities and arms among themselves³². Nevertheless, actors continuously try to outsmart opponents or to eliminate rivals, facilitating the emergence and use of foreign private security firms.

3.5 The emergence of private security agencies

The alliance between private commercial interest in resources and the political objective of incumbent elites to monopolize resources in order to check rivals has led to an increased use of private security companies to provide security in specific areas for specific actors³³. Eastern European and Central Asian states after the Cold War and the collapse of the Soviet Union, and South Africa after the abolition of apartheid, have become important players in the fields of arms trade and of privatized security companies. The South African defence industry by and large was grafted on Soviet arms design and production, which in turn has facilitated their intermediary position in sub-Saharan Africa. Due to the apartheid regime's ties with some rulers of weak states many privatized defence-related firms have sprung up that have revitalized the existing contact network. Barter, through which scarce commodities such as arms are provided, has led to a mortgaging tendency providing external actors with claims on future resource exploitation. Mortgaging future benefits to foreign contractors in exchange for immediate support has become widely adopted by endangered ruling elites. In Mobutu's Congo and Momoh's Sierra Leone, 'Vulnerable rulers have mortgaged natural resources to South African firms, allowing them to extract resources from territory often under control of rival politicians'³⁴. This arrangement suits the cash-stripped weak state elites, which prefer resource control by outsiders above a possible transfer to political rivals. A host of so-called security companies, notably in South Africa but also in the US, have emerged, which are well equipped to deal with domestic security issues in weak states. In Sierra Leone and Angola, Executive Outcomes has been awarded a number of security contracts regarding important mining areas for diamonds and oil. The emergence of local strongmen including ambitious generals threatening the ruling MPLA of the Dos Santos regime in Angola necessitated 'impartial' outside security interventions by 'reliable outsiders', in turn controlling dissenters within elite factions. Meanwhile, other important external private actors

³² Kaldor, 1999, pp. 31-68 and Keen, 1998.

³³ Cilliers and Cornwell, 1999, pp. 31-42.

³⁴ Reno, 1998, p. 55.

such as the De Beers diamond company employ intermediary mining firms to get a grip on highly volatile resource markets. These aggressive and flexible so-called ‘junior’ companies, mainly of South African and progressively of Canadian and Australian origin, move in this particular niche of the market equally employing the above-mentioned security firms³⁵. Only very flexible and politically well-connected firms can exploit resources in the context of weak state politics.

The ensuing privatization of security and violence has advantages for many key players involved. For strong states neither direct military involvement nor costs are required, in turn preventing internal criticism on meddling in murky internal conflicts in far away countries. For embattled poor weak state elites there are neither direct costs nor structural involvements required, in turn preventing external donor criticism on military spending. Finally, the private firms contracted, see business booming and many attractive future benefits that can be contracted out to other interested parties. Private solutions are hence widely condoned against realist notions of a strong state’s preference to maintain its monopoly over violence in the international system. ‘As a result strong states seem to have relegated diplomacy to private companies in places where conventional diplomacy has been written off, thus acknowledging the problems of institutionalizing relations between dissimilar political units’³⁶.

3.6 Fragmentation and regionalization of internal conflicts

The protracted nature of many internal conflicts is often reinforced by the fact that conflicts change over time. The result of the continuing scramble for resources between opposing forces and among protagonist factions has gradually led to the emergence of a pattern of fragmentation. Mark Shaw has observed that in the case of Angola, the dominant actors have both contributed to such a pattern³⁷. Presently, the war has spread to include the entire country, whereby lines of command are stretched beyond capacity, both for the ruling MPLA forces and for the UNITA rebels. This in turn has resulted in a virtual isolation of separate fighting units located in specific geographical areas, working according to their own objectives that do not necessarily overlap with those of the central command. In the democratic Republic of Congo such patterns can also be observed. The proliferation of armed gangs, factions, ethnic militia and rebel forces has greatly complicated the internal security setting, to the point where it becomes difficult to make clear distinctions between variable numbers of actors, fluctuating areas under their control and changing coalitions engaged in resource exploitation and trade. Hence, the ongoing fragmentation has become a process in its own right, fuelling the war economy and complicating its eventual settlement.

Simultaneously, many internal conflicts at some point in time spill over to adjoining regions, mostly as a result of deliberate action by one or more of the protagonist factions involved. In the case of Angola, Shaw has drawn attention to the risk of involving neighbouring Zambia in the ongoing struggle between MPLA and UNITA forces, as the latter have been more or less contained inside Angola and were on the verge of being routed from their territory. The UNITA rebels have hence

³⁵ Smillie, Gberie and Hazleton, 2000.

³⁶ Reno, 1998, p. 71.

³⁷ Shaw, 2000.

actively sought to provoke military incidents on Zambian territory in order to expand the conflict³⁸. Such a move would boost international recognition for the conflict as the broadening regional scope would earn additional media and policy coverage. The contemporary expansion of the conflict in West Africa reveals similar features. The RUF has violated the territory of neighbouring Guinea Conakry, provoking a violent conflict with their regular army. In fact, from the initial invasion of Liberia by Taylor's RPFL forces until the present, a gradual process of regional expansion can be observed. In the case of the RUF it is postulated that the recent expansion of the conflict has been provoked to boost RUF credibility and status. The contemporary conflict in the Democratic Republic of Congo and the ongoing war in southern Sudan are other cases in point. To conclude, quite a number of internal conflicts have expanded over time to take on regional proportions highlighting the relevance of regional analysis and monitoring.

3.7 Conclusions

The interaction between the decline of Cold War support for client regimes in many parts of the world has precipitated the fall of the neopatrimonial state. The process of globalization has enabled local actors to connect to the world market bypassing the state. The prevailing domestic state monopoly on resource exploitation was consequently undermined, increasing the importance of control over transborder trading networks. These trading networks enable powerful elites to counter free-market forces and withstand trade liberalization tendencies. Donor pressure on client state elites, aiming to enforce both economic and political reform, have largely been transformed by these elites to enhance their exclusive grip on power in recipient states. Inside weak states the privatization of violence has continued unabated, resulting in the destabilization of the internal security setting. The emergence of private security companies has enabled coalitions of foreign private companies, local strongmen and business intermediaries to create alternative venues for capital accumulation without state control or taking people's legitimate entitlements into account. Finally, patterns of fragmentation and (regional) expansion have changed the nature of internal conflicts and complicated their eventual settlement.

This powerful configuration of recent developments seriously undermines current policies by strong states regarding poor and weak states, to the extent that their policies may help to realize the very opposite of what is officially sought.

³⁸ Shaw, 2000, p. 21.

4 Resources involved in the contemporary political economy of conflict

4.1 Introduction

Many economic activities can and will be manipulated by protagonist factions and elite groups engaged in internal conflicts. Others have already been widely covered and thoroughly analysed elsewhere and will not be dealt with here. A number of issues, however, are reviewed in more detail in this section, such as the looting and abuse of civilian possessions, the role of mineral resources and valuable natural resources, illicit transfer of financial assets and abuse of external aid during conflict.

In addition, the global trade in drugs and arms to and from conflict areas is only covered briefly with some cursory observations.

The lob-sided debate on drugs

The debate on the role of drugs seems to be bogged down in an overemphasis on the eradication of crops in production areas, while ignoring powerful trading networks comprising local politicians, drug barons and powerful external merchants based in the First World. Such a 'production area' approach ignores the complexity of local livelihood systems based on primary production by farmer communities in drug-producing states, such as Colombia, Afghanistan, Turkey, Thailand, Myanmar and Laos, to name a few. The so-called Plan Colombia, elaborated by Colombian President Andres Pastrana and aiming at the eradication of coca production in southern regions of Colombia, is a case in point. The US administration has pledged a sizeable 1.3 billion dollars, of which 900 million are earmarked for the military component of this programme³⁹, largely ignoring the livelihood logic underlying the farmers' production of this crop and failing to provide alternative income-generating activities. Minor players therefore become the prime targets of a simplistic military campaign that will result in the destabilization of entire areas, destroy local communities and probably fail to eradicate coca production. Coca production will simply be shifted to other areas where the entire process will reproduce itself.

Meanwhile, the infrastructure of the drugs trade remains untouched and trading routes and actors involved are rarely apprehended. In general, mostly naive 'small timers' are caught while transporting small quantities of drugs, whereas the large professional shipments continue unabated. The analysis of drugs production and trade requires a much broader understanding of the various actors and motives involved, especially once such potent sources of income are interconnected to the war logic of specific regions and countries.

³⁹ Volkskrant, September 2000.

The role of arms brokers and shipping agents

Most attention regarding the arms trade has focused on the reinforcement of international law and the improvement of national government control on arms sales and transport to third countries. However, it has become clear that the real world of the arms trade has bypassed most attempts by the international community to control and regulate the sale of notably small arms from producing countries to conflict areas or actors in the process of staging violent conflict. In a recent PRIO publication, entitled *The Arms Fixers*, numerous examples are provided in which the complex networks, trading routes and intermediary front organizations of arms brokers are uncovered⁴⁰. Arms brokers and shipping agents establish 'intricate international networks of sub-contractors, front companies and devious transport routes'. As strict controls and rigorous application of law enforcement are lacking in numerous countries, it is not too difficult for such intermediary agents to continue operating. Hence, the study of the arms trade would greatly benefit from more in-depth knowledge on the precise nature of networks involved, as such an infrastructure is simultaneously used to ship other illicit commodities related to war economies.

4.2 Looting, plunder and extortion of civilians during internal conflict

Whereas abuses against civilians are usually seen as collateral damage or rather unintended side effects of warfare, such acts may be perpetrated deliberately by armed factions in order to derive material benefits from such actions. Keen has pointed to the fact that deviations from conventional laws of war may bestow some kind of legitimacy on abuses against civilians⁴¹. In fact, pillage of civilian belongings has been an age-old and well-known supplementary source of income for soldiers. A number of such activities can be identified, such as looting, plunder, forced labour, securing protection money, levying 'taxes' in kind at road blocks or during harvest time. Some of these 'alternative income'-generating practices may even be legitimate in the eyes of population groups residing in rebel-held territory, provided that such groups actively seek to improve the livelihood of the local population. Presently, however, with the breakdown of the neopatrimonial state and the loss of superpower support for left- or right-wing rebel movements, the necessity to ransom civilians in one way or the other has increased. Furthermore, state security agencies such as the army and police forces are left to their own devices and in some cases have received a free hand to extract revenue from the civilian population. In extreme cases when entire areas are selectively or totally 'cleansed' of human occupation, as a result of so-called ethnic cleansing motivated by 'ancient hatreds' or simply as a result of internal 'chaos', the resulting opportunities for wholesale plunder yield enormous direct profit for the armed militias engaged⁴². As a result, the drive to plunder civilians is the direct result of the incapacity of faction leaders to generate sufficient financial resources to pay their own troops. In this sense, a parallel with medieval warfare seems to some extent justified. Ultimately, therefore, civilians

⁴⁰ Wood and Peeleman, 1999.

⁴¹ Wood and Peeleman, 1999 and Keen, 1998, p. 29.

⁴² Kaldor, 1999, p. 53.

and notably middle-class or rich civilians without proper connections to armed factions are primary objects for plunder.

In Colombia, kidnapping is practised by all belligerent parties and has become a ‘normal’ source of income. The result of the random application of various extortion practices and abuses in order to generate material gains has been that the possession of assets both for criminals and target groups in conflict zones becomes more hazardous. Consequently, the need to keep financial reserves elsewhere has increased and has reinforced the downward trend in domestic investment capacity through capital flight and the fast transfer of stolen goods, mostly by means of illicit transborder trade. Although this mode of war-related capital accumulation is generally viewed as relatively unimportant, the destabilizing effects of looting and plunder on local society, by creating an atmosphere of terror, have far-reaching effects.

4.3 Extraction of natural resources

The issue of illicit or illegitimate extraction of notably mineral resources has attracted much attention and has been widely covered in the mass media. The illicit trade in diamonds, gemstones, silver, gold or other precious metals as well as the monopoly on trade in hardwood and oil has caught the imagination of the international community and a broad general public. The legitimacy of resource extraction seems to depend largely on the official status of the benefactor in question. If a given resource is exploited under the control of an internationally recognized incumbent state elite, for example the successive military regimes exploiting oil from the Niger delta in Nigeria, such exploitation is considered legitimate. The same applies to the MPLA regime in Angola or the Kountjé-led government of Niger exporting uranium.

By contrast, extraction controlled by non-state elite groups or rival factions operating within such states is considered illegal. In view of the poor performance of so-called legitimate elite groups, such a distinction is highly ambiguous. In fact, legitimacy ultimately rests with popular support for a perceived just and equitable distribution of benefits derived from natural resource extraction, among others through the distribution of public goods to the civilian population.

For the purpose of this paper, two specific case studies will be reviewed: the exploitation of diamonds in Sierra Leone and Angola; and illicit hardwood extraction in Cambodia and Liberia. These case studies will shed light on the mechanisms of asset transfer, trade patterns, extraction methods, investment patterns and actors involved.

Diamond case study

After the publication of critical reports on the international diamond trade and the institutionalized mechanisms through which illicit diamonds are transformed into legal commodities, attention has been directed to the brutal aspects of the commodity-related conflicts in war-torn societies such as Sierra Leone. A picture showing a maimed young girl, victim of Revolutionary United Front (RUF) violence, has given the publicity slogan ‘Diamonds are a girl’s best friend’ an entirely different meaning. Public outrage resulted in an unprecedented *mea culpa* by the diamond sector as well as the introduction of an independent control board for the Antwerp diamond business, where most of the world diamond trade is located. De Beers, the leading trading company, has stepped up its efforts to find a reliable

method to determine the origin of diamonds⁴³, thus enabling it to trace so-called ‘blood’ diamonds and fend off allegations of diamond laundering.

However, the trade in illicit diamonds is an ongoing phenomenon and has been flourishing despite existing regulations, and it is important to draw a picture of the actors and mechanisms involved. The diamond trade is more or less monopolized by De Beers, a South African firm, which allegedly controls up to eighty per cent of the worldwide diamond supply⁴⁴. This quasi-monopolist has set up a Central Selling Organization (CSO) in London, which sells exclusively to some 160 so-called sightholders. These sightholders ironically buy unseen mixed parcels of diamonds that have been sorted and combined from various sources by the CSO. Most of these sightholders are based in Antwerp, where roughly half of all diamonds are traded. The Antwerp market is controlled by a government approved board, the *Hoge Raad voor Diamant* (HRD). Far from being an independent body, the HRD consists only of people from the diamond sector and its mandate is to consolidate the position of Antwerp as a leading diamond trading centre. Statistics on the origin of diamonds are scant and notoriously unreliable. In fact, neither the Belgium Government nor the HRD are interested in stepping up control for fear of losing the diamond trade to other countries where legislation is even more slack. The diamond sector is renowned for its strictly confidential features and rules. In such a structural environment it is relatively easy to introduce illicit diamonds into the formal market. Moreover, the HRD records the origin of a diamond as the country from which the diamonds were last exported⁴⁵. The distinction between a white market (HRD-controlled), a grey market (in which independent brokers operate) and a black market (in which dealers sell illicit diamonds between them) is rather arbitrary. In reality, a diamond becomes legal once it is presented at a *diamantaire*’s counter. A registered dealer can simply mix illicit diamonds with a parcel of already declared diamonds, thus enabling the dealer to avoid taxes and to launder the diamonds.

At the other end of the line, diamond extraction in Sierra Leone is partly controlled by RUF forces and diamonds are smuggled to Liberia from where they are exported to Belgium. A large number of diamonds are smuggled individually and sold directly to dealers in Antwerp. Diamond statistics and the unwillingness to establish the origin of diamond parcels have allowed countries such as Liberia and Ivory Coast to become major diamond exporters.

The post-colonial state in Sierra Leone heralded the end of De Beers’ monopoly in diamond extraction. Successive regimes in Sierra Leone depended on diamond revenues to maintain their clientelist network and political power was manipulated for personal gain. The precise characteristics of the financial networks of Stevens and Momoh have been unveiled and reproduced by Reno, demonstrating the extreme reliance of Momoh’s follow up ‘shadow’ state on foreign sources of finance and trade⁴⁶. These leaders used foreign connections to exchange diamonds for arms and other luxury goods, as well as accumulating profits in foreign bank accounts. During Momoh’s reign and Strasser’s follow-up regime, the state elite used the assistance of so-called ‘junior’ mining companies, bringing in required external expertise. Such companies originate mostly in Canada, where the capital

⁴³ Wall Street Journal Europe, 12 July 2000.

⁴⁴ Smillie, Gberie and Hazleton, 2000, p. 18.

⁴⁵ Smillie, Gberie and Hazleton, 2000, p. 31.

⁴⁶ Reno, 1995, pp. 147 and 168.

for risky mining ventures is raised in penny stock markets to reduce individual risk⁴⁷. The RUF invasion challenged the old patrimonial mode of diamond control and put an end to Freetown's monopoly over the diamond reserves. The RUF invasion was allegedly funded by international criminal elements, aiming to set up a puppet regime in Sierra Leone with the sole purpose of controlling diamond extraction⁴⁸. Charles Taylor, the leader of the National Patriotic Front of Liberia (NPFL), who was in control of rebel-held territory in neighbouring Liberia, was instrumental in the execution of this scheme, as he held a grudge against the Momoh regime. The unfolding internal war between government soldiers and RUF rebels facilitated the emergence of a war economy, as both parties needed resources to purchase arms and to remunerate their fighters. Eventually, the embattled government of Sierra Leone, pushed back to the Freetown peninsula, employed the services of a private security firm to fight back the RUF rebels. This South African firm, Executive Outcomes (EO), succeeded in driving back the RUF within a short spell of time. The government was eventually forced to expel EO under strong donor pressure, but the ensuing internal security crisis enabled the RUF to stage a comeback. The intervention of the regional security force ECOMOG, led by Nigeria, instead of improving the internal security setting, resulted in the prolongation of the conflict, and senior Nigerian officers allegedly became actively involved in the diamond trade⁴⁹.

Opportunities arising from the breakdown of the domestic security setting have led to the proliferation of armed factions, which in turn has led to the geographical division of diamond extraction sites among belligerent factions. As a result, diamonds are extracted by various factions and supply to the outside market is split up and difficult to trace. The profitability of this particular resource has become a major incentive for the ongoing conflict and provides participants with immediate material reward. Outside actors, such as the De Beers company, which has subsidiary branches in Liberia and Ivory Coast, and the Belgium diamond market cannot deny the fact that most of the produce from this protracted war economy is channelled through their trading systems to diamond cutters and eventually individual customers.

In Angola, recurrent spells of civil war have wreaked havoc on the majority of its inhabitants, while simultaneously the sale of illicit diamonds continues to sustain the war efforts of UNITA, one of the two main protagonists. The resolutions of the Security Council prohibiting the trade and sale of non-certified Angolan diamonds have so far been ineffective and remain mere tokens of international goodwill. In 1995 alone UNITA allegedly gained roughly half a billion dollars from the smuggling and sale of illicit diamonds extorted from regions under its control⁵⁰. The De Beers Company, based in neighbouring South Africa, has exported substantial amounts of rough diamonds during various phases of the Angolan civil war, although it claims to conduct an honest business. De Beers is keen to control the supply side of rough diamonds, since its monopoly would collapse if large quantities of illegal diamonds flooded the market. In the case of Angola, Zambia and Zaire have figured as re-exporting countries.

To conclude, the convergence of external and local interests in extracting diamonds both in Sierra Leone and Angola has fuelled the ongoing internal conflicts. In Sierra Leone this has resulted in the

⁴⁷ Such companies are the result of Canada's history, as Canada developed through extraction of natural resources.

⁴⁸ Reno, 1995, p. 46.

⁴⁹ Memo, ECOMOG field commander Indian Major-General Vijay Jetley, May 2000.

⁵⁰ Global Witness, 1998, p. 2.

use of intermediary actors, both specialized ‘junior’ mining companies and security firms, in order to facilitate patterns of illicit exploitation and trade under cover of a protracted internal conflict. The breakdown of the internal political system and the proliferation of armed factions have increased the number of local actors vying for resource control. In both Angola and Sierra Leone, the highly unstable security setting has promoted the emergence of the prevailing war economy because economic agendas motivate domestic and expatriate actors to prolong the conflict to the detriment of consensus-seeking forces and the civilian population at large.

Hardwood case study

In only a quarter of a century most of Cambodia’s forest cover was exploited. From 1970 to 1995 the forest cover allegedly diminished from 74 per cent to a mere 8 per cent⁵¹. In fact, after the ousting of the Khmer Rouge (KR) regime timber exploitation took place both under the new government’s control as well as in the remaining KR-dominated regions. The export of hardwood provided the Cambodian government, the Khmer Rouge and the Thai army, as well as some Thai politicians, with an attractive additional income. In fact, the remaining KR units relied entirely on the sale of hardwood and gemstone extraction to sustain their armed opposition to the Cambodian government army.

The timber is felled either with or without official concessions from the proper authorities. Even when an authorization has been issued, the real amount of hardwood felled is hard to control. In view of poor compliance by the international logging industry, which has a reputation for bypassing official regulations, the extraction of hardwood in Cambodia is constrained only by climatic imperatives and the logistical capacity of the extracting companies. The dirt roads on which the timber is transported are only viable in the dry season, companies have a limited number of trucks, and production capacity is governed by personnel and equipment available on site.

As a result of international pressure and protest against the unlimited plunder of Cambodian forest reserves, the Thai government apparently took a number of steps, including more effective border control. In reality, however, the transborder shipment of felled hardwood continued unabated, from which additional taxes were obtained by the Thai army. Inside Cambodia, in KR-controlled areas concession holders pay both the government of Cambodia but also the KR. Meanwhile, the complicated internal security setting has again provided an excuse for all profiteering actors to conceal the ongoing logging business. The export is arranged through some small nearby ports in the south-east of Thailand, further complicating the monitoring of real export volumes of hardwood. Once hardwood is introduced on a market elsewhere, illicitly felled hardwood becomes a legal commodity and finds its way to the consumer through formal channels.

Most of the transport has been taken over by the Thai army and high-ranking officers have become main beneficiaries of Cambodian hardwood extraction. The army has shut off specific sections of the border area and is using its infrastructure to transport hardwood, including export via naval port facilities⁵². During the last years of Khmer Rouge resistance against the incumbent government, the internal conflict was manipulated to enable the extraction of hardwood from which a limited number of actors profited. The expertise acquired by the Thai senior officers involved resulted

⁵¹ Global Witness, 1995.

⁵² Global Witness, 1995, p. 5.

in the emergence of another military-economic enterprise, as Thai army conglomerates have become engaged in hardwood logging elsewhere, even as far away as Liberia⁵³.

In Liberia, a similar scenario unfolded in the remaining primary forests under Taylor's NPFL control. From 1990 onwards hardwood firms established themselves in Ivory Coast, just across the border from Liberia, and provided the equipment and expertise required to ship substantial amounts of hardwood. Liberia became France's third biggest supplier of wood, but other countries - such as the UK, Italy, Spain, Greece, the Netherlands and Portugal - also received regular shipments⁵⁴. Taylor established a parallel semi-state company called the Forestry Development Agency, run by a number of close associates with the sole aim of generating immediate revenue for a small circle of Taylor cronies. In a relatively short spell of time, a huge amount of Liberia's forest resources was squandered by warlords and sold to foreign companies. Even when ECOMOG managed to take over Buchanan, an important timber port in the east of Liberia, the shipping of hardwood continued unabated, albeit after payment of a commission to the Nigerian officers in charge. The complicity between ECOMOG and foreign companies even extended to the point of ECOMOG performing police duties to check protests by local population groups. High-ranking officials from neighbouring Ivory Coast were participating in this looting feast, and San Pedro, hitherto a small fishing village and simple port, became a booming business town almost overnight with international hotel facilities. In fact, international mainstream logging firms openly dealt with representatives of Taylor's MPFL and conducted business from Ivorian territory. The complicity of Ivory Coast in Taylor's military campaign was handsomely rewarded, among other things by sharing out profits to Ivorian government officials through the exploitation and smuggling of hardwood from Liberian forests.

The hardwood case demonstrates how easily and even more or less openly resource extraction is practised by warlords and armed factions operating in war zones with the complicity both of government officials of neighbouring states and multinationals from the industrialized world.

Both resources mentioned in these case studies can be easily replaced by examples of other natural resources, such as gemstones, gold, silver, rubber etc. It is crucial to take into account the way in which extraction practices bypass the rights of local population groups and national governments, provided that such authorities are not engaged in resource plunder themselves. Hence, the intrinsic right to a share of local resources by local inhabitants and the maintenance of mechanisms whereby resource extraction is creamed off to sustain vital central government institutions and services are violated by warlord extraction practices.

Moreover, the unregulated nature of war economic extraction methods and the sheer speed with which resources are depleted or exploited compromise future development perspectives for resident population groups. The monopoly of one actor over a given territory and its resources should ideally give way to more sustainable extraction methods as the necessity to generate resources to sustain the war effort has diminished. The case of Liberia after Taylor's successful takeover of the state could provide useful insights into the evolution of the post warlord state in sub-Saharan Africa. At first glance, however, there are no signs that the - quick and dirty - extraction methods have subsided under Taylor's rule. Instead Taylor has become deeply engaged in the current conflict in neighbouring Sierra

⁵³ Ellis, 1999, p. 165.

⁵⁴ Ibid.

Leone, in order to secure income from the profitable diamond mining. His regime supports the RUF rebel movement logistically, providing supplies and armaments to sustain the war effort.

4.4 Transfer of financial assets and money laundering

This section will highlight the case of Nigeria, where military strongmen have manipulated financial reform to cover up fraud and as new means for capital accumulation.

‘What are banks in a patronage system other than sources of loans that do not have to be paid back’⁵⁵? Banks can falsify documents, connect with corresponding banks and other ostensibly complicit foreign businessmen. Under the reign of Babangida, the devaluation of the Nigerian naira in order to limit foreign import and boost local production resulted in the creation of parallel exchange markets, one fixed by the government and another operating under open-market conditions. Persons with access to both could easily profit on the artificial difference between the official rate at four and the open market rate of nine naira to one dollar. Banks could also forge government accounts in order to attract foreign loans from the Bretton Woods Institutions. Reno concluded that creditor-sponsored policies applied to patronage politics helped to promote political fragmentation and increased corruption. The privatization of the banking sector enabled the Nigerian beneficiaries to exchange nairas with the aid of a foreign bank, which had bought into a large Nigerian bank that was ‘privatized’ by the state. Cheap dollars could thus be obtained by a private bank under cover of preferential use for state-approved purposes, i.e. to have access to fixed-rate ‘official’ dollars. In turn the foreign bank provided loans for Nigerian companies that never reimbursed the outstanding credits⁵⁶. As many such fraudulent practices were linked to local elite groups belonging to a specific ethnic community, these federal government scams extracting local resources with state complicity resulted in interethnic tensions in some states, thus feeding the propensity towards violent conflict. Threatened groups would mostly turn to the incumbent political leaders who could enhance their patronage credibility by downplaying contending forces. The proliferation of new separate states within the Nigerian confederation must be interpreted against the background of political leaders’ clientelist policies. As a result of the foreign exchange fraud the number of banks in Nigeria rose sharply, and it was later revealed that the banks that were partly private and partly public recorded the highest proportion of bad loans. Financial institutions such as banks thus became another vehicle for private gain by influential elites, and were covertly run as dispensers for patronage funding.

Another example of fraudulent financial manipulations is provided by the Bank of Commerce and Credit International (BCCI). This bank, which collapsed in 1991, provided all types of financial services to important politicians in a score of African countries. The BCCI allegedly laundered illicit money through phoney foreign exchange deals or by providing loans to non-reliable firms. In fact, this shadow bank acted as a money pump between the formal and the informal sector on behalf of its political and criminal clients⁵⁷.

⁵⁵ Reno, 1998, p. 191.

⁵⁶ Reno, 1998, p. 192.

⁵⁷ Chabal and Daloz, 1999, p. 90.

4.5 Abusing external emergency aid during conflict situations

Key to understanding the role of emergency aid in conflict is the fact that emergency aid has progressively become an additional asset to factions engaged in such conflicts. Notwithstanding well-documented abuse of emergency aid by belligerent parties in many Southern conflict theatres, Western donors are reluctant to introduce conditionalities for fear of inflicting additional suffering on the victims of such violent conflicts. The debate about the shifting role of emergency aid within the broader context of development aid will not be reviewed here. For the purpose of this paper, we will look into the unintended side effects of aid distribution in situations of violent conflict, notably into the mechanisms by which state elites as well as rebel factions gain access to aid distribution channels for their own benefit. The volume of emergency aid increased six fold from 1985 to 1995, albeit that such aid was distributed unevenly between regions. Sub-Saharan conflict victims receive only scant attention as opposed to victims of the Bosnian war⁵⁸. In recent conflicts aid has been predominantly distributed by NGOs that proliferated after the Cold War, operating under assumptions of ‘neutrality’ or ‘solidarity’. As Duffield rightly observes neutrality has become obsolete in the context of what he calls ‘the emergence of post-modern forms of conflict’⁵⁹. The ‘solidarity’ principle has been adopted in a wide variety of situations, mostly based on *ad hoc* decision-making, and reflects donor preferences towards specific solutions for conflict situations. Nevertheless, in the latter case there is a considerable risk that non-state actors become entangled in conflicts. Nowadays, even so-called neutral actors, such as individual aid workers, are targeted by warring factions.

Turning to aid provision itself, it has become clear that notably in conflicts where factions lack sufficient resources to sustain the war effort, the issue of international aid becomes highly politicized. During the conflicts in Somalia, Ethiopia and Sudan, food aid aroused vivid attention from the various warlords and state elites. As a result these factions successfully introduced various strategies to manipulate access to and distribution of aid. In a number of cases the political manipulation of famine has been well documented. In the south of Sudan the Nuba have been deliberately targeted by the government of Sudan (GoS), both in order to destroy their habitat and culture as well as to transfer their assets to politically more powerful beneficiary groups. Moreover, the provision of aid to the hunger-stricken Nuba provided important political and bureaucratic benefits for a number of international donors engaged⁶⁰. Alex de Waal has reviewed a significant number of such cases in which hunger has been used as a weapon in political power struggles⁶¹.

Focusing on the provision of aid, it becomes clear that many actors engaged in protracted internal conflicts are creative in applying methods to tax or divert aid provision. Prendergast⁶² provides an extensive overview of aid profiteering practices:

- aid inputs can be directly taxed;
- extortion networks operate at roadblocks and checkpoints;
- fungibility of aid substitutes international aid for local public services;

⁵⁸ Duffield, 1998, p. 72.

⁵⁹ Duffield, 1998, p. 73.

⁶⁰ Keen, 1994.

⁶¹ De Waal, 1997.

⁶² Prendergast, 1996, pp. 25-27.

- dual currency rates between official and market rates are manipulated;
- warlords earn handsomely by providing all types of logistical support to aid provision;
- state elites cash in on high official taxes at airports;
- local purchasing schemes help maintain black-market practices in which merchants, militia or government manipulate scarcity and supply;
- inclusion of warring factions in needs assessment mostly leads to increasing aid provision;
- so-called indigenous NGOs act as front organizations for armed factions;
- aid provided to so-called neutral forces often leads to nepotism and extortion and theft from aid agencies.

The manipulation of aid during conflict also provokes the emergency of so-called humanitarian agencies directly related to parties in conflict. In 1989 the Operation Lifeline Sudan (OLS) started as a coordinated external humanitarian operation. The OLS resulted from a tripartite agreement between the UN, the GoS and various southern rebel groups. Sudan was split into two distinct operational zones: in the north the UNDP was to execute operations; whereas UNICEF coordinated relief efforts in the south. The GoS proved capable of imposing conditions on the UNDP in the north, ignoring the principle of neutrality and using OLS funds as a means to Islamicize the country. Simultaneously, OLS aid in the south was used mainly as an additional source of income for the various rebel groups. From the outset, therefore, OLS relief funds and goods were used either as an auxiliary source to further government objectives in the north or as a source of additional income for the rebel factions operating in the south. In 1991 the southern rebel movement SPLA split into a mainstream Torit faction and a breakaway Nasir faction. The first move of the breakaway faction was to establish its own humanitarian organization: the Relief Association of Southern Sudan (RASS). OLS, UNICEF and various NGOs quickly recognized the RASS and provided assistance without scrutinizing the organization's credentials⁶³. In fact, the existence of so-called humanitarian agencies initiated by the various protagonist groups was legitimized by the external donor community, with neither critical reflection on their respective roles in the civil war nor with regard to the intimate links they entertained with the different armed factions.

Nevertheless, it is difficult to quantify how important the economic role of external aid is with regard to internal conflicts. Scarce estimated quantitative evidence⁶⁴ suggests that external aid is a relatively unimportant contributor to the prolongation of conflict, when defined in strictly economic terms. In practice, it has proven to be difficult to calculate the benefits of emergency aid accruing to individual warlords or factions. The provision of aid merely seems to reflect the predominant Western policy towards protracted internal conflicts, namely the token disbursement of some emergency funding to abet the worst symptoms of conflict but simultaneously demonstrate the lack of profound commitment to pursue long-term structural forms of aid that might help to alter the underlying propensity towards violent conflict in many Southern countries. Hence, major donors have conveniently substituted humanitarian aid for political action. However, it would be a costly error to downplay the effects of humanitarian assistance on recipient societies. Aid intervenes with local production structures, markets and authority structures and existing power balances. Stressing only the

⁶³ African Rights, 1997, pp. 273-274.

⁶⁴ Shearer, 2000, pp. 189-203.

economic impact of humanitarian relief resources might miss long-term substitution effects and emerging patterns of aid dependency sustaining the ‘legitimacy’ of the local warlords in control of aid distribution.

4.6 Conclusions

The case studies on illicit diamond and hardwood trade illustrate the workings of the ‘new’ political economy of war. The interaction between internal power elites and external commercial actors clearly demonstrates the ‘creative’ use of global commercial networks and ways to circumvent control mechanisms. The emergence of contending power elites inside weak states, such as high-ranking military officers meddling in hardwood business or ‘ethnic’ entrepreneurs appropriating important mining areas, highlights the intensity of the scramble for scarce resources. This has to be poised against the withdrawal of important outside benefactors for specific client elite groups. Furthermore, the application of external conditions for aid, such as structural adjustment or the privatization of state-owned companies, has by and large led to alternative strategies by incumbent elites. In many cases, they have outsmarted the attempts of the international donor community to enforce structural, political and economic reforms. As a result, the internal power struggle between competing elites has increased, leading to a deterioration of the internal security setting. In order to outflank potential rivals, incumbent elites and powerful private companies have frequently engaged private security firms to protect their business interests inside weak states. Both case studies demonstrate the engagement of security forces, either private or public, to enable the unhindered extraction of diamonds and hardwood.

The manipulation of emergency and relief aid shows that many internal and external actors stand to gain from such operations. In fact, aid has become an important additional source for internal actors whereas external donors and notably executing agencies profit politically and institutionally.

5 Policy-relevant issues related to the emerging new political economies of conflict

5.1 Unintended side effects of economic and political reform in weak states

Despite the application of donor-induced reforms in the economic and political realms in many Southern states, the balance remains rather ambiguous. It has proven to be extremely difficult to bypass local decision-making and local economic realities. Rather, as has been elaborated in section 3-III, in many cases the induced reforms have been hijacked by incumbent elite groups to their own advantage. From such a perspective aid conditionalities could well have the opposite effect of what is intended. The assumption that other states are capable and willing to execute intended and donor-induced reform can be labelled as politically naive (see section 2 -I on the role of the state). Only if local actors are convinced that reform will benefit their power position and improve their status in the eyes of important client constituencies will they help to implement such reform. In practice, therefore, externally induced reforms are manipulated either to outflank opponents or to generate additional funds for the regime itself.

This paper has argued that the changing and narrowing clientelist policies of embattled elites in dire need of financial resources have led to the token acceptance of economic and political reform, whereas such politicians will easily forget their pledges once transfer of financial assets has been effected. The lack of analysis of political systems and insufficient attention for the hidden but rather obvious agendas of powerful actors engaged in weak state politics provide a fertile ground for reform failures. In the design of specific reform-oriented programmes, Western donors will have to acknowledge the ambivalent nature of interstate relations and inherent imbalances in exchanges between full-fledged strong states and at best only ill-equipped and weakly institutionalized and subservient bureaucracies of weak states. Most of the basic underlying assumptions governing political 'dialogue' between state representatives do not hold for weak state civil servants, and can be viewed as products of a Western donor-held virtual reality. Furthermore, current debate about the 'good governance' imperative has led to the exclusion of states in which politicians fail to qualify according to Western donor criteria. This in turn raises questions about the nature of reform as one wonders whether it is intended to help promote good governance or just another sanction regime to justify eventual donor withdrawal.

In the economic realm there is still a great deal of donor support for the Bretton Woods prescriptions for 'healthy economic recovery' of poor states, provided that they accept reform regulations. However, despite the application of donor-induced recommendations, the overall economic performance of many such states has not significantly improved. Reform is applied only partially and has led to the proliferation of alternative patterns of trade and asset transfer, in turn crippling economic reform. Again, intimate knowledge about the context in which economic reforms are applied is lacking. On the other hand, government deregulation and free-market-oriented measures will not benefit relatively weak players as long as trade barriers oppose unrestrained commodity flows

in a global economic system. It seems as if the current, donor-driven, economic and political reform initiatives serve the dual goal of promoting and sustaining Western liberal market economics and of providing weak state elites with the prerogatives of legitimacy provided that a number of basic rules are being observed. Meanwhile, once that sub-standard performances of economic and political reform are being applauded as successful cases, the intrinsic value of such concepts will be further eroded and corrupted.

5.2 The abuse of external aid and developments funds

The international donor community has been facing the dilemma of providing emergency aid despite blatant abuse by various belligerent factions. In reality, donors are aware that aid is targeted in conflict situations but humanitarian considerations have officially prevailed. Moreover, cynical observers have added the observation that aid provision stifles the CNN factor, as the general public can witness the delivery of emergency aid, but that such aid is generally low cost and helps donors to avoid painful and costly meddling in conflict situations. Emergency aid therefore seems to have gradually replaced political response to conflict situations.

The bias nowadays focuses predominantly on methods to improve the performance of aid delivery in technical terms. Methods are developed to prevent the abuse of aid, such as aid monitoring, aid decentralization, the provision of commodities to specific civil society authorities and the bypassing of so-called humanitarian agencies set up by the government and warring factions or deliberately providing less aid than assessed by key experts. However, in view of current patterns of aid abuse, aid policies should be reviewed to allow for the introduction of sanctions in case of non-compliance with conditionalities or temporary exclusion of specific organizations involved.

Simultaneously, long-term structural development aid has so far been regarded as politically neutral since it purports to boost societal progress and 'development'. The manner in which, however, implicit support to reigning political elite groups in weak states operates, strengthens rather than weakens inequality. Sometimes such aid is even manipulated in the interest of particular interest groups. Such tendencies have so far not been translated in policy changes within development strategies. Peter Uvin⁶⁵ has convincingly demonstrated the linkage between the development community efforts and the political dynamics of a highly fragmented and unequal society (Rwanda), even to the point of furthering extremist policies. The current debate on development aid rather concentrates on notions such as 'ownership' or on channelling aid through alternative networks, mainly through NGOs. In fact, the international donor community seems to back away from painful policy choices by circumventing 'bad governments' or 'bad leaders'. Donors refrain from making precise assessments about internal political dynamics, in the process avoiding a closer scrutiny of donor instruments, projects and procedures. Structural development aid results in the net transfer of assets to actors in other political contexts and implies political recognition, in the process boosting legitimacy for such actors. Rather than focusing on a 'conflict impact assessment' of specific development instruments or solely on aid conditionalities, donors should review implicit in-built

⁶⁵ Uvin, 1996.

assumptions governing the dispensation of development aid, embedded in terms such as ‘neutrality’ or ‘development’ in politically highly volatile contexts.

5.3 Meddling in conflict: Third-actor Parties and the Dilemma of Private Security Firms

The analysis of the history of external interventions by donor state agencies in internal conflicts has generated much controversy. In general, Western states have become highly reluctant to engage directly in so-called ‘complex political emergencies’, clearly as a result of a rather long list of dismal performances, notably in Somalia and Rwanda. However, such interventions have been characterized by a low level of engagement in terms of people and equipment and have often been crippled by insufficient or unclear mandates either from national governments or international organizations. The Bosnian conflict, by contrast, has attracted much more attention and also benefits from a more direct foreign military commitment. The incentive to engage in so-called low-intensity protracted internal conflicts depends to a large extent either on political proximity or on economic interest, or both. Hence, it could be expected that donor countries would be inclined to interfere directly in conflicts in resource-rich but generally speaking poor countries in the South. However, due to internal political constraints and lack of public support for risky endeavours in far-away countries, such conflicts have generally been left to the device of local actors. At most, the policy response so far tends to privilege the support of regional organizations such as ECOWAS, SADC or IGADD in sub-Saharan Africa.

The ECOWAS organization has received support from Western donors for the ECOMOG interventions in Liberia, Guinea Bissau and Sierra Leone. The poor and partisan performance of ECOMOG in the Liberian conflict has been amply documented⁶⁶, but donors have not drawn conclusions as to their material and financial support. Clearly, therefore, such regionally organized security operations have received the unequivocal blessing of the Western donor community. Again, costs are relatively low and the danger of Western casualties and consequential bad media coverage is annihilated. Instead, local or regional powers can exert considerable leverage in local war theatres with the open support of Western donors. The danger here lies in the assumption that such interventions are benevolent and aim to restore a peaceful situation, whereas in reality such interventions seem to allow powerful outside actors to become part of the conflict and act out specific interests that are condoned and even facilitated by outside donors. The ensuing policy-relevant question is to what extent regional powers’ hidden agendas can be effectively curtailed or made subservient to the aim of establishing a stable security setting.

Moreover, the use of private security companies, such as Executive Outcomes (EO), Sandline International (SI) or Defense Systems Limited (DSL) by incumbent political elites or non-state private firms has given a new impetus to the debate on the use of third-party military intervention. In the case of Sierra Leone donors urged the Strasser regime to oust EO as quickly as possible, albeit after EO had successfully dispelled the RUF rebels from many parts of the country. When a private firm operating in a conflict zone engages a private security company, donors have generally refrained from action or been altogether lenient. The empirical evidence suggests that a double standard prevails that endangers

⁶⁶ van Walraven and Ellis, 1999.

future donor credibility in this field. Donors should consider to what extent they wish to hold sway over privately motivated security measures implemented with the aid of professional external security firms.

5.4 Uneven impact of globalization: The role of non-state actors and multinational companies

Despite optimistic expectations about the overall benefits accruing from the process of globalization, reality tends to differ. Whereas Northern post-industrial states experience high economic growth rates and production and markets are reshaped by profound changes in the information and communication technologies, many poor states in the South lag behind. Such an uneven impact of globalization stems from structural factors underlying the relationship between strong and weak states in the global economic system. In the North concomitant political changes are materializing, roughly an integrative tendency resulting in regional alliances and an ongoing fragmentation of central authority to scattered units, either empowering regional and local authorities or non-state actors, such as INGOs and multinationals. By contrast, in the South these changes are still operating only marginally within societies and incumbent elites and other powerful interest groups seek to fend off competition from the monopolies on power and trade. Due to a lack of economic resources and opportunities, competition has compromised regional collaboration between states. Local elite groups are engaged in a rough power struggle over access to and exploitation of resources.

Ironically, the political and economic crises facing many poor states have also resulted in the fragmentation of power, albeit in the form of various contending armed factions depending on warlord politics. The incapacity of governments to monopolize national territories or control economic dynamics has resulted in the proliferation of all types of 'new' coalitions between shadow state rulers, local warlords or armed factions and foreign multinational companies. Hence, globalization in the context of current structural inequalities has provoked the emergence of economic gain-seeking alliances, based in strong and weak states alike. The strong state governments are capable, in conjunction with a developed civil society, of fostering compromises between powerful multinationals and the state, but in weak states incumbent elites are bribed into compliance. As a result, virtually no asset transfer operates to the benefit of local population groups in weak states, and powerful domestic and foreign actors take control of profitable domestic economic resources.

For donors it is crucial to reconsider the effects of so-called liberal free-market mechanisms, because the unrestrained and unregulated operations of powerful non-state economic actors, mostly Western, in weak states helps to destabilize local economies and societies further. The high costs of internal conflict, generating flows of refugees and asylum seekers in the process, have important internal effects on the stability of strong states.

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