



# International Peace Academy



UN Deputy Secretary-General Louise Fréchette and Foreign Minister Jan Petersen of Norway (far right) were the keynote speakers at the symposium on "Economic Agendas in Armed Conflict". With them are Jon Hanssen-Bauer (far left), Director of Oslo's Fafo Institute for Applied International Studies, and IPA President David Malone.

## Symposium Explores UN Role in Addressing Economic Dimensions of Armed Conflict

by Karen Ballentine

Foreign Minister Jan Petersen of Norway and United Nations Deputy-Secretary-General Louise Fréchette were keynote speakers at an expert symposium in New York on 25 March on how the UN can respond better to conflicts sustained and prolonged by the economic interests of the combatants and other parties. Such conflicts have been an increasing international concern in the post-Cold War period because of their heavy toll of civilian life and long-term destructive effects on societies and the environment. In a number of cases, the UN Security Council has engaged in efforts to stem the flow of financial and material resources to and from conflict zones.

Sponsored by Norway as an integral part of its Presidency of the UN Security Council (March 2002), the meeting was organized jointly by the International Peace Academy's Program on Economic Agendas in Civil Wars, and Oslo-based Fafo Institute's Program for International Cooperation and Conflict Resolution (PICCR). Fafo released a five-part study on "Economies of Conflict" at the symposium (see box next page). *Global Witness*, a leading non-governmental organization in the study and analysis of economic aspects of conflicts, also released a major report on corruption and the civil war in Angola.

Although journalists attended the symposium, only the keynote speeches were on the record.

### Blood Diamonds

The illicit trade of diamonds to sustain wars in Sub-Saharan Africa has been highlighted in recent years by expert panels established under Security Council auspices and non-governmental organizations. In Angola, the insurgent UNITA is estimated to have generated some \$3.7 billion during the 1990s through the trade in such "blood diamonds." In Sierra Leone, the Revolutionary United Front (RUF) gained and kept control of lucrative diamond fields

with a brutal campaign of killing and mutilation that targeted civilians, including infants. In both countries, diamond looting enabled all combatants the means to purchase arms and materiel on world markets, while enriching leaders and diamond smuggling networks.

Participants in the symposium said that the "blood diamonds" phenomenon reflected a post-cold war trend in which armed groups bereft of superpower patronage resorted to financing their military activities with available domestic natural resources. In addition to diamonds, "conflict commodities" include other precious and semiprecious gems, copper, coltan, timber and oil. Among the countries affected have been Afghanistan, Cambodia, Burma, and Sudan.

### Key Issues

The symposium discussed whether and how these trends have altered the character of contemporary conflicts and the challenges to peacemaking. Participants agreed that the self-financing na-



Above: Ian Smillie of Partnership Africa, Canada, author of the Fafo-sponsored study linking trade in rough diamonds and civil wars. Below: Mats Berdal (l) of the International Institute for Strategic Studies, London, with Wegger Strommen, Norway's UN Deputy Permanent Representative.



As Patrick Alley, Director of *Global Witness*, makes a comment from the floor, listening in are (front) Shepard Forman, Director, Center for International Cooperation, at NY University, and Ms. Yvonne Terlingen of Amnesty International

### Highlights of Norway's Security Council Presidency

During its Presidency of the Security Council in March 2002, Norway pursued an agenda focused on prevention of armed conflict, the protection of civilians in conflict areas, and comprehensive peacebuilding in the Middle East, Afghanistan, and the Horn of Africa. Specific Norwegian initiatives included:

- ▶ A Security Council presidential statement (a resolution in May) to strengthen the enforcement of a UN arms embargo on Somalia by creating new monitoring mechanisms, together with complementary peacebuilding measures;
- ▶ Sponsorship of an aide memoire adopted by the Security Council on enhancing the protection of civilians under future peacekeeping mandates;
- ▶ A public Security Council consultation chaired by Norwegian Foreign Minister Jan Petersen to review the security and humanitarian situation in Afghanistan, in light of the Secretary-General's report on the proposed UN Assistance Mission for Afghanistan (UNAMA);
- ▶ A draft resolution, adopted by the Security Council on March 30, calling for a withdrawal of Israeli troops from Palestinian cities, a cease-fire and an end to all acts of violence.

For more information on Norway and the UN, see: [www.norway-un.org](http://www.norway-un.org).





Above Dr. Paul Collier of the World Bank.  
Below: Dr. Virginia Haufler of the University of Maryland.



Ambassador Stewart Eldon, Deputy Permanent Representative of Britain



Ambassador Claudia Fritsche of Liechtenstein



Ambassador Alfonso Valdivieso of Colombia



ture of today's internal conflicts may be an important reason why they have become both more protracted and more resistant to resolution. When key actors develop vested pecuniary interests in illicit economic activities — both those that make war possible and those made possible by war — they have less incentive to commit to peace accords. This observation is most true of the political and military elites who use force to capture and control assets. But it also pertains to average soldiers and civilians, for whom there is often no other source of income left than that afforded by par-

ticipation in casual looting or the illicit exploitation of natural resources. As Foreign Minister Petersen said, in such cases “peace becomes not only a question of settling disputes, but also of fighting crime and finding alternative sources of income for large groups”.

Reflecting a wider scholarly debate, a second issue concerned the importance of the economic agendas of combatants relative to their political objectives, ethnic claims, and security concerns. Some scholars have argued that the centrality of lucrative natural resources in armed conflict means more than just that wars need resources; it is evidence that, in many countries today, war has become a narrow contest for resource control. In this formulation, it is economic “greed” and the opportunity for self-enrichment that drives continued warfare, rather than ethnic, political, or socioeconomic “grievance”. Symposium participants saw a mix of both legitimate grievance and opportunistic greed at the root of most armed conflicts. Internal wars have complex dynamics resulting from an accumulation of causes ranging from corrupt and brutal leaders to systemic socioeconomic inequality, political exclusion, and sudden collapse of governance and internal security. Predatory economic behavior by competing factions may explain *how* many of today's wars are fought — and perhaps *why* they have become more protracted—but it cannot fully explain why wars begin.

There was a broad consensus that the illicit exploitation of natural resources and participation in other criminal activities, such as the illegal trade in small arms and narcotics, are endemic features of many conflicts — features which the international community can and should do more to address. But participants also cautioned against the temptation to view policies to deprive combatants of economic resources as a shortcut to peace. Here, the symposium underscored the primacy of political factors, both in understanding why wars break out and how they might be resolved. For these reasons, participants saw the need to integrate efforts to interdict and em-

bargo illicit financial and resource flows to conflict zones with wider diplomatic initiatives to prevent and resolve conflict, as well as with efforts to protect civilians in war.

Speakers at the symposium pointed out that though analysis and policy-making have focused so far on exposing and restricting the predatory activities of warlords and insurgent groups, governments are also parties to internal conflicts and some have engaged in the systematic diversion of public revenues for war-making and private benefit. Indeed, in a number of cases, lack of public accountability, ill-designed redistributive

policies, and wholesale malfeasance on the part of corrupt government officials have been root causes of violent conflict, as well as its abiding legacy. This deficit in governance is particularly felt in developing countries with a high dependence on lucrative natural resource exports, especially crude oil. For example, *Global Witness* researchers found that about one-fifth of the Angolan government's tax revenues from oil in 2000 were not accounted for in its budget.

As national governments have the primary responsibility for ensuring the security and well-being of their people,

## Global Witness Report Highlights Angola Corruption Linked to Civil War

The civil war in Angola, the longest continuing conflict in Africa, has served as cover for substantial official corruption says a new report by *Global Witness* an independent London-based NGO that focuses on the role of natural resources in conflict areas. The report, entitled “All the Presidents' Men,” estimates that about \$1.4 billion in oil revenues that should have gone to the public treasury has been looted by corrupt officials and diverted to overseas bank accounts, including some connected to companies supplying the Angolan military. The report also examines links between that process and the scandal uncovered in France in 2000 involving kickbacks on highly overpriced military procurement.

The report says that “international oil companies and banks are complicit in this process of embezzlement because they refuse to publish what they pay to the Angolan State, preventing ordinary Angolans from calling their government to account over missing oil revenues. International oil companies like ChevronTexco, TotalFinaElf and ExxonMobil claim that payments are confidential, although they routinely publish such information in developed countries.”

Global Witness Director Simon Taylor says that “this lack of transparency allows the ruling elite to embezzle the State's assets with impunity in a war-ravaged country where a child dies every three minutes of preventable causes”. The international community, he says, “must help counter such ‘resource wars’ in future by ending the practice of secret deals between transnational resource companies and unaccountable government elites. Solutions must level the playing field between competitors by requiring multinational resource extraction companies to publish what they pay to all national governments as part of the requirements for being listed on international securities exchanges. The G-8 group of countries could take this issue forward by requiring International Regulatory Authorities, such as the SEC in the United States, to make full disclosure of all payments to all countries a condition of companies being listed on stock-exchanges.”

In March 2002, Global Witness and Partnership Africa Canada were nominated for the 2003 Nobel Peace Prize in recognition of their path-breaking work on conflict diamonds.

“All the Presidents' Men” is available in English, Portuguese, and French from the Global Witness web site: [www.globalwitness.org](http://www.globalwitness.org).

## Fafo and PICCR

The Fafo Institute in Oslo conducts policy research on the challenges that face countries undergoing substantial structural change. Fafo's Programme for International Cooperation and Conflict Resolution (PICCR) is an umbrella programme for initiatives related to the policies and practices of international responses to armed conflict, including the *Economies of Conflict* project, supported by the Government of Norway.

The studies carried out as part of the *Economies of Conflict* series are:

- *Dirty Diamonds*, by Ian Smillie
- *The Logs of War*, by Global Witness
- *Fuelling Conflict*, by Philip Swanson
- *Illicit Finance and Global Conflict*, by Jonathan Winer
- *Emerging Conclusions*, by Mark Taylor, a summary of findings from the preceding studies.

These and future reports can be ordered or downloaded at: <http://www.fafo.no/piccr/ecocon.htm>.



L to R: Paul Collier, Director of the World Bank's Development Research Group (and head of its project on *The Economics of Civil Wars, Crime, and Violence*), David Malone of IPA, Patrick Alley, Director of Global Witness, Mats Berdal, Director of the International Institute of Strategic Studies, London, and Ambassador Adolfo Aguilar Zinser of Mexico.

participants in the symposium saw the need for more effective strategies to build both the will and capacity for equitable and accountable governance. Some urged the promotion of private-public partnerships along the lines of the Chad-Cameroon pipeline consortium in which governments, companies, civil society, and international financial institutions are joint stakeholders in ensuring responsible natural resource development and equitable revenue sharing.

#### Local-Global Networks

Lack of public accountability and effective regulation also featured in the symposium's discussion of the linkages between armed conflicts and the globalization of trade and investment. A number of detailed investigations, including those of UN Expert Panels, have revealed strong connections between global business and the economic underpinnings of prolonged armed conflict. More than ever before, combatants are ultimately dependent on access to global capital and markets to finance their campaigns. And in today's permissive global environment, the points of such access have proliferated. Skillful economic operators have increasing opportunities to evade national laws and regulations to make and multiply ill-gotten gains.

"Conflict commodities" typically find their way to world markets through well-established transnational criminal networks. But analysts have found that transaction chains navigate the porous border between illicit and legal commerce, using not only black market brokerage networks but also legitimate financial, manufacturing, and commercial firms in developed countries. Legitimate business activities in conflict zones can sometimes have unintended negative consequences, particularly when licensing and customs fees are made to unaccountable governments or when companies make security arrangements with combatants or private security companies to protect local personnel or assets.

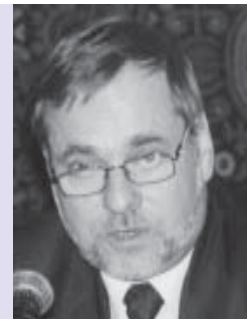
#### Private Sector, Public Good

Speakers welcomed the trend towards improved corporate responsibility re-

### Complex and Deep Roots

"Most armed conflicts are complex, and have deep ethnic and historical roots. Often they have their origin in poverty and discrimination. But it is increasingly clear that lack of economic opportunities and pure greed are prominent root causes as well."

"Valuable natural resources may not only trigger wars, but also sustain them. During the past decades, economically driven conflicts have become not only more frequent, but also more persistent. Peace becomes not only a question of settling disputes, but also of fighting crime and finding alternative sources of income for large groups."



Jan Petersen  
Foreign Minister  
of Norway

flected in initiatives such as De Beers' promotion of the "Kimberly Process" to certify rough diamonds and British Petroleum's move to make transparent its financial relationship with the Angolan government. Clearly, as private sector actors have become more critical to ensuring sustainable and secure development, their sustained cooperation and engagement is an essential part of any international effort. Voluntary codes of conduct and other forms of self-regulation are a valuable contribution insofar as they help to build firm and industry-level capacities and commitment to the promotion of responsible business activities in conflict zones. To that end, symposium participants urged international firms to join the UN Global Compact's on-going private sector dialogue, which is working to develop practical models and guidelines to assist businesses in operating safely and productively in conflict zones.

Several speakers pointed out that industry self-regulation is an insufficient remedy. Compliance with voluntary codes cannot be assured, except perhaps where corporations subject their conduct to independent social audits. Moreover, it would put an onerous burden on small firms in a competitive environment to integrate multi-stakeholder initiatives into business operations. There are few incentives for businesses to adopt conflict-reducing practices and take into consideration the development needs of vulnerable communities if they risk losing out to companies that ignore them.

The recent proliferation of various standards and codes of conduct at the

firm, industry, State, and regional levels has left many companies uncertain of which standards to adopt. The lack of a common standard across State jurisdictions adds to the confusion and offers opportunities for unscrupulous private sector actors to trade with and fund combatants with relative impunity. Repeated urgings for enhanced corporate responsibility aside, there is no minimum global consensus on what constitutes either "corporate complicity" or responsible conduct in conflict zones. In the view of many participants, there is a profound need to set clear normative expectations for corporate behavior that can create a level international playing field. Clear and common global standards would make it much easier to separate out and reward virtuous corporate behavior. This is an area where the UN, as the preeminent norm-setting in-

ternational body, can make a constructive contribution.

#### UN-Business Role

To address the various economic dimensions of armed conflict, the UN has already undertaken a number of promising initiatives. Notable examples include the UN Global Compact's efforts to engage private sector actors on issues of peace and security and the creation of independent Panels of Experts to improve Security Council sanctions enforcement. The symposium offered a range of proposals for extending and expanding these initiatives, as well as for integrating them with the work of the Security Council's newly formed Counter-Terrorism Committee and the UN Convention against Transnational Organized Crime.

To promote responsible business operations in conflict zones, the UN Global Compact's private sector dialogue has provided a much-needed platform for sustained public-private sector cooperation. It has begun to develop a practical inventory of common strategies and best practices for improved conflict-impact assessments, fiscal transparency, social revenue-sharing, and community development projects. Participants urged member-states to continue support for the Global Compact and to build upon its efforts by encouraging broader participation by corporations and international financial in-



L to R: IPA President David Malone with Fafo Director Jon Hanssen Bauer and IPA Vice President Necla Tschirgi





IPA President David Malone (l) with Foreign Minister Jan Petersen of Norway.

stitutions and by developing it as a forum for building normative consensus for a global integrity pact.

### Sanctions

Sanctions regimes are the primary policy in UN efforts to curtail resource flows to combatants. The creation by the Security Council of independent Panels of Experts to monitor sanctions and to identify and target sanctions-busting by State and non-State actors has done much to improve the chronic enforcement problems of multilateral sanctions regimes. Their reports have also added expertise and credibility to various NGO campaigns against economic behavior that profits from conflict. The Experts Panels have demonstrated that “naming and shaming” works. Since 2000, a number of governments have strengthened domestic efforts at sanctions enforcement in direct response to Expert Panel findings. And the flow of resources to combatant parties has been visibly reduced. Speakers urged the UN to build on this momentum by creating a permanent sanctions monitoring mechanism to supplement the information-gathering capacity of the *ad hoc* Panels, while also preserving their independence. Participants also urged the Security Council to go beyond “naming and shaming” by considering sec-

ondary sanctions in cases of on-going violations.

More generally, better sanctions enforcement will require a more concerted effort to assist regional actors and frontline states that lack the human and financial resources and the administrative capacity to assure robust compliance. Here, participants urged the Security Council to extend to other sanctions regimes the innovations made by the UN Counter-Terrorism Committee, which has made a conscious effort to support compliance with SC Resolution 1373 by providing member-states with technical information and policy models for effective implementation.

At the same time, participants urged the UN and member-states to undertake a more careful assessment of the unintended negative effects of sanctions, cautioning that even the most targeted of sanctions can cause economic hardships for civilians. As with all efforts to curtail resource flows to conflict zones, there is a compelling need for a careful analysis that weighs the potential humanitarian impact of sanctions against a realistic understanding of how effective sanctions might be in shifting the economic incentives of combatants from war to peace. In all cases, sanctions regimes should be accompanied by mea-

## UN Initiatives and Recommendations

Growing awareness of the links between resource flows and armed conflict, including international terrorism, has led to the belief that a more robust and comprehensive response by the United Nations is both desirable and feasible. Important initiatives in that direction include reform of Security Council sanctions regimes and the investigations of the related Experts Panels. The UN Conventions against Transnational Organized Crime and Terrorism, measures to deal with illicit flows of small arms, and the effort to engage corporations within the framework of the UN Global Compact on issues of peace and security, have begun to suggest possible avenues for more effective international policy. For more information: on the reports of the UN Sanctions Committees Panels of Independent Experts, see [www.un.org/Docs/sc/Committees/intro.htm](http://www.un.org/Docs/sc/Committees/intro.htm). On the UN Convention Against Transnational Organized Crime, see <http://undcp.or.at/palermo/convmain.html>. On the UN Global Compact, see: <http://www.unglobalcompact.org>.

### Secretary-General

In reports to the Security Council on the Protection of Civilians in Armed Conflict (S/2001/331, March 30, 2001), the Prevention of Armed Conflict (S/2001/574, June 7, 2001) and on Children and Armed Conflict (S/2001/852, September 7, 2001), UN Secretary-General Kofi Annan has urged:

- Continued investigation of links between illicit trade in natural resources and the conduct of war;
- Targeted measures against parties to armed conflict, including complicit neighbors, whose actions are contributing to the illegal exploitation of natural resources and the consequent fuelling of violent conflict;
- Appropriate measures against corporate actors, individuals and entities involved in illicit trafficking in natural resources and small arms that may further fuel conflicts;
- Measures by States to prevent private sector actors within their jurisdiction from engaging in commerce with parties to armed conflict that might result in or contribute to violations of international humanitarian and human rights law;
- Constructive dialogue and creative partnerships with the private sector to ensure that corporate activities are within the framework of international norms and standards that provide the infrastructure on which global commerce increasingly depends;
- Encouragement of socially responsible practices by the business community to foster a climate of peace in conflict prone societies, help prevent and mitigate crisis situations, and contribute to reconstruction and reconciliation.



Secretary-General  
Kofi Annan

asures to provide civilians with alternative livelihoods that are compatible with sustainable development.

The symposium stressed that sanctions regimes are only one means by which the UN can redress conflict-promoting economic behavior. The UN can move policy forward by working to expand and extend certification regimes like the Kimberly Process, which have the potential to stem illicit natural resource exploitation while preserving legitimate economic activity by states and private sector actors. Likewise, the UN can do more to promote on-going multilateral efforts, such as the OECD's Financial Action Task Force, through which member-states can develop binding and enforceable regulations for fiscal transparency to combat tax evasion, money-laundering, and corruption generally. The UN should also develop greater synergy between Interpol, the World Customs Organization, UNDCP and other agencies and organizations with expertise in these fields.

### No Panaceas

Overall, the Symposium participants recognized that stemming resource flows to conflict zones is not a panacea for peace. They also acknowledged that

improved global and local economic governance in conflict-affected countries presents complex policy challenges for which there are no quick fixes. The development of sustainable, legitimate, and effective mechanisms for the regulation of aid, trade, and finance is a global challenge that will require complementary efforts of member states, international financial institutions, regional organizations as well as private sector actors. It will also require that the tools of economic development and international peace and security become part of an integrated strategy. By developing public-private partnerships, establishing clear normative guidance, building upon existing international conventions against terrorism and organized crime, and by assisting member-states to strengthen their capacity to fulfill their responsibilities for international peace and security, the UN can make a vital and lasting contribution to more robust and conflict-reducing forms of global economic governance.

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## International Peace Academy

The International Peace Academy (IPA) is an independent, international institution dedicated to promoting the prevention and settlement of armed conflicts between and within States through policy research and development.

**Economic Agendas:** IPA's *Program on Economic Agendas in Armed Conflicts* aims to improve understanding of the political economy of civil wars and to identify and promote a range of policy responses to reduce the economic opportunities and incentives that sustain armed conflict. The project also inquires into the prospects for creating an international legal regime to address economic crime, as a means of enhancing the political and economic accountability of those actors involved in violent conflicts.

Major support for the program comes from the Government of Norway. Other generous supporters are the Governments of Canada, Switzerland, Sweden, and the United Kingdom as well as the United Nations Foundation, the Rockefeller Foundation, the International Development Resource Council, and the Canadian International Development Agency. In May 2000, the work of the program resulted in *Greed and Grievance: Economic Agendas in Civil Wars* (Mats Berdal and David Malone, Editors, Boulder, CO: Lynne Rienner.) For more information: [www.ipacademy.org/programs](http://www.ipacademy.org/programs)