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 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-
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.globalwatch.org.
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 reflected 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 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 international 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-
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 investigates 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

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. On the UN Convention Against Transnational Organized Crime, see http://undcp.org/at/palermo/convention.html. On the 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 illicit flows to combatants. The creation 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 measures 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 a more comprehensive understanding of the interplay 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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