



International Peace Academy

Policies and Practices for Regulating Resource Flows to Armed Conflict

IPA Conference Report

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Executive Summary

- The aim of the Bellagio conference was twofold: first, to sharpen our understanding of the critical dimensions of local, regional, and global financial and material flows to and from conflict zones; and, second, to critically review extant and emerging legal and policy frameworks, and the potential for strengthening their enforcement or extending the applicability of other legal and regulatory tools to stem those flows, with an eye to producing a coherent set of practical recommendations for decision-makers and policy practitioners in the field of international peace and security.
- The ability of combatants to prosecute armed conflict is predicated on their ability to secure access to resources. Importantly, while globalization has presented combatants and their support networks with new economic opportunities, including legitimate international financial and commodity markets, as well as illicit black and gray markets, it also renders them more vulnerable to international pressure, if such can be mobilized.
- The curtailment of economic behavior by belligerents is necessary but not sufficient for conflict resolution or prevention. At best, policy responses can increase the transaction costs to belligerents. But even the most effective policies are unlikely to fully halt illicit resource flows, let alone by themselves to assure peace. Both existing and emerging efforts to inhibit resource flows to conflict zones require a more considered analysis of their efficacy in shifting the economic incentives of all combatants from war to peace relative to their potential consequences for conflict resolution or post-conflict peace-building.
- There is growing consensus that current legal regulations and policy mechanisms applied by the UN, regional actors, and others to regulate or proscribe specific resource flows and conflict-promoting economic activities are ineffective and insufficient. Participants agreed that a combined strategy was required, involving first, improved identification, enforcement and harmonization of relevant extant policies and institutional mechanisms, and second, development of a new, inclusive, global normative framework.
- Participants agreed that an eventual global legal framework should proscribe or regulate specific activities (rather than actors), but reaching consensus on which activities remains a key challenge. Two approaches were identified: first, a broad approach aimed at all economic actions, regardless of whether or not they fuel armed conflict, and second, a more narrow agenda focusing only on economic activities linked to conflict. Each involves tradeoffs between comprehensiveness and whether it will be implementable. Some favored a multi-dimensional approach combining development of a new, narrow legal regime to cover priority areas not already addressed by existing conventions with the establishment of a robust and comprehensive norm, supplemented by existing legal and policy instruments, which can be tapped in the interim to deal with crisis situations.
- Current interdiction efforts and regulatory regimes face several limitations, including: 1) lack of state administrative capacity and, in some cases, political will to implement; 2) lack of regional coordination, capacity and commitment; 3) lack of international consensus, coordination and commitment, both politically and financially; and 4) lack of will or adequate incentives for private sector and other non-state actors to comply.
- States continue to have the most potential for robust legal jurisdiction and are generally better suited to ensuring implementation and enforcement. Yet, effective implementation of measures to control illicit resource flows to conflict zones presents challenges for developing countries and developed countries alike. Addressing the "implementation gap" requires redressing both the technical and administrative capacities of weak and failed states and redressing the impunity that enables the emergence of kleptocratic regimes and warlords. Promoting greater transparency in

political decision-making and financial transactions, as well as engaging local civil society and private sector actors in order that they may better hold government and private sector actors accountable for their behavior, are vital to this process.

- Good governance and accountability cannot be achieved through supply-side regulations alone. In many developing states, effective efforts to combat corruption are limited by weak legal institutions subject to capture by corrupt interests. Meanwhile, the practices of developed countries and their multinational corporations may provide the resources for corruption. The weak regulatory capacities of developing states can be compensated by a concerted effort on the part of industrialized states to extend domestic regulation of multinational corporations' practices to their extraterritorial activities and to broaden and deepen international financial regulatory standards.
- Regional organizations and ad hoc groupings of states have undertaken initiatives to stem the illicit trade in arms, narcotics, and other commodities linked to conflict with varying success. Some participants questioned the capacity, and thus operational relevance, of regional and subregional organizations. Others stressed the importance of giving them a greater role in the prevention and resolution of armed conflicts, possibly in partnership with the UN. However, reliance on regional approaches should not be the pretext for an abdication of responsibility by the Security Council or the UN in general, as was the case in the early 1990s.
- Several general challenges for the UN and other relevant multilateral actors were identified. These include the need for systematic analysis of the

effectiveness of prior policy interventions for conflict mitigation and adjustment according to specific contexts, thereby minimizing unintended consequences; realistic assessment by the Security Council of the administrative and technical limitations of both states and the UN to implement policy decisions; and improved information-sharing and coordination capacities among discrete and complimentary policy areas, including sanctions enforcement, customs and air traffic monitoring, and crime prevention.

- Specific policy recommendations for improving the effectiveness of mechanisms currently available to the UN include: 1) the integration of targeted sanctions into an overall strategy to induce or change the behavior of transgressing actors; 2) the establishment of a permanent sanctions implementation and monitoring mechanism, which would require more detailed and routine reports on state compliance with all sanctions regimes; 3) the establishment of a permanent office to support the independent Expert Panels investigating sanctions violations; and 4) the formation of a permanent mechanism for routine information sharing and cooperation among international law enforcement agencies, which would facilitate action against known violators of sanctions and certification regimes.
- Ultimately, establishment of an international regulatory framework is dependent upon identification of the legal requisites and the applicable international norms that may be adapted to this end. It would also involve the identification of the political challenges that such an enterprise would likely encounter, particularly in the context of UN policy-making, as well as the practical means of overcoming those challenges.

I. Introduction

The International Peace Academy's "Economic Agendas in Civil Wars" (EACW) project held a conference on "Policies and Practices for Regulating Resource Flows to Armed Conflict" at the Rockefeller Foundation's Bellagio Study and Conference Center from May 21-23, 2002.

The aim of the Bellagio conference was twofold: first, to sharpen our understanding of the critical dimensions of local, regional, and global financial and material flows to and from conflict zones; and, second, to critically review extant and emerging legal and policy frameworks, and the potential for strengthening their enforcement or extending the applicability of other legal and regulatory tools to stem those flows, with an eye to producing a coherent set of practical recommendations for decision-makers and policy practitioners in the field of international peace and security.

II. Resource Flows and the Economic Dimensions of Armed Conflict

The ability of combatants, both state and non-state actors, to prosecute armed conflict is predicated on their ability to secure access to resources to procure weapons and materiel, and to pay soldiers. Since the end of the Cold War and the related reduction of foreign state sponsorship, many combatants have sought alternative sources of revenue in the domestic arena through licit and illicit means. These economic transactions affect the character and duration of conflict. More importantly, these activities and their legacies also pose challenges for those seeking to promote peace, particularly as various actors, either official or private, are complicit in and derive economic and political benefits from these flows.

Most combatants rely on a combination of illicit economic activities including, but not limited to: the



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illicit brokering and trafficking of arms; engaging in organized criminal activities; committing financial crimes, including bribery, money-laundering and the misuse of public and private international financial flows (official development assistance, foreign investment, and diaspora and migrant labor remittances); kidnapping and extortion; diverting emergency food aid; producing and trafficking narcotics; illicitly exploiting natural resources; smuggling other, licit commodities; predation of civilians; and trafficking in humans. Many of these transactions rely on the same or overlapping illicit brokering and transport networks in order to access international financial and commercial markets. Some resource flows are highly localized, such as support by villagers for a self-defense unit. Others, such as drug trafficking, are global in reach, organized through extended networks reaching well beyond war zones to the world's capitals and major financial centers. Implied in this relationship is the critical, yet unacknowledged (and often unintended), complicity of industrialized countries in conflicts predominantly affecting the South – from the demand for commodities ranging from oil to narcotics, to the supply of arms, aid and investment, and remittances.

While certain economic activities that sustain conflict are clearly illegal under national or international law, others are more ambiguous. This distinction is particularly difficult at the margin between legitimate financial or commercial enterprises and black market smuggling or brokerage networks.¹ Legitimate businesses operating in conflict zones may have unintended negative consequences, as when licensing fees, customs duties, and royalty payments are paid to unaccountable governments, or when public or private security firms are engaged to protect local personnel or infrastructure. "Conflict commodities", including rough diamonds and other gems, timber, and coltan, gain access to international markets through both black-

market brokerage networks and legally operated financial, manufacturing and commercial firms in developed countries. In conditions of lax oversight, the global financial services industry launders the proceeds of arms smuggling, corruption, kidnapping, and other illegal activities, if often unknowingly. Likewise, rebel and terrorist groups may derive a portion of their revenue through "legitimate" enterprises in which they have minority interests. None of these transactions are expressly "illicit" or "criminal" until legally defined as such.

Most often, resources indirectly sustain armed conflict. But resources may also directly contribute to conflict.² Although the control of economic activities is rarely the primary motivation for initiating conflict, civil wars create new economic and political opportunities for combatants, war profiteers and other entrepreneurs. The result has been to adversely influence the balance of incentives in favor of peace. The criminalization of economic relations in war-time also leaves lasting developmental distortions, which, if left unattended, can fatally undermine sustainable conflict resolution and subsequent efforts at post-conflict reconstruction.

Civil war is frequently associated with failure of governance on the part of the state, whether due to incomplete or arrested state formation or state collapse. Inadequate administrative, financial and technical capacities may be a primary cause, particularly when related to malfeasance by and impunity for corrupt political elites and their clients. The breakdown or absence of an effective administration to carry out the basic functions of the state, including law enforcement, revenue collection, resource distribution, and provision of social services, may give rise to increased grievances, the criminalization of the economy, and the creation of favorable conditions for insurgencies to emerge.

¹ For example, most natural resources exported from conflict zones gain access to international markets through multinational corporations, which, while sometimes engaging in transactions that are, perhaps, morally questionable, are nonetheless legal.

² See for example, David Malone and Mats Berdal, *Greed and Grievance: Economic Agendas in Civil Wars*, (Boulder, CO: Lynne Rienner Publishing, Ottawa: IDRC, 2000); Paul Collier and Anke Hoeffler, "Greed and Grievance in Civil War," The World Bank Development Research Group; 2000; 2001; David Keen, "The Economic Functions of Violence in Civil Wars," International Institute of Strategic Studies (IISS), *Adelphi Paper no. 320* (Oxford: Oxford University Press and IISS, 1998); William Reno, *Warlord Politics and African States*, (Boulder, CO: Lynne Rienner Publishing, 1998); Michael Ross, "How Does Natural Resource Wealth Influence Civil War? Evidence from 13 Case Studies," (unpublished), July 3, 2002.

III. Curtailing Resource Flows to Combatants: A Means of Resolving Armed Conflict?

Many of the resource flows sustaining contemporary armed conflicts depend upon access to the global economy, including legitimate international financial and commodity markets, as well as illicit black and gray markets. Importantly, while globalization has presented combatants and their support networks with new economic opportunities, it also renders them more vulnerable to international pressure, if such can be mobilized. From this perspective, the 'international community' should aim to suppress profit-seeking actions in which combatants and their support networks engage under cover of civil wars. Minimizing the profitability of war-time economic transactions may hold some promise as a means of shifting incentive structures from the pursuit of conflict to that of peace.

The curtailment of such economic behavior by belligerents is necessary but not sufficient for conflict resolution or prevention, though in the long term, it may be more promising for conflict prevention. International interdiction efforts are unlikely to fully halt illicit resource flows. At best, they can increase the transaction costs to belligerents. But even the most effective policy responses are ultimately likely to have diminishing returns. Different actors have different motivations for fighting, and, therefore, different responses to outside efforts to curtail resource flows: those engaged in conflict for profit are more likely to be influenced by altered access to resources and declining profit margins; those seeking either political power or redress of grievances may respond by seeking out alternative ways to finance warfare and creatively adapt to interdiction efforts. In either case, substan-

tially reducing these flows is unlikely by itself to ensure peace.

The goals of peace and crime reduction are not necessarily mutually reinforcing and may have certain trade-offs. As undertaking illicit activities is a risky enterprise, the profitability of such activities – and thus the incentive for engaging in them – may increase alongside interdiction efforts. Thus, rather than altering the behavior of combatants, increased prohibition may encourage it.³ Alternately, new networks may fill the void. For example, the successful eradication of coca in Bolivia, and the elimination of the Calí and Medellín cartels in Colombia created a vacuum filled by the FARC. When armed groups ensure military discipline through patronage, the reduction of resources to distribute as payment may degrade internal discipline; military weakness vis-à-vis rival groups may make targeted groups more susceptible to negotiated cessation of hostilities, but can also weaken the ability of leaders to bring their followers along. Elsewhere, growing scarcity of previously available resources may heighten more violent modes of acquisition, in particular the targeted predation of civilians.

There is a risk that policies which exclusively target illicit resource flows will inadvertently favor states, which have greater access to legitimate sources of income, at the expense of rebel groups, regardless of their legitimacy. The *a priori* denial of resources to all rebel groups, may, in certain cases, effectively deny oppressed populations the right to self-defense, while leaving unaddressed the role of corrupt governments in triggering and fueling conflict. Therefore, both existing and emerging efforts to curtail resource flows to conflict zones require a more considered analysis of their efficacy in shifting the economic incentives of all combatants from war to peace relative to their potential consequences for conflict resolution or post-conflict peace-building.

³ In Afghanistan, for example, attempts to eradicate opium poppy have had mixed results. Programs offering incentives, such as "cash for work", have provided alternative livelihoods and food security for some farmers; elsewhere, prohibition has increased incentives for some to expand cultivation, while simultaneously strengthening the hand of regional warlord factions who control trafficking routes and undermining popular support for the Afghan Interim Authority and international efforts at peace-building (S. Lautze et al., Qaht-e-Pool "A Cash Famine": Food Security in Afghanistan 1999-2002, Overseas Development Institute (ODI), May 2002, p..21).

IV. Policy Priorities for the International Community: Towards an International Legal Regime on Economic Behavior in Conflict Zones?

There already exists a range of legal and policy instruments available at the national, regional and international levels to improve the control of resources which sustain and fuel civil wars. At the international level, instruments include conditionalities on bilateral and multilateral aid; UN instruments, including Security Council resolutions on arms embargoes, financial sanctions, and travel bans, and investigations by Expert Panels; certification regimes; UN conventions against transnational organized crime, narcotics, and international terrorism; and the UN Global Compact's efforts to engage private sector actors in issues of peace and security. Key initiatives and practices, e.g., the OECD Financial Action Task Force and the US-UK Voluntary Principles on Security and Human Rights, have been developed by other multilateral organizations and more ad hoc groups of likeminded states. Other actors with promising initiatives include Interpol, the G-8, European Union, Council of Europe, Organization of American States, and African regional and sub-regional organizations.

Existing regulatory approaches are neither uniform in their application nor comprehensive in their reach. Different national legal regimes or enforcement capacities vis-à-vis international laws can be exploited to circumvent more robust national and international laws, such that weaker jurisdictions risk attracting or becoming havens for illicit activity, affecting their political and economic stability, undermining national development, as well as regional – if not international – peace and security. Based on the demonstrated shortcomings of current legal regulations and policy mechanisms applied by the UN, regional actors, and others to interdict or otherwise curtail economic transactions by combatants, including their limited coverage, lack of enforcement, and frequent inconsistencies, there is growing



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consensus that current efforts are ineffective and insufficient.

In response, participants identified two policy directions for the international community: 1) improved identification, enforcement and harmonization of extant policies and institutional mechanisms relevant to regulating or proscribing specific resource flows and conflict-promoting economic activities; and 2) development of a new inclusive global normative framework, though the precise scope of such a framework was debated.

There was overwhelming consensus that a combined strategy is required. Decisive movement towards the creation of an encompassing international normative framework would provide legitimacy to and reinforce more incremental and focused actions, including regional and sub-regional approaches. In the interim, existing policies and institutional mechanisms should be strengthened and coordinated, with the understanding that these instruments may provide the implementing machinery for an eventual global legal framework. Participants felt that, in the long term, a combined strategy was more likely to successfully address both the proximate means by which such conflicts are fought, as well as redress their underlying causes.

Although there was agreement that an eventual global legal regime should focus on specific activities, rather than actors, participants questioned *which* activities

should be proscribed or regulated. Two approaches were identified. First, a broad approach aimed at *all* economic actions, regardless of whether or not they fuel armed conflict, through promoting good governance, creating greater accountability at the national level, as well as improving oversight of international commodity and financial markets and multinational actors. This includes concurrent re-examination of inequitable trade rules (including market barriers to agricultural exports from developing countries and double-standards on tariff-setting and subsidies) promoted by developed countries. Second, a narrower agenda focusing only on economic activities linked to conflict. Each approach involves tradeoffs: a comprehensive agenda allows all relevant activities to be included, but may prove unimplementable. In contrast, a more narrow approach that identifies and consolidates international consensus on how to deal with specific illegal activities would be easier to establish and implement than a more general, inclusive convention, but risks omitting critical areas.

Participants questioned whether a global legal regime narrowly focused on armed conflict should target behavior that is clearly criminal or all behavior which might be conflict-promoting. Many agreed that if the purpose of the legal framework is to promote sustainable conflict resolution, rather than crime reduction, then remedies cannot be limited to illegal activities, but must also address the negative consequences of legal, if highly unregulated, international financial and commodity markets, so that a clear line is drawn between the illicit and licit. Accordingly, some argued in favor of a multi-dimensional approach combining development of a new, narrow legal regime to cover priority areas not already covered by existing conventions with the establishment of robust and comprehensive norms, supplemented by existing mechanisms and conventions, which can be tapped in the interim to deal with crisis situations. This would allow flexibility in approaches and room for a range of actions, from voluntary to binding regulation.

Several potential "narrow" areas were noted by participants, including: the illicit diversion of natural

resources by combatants; violent economic predation of civilians by combatants; "white collar crime" or grand corruption and predatory acquisition by elites; and minimum standards of behavior for multinational corporations operating in conflict zones.

Better enforcement of existing legal and regulatory frameworks, even if coupled with additional legal proscriptions, will still face problems of uneven jurisdiction (and therefore present opportunities for evasion), state protection of multinational corporations and politically useful brokerage networks, and corrupt government elites. For this reason, it may be necessary to situate these efforts in the context of a broader, comprehensive normative framework on all conflict-promoting behavior.

There is already emerging consensus coming out of NGO reports and UN Expert Panels that if illegitimate economic activities are to be curtailed, simply sanctioning bad leaders is not enough. What is required are principles and tools to proscribe the activities they and others are engaged in. A key challenge for controlling resource flows in armed conflict is reaching consensus on the specific economic activities to be proscribed. As noted above, the current lack of a clear distinction between "illicit" and "licit" economic activities complicates control efforts. A universal standard of what constitutes illicit economic behavior in armed conflict would encourage legitimate actors to cease engaging in complicit behavior, and provide legitimacy to punish those who continue to engage in activities that contribute to armed conflict. There was agreement among participants that any emerging legal regime must treat illicit activities by all actors, state and non-state, evenly. Differentiating between licit and illicit resource flows requires: 1) consensus on minimum standards of what is considered licit; and 2) ways to ensure that licit actors are behaving in accordance with those standards. Developing a global normative or legal framework which establishes minimum accepted standards would level the legal playing field for all actors concerned and have a trickle up effect for the implementation and enforcement of other, related international and regional initiatives.

In areas where standards do not already exist, agreement on the exact elements of a new normative framework should be determined through a broad, participatory process. It is essential that any standards of behavior be meaningful at local and regional levels where conflict is occurring, and where compliance is crucial. Participants called for the UN to use its convening power to initiate a process, as through an international conference, for governments, civil society and the private sector to agree on the parameters of the problem, to determine minimum standards of behavior, and identify strategies and mechanisms for implementation.

V. Challenges and Recommendations for Policy Design and Implementation

Current interdiction efforts and regulatory regimes face several limitations, including: 1) lack of state administrative capacity and political will to implement; 2) lack of regional coordination, capacity and commitment; 3) lack of international consensus, coordination and commitment, both politically and in terms of necessary financial resources; and 4) lack of will or adequate incentives for private sector and other non-state actors to comply.

A. Increasing National Capacities: Strategies for Addressing the "Implementation Gap"

States continue to have the most potential for robust legal regimes and are generally better suited to ensuring implementation and enforcement. The effective implementation of measures to control illicit resource flows to conflict zones depends upon the ability and will of member states to tackle issues of supply, transit, and demand within their national borders, and by their nationals operating extraterritorially. Yet, both developing countries, and to a lesser extent, developed countries face challenges in effectively designing, enacting and enforcing legislation to police national borders and air traffic, maintain effective export/import and customs regimes, monitor financial systems, combat corruption, let alone coordi-

nate these myriad activities. For war-affected and post-conflict states, suffering from weakened administrative, judicial and policing capabilities, criminalization of the economy, and the complicity of self-interested authorities, these tasks may be virtually impossible.

Addressing the "implementation gap" requires strengthening both the technical and administrative capacities of weak and failed states and redressing the impunity that enables the emergence of kleptocratic regimes and warlords. The following priorities were identified: 1) provision of technical assistance to developing countries by the international community; 2) encouragement of greater transparency in political decision-making and financial transactions; 3) promotion of local ownership of public policies, particularly by engaging local civil society and private sector actors in conflict resolution and post-conflict reconstruction in order that they may better hold government and private sector actors accountable for their behavior; and 4) strengthening regulatory efforts in areas and among actors where capacities for enforcement already exist, namely in developed countries and their multinationals.

Both the interdiction of illicit trade and regulation of licit trade by national actors require legal structures for setting standards and sanctioning violators, as well as technical systems, including customs and financial oversight, for monitoring compliance. Donor countries and multilateral organizations (including UNDP, the World Bank, IMF, and the World Customs Organization) with the requisite financial and technical resources should assist developing countries in improving their legal infrastructure and enforcement capabilities through training customs officers, law enforcement officials, judiciary and financial regulators, and providing mutual legal assistance, such as information sharing and coordination across national jurisdictions. This includes working with trade ministries to encourage adoption and adherence to minimum standards of behavior for private sector actors.

Corruption is a principal obstacle to effective governance, particularly when conducted on a grand scale, as with the looting of public assets by political

elites. Financial transparency has been identified as a critical element in the development of good governance, including more efficient and accountable use of public expenditures, more effective public administration, and more equitable management of natural resource wealth. The lack of transparency in policy making and financial management is a major obstacle to accountable government. The UN, IFIs and donor countries should encourage recipient states to become parties to the OECD Convention on Combating Bribery in International Business Transactions and OECD Anti-Corruption Convention or to develop regional conventions, to support the development of a proposed UN anti-corruption convention, and to initiate reforms reducing the discretionary powers of individuals in regulatory positions (to issue licenses and permits, to provide access to public finances or assets, or to set trade restrictions, subsidies, price controls and credit associated with liberalization). These institutions likewise should encourage countries with major financial centers to recover and return ill-gotten gains to developing countries.

An independent media, grassroots political participation, advocacy organizations, professional associations, labor unions, and other civil society actors can be significant forces in ensuring both public and private accountability. Without informed participation by all stakeholders, policy decisions will exclude important information and interests and will lack legitimacy that only public voice can bring. In fact, civil society organizations may be more adept at monitoring the actions of public and private institutions, generating and sharing information, and thus holding these institutions accountable to national and international laws than even relatively well-financed international organizations like the UN. International actors should facilitate openness in government financial management and political processes, for example by channeling money through non-government sources or by linking disbursement of funds to concrete anti-corruption actions, and the creation of mutually supporting mechanisms between governments, business practices in the private sector, and civil society.

Ultimately, good governance and accountability cannot be achieved through supply-side regulations

alone. In many developing countries, especially conflict zones, effective efforts to combat corruption are limited by weak legal institutions subject to capture by corrupt interests. The international community must guard against unreasonable expectations that developing countries can effectively curtail illicit resource flows and manage the burden of regulatory responsibility for multinational corporations. The creation of national governance capacities is a long-term goal. More attention must be given to the role of developed countries in contributing to corruption. Tax incentives, standards of conduct and general attitudes in developed countries provide the resources for corruption. Industrialized countries, and by extension, their multinational corporations are far more likely to have robust administrative and financial resources for complying with standards of behavior to combat corruption. In the interim, the weak regulatory capacities of developing states can be compensated by a concerted effort on the part of industrialized states to extend domestic regulation of multinational corporation's practices to their extraterritorial activities.

The diversity of private sector actors and the myriad ways in which their operations may contribute to conflict promoting activities defies a one-size-fits-all approach. A more promising alternative is a sector-by-sector approach, whereby stakeholders work together to develop specific standards of conduct and to identify regulatory instruments or market incentives for corporate adherence. Leading examples include the US-UK Voluntary Principles on Human Rights and Security and the Mining, Minerals and Sustainable Development (MMSD) initiative. Governments should support these initiatives and facilitate the participation of their multinational companies.

In practice, governments in even the most sophisticated and best-regulated financial centers, including the G-7, European Union and Switzerland have proven incapable of exercising adequate regulatory control over their multinational companies, not only because domestic legal mechanisms needed to enforce anti-money laundering legislation are not fully in place, but also because tracing international transactions is increasingly difficult without voluntary reporting from the financial sector.

Unlike other industries, the financial sector provides services that can equally be used by governments, corporations, armed groups, terrorist organizations, and war-profiteers. There has been growing international attention, principally on the part of international regulators, to the need for better engagement with the international financial industry in efforts to stop corruption and money-laundering. In the last five years, governments, multilateral organizations and NGOs have launched several major initiatives aimed at improving fiscal governance and enhance oversight of client transactions. More recently, the September 11 terrorist attacks against the US created tremendous pressure on financial institutions to tighten their monitoring capacities and provide routine disclosure.

The OECD Financial Action Task Force (FATF) is at present the most effective mechanism in this field. Its anti-money laundering initiative has set common standards that are enforced by naming and shaming of non-complying states and by threatening to withdraw market access to persistent and egregious violators. The FATF is increasingly global in reach, and has proven capable of influencing not only jurisdictions like Jersey, the Cayman Islands, or Nauru, but also Russia and Israel. Major self-regulatory initiatives, like the Basel Committee for Banking Supervision's "know your customer" requirements, have similarly contributed to the broadening and deepening of international financial regulatory standards, the promotion of good banking practices and improved capacities to trace illicit cross-border transactions.

The response to corporate malfeasance in recent years has been a combination of public sector regulation and private sector self-regulation. Yet, it is not clear that self-regulation has been effective, nor that the combination has deterred illicit economic behavior. In response, mechanisms are needed which effectively address some of the respective shortfalls of both legal and voluntary approaches by leveling the playing field *and* rewarding compliance, rather than merely penalizing criminal or illicit behavior.

One proposed solution is the creation of a global corporate "white list", which would reinforce national regulatory efforts by rewarding private financial

institutions that meet high standards of transparency for the funds that they process with preferential handling of UN, IFI and foundation funds. Adherence to agreed upon standards, such as the Wolfsburg Principles on financial transparency, would become a competitive advantage, while non-adherence would carry financial losses. Following the OECD-FATF, enforcement of the standards would be undertaken via mutual monitoring and assessment by the adopting firms. Agreement on global incentives for adopting these standards would also encourage compliance among private sector institutions in regions without significant financial controls, particularly where combined with other forms of public regulation. The "white list" model may be applicable to other sectors, for example, the insurance sector, and could provide incentives to dissuade the provision of insurance to companies involved in sanctions-busting shipments of arms and other commodities. The UN, IFIs, donor states and others should explore the introduction of a "white list" for institutions whose financial services they use.

Finally, a coalition of 30 NGOs, led by Global Witness and championed by the financier George Soros, has called on multinational oil and mining companies to publicly disclose all financial payments (including net taxes, fees, royalties and other payments) they make to governments as a condition of being publicly listed on stock exchanges. The natural resource extraction sector, above all multinational oil companies, provides a principal source of revenue to corrupt, repressive and war-affected countries. The "publish what you pay" initiative would open these financial transactions to public scrutiny from within the affected society. The Securities and Exchange Commission (SEC) and other analogous regulatory bodies could be leveraged to adopt other requirements, such as compliance with commodity certification regimes. Non-listed companies, including those that are private or state-owned, however, would remain unaffected.

B. Regional Approaches to Regional Political Economies

As demonstrated by conflicts in Afghanistan, Colombia, and Sierra Leone, the regional political and economic context may significantly influence the

character and duration of hostilities, as well as the prospects for conflict resolution and post-conflict stability. Affecting these regional economic linkages as a potential means of resolving conflict requires a fuller analytical and policy focus on regional and global dynamics.

Regional initiatives have been undertaken to stem the illicit trade in arms, narcotics, and other commodities linked to conflict. Most often, these have been led by regional or sub-regional organizations, for example the Economic Community of West African States (ECOWAS) Moratorium on Light Arms and Small Weapons, the Southern African Development Community (SADC) Protocol for the Control of Firearms, Ammunition and Related Materials, and the Caribbean Financial Action Task Force. Some conference participants underscored regional organizations' general lack of capacity and thus their operational relevance. However, others stressed the importance of giving regional and subregional organizations a greater role in the prevention and resolution of armed conflicts, possibly in partnership with the UN. Regional actors are important stakeholders in armed conflict and its resolution, not only because they are often directly affected by the economic and political dynamics of neighboring conflicts, but also because their members are sometimes among those complicit in conflict promoting activities. Policy expectations must be gauged to the particular character and capacity of the organization in question. In some cases, such as ECOWAS, organizations are developing capacities for peace and security that were not initially part of their mandate, but which pressing challenges have made necessary. While such efforts are not without problems, the fact that these organizations are working to improve their capacity should not be dismissed. Those regional organizations whose members have demonstrated a common interest in moving ahead on enhanced regulation and governance should receive priority for assistance.

The approach adopted by SADC for combating illicit small arms was identified as a useful model for developing regional and state capacity for action. The traditional, top-down internationally-led policy formation frequently results in initiatives which are

unimplementable or suffer from a lack of compliance at the national level. In contrast, the bottom up, or "building block", approach used by SADC is designed to enable participating affected states to manage their own agenda for action according to their national priorities, but within the context of common objectives, i.e., customs and border controls, fiscal transparency, arms control, criminal policing, etc. It was argued that not only does this improve prospects for implementable national regulatory frameworks, but it also ensures the requisite operational components – domestic institutions, information networks and technical expertise. Moreover, where actions are coordinated, the implementation of regional, and in turn, international objectives can proceed more rapidly once these frameworks are in place. Participatory UN-led processes to develop international policies, as on the illicit trade in small arms, would reinforce the development of regional approaches, while the linking of inter-regional strategies can potentially enhance the implementation of international frameworks.

Within the context of the New Partnership for Africa's Development (NEPAD), the sub-committee on Peace and Security recently took steps to promote a minimum standard to prevent multinational companies and foreign countries from contributing to conflict and corruption through the exploitation of natural resources in areas of conflict. Currently, there is no Africa-wide standard to govern the behavior of extractive corporations. The Peace and Security sub-committee has called for the initiation of a dialogue with governments, the private sector, international organizations and civil society to generate a minimum set of standards, alongside other measures to improve resource management and governance processes in the longer term. The UN should ensure that these issues are incorporated into the agenda of the upcoming World Summit on Sustainable Development (WSSD) and relevant future international conferences.

Many regard NEPAD as the most promising structure for African states and their commercial partners to address political impunity by government elites, to ensure corporate social responsibility and to promote good governance, including revenue sharing and

natural resources management. It requires participating states to establish their own standards and mechanisms for collective monitoring and enforcement, while linking governments' performance on human rights and anti-corruption measures to more open trade and investment and increased aid with the G-8. African leaders must assume responsibility for sound economic policies, human rights and democracy promotion on their own; but it is far from certain that more liberal trade and investment – which facilitate the very resource flows to conflict zones in question – will benefit African states as intended. The G-8 must not view trade liberalization as functionally or morally equivalent to development and humanitarian assistance, particularly for combating HIV/AIDS and food insecurity.

Regional efforts are still fraught with risks. Primary among these, reliance on regional approaches should not be the pretext for an abdication of responsibility by the Security Council or the UN in general, as it was the case in the early 1990s. Strengthening regional approaches should not be done at the expense of international approaches. Regional approaches may at times have greater legitimacy than outside interventions. Yet, in many areas, there is little "regional" basis around which to organize, and hence poor prospects for effective action in the short term.

C. The United Nations and Other Multilateral Actors

Several general challenges for the UN were identified along with specific policy recommendations for improving the effectiveness of currently available mechanisms. First, effective policy design and implementation depend upon the ability to accurately assess underlying causes of conflict. Only once the causes have been identified will it be possible to determine the most appropriate policy levers and how best to adapt their design to dissuade illicit behavior. Even where effective, implementation can have consequences counterproductive to conflict resolution. The development, particularly by the IFIs, of more accurate economic indicators – including better estimates of the scope and impact of illicit economic activities – would help policy makers design interventions which both reduce sources of revenue to combat-

ants and address civilian dependency on the informal or illicit economy.

Many participants felt that the international community, above all the UN, has failed to integrate past policy experience into the design of new policy interventions, and instead responds in an ad hoc fashion. The UN currently lacks the means to systematically analyze the effectiveness of prior policy interventions for conflict mitigation and to make adjustments according to specific contexts. Consequently, existing tools – notably sanctions – may fail to achieve their intended purpose, often with unintended or unforeseen negative consequences. In part, this is due to a general failure by the Security Council to realistically account for the administrative and technical limitations of both member states and the organization itself.

Despite significant improvements in recent years, the UN and other multilateral organizations lack information-sharing and policy coordination capacities in discrete policy areas – for example, sanctions enforcement, customs and air traffic monitoring, and crime prevention. On an organizational level, the UN does not adequately track and coordinate policy initiatives within its specialized agencies which may have complementary roles. Competing priorities among UN agencies (as well as member states and donor agencies), particularly in the absence of an overall strategy, can potentially undermine conflict resolution, peace implementation, and post-conflict peace building.

Sanctions remain the most widely used policy tool wielded in conflict zones, whether imposed unilaterally, bilaterally, or regionally. Based on the demonstrated shortcomings of comprehensive sanctions during the past decade, increased attention is being given to "smart" or targeted sanctions. These sanctions, which seek to directly influence or restrict the behavior of those responsible for breaches of international law, include financial sanctions, such as asset seizure and the blocking of financial transactions, travel and aviation bans, and embargoes on specific commodities. When implemented alone, however, targeted sanctions may be little more than a nuisance

to elites. To improve their effectiveness, targeted sanctions should be integrated into an overall strategy to change the behavior of targeted actors.

Within the UN, greater capabilities for administering and monitoring targeted sanctions are required, including better provision of technical and legal assistance to member states for implementation. The on-going Stockholm Process on the implementation of targeted sanctions and the Security Council's Working Group on General Issues Related to Sanctions are focusing on these challenges. Existing processes to improve sanctions should develop horizontal linkages and facilitate information-sharing with other, related policy areas, above all the financial regulatory community. The requirements imposed by Resolution 1373 for Member States to enact legislation facilitating the freezing of assets and blocking financial transactions of international terrorist organizations should help refine mechanisms for applying targeted financial sanctions to actors complicit in armed conflict.

In order to improve member state compliance with sanctions, the Security Council should consider adopting a permanent sanctions implementation and monitoring mechanism, which would require more detailed and routine reports on state compliance with all sanctions regimes (as now required by the Counter Terrorism Committee in connection with implementation of Resolution 1373) and provide technical expertise and legal assistance where required.

For most private sector actors, the selective nature of smart sanctions does not preclude continued trade and investment, in contrast with comprehensive sanctions, which impose high costs on private sector actors in loss of market access, loss of actual investments, and loss of relative competitive edge. Targeted sanctions nonetheless present challenges for certain sectors, above all arms manufacturers, oil and natural resource firms, transport companies and financial services. The effectiveness of targeted sanctions depends in part on greater public-private partnership, including finding incentives for private sector compliance. It also depends on harnessing the industry-specific knowledge and capacities of private sector actors. The risk of less

scrupulous corporate actors evading sanctions not only undermines corporate compliance, but also minimizes the pain intended for targeted actors. The UN should provide an opportunity for legitimate private sector actors to provide input into the process of sanctions reform.

The independent UN Expert Panels created to monitor compliance and identify sanctions-busting by state and non-state actors have greatly improved understanding of the channels and actors through which sanctions-busting occurs. They have also strengthened compliance, largely due to the threat of "naming and shaming". The Security Council should support the creation of a permanent support office for the UN Experts Panels to provide needed administrative support and a central repository for documents, including non-public records, that would permit accumulation of knowledge and best practices. This office should complement, not replace, the ad hoc panels of outside experts, which are essential to the continued independence and credibility of the panels and to their overall effectiveness. The permanent support office should include a capacity for independent assessment of both the Panel reports and the follow-on actions taken by the UN Security Council and member states. The Council should follow up on the accumulated recommendations of the Expert Panels regarding sanctions, above all by urging decisive action against known sanctions-busters.

Certification regimes have the potential to stem the illicit trade in natural resources and other commodities from conflict zones, while at the same time permitting legitimate economic activity by states and private sector actors. They are a potentially powerful tool for more clearly distinguishing between licit and illicit trade, promoting transparency and accountability of commodity markets, and enhancing compliance with targeted sanctions regimes. Yet, as the Kimberley Process on rough diamonds demonstrates, certification regimes face several obstacles. First, many countries – whether involved in production, transport or consumption – lack both the financial and administrative capacity, and often the political will, to establish the requisite auditable warranty chains and tamper-proof

certification processes.⁴ Second, the illicit trade in natural resources is highly profitable for many states, corporations, and individuals whose activities threaten to compromise the integrity of certification. Yet "national sovereignty" makes securing independent, third-party monitoring of compliance difficult. Third, mobilizing the necessary political will to address the illicit trade in rough diamonds was facilitated by their clear link to conflict, the concentrated market control – and thus susceptibility to pressure – of De Beers and the diamond bourse in Antwerp, and the strong leadership of the Government of South Africa. Extending certification to other conflict commodities – such as oil, timber, or coltan, where the link to conflict is less clear and the number of actors more diverse – may be more difficult to accomplish.

The World Customs Organization (WCO), which has to date been underutilized, could provide technical assistance to the UN in sanctions implementation and the establishment of certification regimes. Free trade regimes have increased the volume of global trade, but reduced the ability of states to monitor these flows. The WCO could assist in the establishment of universal customs standards, authoritative documentation of controlled goods (e.g., end user certificates for legal transfers of arms) and routine reporting requirements.

The Convention Against the Illicit Trade in Endangered Species of Wild Fauna and Flora (CITES) may be a potential model for implementation of a global licensing system for specific commodities associated with conflict zones. CITES requires that all international trade in certain endangered species be authorized through a licensing system. Under the convention, certification is required for import, export, re-export and introduction of listed species, and includes increasingly strict conditions on three categories of species, according to the level of protection they need. Likewise, it contains provisions for non-signatory countries and clear enforcement mechanisms.

Countries judged by the CITES secretariat to have inadequately complied with CITES provisions face limited trade restrictions on the import from and export to signatories of all CITES species. Importantly, states may request technical assistance to implement the legislation enacting the convention.

Violations of sanctions and certification regimes are facilitated by the continued impunity of known sanctions violators. Communication and cooperation between international law enforcement agencies, including Interpol and its Sub-regional Bureaus (SRBs), and the UN, is still relatively ad hoc. More attention should be given to increasing the role of Interpol and analogous regional organizations to investigate and arrest sanctions-busters. The UN should consider the formation of a permanent mechanism for routine information sharing and cooperation among these agencies to establish common procedures and dissemination of best practices.

Peace-implementation and post-conflict reconstruction provide opportunities for donor governments, development agencies, and IFIs to assist national governments in addressing structural and institutional weaknesses. This includes building equitable revenue-sharing and resource management arrangements, promoting mechanisms for transparency, strengthening independent judiciaries and law enforcement agencies, developing alternative livelihoods, and establishing guidelines for responsible private sector engagement. However, these capacities must be nurtured while avoiding the temptation for wholesale political or financial engineering. Integrating an understanding of economic dimensions of conflict and their potential legacies and challenges for policy-makers into conflict resolution and peace-building may be achieved by actively engaging with UN Special Representatives of the Secretary General (SRSGs) or UNDP Resident Coordinators during their annual meetings.

⁴ For example, the United States General Accounting Office, the investigative arm of the US Congress, recently issued a report (GAO-02-425T) on the Kimberley Process in which it found the "recommended" and "voluntary" provisions for monitoring to be inadequate.

VI. An International Legal Regime Governing Resource Flows in Conflict Zones: Applicable Norms and Technical Requisites

In assessing the prospects for establishing an international regulatory framework, two sets of issues must be addressed: first, the identification of the legal requisites for establishing an encompassing international convention on illicit flows to conflict zones and the applicable international norms that may be adapted to this end. Second, the identification of the political challenges that such an enterprise would likely encounter, particularly in the context of UN policy-making, as well as the practical means of overcoming those challenges.

Several avenues exist for the creation of legally binding norms for acceptable economic behavior in the context of armed conflict. One is to identify and strengthen enforcement of relevant existing legal regimes and policy mechanisms that may be applicable to the prevention of conflict-promoting behavior, but which are currently underutilized. For example, the success of financial institutions in tracing laundered narcotics profits has been translated into effective tracing of ill-gotten gains from kleptocratic regimes.

Even where international legal regimes to prohibit conflict-promoting behavior do exist, they do not proscribe the full range of relevant activities. Gaps can be remedied through the development of an optional protocol, which would be subject to fewer political obstacles than the drafting of a new convention or the amendment of an existing one. Two recent protocols relevant to the control of war economies were attached to the UN Convention against Transnational Organized

Crime: the first, on trafficking in persons; the second, on illicit manufacture and trafficking in firearms, their parts, components and ammunition.

Alternatively, a new and encompassing international convention may be pursued. The likelihood of reaching consensus on an effective and implementable treaty will depend on the area of focus and the extent of resistance from key Member States. Consequently, such an endeavor may benefit from strong leadership by one or more Member States. However, it is unclear that even the extension of existing international laws and regional conventions can cover the full range of activities engaged in by combatants and war profiteers, and the jurisdictions in which such activities are undertaken.

Existing international human rights instruments offer a robust normative framework upon which to expand. The Universal Declaration of Human Rights has significant legitimacy and weight as "soft law". A growing number of NGOs are exploring the applicability of human rights standards to global corporate accountability.⁵ National adherence and recognition of human rights, however, remains a critical obstacle. International humanitarian law (IHL) applies principally to conventional, interstate wars, rather than contemporary armed conflicts in which undisciplined non-state armed groups play a prominent role. Although again, NGOs have recently explored ways to engage non-state armed groups.⁶ IHL does contain provisions for the conduct of inter-state trade in *declared* war, as well as prohibitions on violence against civilian populations or their property. It does not, however, cover illicit exploitation of natural resources, nor is it clear how it could be expanded to do so.

Significantly, with the unanimous adoption of Resolution 1373, the Security Council enacted a form

⁵ See for example, Halina Ward, "Corporate Accountability in Search of a Treaty? Some Insights from Foreign Direct Liability", Royal Institute of International Affairs Sustainable Development Program, Briefing Paper No.4, May 2002; Friends of the Earth International, "Towards Binding Corporate Accountability", Draft position paper for Prepcom 2 of WWSD, January 2002; International Council on Human Rights Policy, "Beyond Voluntarism: Human Rights and the Developing International Legal Obligations of Companies", January 2002; Amnesty International, "Human Rights Principles for Companies", URL: <http://www.web.amnesty.org/ai.nsf/index/ACT700011998> (June 27, 2002); Chris Jochnick, "Confronting the Impunity of Non-State Actors: New Fields for the Promotion of Human Rights", *Human Rights Quarterly*, 21.1., 1999, pp. 56-79.

⁶ International Council on Human Rights Policy, "Ends and Means: Human Rights Approaches to Armed Groups," September 2000.

of "instant international law", an unprecedented step for the Council, with far reaching implications for future norm creation. It represents the first instance in which the Security Council has used the legally binding character of its resolutions to engage in rule making, explicitly proscribing conduct, prescribing punishment, and requiring states to undertake specific steps to limit the activities of terrorist organizations. Nonetheless, Resolution 1373 is a product of September 11; it is unlikely that the Security Council will take similar action in the absence of circumstance of similar gravity.

International law is above all concerned with defining state responsibilities; its enforcement is primarily a problem of state capacity and will. The application of international law to non-state actors is more problematic. The threat of prosecution by the newly created International Criminal Court (ICC) may hold promise as a deterrent against violent predation and provide incentives for warlords and other non-state actors to uphold peace accords. However, the jurisdiction of the court is, at present, strictly limited to genocide, crimes against humanity, and war crimes. The illicit trade in natural resources and other forms of economic predation by combatants and war-profiteers remains outside the jurisdiction of the ICC. International laws regarding the conduct of war do include language on the unacceptability of plundering private or public property, though it is unclear what their legal status is. The opposition of the United States to the ICC is a principal obstacle to expanding its jurisdiction. While it is hoped that the ICC will replace the need for ad hoc tribunals, the power of the Security Council under Chapter 7 to establish these organs remains a further means of redressing illicit economic activities, provided the mandate of a tribunal explicitly included economic crimes.

The principle of universal jurisdiction, which empowers, if not obligates, national courts to investigate and, if sufficient admissible evidence is found, prosecute persons entering their territory for specific heinous crimes committed abroad, is a potentially powerful mechanism for ensuring accountability of individuals. While the possible application of universal jurisdiction to other offenses in international

law has been discussed, at present, it is not clear that universal jurisdiction applies beyond a narrow range of violations of human rights and humanitarian law. Moreover, its application faces numerous practical and legal hurdles, including the imprecision of its jurisprudence, the unwillingness of states to exercise it, and the functional immunity of acting government officials. Alternatively, it may be easier to apply *in rem* jurisdiction (i.e., authority over a thing, rather than a person). The recent USA PATRIOT Act, for example, permits the US government to seize financial assets from domestic branches or subsidiaries of multinational companies found to have terrorist assets, but which operate beyond the reach of national laws.

VII. Conclusion

Too often, even the most egregious incidents of economic predation, illicit natural resource exploitation, and sanctions violations by combatants go unpunished. At a minimum, the prevailing culture of impunity enables those who benefit from and are complicit in the propagation of armed conflict to evade punishment. At its worst, it rewards such behavior by legitimating those who take power or maintain it through violence.

Whether engaged in by government officials, rebel leaders, corporate decision-makers, or criminal traffickers, economic behavior that promotes and profits by conflict should be sanctioned, and complicit individuals should be held accountable for their conduct. Ideally, a comprehensive multilateral legal regime may be the best means of enhancing both the authority and the capacity of the international community to penalize those whose economic activities serve to support and/or exploit armed conflict. In absence of such a regime, greater attention must be paid to identifying, strengthening, harmonizing, and expanding the scope of existing policy levers.

The deprivation of resource flows to combatants may be a promising means for the international community to speed the resolution of armed conflict, but the trade-offs of this approach are many and success far from

assured. Clearly, the effectiveness of such efforts over the last decade has been limited. Continued improvement of existing policy levers and the identification of new ones – aided by a better understanding of the political economy of contemporary wars – is an urgent priority. The international community needs to devote more attention to the global nature of conflict-promoting resource flows, to developing consensus on acceptable standards for economic behavior in conflict zones, and to developing necessary local capacities and participation.

Interdiction and supply-side regulation are unlikely to succeed in isolation. Chances for success will be enhanced by complementary strategies of the UN, IFIs and other actors to address the grievances and motivations underlying conflict through poverty reduction, the promotion of more accountable and transparent governance, respect for human rights, and equitable management of resources. Globalization may be irreversible, but its negative consequences are not – provided that international aid, trade and finance redress, rather than exacerbate, existing disparities.



Participants at the IPA Conference on "Policies and Practices for Regulating Resource Flows to Conflict Zones", sponsored by the Rockefeller Foundation, Bellagio Study & Conference Center, Bellagio, Italy, 21-23 May 2002.

Appendix 1: Conference Agenda

Policies and Practices for Regulating Resource Flows to Armed Conflicts

Economic Agendas in Civil Wars Project

May 20-24, 2001
Rockefeller Foundation's Study and Conference Center
Bellagio, Italy

(Note: all sessions will feature paper presentations followed by discussion)

Monday, May 20

- 9:00 – 6: 00 Arrival at Bellagio
- 7:30 Cocktails, Sfondrata Commons
- 8:00 Dinner

Tuesday, May 21

- 8:00 – 9: 00 Breakfast
- 9:00 – 9:30 Welcome & Introductory Remarks
David M. Malone, President, International Peace Academy
- Perspectives on the Political Economy of Conflict
- 9:30 – 10:45 Meeting Objectives & Main Themes
- Chair: *David M Malone*, President, International Peace Academy
- Presentations:
- Report on EACW Policy Research & Meeting Objectives
Karen Ballentine, International Peace Academy
- Overview: Controlling Resource Flows in Armed Conflicts
Jake Sherman, International Peace Academy
- 10:45-11:00 Break

- 11:00 – 12:30 **The Political Economy of Armed Conflict: Local and Regional Dimensions**
- Chair: *Virginia Gamba*, Director, SaferAfrica & Chair EACW
Working Group on Economic Behavior of Armed Combatants
- Presentations:
- Regional Dimensions of the Colombia Conflict
Alexandra Guaqueta, International Peace Academy
- Afghanistan & South and Central Asia
William Maley, School of Australian Defence Force Academy
- Sierra Leone & West Africa
Lansana Gberie, Partnership Africa Canada
- 12:30 – 2:00 Lunch
- Assessing Global Connections & Global Responses**
- 2:00 – 3:30 **Resource Flows to Armed Conflict & Regulatory Efforts**
- Chair: *Andrew Mack*, Director, Centre for Human Security, University of British Columbia,
Vancouver & Chair EACW Advisory Group
- Presentations:
- Regulating Natural Resource Extraction and Trade
Stanlake Samkange, former member, UN Panel of Experts on Angola Sanctions
- Managing Diaspora Remittances
Rohan Gunaratna, St. Andrews College
- 3:30 – 3:45 Break
- 3:45 – 4:30 **Resource Flows to Armed Conflict & Regulatory Efforts, *continued***
- Chair: *Andrew Mack*
- Presentation:
- Combating Transnational Organized Crime
John Picarelli, American University Transnational Crime and Corruption Center*
- 7:30 – 8:00 Cocktails
- 8:00 Dinner

* (Discussion paper co-authored with Phil Williams, Ridgway Center, University of Pittsburgh.)

Wednesday, May 22

8:00 – 9: 00 Breakfast

9:00 – 10:30 Resource Flows to Armed Conflict & Regulatory Efforts, *continued*

Chair: *Virginia Gamba*

Presentations:

Reducing the Illicit Diversion of Humanitarian Aid

Elias Habte Selassie, Consultant

Approaches to Regulating Private Sector Activities

Mark Taylor, Fafo Institute of Applied Social Science**

10:30 – 10:45 Break

10:45 – 12:30 Regional Approaches to Regulating Resource Flows to Conflict Zones

Chair: *Andrew Mack*

Presentations:

Regulating The Illicit Trade in Natural Resources: The Role of Regional Actors
in Western Africa

Kwesi Aning, African Security Dialogue & Research

Regulating the Trade in Small Arms: Southern Africa and the Role of Regional Actors

Virginia Gamba, SaferAfrica

Regulating the Narcotics Trade: Colombia and the Role of Regional Actors

Monica Serrano, Oxford University

12:30 – 2:00 Lunch

2:00 – 4:30 Review & Discussion Session:

Assessing Regional Approaches:

Nazih Richani, Kean University

Elizabeth Picard, Institut et d'Etude sur le Monde Arabe et Musulman

Considerations for Policy Development

Andrew Mack

Karen Ballentine

** (Discussion paper co-authored with Leiv Lunde, ECON)

7:30 – 8:00 Cocktails

8:00 Dinner

Thursday, May 23

8:00 – 9: 00 Breakfast

Adapting & Improving Existing International Policies and Practices

9:00 – 10:30 Financial Regulations

Chair: *Colin Keating*, Chen, Palmer & Partners, &
Chair, EACW Working Group on Assessing International Policy Responses

Presentations:

Promoting Fiscal Transparency and Monitoring

Miguel Schloss, Transparency International

Combating Money-Laundering: The OECD Financial Action Task Force (FATF)

Jonathan Winer, Alston & Bird, LLP

Targeted Financial Sanctions: Lessons From the Interlaken Process

Sue Eckert, Watson Institute for International Studies

10:30 – 10:45 Break

10:45– 12:30 Other Forms of Regulation

Chair: *Colin Keating*

Presentations:

Commodity Regulation through Certification Regimes

Ian Smillie, Partnership Africa Canada & former member,
UN Expert Panel on Sierra Leone

UN Sanctions Regimes, Expert Panels, and Monitoring Mechanisms

Karen Ballentine

12:30 – 2:00 Lunch

- 2:00 – 3:30 Evaluating the Prospects of an International Legal Regime
Governing Illicit Trade & Finance in Conflict Zones
- Chair: *Necla Tschirgi*, Vice-President, International Peace Academy
- Presentations:
- International Humanitarian Law: a Normative Model for Criminalizing
Violent Predation of Economic Assets?
Muna Baron Ndulo, Cornell University Law School
- Legal Precedents and Requisites for a United Nations Convention on Illicit Trade
in Conflict Zones
Tom Farer, University of Denver Graduate School of International Studies
- Political Challenges to Building an International Legal Regime
Colin Keating, Chen, Palmer & Partners
- 3:30 – 3:45 Break
- 3:45 – 4:30 Conference Summary
Jake Sherman
- 4:30– 5:00 Conference Outputs & Closing Remarks
Karen Ballentine , Necla Tschirgi
- 7:30 – 8:00 Cocktails
- 8:00 Dinner
- Friday May 24 Depart Bellagio

Appendix 2: Participants List

Dr. Kwesi Aning
African Security Dialogue & Research

Ms. Karen Ballentine
International Peace Academy

Ms. Susan Eckert
Watson Institute for International Studies

Dean Tom J. Farer
University of Denver Graduate School of
International Studies

Dr. Virginia Gamba
SaferAfrica

Mr. Lansana Gberie
Partnership Africa Canada and
University of Toronto

Dr. Alexandra Guaqueta
International Peace Academy

Ambassador Colin Keating
Chen Palmer & Partners

Mr. Andrew Mack
Centre for Human Security,
University of British Columbia

Dr. William Maley
School of Politics,
Australian Defence Force Academy

David M. Malone
International Peace Academy

Dr. Muna Ndulo
Cornell University Law School

Dr. Elizabeth Picard
Institute d'Étude sur le Monde Arabe et Musulman

Mr. John Picarelli
American University, Transnational Crime and
Corruption Center

Dr. Ignacio Nazih Richani
Department of Political Science, Kean University

Mr. Stanlake Samkange
Advisor to the G-8 Summit,
Department of Foreign Affairs and International Trade

Dr. Miguel Schloss
Transparency International

Mr. Elias Habte Selassie
Consultant

Dr. Monica Serrano
Department of Politics and International Relations,
University of Oxford

Mr. Jake Sherman
International Peace Academy

Mr. Ian Smillie
Human Security and the International Diamond
Trade in Africa Program, Partnership Africa Canada

Dr. Necla Tschirgi
International Peace Academy

Mr. Mark Taylor
Programme for International Co-operation and
Conflict Resolution, Fafo Institute for
Applied Social Science

Mr. Jonathan Winer
Alston & Bird LLP

ABOUT THE PROGRAM

Economic Agendas in Civil Wars (EACW)

Senior Associate:	Karen Ballentine	ballentine@ipacademy.org
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Program Officer:	Heiko Nitzschke	nitzschke@ipacademy.org
Duration:	September 2000-December 2003	

Initiated in September 2000, the EACW program follows from a conference held in London in 1999 which produced the seminal volume, *Greed & Grievance: Economic Agendas in Civil Wars*, Mats Berdal and David Malone (eds.) (Lynne Rienner Press: Boulder, 2000). The program addresses the critical issue of how the economic agendas of armed factions sustain violent conflict and inhibit durable peace, while also assessing the role of globalization in creating new opportunities for combatants to finance their military operations. This hitherto under-developed field of research holds particular promise of policy relevance for those international and national actors seeking more effective strategies for conflict prevention and conflict termination.

Beginning with an overall commitment to durable conflict resolution, the broad aims of the program are:

- to improve understanding of the political economy of civil wars, through a focused analysis of the economic behaviors of competing factions, their followers, and external economic actors in conflict zones;
- to examine how globalization shapes the economic interests of belligerents as well as creates new opportunities for competing factions to pursue their economic agendas, through trade, investment, and migration ties, to neighboring states and to more distant, industrialized economies; and
- to evaluate the effectiveness of existing and emerging policy responses used by external actors, including governments, international organizations, private sector actors, and NGOs, to shift the economic agendas of belligerents from war towards peace and to promote greater economic accountability in conflict zones.

Policy research and development proceed along two tracks: four expert working groups (Advisory Group, Working Group on Economic Behavior of Actors in Conflict Zones, Private Sector Working Group, and Policies and Practices Working Group) and commissioned research. Case studies have been prepared on the political economy of conflict in Burma, Bougainville (PNG), Colombia, Kosovo, Sri Lanka, Sudan, and West Africa and will be published in an edited volume (Lynne Rienner Press, forthcoming). A second volume of analytic studies assessing policy responses to the economic dimensions of armed conflict is being commissioned. Other products include periodic meeting reports, policy briefs and background papers, which are available electronically on our website (details below).

Policy development also involves on-going consultations with international experts and practitioners, academic conferences, workshops, and briefings that bring together relevant UN actors, governments, private sector actors, and NGOs. As part of a continuous outreach effort, the program has engaged in several partnerships, including the Fafo Institute of Applied Social Science (Oslo), the Institute for Security Studies (Pretoria), the Woodrow Wilson International Center for Scholars (Washington, DC), the International Institute for Strategic Studies (London), and the World Bank's Development Economics Research Group (Washington, DC). We have also built a virtual network of experts and policy practitioners through sponsorship of an electronic list-serve, <war_economies@yahoogroups.com>.

More information on program events and all of the program reports are available on the program website at <http://www.ipacademy.org/Programs/Research/ProgReseEcon_body.htm>

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