

Economic Agendas in Civil Wars



International Peace Academy

Program on Economic Agendas in Civil Wars: Principal Research Findings and Policy Recommendations

Final Report

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1. Scope and Objectives of the Program

The *Program on Economic Agendas in Civil Wars (EACW)* was launched in 2000 in response to a convergence of political factors, academic interests, and policy concerns that pointed to the need for conflict prevention and resolution policies to be informed by a systematic understanding of the economic dimensions of contemporary civil wars. Preliminary studies undertaken by the International Peace Academy, the World Bank, and university researchers generated many of the broad propositions that guided the program's research and policy development design.¹ These included assumptions that:

- Economic factors are consequential to warring elites' decisions to pursue war and peace;
- Economic greed and not socio-economic or political grievance is the chief driver of armed conflict;
- Countries with a relatively high dependence on natural resources are at higher risk of conflict; and
- Global economic flows (trade, aid, and investment) affect the incidence, duration, intensity, and character of armed conflict.

Taken together, this line of inquiry suggested that economic linkages to conflict provide an important if under-explored avenue for policy interventions aimed at preventing and mitigating armed conflict. Consistent with IPA's mandate to promote more effective policies of conflict prevention, resolution, and post-conflict reconstruction, the central aims of the Economic Agendas in Civil Wars policy research and development program were three-fold:

- To improve understanding of the political economy of civil wars, through an analysis of the economic strategies of belligerents and their followers.

- To inquire into the impact of economic globalization and the role played by transnational private sector actors in conflict zones.
- To evaluate a range of policy and regulatory responses to curtail conflict-promoting economic activities and perhaps, too, change the incentives of warring factions to reduce the rewards of violence and to increase those of peace. The program also inquired into the means of enhancing the political and economic accountability of actors involved in violent conflicts.

1. Understanding the Political Economy of Armed Conflict

The initial phase of research involved a series of country-based empirical case studies, commissioned to test the propositions generated by earlier studies and to explore and assess the following issues:

- The actual economic behavior of combatant parties and their principal sources of financial and military support.
- The relative importance of economic factors vis-à-vis ethnic, political, social, and security factors to the incidence, duration, and character of armed conflict.
- The ways that globalization affects the opportunities for combatant self-financing.
- The extent to which the particular conflicts studied were amenable to targeted international interventions, including development assistance and economic sanctions and/or inducements.

Importantly, these studies sought to extend knowledge by assessing the economic dimensions of conflicts beyond the critical cases in Africa, and to examine separatist as well as non-separatist conflicts.²

¹ Many of these studies were published in the seminal volume *Greed and Grievance: Economic Agendas in Civil Wars*, Mats Berdal and David M. Malone, eds. (Boulder, CO: Lynne Rienner Publishers, 2000).

² The results have been published in *The Political Economy of Armed Conflict: Beyond Greed and Grievance*, Karen Ballentine and Jake Sherman, eds. (Boulder, CO: Lynne Rienner Publishers, 2003).

2. War Economies in a Regional Context

While these country-based case studies helped to shed light on the political economy of specific conflicts, they also pointed up the weakness of country studies in capturing a critical aspect of many contemporary intra-state conflicts: their regional economic dimension. The role played by regional neighbors in fomenting conflict for strategic or political reasons, while well understood, has often obscured the many ways that cross-border economic flows can also shape conflict dynamics. These economic flows range from spillover effects, such as refugees, to more systematic economic networks of arms, commodities, and mercenaries, and can be particularly salient in regions where borders are weak and where there are interlinked conflicts in adjacent states. Accordingly, the program commissioned a multi-authored volume that focused on the regional war economies surrounding conflicts in Sierra Leone, Afghanistan, and Bosnia. The objectives of the study were to evaluate the scope and nature of region-wide economic networks and vested interests that have supported war, and to identify opportunities for improved policy responses.³

3. Transforming War Economies

During the period of this research, several intra-state conflicts in which the violent competition for lucrative assets was a prominent feature were ended or were nearing resolution, some through negotiation, others through intervention, still others through military victory of one side. However, the war economies that sustained them persisted. Preliminary studies on peace implementation have identified combatants' continued access to lucrative resources and other sources of self-financing as a major factor of failed peace

processes in the 1990s.⁴ An emerging issue for policy development, then, was to better understand the challenges posed by war economies for successful peacemaking and peacebuilding, such that their legacies were not left to undermine fragile settlements. Under the rubric of "transforming war economies," this set of research issues was incorporated into commissioned research on regional economic dimensions and was the focus of another set of studies on the case of the Democratic Republic of Congo.⁵ In all, the aim was to help strengthen post-conflict reconstruction to mitigate against reversion to hostilities by identifying critical economic legacies—such as the criminalization of the economy, impunity of exploiters, collapsed national and regional law enforcement, and the destruction of alternative livelihoods—and assessing how post-conflict policies for disarmament, the restoration of economic governance, and economic development strategies might be strengthened to address these legacies.

4. Improving Global Governance

From the outset, the program's policy development efforts were predicated on the assumption that a better understanding of the local, regional, and global economic dimensions of armed conflict could contribute to more comprehensive and effective conflict prevention and conflict resolution. Several contemporary intra-state conflicts are highly dependent upon combatant access to global commodities and financial markets, gained variously through transnational criminal organizations and legitimate but weakly regulated private sector activities. Together they create an opportunity structure for armed conflict that is highly permissive. Increasingly, curtailing these economic activities has become a matter of priority for those seeking to resolve and prevent violent conflict.

³ Michael Pugh and Neil Cooper with Jonathan Goodhand, *War Economies in a Regional Context: Challenges of Transformation* (Boulder, CO: Lynne Rienner Publishers, 2003).

⁴ Stephen J. Stedman, Donald Rothchild, and Elizabeth M. Cousens, eds., *Ending Civil Wars: The Implementation of Peace Agreements* (Boulder, CO: Lynne Rienner Publishers, 2002).

⁵ Karen Ballentine and Michael Nest, eds., *The Democratic Republic of Congo: Economic Dimensions of War and Peace* (Boulder, CO: Lynne Rienner Publishers, forthcoming).

Accordingly, the program undertook an inquiry into the prospects for creating a comprehensive international framework to address conflict-promoting economic activity. This involved two parallel projects: the identification and assessment of the emerging policy mechanisms and strategies available to the UN, regional organizations, national governments, and the global private sector for managing the resource dimensions of intrastate conflict;⁶ and an assessment of the utility of legal norms and mechanisms to address economic activity in war-torn or conflict prone states.⁷ Sensitive to both the nascent character of this policy agenda and the complexity of the issues involved, these studies endeavored to explore the full continuum of policy options and involved extensive consultations with governments, multilateral agencies and representatives of the international private sector.

II. Principal Research Findings

The commissioned research generated several important findings, some of which have necessitated refining or revising the guiding propositions. Other findings have had research and policy implications unforeseen at the program's outset, but which were subsequently incorporated into the research design and policy development activities. In all, there was a recognition that the focus on the economic motives and behavior of combatants and other actors in conflict zones and the workings of the global conflict trade needed to be better situated in the broader political economy of conflict, including the permissive opportunity structure for violent rebellion created by weak states, economic

underdevelopment, corruption, and inadequate global regulation of commodity and financial markets.

1. Greed and Grievance: Economic Agendas and Armed Intra-State Conflict

Earlier work by David Keen suggested that violent conflict has a variety of functions for those who participate in it and that there "may be more to war than winning." Viewing rebels as rational actors, quantitative research by Paul Collier and colleagues at the World Bank led to the controversial proposition that civil wars are fought for the purposes of "doing well out of war" and are driven by rebels' loot-seeking motivations rather than by justice-seeking motives grounded in political, ethnic, or social grievance. While initially focused on motivations, later versions of this theory focused on the ways economic resources create opportunities that made insurgency feasible.⁸

EACW research confirmed the growing trends in the self-financing nature of contemporary armed conflict, the strategic importance of lucrative natural resources in many conflicts, the permissive environment of liberalized international trade and commerce, and the importance of undertaking a stakeholder analysis of who benefits from armed violence. However, it also suggested several important qualifications:

- i) *The Limited Utility of the "Greed versus Grievance" Construct in Explaining Conflict Onset*
 - Analytical efforts to clearly distinguish

⁶ Karen Ballentine and Heiko Nitzschke, eds., *Towards Peaceful Profits: Managing the Resource Dimensions of Armed Conflict* (Boulder, CO: Lynne Rienner Publishers, forthcoming).

⁷ *Legal Liability of Business Entities for Grave Violations of International Law: A Review of International Norms and National Jurisdictional Approaches*, a joint FAFO-IPA project (FAFO, forthcoming).

⁸ Based on statistical models, Paul Collier and Anke Hoeffler posited that conflicts were more likely to be caused by "greed" than by "grievance." Proxies for greed were seen as good predictors for civil conflict, proxies for grievance less so. The former included an economy largely dependent on primary commodities and large numbers of poorly educated young men. Proxies for grievance included economic inequality, a lack of political rights, and government incompetence. See Paul Collier and Anke Hoeffler, "Greed and Grievance in Civil War," Policy Research Working Paper 2355, The World Bank Development Research Group, May 2000 (updated October 21, 2001), available at www.worldbank.org/research/conflict/papers/greedgrievance_23oct.pdf. Other studies have pointed to the econometric limitations that render Collier and Hoeffler's research findings problematic. See, for example, Nicholas Sambanis, "A Review of Recent Advances and Future Directions in the Literature on Civil War," *Defense and Peace Economics* 13 (2002): 215-243.

economic from political, social, or cultural causes of conflict are complicated by the methodological difficulties of deducing motive from behavior, by the fluid nature of conflict dynamics over time, and by the fact that in many of the conflict settings examined, where private sources of wealth are few, the state is the primary source of wealth as well as of political dominance.

- None of the conflicts studied can be accurately characterized as pure “resource-driven” wars. Neither rebel loot-seeking nor the opportunity for insurgency made available by access to natural and financial resources figured as a sole or even primary cause of conflict. In each case, the outbreak of conflict was triggered by the interaction of economic motives and opportunities with long-standing grievances over the mismanagement or inequitable distribution of resource wealth, exclusionary and repressive political systems, inter-group disputes, and security dilemmas further exacerbated by unaccountable and ineffective states.
- Research conducted by the EACW program both confirmed and extended the findings of the World Bank Development Research Group positing a significant correlation between a country’s dependence on primary commodity exports and the risk of civil war through greed-driven rebellions.⁹ The high salience of natural resource endowments and violent conflict stems from the fact that most of today’s conflicts occur in developing countries, where governance is weak, corruption rife, and value-added manufacturing is undeveloped and further weakened by political instability. In all, this suggests that the dependency on valuable natural resources is not in itself a reliable indicator of where conflict is likely to occur. The correlation between natural resource dependency and conflict risk is not direct; variations in the state’s governance of natural resources are critical intervening

variables. Thus, formerly stable diamond-producing countries may become conflict-prone if poor management and corruption gain the upper hand, as in Sierra Leone.

- While resource endowments do contribute to the financing and, hence, feasibility of armed conflict, the opportunity structure for conflict is also shaped by a number of other variables. These include the presence of mobilizable social and kinship bonds, the presence of regional allies, and the relative military, economic, and political weakness of the state being challenged. In the separatist conflict in Kosovo, as well as the insurgencies in Nepal, the Democratic Republic of the Congo (DRC) and Sierra Leone, the outbreak of rebellion occurred at moments when the legitimacy and military capacity of the state was severely diminished by a combination of external shocks and internal corruption and decay, thereby contributing to both grievance and opportunity for rebellion. In the case of Bougainville, perceptions of inequitable sharing of natural resource wealth was central to the eruption of violence, but resource wealth played no role in sustaining the conflict.
- ii) *Economic Agendas are Consequential to the Character and Duration of Civil War and Complicate Efforts at Conflict Resolution*
- Predatory economic exploitation was found to be more critical in sustaining, prolonging, and transforming conflict than in causing conflict;
 - Access to and competition over lucrative resource wealth by both state militaries and non-state armed groups can entrench and prolong violent conflicts through several mechanisms:
 - By creating supplementary economic dividends to the entrepreneurs of violence;
 - By generating second-order grievances

⁹ Collier and Hoeffler (2001).

among those dispossessed of land and property or among those whose labor has been exploited by militarized production; and

- By triggering intra-group competition that leads to military fragmentation, multiplies the points of conflict, and creates discipline problems that make it difficult for leaders to commit their putative followers to peace agreements.

For example, in Sierra Leone and Angola, continued rebel access to illicit diamond flows strengthened peace spoilers and undermined hard-won peace agreements. In Colombia, the growing dependence of guerrilla and paramilitary forces on illicit drug revenues allowed them to expand their war-fighting capacities and defy successive peace negotiation efforts, while also attracting fighters less concerned with ideological and political programs than economic advancement;

- Mirroring the rent-seeking pathologies of resource-dependent states, the political agendas of state challengers can mutate into economic agendas as conflict proceeds and provides new opportunities for plunder, pillage and the systematic capture of production and trade. A telling indicator of this mutation is the informal and periodic economic collusion between putative adversaries engaged in the illicit exploitation of natural resources, as occurred in Sierra Leone and the DRC.
- The more that state and non-state combatants depend on the predatory exploitation of natural resources and other wealth, the more susceptible they become to corrosion of internal coherence and discipline. Likewise, the greater availability of economic capital reduces combatant incentives to generate and sustain social capital among putative supporters as well as to refrain from indiscriminate forms of civilian predation. Overall, this finding applies more to insurgencies than to ethno-separatist conflicts, where ethnic solidarity is a valuable source of legitimacy and social capital.

- Different natural resource endowments affect different sorts of conflicts and combatant parties in distinct ways. “Lootable” (i.e. easily captured and transportable) resources, such as alluvial diamonds, illegal narcotics, coltan, and timber are more likely to be implicated in anti-government insurgencies, compromise battle discipline, and benefit a range of actors, including rebels, government forces, and conflict-dependent civilians. They also complicate conflict resolution efforts by introducing secondary conflicts over resources and multiplying the number of peace spoilers. These pathologies have been central to the later stages of the DRC conflict. “Unlootable” resources, such as oil, gas, and deep-shaft mineral deposits tend to be associated with separatist conflicts, as witnessed in Bougainville. While these types of resources may be vulnerable to rebel obstruction and extortion, as in Colombia, they disproportionately benefit state actors.

- Predatory exploitation of natural resources and other lucrative economic assets is most systematic and consequential to how conflicts are fought where the following factors obtain: where combatant groups have access to “lootable” and lucrative resources; where resource-dependent states have been weakened by patronage and rent-seeking; and where informal and shadow economies are already well-established. These conditions have obtained most prominently in Sierra Leone, Angola, the DRC and Burma/Myanmar. In each case, this allowed weaker parties to sustain war-fighting capacity and to avoid hurting stalemates, thereby prolonging conflict.
- Increased criminality is a recognized feature of all war-torn societies. In conflicts where resource predation is predominant, criminality is more systematic. Combatant participation in the capture of natural resources and flows of diaspora remittances has led some groups, such as the Liberation Tigers of Tamil Eelam (LTTE) in Sri Lanka, to adopt the practices and structure of transnational criminal organizations. In other cases, such as Kosovo and

Colombia, the effect has been to create dependencies of combatant groups on international traffickers of arms and illicit commodities. Importantly, however, in most cases entry into criminal economic enterprise has compromised but not supplanted the political and strategic objectives of combatants. For this reason, it would be inaccurate to regard these conflicts as nothing more than extreme forms of criminal activity.

Implications for Policy

- There is a need to recognize the full dimensions of the political economy of contemporary civil wars. Until now, in cases where policy efforts have been shaped by the assumption that greedy rebels are the main driver of conflict, there has been a focus on implementing commodity embargoes and other sanctions that seek to cut off insurgent access to global markets. While such measures may have affected the military balance of power in ways that have assisted conflict resolution, alone they are insufficient. Not only do they fail to target the full range of state and transnational actors who economically benefit from conflict, they also fail to address the governance deficit at the local, regional, and global levels, that lies at the root of these conflicts.
- A stakeholder analysis of who derives economic benefits from conflict, and how, underlines the multifaceted nature of war economies and the importance for policy interventions of distinguishing between those who exploit resources for war (conflict entrepreneurs), those who exploit war for access to resources (conflict exploiters), and those, largely civilians, who participate in illicit economic activities as a matter of survival (conflict dependents).

2. The Regional Economic Dimensions of Armed Conflict

Research has confirmed that many contemporary intra-state conflicts have strong regional economic

linkages. Very often the most entrenched conflict economies are those that are embedded in regional conflict formations, such as those in West Africa, the Great Lakes region, and South/Central Asia. These linkages go beyond “economic spillover effects.” Taking advantage of traditional informal trade and commercial networks and the absence of state control in peripheral borderlands, combatants have established elaborate systems of cross-border trade in arms, men, and resources. Large profits have accrued to combatants and regional traders by exploiting the price differentials across borders. These factors have also led to patterns of conflict displacement to neighboring states that severely complicate efforts at conflict prevention and resolution, as the case of West Africa all too glaringly confirms.

Implications for Policy

- Given the extensive cross-border linkages that sustain conflict, traditionally state-centric conflict management approaches need to become more region-sensitive. In addition to bringing key regional actors into peace negotiations, this will also require the development of post-conflict reconstruction strategies that explicitly address the regional aspects of disarmament and demobilization, conflict trade, and regional economic recovery.
- Insecurity and shadow economic activities thrive in marginalized borderlands, creating havens for peace spoilers. Typically, however, peace missions focus troop deployments to capitals. As in Afghanistan, this can leave the hinterlands to the mercy of predatory warlords and leave intact the regional networks that support them, thereby reducing the odds for successful peacebuilding. Strategic peacekeeping deployments to highly trafficked border areas should be considered.
- State-focused development assistance programs of donor countries and international financial institutions can create regulatory gaps that create incentives for illicit economic activities that fuel conflict or displace it to

neighboring countries. As in West Africa, this can perpetuate renewed cycles of conflict. These risks may be mitigated by greater emphasis on regional economic strategies for development and reconstruction that promote regional economies of scale and regional economic protection.

3. Transforming War Economies: The Challenges for Peacemaking and Peacebuilding

To date, most policy responses to the economic dimensions of armed intra-state conflict have been focused on efforts to curtail the global conflict trade as a means of ending conflicts. Thus far, however, little analytical attention has been directed to the next phase: the operational challenges of transforming the 'war economies' that have sustained conflict. Violent predation, official corruption, and systematic economic criminality typically outlast the formal resolution of active hostilities. Preliminary analysis also suggests that countries in which lucrative economic resources have become central to conflict dynamics represent highly difficult environments for conflict resolution, peacemaking and peace implementation, and sustainable recovery.

Today, this is most vividly demonstrated in the Democratic Republic of Congo, where the continued scramble for resources has inhibited conflict resolution in the eastern provinces, while compromising the legitimacy and stability of the transitional government. Continued access to lucrative resources provides an incentive and a means for peace spoilers and creates powerful incentives against disarmament and demobilization. This can impede successful peace implementation and perpetuate the vicious cycle of underdevelopment and conflict. War economies are sustained by regional and global linkages with both licit and illicit actors, each with vested interests in the continuation of conflict and instability. Both rebel and government combatants, as well as others who have benefited from economic predation during war may act as 'spoilers,' using force to undermine peace

processes. The economic opportunities and rewards available through predation may also influence combatants' proclivity to voluntarily disarm and return to a civilian life.

Implications for Policy

- Overall, peace agreements tend to emphasize political and military issues to the neglect of the economic aspects of war. In settings where economic predation and violent resource competition have been major conflict dynamics, conscientious efforts should be made to supplement power-sharing with resource-sharing agreements. In some cases, the need to secure the compliance of combatant parties, some of whom may resist efforts to block their room for economic maneuver, may make resource-sharing agreements impractical. Where politically feasible, third-party mediators should seek to include provisions for resource-sharing in peace agreements or establish benchmarks for responsible resource management, that could serve as reference for donors and civil society to hold government accountable. International financial institution (IFI) representatives should be included in the peace processes, whether formally or informally, to ensure coordinated policy action among third parties and to match peace agreements with suitable post-conflict economic recovery strategies.
- A careful and continuous assessment of the economic endowments and activities of combatants may help third-party mediators of peace processes to identify potential spoilers. Possible strategies for management of spoilers include cooptation, criminalization, or benign neglect. Alone or in combination, each strategy involves difficult tradeoffs that may undermine sustainable peace.
- Disarmament, demobilization, and reintegration (DDR) programs face additional challenges where the possession of arms is not just a function of ongoing insecurity but is also an important economic asset. In such settings, the

United Nations (UN) and the World Bank need to make disarmament and reintegration parallel and complementary, not sequential, processes. Socio-economic support to former combatants needs to be provided early on in the DDR process, taking account also of the different incentives of rank-and-file soldiers and middle-level commanders. Importantly, DDR programs must form an integral part of national post-conflict development and reconstruction strategies.

- Where DDR is not accompanied by adequate development of alternative economic opportunities, illicit economic behavior becomes an attractive option in post-conflict settings. For example, in the former Yugoslavia, narcotics and human trafficking have become sources of power and impediments to good governance and sustainable peace. This puts a high premium on improving the capacity of comprehensive peace missions to anticipate and to deter post-conflict criminality. The policy implications in this context need to be recognized by the UN Security Council and by the UN Departments of Political Affairs and Peacekeeping Operations.
- Supply-side policies of interdiction and law enforcement are unlikely to succeed in the absence of demand-side policies of structural prevention that strengthen both economic and political governance. Just as development policy needs to be made more “conflict-sensitive,” so too must efforts to prevent and resolve violent conflict be more consciously “development-sensitive.” To support the transformation from war to peace, efforts to curtail predation, illicit exploitation of lucrative natural resources, and economic criminality through supply-side controls need to be complemented by “demand-side” policies for the strategic provision of alternative livelihoods for those combatants and civilians who have become dependent on war economies.
- Post-conflict reconstruction packages need to be complemented by more systematic regula-

tory interventions targeting trade and commerce. Where the illegal exploitation or inequitable, unaccountable management of natural resources has been central to conflict dynamics, improved resource governance needs to be a central element of peacebuilding and post-conflict reconstruction strategies. This will require a more systematic operational engagement of and coordination between international customs and law enforcement bodies, development agencies, international trade bodies, and those actors—chiefly the Security Council—who are mandated to lead post-conflict recovery. It may also require a re-evaluation of conventional donor assistance objectives of rapid macro-economic stabilization and economic liberalization, as these policies often have perverse and negative effects for successful peace implementation.

4. Globalization and the Role of International Private Sector Actors in Conflict Zones

A guiding proposition of the EACW research has concerned the role of globalization in creating a permissive opportunity structure for the financing of civil wars, particularly the nature and the extent to which private sector operations and investment in conflict zones have exacerbated or complicated conflict dynamics. The program’s research activities and consultations with regulatory and private sector actors have found that these factors have been consequential in a variety of respects:

- The uneven impact of globalization—particularly asymmetries in developing country access to primary commodity markets—and donor-driven market liberalization have greatly contributed to the opportunity structure for conflict by compromising the ability of developing countries to diversify their economies, weakening their economic potential and governance capacities, and often exacerbating the very corruption that market forces are supposed to remedy.
- While international trade and commerce has long been implicated in civil wars, the extensive

and rapid liberalization and decentralization of trade and investment flows in a context of gravely weakened state regulation has increased combatant access to global markets, providing them with a proliferation of avenues to generate revenues, whether used to finance military campaigns or for self-enrichment.

- These activities typically straddle the licit/illicit divide and range from participation in transnational criminal economic networks to the extortion of companies with operations in conflict zones. Combatants have been particularly adept at exploiting multinational companies, whether by trading in “booty futures”—the selling of natural resource concessions to multinational corporations by combatants claiming sovereign rights—as has occurred in the DRC; by the provision of labor and/or security to companies in return for cash; or by forcible extortion of companies through actual or threatened kidnapping of personnel and obstruction of company operations.
- Distinctions need to be made between the activities of rogue companies—enterprises that deliberately seek to profit from conditions of conflict—and legitimate company operations that can unintentionally fuel conflict. However, in the context of failed states and weak regulatory norms, and with the availability of multiple and overlapping global trade and investment networks, distinguishing legitimate from illegitimate economic transactions in war-affected countries remains problematic.
- Because natural resource endowments are strategically important and site-specific, and because accessing them is capital- and time-intensive, extractive industries and their contractors are more likely than other types of enterprises to retain a presence in conflict zones. While these companies and their assets are vulnerable to conflict, their operations and

investments can also have unintended conflict-promoting effects. Well-documented examples include the role of De Beers in purchasing rough diamonds from networks which benefited state and non-state groups in Angola and Sierra Leone in the mid-1990s and the role of several major oil companies in providing untransparent concessionary payments to the Angolan government that provided discretionary funds for war-making and self-enrichment.

- Many private multinational companies have a demonstrated interest in promoting predictable and stable business environments. Yet their inclinations to integrate conflict-mitigating and preventive measures in their business practices, such as conflict impact assessments, transparency initiatives, and public-private partnerships for responsible revenue management, not to mention more robust commitments to security and human rights, are constrained by a number of concerns, some of which are legitimate and must be addressed, notably including:
 - Concern that needed measures will be costly, particularly for smaller companies;
 - Concern that non-compliers—particularly state-owned enterprises and private companies in countries with minimal concern for regulation—will benefit at the expense of those engaged in progressive conflict-preventive efforts;
 - Concern that in the absence of clearly established minimum standards as to what activities are unacceptable, they will be vulnerable to constantly moving goal posts;
 - Concern that they are being asked to shoulder responsibilities of governance properly belonging to states.

A central challenge for policymakers is to develop forms of regulation that mitigate conflict-promoting activities while protecting otherwise legitimate and beneficial trade and investment.

III. The Challenges for Global Regulatory Policies and Conflict Management

From the outset, the program's policy development efforts were predicated on the assumption that a better understanding of the local, regional, and global economic dimensions of armed conflict could contribute to more comprehensive and effective regulatory policies and mechanisms. As other analysts have observed, contemporary civil war economies present policymakers with a "malign problem structure,"¹⁰ characterized by a heterogeneous set of actors with strong incentives to evade regulation, a lack of empirical and normative consensus as to which activities are legitimate and which are illegitimate and ought to be regulated, competing and ill-defined regulatory jurisdictions, and asymmetrical costs and benefits. Ongoing research on available and emerging policy responses and consultation with different regulatory actors has led to the following conclusions:

- There are a number of existing international and regional conventions, national legislation, and bilateral agreements with some potential to address important aspects of egregious forms of economic predation and to limit the resource flows that sustain armed conflict. These include conventions against bribery, smuggling, money-laundering, and terrorist financing, as well as an ever-growing plethora of voluntary codes of corporate conduct. Designed for other purposes, many of these have not been tailored to address the particular problems of war economies, however, and it is far from certain that they will confer the necessary jurisdiction to effectively respond to the problem.
- Voluntary self-regulation and cooperative regulation through public-private partnerships are the preferred approaches of companies and national governments, which is why, to date, most policy efforts to address the negative impact of private sector activities have relied on them. Such initiatives play an important role in developing conflict-sensitive corporate culture and practices. However, they suffer from a number of limitations: the proliferation of competing standards at the firm, sector, and multi-sector level create confusion and code-weariness; they lack binding and credible enforcement; and their coverage is incomplete.
- The existing ad hoc regulatory framework is neither uniform in its application nor comprehensive in its reach, facilitating the ability of criminals and sanctions-busters to subvert legal norms and confusing the efforts of legitimate actors to comply with them.
- Efforts to effectively redress economic predation in vulnerable and war-torn states have been hampered by the absence of a clear consensus as to which sorts of activities are deemed unacceptable. While plunder, pillage, and spoliation are prohibited as war crimes, their application in contexts of intra-state conflict is not yet universally accepted. Further, there is a range of activities that occupy a gray area, including the status of contractual economic activities undertaken by legitimate parties but in conditions where these activities directly or indirectly contribute to conflict. Many would agree that any profit-making activity that benefits from or contributes to conflict is unethical, yet there is no common standard by which activities may be described as clearly illegal and dealt with accordingly.
- Both normatively and politically, doctrines of state sovereignty complicate regulatory efforts, some of which remain to be developed. On the normative side, states are recognized as the legitimate repositories for the management of national wealth, while international trade and investment is predicated on sovereign lending rights. Politically, efforts to curtail conflict trade have shown a distinct state-centric bias. For example, the

¹⁰ Leiv Lunde and Mark Taylor, with Anne Huser, *Commerce or Crime? Regulating Economies of Conflict* (FAFO Institute: Oslo, 2002), 22.

established definition of conflict diamonds is narrowly construed as rough diamonds used by rebel groups to engage in violence against state authorities, thereby criminalizing some actors rather than the activity itself. Likewise, in the case of the DRC, considerations of sovereignty and sovereign interests initially focused policy attention on the predatory activities of the rebels and their foreign allies while obscuring similar activities undertaken by “sovereign” agents and their own external associates.

- Effective regulation of the conflict trade and the permissive environments that enable it to flourish requires the full use of regulatory options at all stages of the conflict continuum. This requirement puts a premium on systematic coordination between a variety of public and private sector actors and agencies, including the Security Council, the UN Development Programme, the UN Department of Peacekeeping, the UN Office of Drugs and Transnational Crime, international financial institutions, the World Trade Organization, international law enforcement agencies, bilateral donors, the departments of trade, justice, and foreign affairs of member states, and private sector associations. Too often, the lack of coherence and coordination leaves open opportunities for conflict entrepreneurs and war profiteers.
- The problem of coherence is also affected to some extent by the absence of a set of agreed norms as part of a regulatory framework and the lack of a systematic vision as to how the various regulatory options can be made to fit together and mutually reinforce each other.
- The UN has an important role to play in supporting national and regional efforts to control illicit economic behavior in civil wars—many of which hold particular promise. The UN can also play a role in the establishment of norms concerning such behavior and in addressing issues of structural prevention and jurisdiction noted above. The UN is clearly moving in these directions, but more work remains to be done.

IV. Promising Regulatory Initiatives and Recommendations for Policy Action

Policy efforts to prevent and resolve violent conflict by addressing the economic conditions and activities that fuel it are still nascent. Like all new policy areas, these efforts have been marked by caution, selective coverage, and weak enforcement. This said, there are a number of promising initiatives and mechanisms that bear further development:

1. Curtailing the Conflict Trade

i) Targeted UN Sanctions

Perhaps the single most robust instrument deployed to curtail the reciprocal flows of finances, natural resources, and arms to combatant groups are the commodity and arms embargoes, travel bans, and financial freezes imposed by the Security Council against rebel and/or government actors in Angola, Cambodia, Sierra Leone, Liberia, Angola, and Somalia. While in some cases, sanctions have contributed to successful war-termination, they have done so by shifting the military balance rather than by altering the incentives of targeted groups in favor of peace. However, sanctions have also had unintended and undesirable impacts. They have added to the regulatory burdens to front-line states, increased the incentives for criminals to engage in sanctions-busting, and deprived civilians who have become dependent on the illicit conflict trade of a needed means of coping and survival. All three factors continue to impede robust sanctions implementation and enforcement.

Recommendations

- Work to create a more comprehensive and objective definition of “conflict commodities” that prohibits unacceptable activities regardless of the actors involved.
- Design targeted sanctions to extend to the full

range of conflict entrepreneurs and war profiteers, including rebel groups, rogue companies, members of transnational criminal organizations, and complicit state authorities and multinational enterprises.

- Strengthen sanctions implementation by adopting the recommendations of the Stockholm Process, including, *inter alia*, more robust follow-on action by the Security Council, particularly by more systematic use of secondary sanctions, impact assessments, and support for local sanctions monitoring.
- Member states should be urged to adopt appropriate legislation to criminalize sanctions-busting and commit themselves to holding their own nationals accountable.
- Consider adapting the technical assistance model of the Counter-Terrorism Committee (CTC) to assist front-line states to develop the intelligence, customs, and policing capacity essential to effective sanctions implementation and improved compliance. This may entail the provision of supplementary forms of international technical and financial aid.
- In several cases, civilian livelihoods in conflict zones have become dependent upon informal and illicit trade and production. As with interdiction and eradication efforts, targeted sanctions should be designed to minimize the potential harm to civilians and to provide alternative livelihoods to replace foreclosed economic opportunities.

ii) *Naming and Shaming: the Role of Independent Panels of Experts*

The creation of the UN Panels of Experts by the UN Security Council was a creative and innovative effort to promote more effective sanctions monitoring and a clearer understanding of the sorts of economic activities involved in illicit trade and commerce as they have affected conflict dynamics in Cambodia, Angola, Sierra Leone, Liberia, Afghanistan, the DRC, and Somalia. In

addition to identifying sanctions violators and those who have otherwise benefited from the illicit exploitation of natural resources in conflict zones, the successive panel reports have demonstrated both the utility and limitations of “naming and shaming.”

The positive impact has been two-fold: for those actors—typically state officials and leading multinational corporations—with reputational concerns, the publication of their involvement in the conflict trade has led to improved compliance and investigations of nationals suspected of participation in prohibited activities. “Naming and shaming” has also served to empower civil society actors in their efforts to make their governments and companies accountable—particularly in the case of the DRC, where civil society groups, armed with Expert Panel reports, were able to place the issue of illicit resource exploitation on the agenda of the Inter-Congolese Dialogue.

However, the effectiveness of the UN Expert Panel mechanism remains limited in a number of respects. Almost by definition, naming and shaming can only deter those with reputational concerns or with aspirations to legitimacy. It is unlikely to affect criminal and rebel groups who are at the center of the conflict trade. Operationally, the Expert Panels have been hampered by unclear or partial Security Council mandates, lack of intra-panel communication and coordination, unclear standards of evidence, and the lack of consistent procedures for listing and de-listing of sanctions targets. Politically, their potential effectiveness has been undermined by the lack of consistent follow through by the Security Council. With few exceptions—such as the imposition of arms and diamond bans, and also the long-overdue imposition of timber sanctions, against Charles Taylor’s government in Liberia—the vast majority of Panel recommendations have not been taken up by the Security Council. Still other recommendations, such as the review of companies named as complicit in the illicit exploitation of resources in the DRC, have been undertaken in a cautious, perfunctory, and incomplete manner. Without more concerted Security Council action,

the deterrent effect of naming and shaming is likely to suffer from diminishing returns.

Recommendations

- The Security Council and the Secretariat should jointly undertake to strengthen administrative support for the work of the Expert Panels, while preserving their independent status—the *sine qua non* of their credibility.
- The Security Council should ensure that Expert Panels have clear mandates as well as clear and transparent standards of evidence for listing and delisting targeted individuals.
- The Security Council should redouble its efforts to undertake timely and decisive follow-up on Panel findings and recommendations, particularly as concerns prosecution of known and repeated sanctions-busters.
- The UN Office for Drugs and Crime and Interpol should be formally included in more coordinated efforts to curtail conflict trade, particularly in tracking the involvement of transnational criminal groups in order to strengthen the enforcement of existing national and international prohibitions on the trade in narcotics, money-laundering, and smuggling of arms and other contraband.
- Panel mandates should be broadened to include economic and humanitarian impact assessments.

iii) Commodity Certification: Lessons of the Kimberley Process

Commodity certification has emerged as another promising mechanism for addressing the illicit trade in commodities that fuel violent conflict. As an alternative to indiscriminate consumer boycotts, certification has offered a way to preserve the economic benefits for responsible diamond producing and consuming countries, while reducing the vulnerability of rough

diamonds to capture by criminal and rebel groups. It also shows promise for effective and constructive tripartite efforts on the part of companies, civil society organizations, and national governments, where major corporate and state actors have sufficient will and incentive to participate. There is still significant debate as to whether the Kimberley process of diamond certification can fulfill its objectives in curtailing the trade in rough diamonds, however. Critics point to the lack of external/independent monitoring and to the lack of any minimum regulatory requirements, apart from participation in the chain of warranties, for countries joining the process. In addition, it remains unclear whether certification can be adapted to other conflict goods, or whether the particular specificities of the diamond industry that enabled certification will obtain in other sectors.

Recommendations

- Efforts should be made to strengthen the monitoring element of the Kimberley Process.
- Countries that are known to lack effective enforcement should be given probationary status so as to preserve the integrity of the process and to provide time for them to acquire the needed tracking and enforcement capacities.
- Commodity tracking may be more effective where complemented with parallel tracking of supporting financial transactions.
- Consideration needs to be given to the applicability of inclusive commodity certification regimes to other commodities implicated in the conflict trade, including other gems, precious minerals, and timber.

2. The Imperative of Good Governance: Promoting Responsible Resource Management for Conflict Prevention

In parallel with policy measures undertaken to curtail the trade in conflict commodities, there has been growing policy attention to the need for

complementary efforts to promote the responsible management of natural resources in vulnerable states and in countries emerging from conflict. Notable examples include the private-public consortium for developing the Chad-Cameroon pipeline, which includes provisions for externally monitored fiscal management and social-revenue sharing, and the United Kingdom (UK)-sponsored Extractive Industries Transparency Initiative, which seeks to promote fiscal transparency among multinationals and host governments that are partners in the development of oil and gas concessions. These initiatives are designed to mitigate the conflict-exacerbating effects associated with natural resource exploitation and revenue distribution, primarily by supplementing the resource management capacities of host states. Doing so is critical to conflict prevention and to ensuring that natural resource wealth does not perpetuate a “conflict trap” of corruption and underdevelopment. To date, however, these initiatives have been conceived largely as a means of preventing conflict rather than assisting countries to recover from war in contexts where the illicit trade in natural resources has become a central conflict dynamic, as with Sierra Leone, Angola, Afghanistan, and the DRC. As these initiatives are still ad hoc and in their infancy, assessing their performance remains difficult.

Recommendations

- In contexts where natural resource predation has been implicated in the onset or conduct of armed conflict, restoring effective and transparent government control over these resources should be made a priority of peacemaking and peace implementation.
- The success of natural resources governance initiatives rests with building the capacity of affected governments and civil administrations to manage natural resource endowments so that they may become a blessing for peace and development rather than a curse. In the short term, this will require a coordinated effort among governments, international donors, development agencies, and private sector partners to provide targeted technical and financial assistance in support of transparent and equitable resource-revenue management, as well as support for local economic diversification. In the longer term, sustainability will depend on improved governance as well as enhancing the capacity of civil society to hold governments to account. The UK-sponsored Extractive Industry Transparency Initiative represents a promising step in this direction.
- National governments in resource-dependent states should be held accountable for ensuring community and environmentally sensitive extractive operations, as well as socially beneficial distribution of profits. Donors should consider targeting recovery assistance and development aid to rewarding progress in these areas.
- For countries where a UN-mandated peace operation is deployed, consideration should be given to ensuring the restoration of effective natural resource management well in advance of the timetables for the draw down and conclusion of that peace operation.
- Those mediating peace agreements in such contexts should endeavor to complement power-sharing with resource-sharing as an integral part of peace accords. Where this proves to compromise the likelihood of successful agreement, the restoration of effective management of natural resources should be made the priority of reconstruction efforts.
- Given the close regional economic linkages underpinning civil wars and the high risk of regional conflict displacement, the successful transformation of war economies will require regionally sensitive post-conflict strategies, such as regional trade and customs regimes that give regional economic actors a mutual stake in economic development.

3. Regulating Private Sector Activities in Conflict Zones

As many trends of the past decade indicate, the expansion of globalized economic activity can contribute to economy prosperity and improved quality of life in many areas of the developing world. However, the benefits of liberalized global aid, trade, and investment have not been uniformly distributed, particularly where these activities occur in vulnerable or war-torn states, where there is often neither capacity for nor a commitment to good economic governance. In such settings, business actors can become part of the problem of conflict rather than part of its solution. The question as to whether and how and by whom economic activities should be regulated in settings where regulation is effectively absent is the subject of ongoing debate, in which issues of state sovereignty, contractual obligations of economic entities, and the proper scope of business obligations are all hotly contested. There is as yet no normative consensus among governments, the international community, and civil society and private sector actors as to which activities should be regulated and in what ways. Without a clear and common standard, the risk remains that legitimate and benign multinational economic activities will be judged the same as harmful and predatory behavior of rogue companies. Creating a common regulatory playing field is essential to overcoming competitive market dynamics that create collective active problems.

This is a strong argument in favor of a multilateral approach to the problem. Achieving more effective regulation requires careful attention to the legitimate interests of economic actors, including their desire to protect their contractual obligations and their concern that conflict prevention initiatives will be costly and cumbersome and without clear benefit. Given both the technical and political complexity of the problem, achieving an effective, fair and workable framework of global governance is a long-term objective. In the interim, however, governments and multilateral actors should work in cooperation with the international private sector

through coordinated efforts to strengthen existing mechanisms such as the conventions against transnational organized crime, terrorist financing, and the Organisation for Economic Co-operation and Development (OECD) mechanisms for combating money-laundering and promoting corporate behavior that respects human rights. Governments should take full advantage of the UN Global Compact, the G8 and regional initiatives such as the New Partnership for African Development (NEPAD) to develop common objectives and policy mechanisms.

Complementing soft regulation with the gradual development of a framework involving some hard law addressing the most egregious forms of economic predation and war profiteering in conflict zones is desirable, if not necessary. Here, the guiding principle should be to establish a minimum norm of “do no harm,” building upon well-established international humanitarian law, human rights standards, the laws of war, and the conventions against genocide and crimes against humanity. A bold multilateral initiative focused on achieving the broadest possible normative standards could enhance the legitimacy of domestic action by states to regulate corporate behavior within their jurisdictions and help to clarify the international obligations of companies. In this regard, the recent work of the UN Sub-commission on the Promotion and Protection of Human Rights on the *Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights* may serve as a useful framework for discussion. Ultimately, however, even the most stringent international prohibition will be insufficient in the absence of complementary enabling legislation at the domestic level. In the long term, the development of robust domestic legal mechanisms offers the promise of effective accountability, predictability and clear expectations, and the reduction of impunity.

Recommendations

- To improve the effectiveness of private sector

self-regulation, there is a need to simplify and harmonize common codes of conduct from the multitude of competing and overlapping codes that currently exist.

- To create a level playing field as well as ease the burden on smaller companies, governments should encourage the creation of inclusive industry-specific codes that cover basic issues of security, human rights, conflict impact assessments, and fiscal transparency.
- The coverage of existing multilateral regulatory tools, including the OECD Guidelines for Multinational Enterprises, the OECD Financial Action Task Force, and international conventions against bribery and money-laundering should be extended to address the particularities of private sector activity in conflict zones.
- In conjunction with the UN and other multilateral bodies, governments should undertake a process towards the creation of a framework of legally binding regulations at the international

and national levels, derived from existing international law to address the most egregious of economic crimes and abuses by economic actors in vulnerable and war-torn states. The *UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights* should be promoted as a framework for discussion.

- In this regard, the efforts of the International Criminal Court and the International Criminal Tribunals to prosecute economic war crimes and crimes against humanity committed by or aided and abetted by economic actors deserve support.
- To complement international enforcement, governments should nationalize regulation, by adopting the necessary legislation to criminalize sanctions busters and to hold accountable national business entities for grave violations of international criminal and human rights law.

Appendix 1: List of EACW Publications

Books

Towards Peaceful Profits: Managing the Resource Dimensions of Armed Conflict, Karen Ballentine and Heiko Nitzschke, eds. (Boulder: Lynne Rienner Publishers, *forthcoming*)

The Democratic Republic of Congo: Economic Dimensions of War and Peace, Karen Ballentine and Michael Nest, eds. (Boulder: Lynne Rienner Publishers, *forthcoming*)

War Economies in A Regional Context: Challenges of Transformation, Michael Pugh and Neil Cooper, with Jonathan Goodhand (Boulder: Lynne Rienner Publishers, 2004)

The Political Economy of Armed Conflict: Beyond Greed and Grievance, Karen Ballentine and Jake Sherman, eds. (Boulder: Lynne Rienner Publishers, 2003)

Greed and Grievance: Economic Agendas in Civil Wars, Mats Berdal and David M. Malone, eds. (Boulder: Lynne Rienner Publishers, 2000)

Policy Reports*

Private Sector Actors in Zones of Conflict: The Legal Dimension (*forthcoming*), by *Heiko Nitzschke and Kaysie Studdard*. Policy Report on the international legal framework regulating private sector activities in conflict zones, including accountability for complicity in the violation of international law.

Executive Summary: Legal Liability of Business Entities for Grave Violations of International Law: A Review of International Norms and National Jurisdiction Approaches (FAFO-IPA, *forthcoming*). Report of the joint IPA-Fafo Institute research program, aimed at promoting a normative consensus on the most problematic manifestations of impunity and complicity by private sector actors in war economies.

War Economies in a Regional Context: Overcoming the Challenges of Transformation, by *Kaysie Studdard*. Key findings from a volume commissioned by the EACW program on the regional causes and consequences of war economies in Bosnia and Herzegovina, Sierra Leone, and Afghanistan; analyzes the impact that the role of economic factors play in peacebuilding and peacemaking.

Transforming War Economies: Challenges for Peacemaking and Peacebuilding, by *Heiko Nitzschke*. Report of the 725th Wilton Park Conference, in association with the International Peace Academy, held at Wilton Park, UK, on 27-29 October 2003.

Beyond Greed and Grievance: Policy Lessons from Studies in the Political Economy of Armed Conflict, by *Karen Ballentine and Heiko Nitzschke*. This policy report provides a synopsis from analytical and country case studies on the political economy of armed intra-state conflicts, and offers findings for improved policies for conflict prevention and resolution.

The Political Economy of War and Peace, by *Charles Cater*. A report of the IPA New York Seminar held at West Point on 6-10 May, 2002, to examine the legacies of war economies and the challenges they pose for peace operations, including peace implementation and sustainable post-conflict peacebuilding.

Policies and Practices for Controlling Resource Flows in Armed Conflict, by *Jake Sherman*. A conference report summarizing discussions at the Conference on Policies and Practices for Regulating Resource Flows to Armed Conflicts, co-sponsored by the Rockefeller Foundation and held at the Rockefeller Foundation's Bellagio Study and Conference Center, May 20-24, 2002, Bellagio, Italy.

Controlling Resource Flows to Civil Wars: A Review and Analysis of Current Policies and Legal Instruments, by *Philippe Le Billon, Jake Sherman, and Marcia Hartwell*. Background Paper for the Conference on Policies and Practices for Regulating Resource Flows to Armed Conflicts, co-sponsored by the Rockefeller Foundation and held at the Rockefeller Foundation's Bellagio Study and Conference Center, May 20-24, 2002, Bellagio, Italy.

Options for Promoting Corporate Responsibility in Conflict Zones: Perspectives from the Private Sector, by *Jake Sherman*. A report of the Working Group on "The Role of Private Sector in Armed Conflict," held April 5, 2002, at the Mission of Luxembourg, to examine private sector actors' perceptions of and experiences with certain key existing and prospective measures, both voluntary and regulatory, to manage their behavior in conflict zones.

Economic Agendas in Civil Wars: Defining and Developing the Role of the UN, by *Alexandra Guaqueta*. Policy recommendations emerging from the Symposium held March 25, 2002, co-organized by the International Peace Academy and the Fafo Institute for Applied Social Science, Programme for International Cooperation and Conflict Resolution (PICCR), and sponsored by the Government of Norway during its Presidency of the UN Security Council.

The Economics of War: The Intersection of Need, Creed and Greed, by *Jake Sherman*. A conference report summarizing panel discussions held on September 10, 2001, and co-organized by the Woodrow Wilson International Center for Scholars and the International Peace Academy, on the intersection between the economic dimensions of conflict and prospects for developing policy approaches to address the political economy of violent conflict.

Private Sector Actors in Zones of Conflict: Research Challenges and Policy Responses, by *Jake Sherman*. A report based on an expert workshop held on April 19, 2001, and co-sponsored by the Fafo Institute for Applied Social Science, Programme for International Cooperation and Conflict Resolution (PICCR), and the International Peace Academy EACW program.

*All reports are available as pdf documents on the International Peace Academy website at www.ipacademy.org (see EACW webpage).

About the EACW Program

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Initiated in September 2000, the EACW program followed from a conference held in London in 1999, which produced the seminal volume, *Greed and Grievance: Economic Agendas in Civil Wars*, Mats Berdal and David M. Malone, eds. (Boulder: Lynne Rienner Publishers, 2000). The program addressed 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 both conflict prevention and conflict termination.

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

- 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, both legal and illegal, 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 proceeded 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. In successive meetings, both individually and in joint sessions, the deliberations of the working groups allowed consultation and collaboration with a variety of conflict analysts, regional specialists, private sector actors, and regulatory officials. This process informed the research design and methodology employed, permitted a refinement of the research questions to be pursued, and generated interim reports that reflected the evolving policy issues and challenges. Discussions with a range of corporate representatives and consultants in the context of the *Working Group on the International Private Sector and Conflict* proved to be particularly fruitful, as they permitted a better understanding of the business perspective and a clearer sense of the challenges they face when engaged in operations in vulnerable and war-torn states.

The program's research and policy development activities also benefited from collaborative partnerships with related research projects at a variety of other international institutions. In collaboration with the "Economies of Conflict Project" of the FAFO Institute in Oslo, the EACW program convened a high-level symposium for UN Actors during the Norwegian Presidency of the Security Council in March 2002. With Fafo and International Alert, EACW held an interim stock-taking exercise to share and compare respective research findings on regulatory and policy options for addressing business and conflict. In the fall of 2002, FAFO and EACW jointly launched a comparative research study on *The Legal Liability of Business Entities for Grave Violations of International Law*, known as the *Stenersen Process*. This study has involved five country case studies as well as a review of international norms in an effort to add clarity to the rights and obligations of companies under international criminal and human rights law. The Woodrow Wilson Center and the Institute for Security Studies co-sponsored conferences on *War Economies* and on the *Economic Behavior of Combatants in Civil Wars*, each of which permitted us to bring these issues to a wider international academic and policy audience. With Oxfam GB, the program undertook a study of the war economy in the DRC, with a focus on assessing the challenges of transformation facing operational peace and reconstruction missions on the ground.). The Program also built a virtual network of experts and policy practitioners through sponsorship of an electronic list-serve, war_economies@yahoogroups.com.

Finally, EACW staff participated in a number of parallel research projects and policy processes, including the World Bank project on Natural Resources and Conflict, the UN Global Compact Dialogue on Private Sector Actors in Conflict Zones, and the Stockholm Process on the Implementation of Targeted Sanctions.

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