

The Political Economy of Internal Conflict

A Comparative Analysis of Angola, Colombia,
Sierra Leone and Sri Lanka

P.S. Douma

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Note

The opinions expressed in this book are the sole responsibility of the author and do not necessarily reflect the opinions of the contributing authors or those of the institutes involved.

List of Abbreviations

ANC	African National Congress
CRS	Catholic Relief Services
DRC	Democratic Republic of Congo
DSL	Defence Systems Limited
IDP	Internally Displaced Persons
INGO	International Non-Governmental Organization
NPLF	National Patriotic Front of Liberia
PMC	Private Military Companies
SADC	South African Development Community
SS	Silver Shadow
ULIMO	United Liberation Movement for Democracy

Angola:

FAA	<i>Fuerzas Armadas de Angola</i> (Angolan Armed Forces)
FLEC	<i>Frente para a Libertação do Enclave de Cabinda</i> (Liberation Front of the State of Cabinda)
FNLA	<i>Frente Nacional para a Libertação de Angola</i> (National Front for the Liberation of Angola)
MPLA	<i>Movimento Popular de Libertação de Angola</i> (Popular Movement for the Liberation of Angola)

UNITA *União Nacional para a Independência Total de Angola*
(National Union for the Total Independence of Angola)

Sierra Leone:

AFRC Armed Forces Revolutionary Council
CDF Civil Defence Forces (Sierra Leone)
ECOMOG ECOWAS Ceasefire Monitoring Group
ECOWAS Economic Community of West African States
EO Executive Outcomes
NPRC National Provisional Ruling Council
OSM Organization for the Survival of Mankind
RSLMF Republic of Sierra Leone Military Force
RUF Revolutionary United Front
RUFP Revolutionary United Front Party
SLA Sierra Leonean Army
UNAMSIL United Nations Mission to Sierra Leone

Colombia:

AUC *Autodefensas Unidas de Colombia* (United Self-Defence Forces of Colombia)
ELN *Ejército de Liberación Nacional* (National Liberation Army)
FARC *Fuerzas Armadas Revolucionarias de Colombia* (Revolutionary Armed Forces of Colombia)

Sri Lanka:

DMK Dravida Munnetra Kazhagam
LTTE Liberation Tigers of Tamil Eelam
MoU Memorandum of Understanding

1 Introduction

The Issues at Stake

Images of seemingly random violence, drug-abusing child soldiers and mutilated civilians have reinforced the prevailing prejudice that the state of affairs in poor countries has degraded further since the end of the Cold War. Strikingly, it is precisely this message of anarchy and senseless abuse of brutal and primitive power that seems to have replaced a more profound attempt to analyse what is going on in conflict-ridden states in the South.

Some of the long-standing internal conflicts in notably sub-Saharan Africa have deteriorated to the extent that entire population groups have been annihilated or forcefully displaced. The apparent reluctance of major Western powers to intervene directly in these war theatres highlights the degree to which some of these countries have become marginalized politically.¹

These conflicts matter little for the international security setting, and contemporary efforts to intervene in order to stop or mitigate the ongoing destruction of civilian property and lives by state and non-state actors engaged

1) Pyt Douma and Klaas van Walraven (2000), *Between Indifference and Naïveté: Dutch Policy Interventions in African Conflicts*, CRU Working Paper (The Hague: Netherlands Institute of International Relations 'Clingendael').

in violent power struggles have hence been left to powerless, ill-equipped and internally divided regional organizations and humanitarian international non-governmental organizations (INGOs). Although multiple causes have been presented to account for the outbreak and continuation of these violent internal conflicts, there has been no consistent policy approach to try to resolve some of these conflicts. An analysis is therefore needed of the different motives underlying these power struggles. However, regardless of the complexity and multi-causality of these conflicts, they all thrive on an economic resource base. Without an economic resource base these conflicts would quickly peter out. The resource base upon which many so-called internal conflicts thrive became increasingly domestic in nature when external resources dried up after the demise of superpower rivalry in the early 1990s. The economics on which these internal conflicts depend have been coined war economies or economies of violence.

War economies are not a new phenomenon, but the specific configuration of localized wars, shadow economies and the globalization of illegal economics – through connections between warlords, middlemen, economic operators based in Western economies and private security companies – has created a new type of conflict-related political economy.

One of the striking features of this new political economy is its capacity to bypass national governments and international law. As a result, the actors engaged in such wars ruthlessly exploit natural resources and deliberately undermine domestic taxation and international financial regulations. Furthermore, in most Southern states the bulk of refugees and internally displaced persons largely result from these protracted wars. The contending factions engaged in such conflicts deliberately cause the displacement of civilian population groups, mostly residing in resource-rich areas, ultimately leading to selective patterns of human cleansing.

Additionally, in many war theatres external humanitarian aid has been cleverly used by regimes and rebel groups to enhance their credibility and legitimacy among target population groups, or else has even blatantly been abused.

The cumulative result has been that warring factions active in these conflicts fight over the control of specific resources while simultaneously trying to control population 'reservoirs' in refugee camps. Both natural and human resources are the necessary prerequisites to continue fighting and hence become the focal points of armed confrontations between belligerent factions. Nevertheless, armed confrontations are in many cases scrupulously avoided by the warring factions and a kind of geographical division prevails, whereby each actor occupies a specific niche consisting of natural resources and population

groups.² All of the actors engaged in violent conflicts thus stand to benefit from the continuation of this type of war. The political and economic context in which such wars are proliferating points to the inherent ambiguity of the international system. Whereas rich countries provide humanitarian aid to conflict-ridden areas and populations, the economies of the Western world stand to gain from the continuing provision of relatively cheap raw materials provided by the contending actors in these conflicts, allowing them to continue to fight.

Policy Relevance

The current internationalization of internal conflict-related economics has seriously jeopardized efforts to sustain fragile peace processes in a number of poor states. The prevailing drive to promote good governance in some of these states seems to have had unintended outcomes that are contrary to what was intended. The ability of incumbent state elites to obfuscate and transform to their own advantage external pressures for democratization has provoked debate on the assumptions underlying the call for good governance. The conflict-prone nature of the political culture in many non-Western states and the fierce power struggles raging between state and non-state actors in a number of countries call for a better analysis of such conflicts and the development of adequate policy instruments. External meddling always produces controversial outcomes and many Western state governments eager to promote 'good governance' should therefore look for more effective policy instruments with which to tackle these creative elite manoeuvres and force reluctant actors into compliance. It would be extremely naive, however, to postulate that Western states pursue these policies purely seeking to promote peace and stability in war-torn societies.

Mostly, third-party interventions are motivated by specific interests, be they political, economic or strategic. Revealing domestic policy agendas for external meddling would certainly add to the understanding of the way in which meddling is initiated and may provide critical knowledge for the analysis and potential effectiveness of such endeavours. Also, inbuilt contradictions and ambiguities of third parties, such as the prevailing lack of policy coherence, would be revealed in the process.

Even if genuine altruism motivated the meddling by Western governments and state actors in such conflict theatres, it is important to recognize that there are many opponents and potential spoilers, operating both inside and outside these decision-making forums. A substantial number of powerful economic

2) See Mary Kaldor (1999), *New and Old Wars: Organized Violence in a Global Era* (Stanford CA: Stanford University Press); and David Keen (1998), *The Economic Functions of Violence in Civil Wars*, Adelphi Paper 30 (Oxford: Oxford University Press).

actors benefit from the continuation of internal conflicts and not from peace, and they will continue to bypass (inter)national legislation and multilateral boycotts. In order to understand the potential for coherent external interventions, one should try to understand better the workings of new political economies related to so-called internal conflicts.

The Study

This study brings together the results of the preliminary phase of the Clingendael study on the political economy of internal conflicts, various reports based on empirical field research in the case study countries involved and a number of additional reports focusing on specific topics. The preliminary phase of this project has resulted in a number of provisional papers on the state of the art concerning the political economy of internal conflict in Angola, Colombia, Sierra Leone and Sri Lanka, and Pyt Douma produced an overview paper focusing on the most pertinent issues.³ All of these papers were discussed during an international seminar held in The Hague in November 2000, which was attended by a number of international experts in this field of studies,⁴ and the various counterparts involved in the project consequently executed fieldwork in Angola, Colombia, Sierra Leone and Sri Lanka, according to the Terms of Reference that resulted from the seminar.⁵

This study is largely based on the final reports of the contributing authors and on fieldwork executed by Pyt Douma in Angola and Sierra Leone.⁶

Research focus⁷

This study aims to identify and understand the political economy of internal conflict from a comparative perspective. Three distinct levels are identified:

- the local dimension of political economies of conflict;
- the interface between the national and the international dimensions;
- the role of outside actors.

3) Pyt S. Douma (2000), *The Political Economy of Internal Conflict: A Review of Contemporary Trends and Issues* (The Hague: Netherlands Institute of International Relations 'Clingendael').

4) See annexe 1 – Major Conclusion of the November 2000 Seminar and List of Papers Presented.

5) See annexe 2 – Research Proposal for the Second Phase: Political Economy of Internal Conflict Project.

6) See annexe 3 – Field Studies and Country Papers.

7) For an overview of all pertinent research questions, see annexe 2 – Research Proposal for the Second Phase: Political Economy of Internal Conflict Project.

Limitations of the Study

War economies are secretive by their very nature and most transactions are hence dealt with outside public view. This has constrained the research substantially, as it proved to be impossible to provide adequate statistics on incomes and quantities of goods traded in the course of the conflicts. Nevertheless, the identification of networks and actors was possible to some extent, as many researchers are working on these issues and this study could tap into the many different sources currently available.

Information has been gathered largely from informed observers, but they were not necessarily representatives of the protagonists involved. Again, because of risky war environments, primary information-gathering took place on a limited scale.

Although the fieldwork provided useful insights and generated valuable additional information, not all of the issues were covered extensively in all of the case studies involved. The local dimension of the war-related economies was limited to a (useful) comparison of existing data from different sources on the incomes generated by the various protagonist factions involved. Only in Sri Lanka and Colombia were the material gains for local groups resulting from the economy of war studied. Also, the local dimension of the political economy was not analysed in detail in Angola, because of the prevailing insecurity and lack of access to the interior. The study of the external dimension proved to be illusive and hard to substantiate in most cases, resulting in general descriptions of the networks, notably in South Asia and Colombia, and in all of the cases calculated guesses were used regarding quantities of commodities involved. A distinction between old and new networks emerged only in the study on war-related networks in sub-Saharan Africa. In Colombia and Sri Lanka no such insights materialized.

In Colombia and Angola the issues of external aid and diaspora funding were not dealt with sufficiently, because of lack of data and limited research capacity. These issues require additional study in the future.

Organization of the book

Following this introduction, the second chapter deals with new aspects of contemporary war economies. A tentative definition is presented as well as the research questions. Chapter three deals with the economy of war. Firstly, resources are classified as material and non-material resources and are analysed according to the way in which they are exploited. Secondly, patterns of distribution reveal how these resources are put to use by the protagonists against the background of resource availability in specific contexts. Finally, some cases of war-related resource generation by local beneficiary groups are highlighted.

Chapter four analyses the relationships between the local, national and international dimensions. Networks, middlemen, international companies, international aid and political legitimacy are crucial issues in this regard. Chapter five presents major findings and tentative conclusions.

Finally, some annexes provide useful background information. Annexe one sums up the main results from the first seminar held in November 2000; annexe two contains the terms of reference for the fieldwork component.

2 What is New and Different?

In the conventional meaning, political economies of war refer to the historic relationship between state formation and the mobilization of economic means to support war efforts, which in turn secure state survival. In the twentieth century, during both World Wars, entire states redirected their economies in a highly centralized manner towards so-called total war efforts in a bid to defeat belligerent states.⁸ In other words, war economies can be viewed as the legitimate means to generate capacity for self-defence of sovereign states in times of need.

The Cold War furthermore proved to be a rather costly peace in terms of the build-up and maintenance of the extensive military capacity of the contending states involved, as peace was maintained through deterrence capacity on both sides of the political divide. The ensuing Cold War peacetime economy nurtured an extensive military-industrial complex, with corresponding high levels of military spending. In turn, the armaments' race between the superpowers fuelled economic activity, provided jobs and had many positive side-effects on non-military economic activities.

8) For an overview of the historical evolution of war economies, see Kaldor, chapter 2 on 'Old Wars', in *New and Old Wars*.

In the United States, the so-called 'war on terrorism' has currently led to another round of public funding for the military-industrial complex. The motivation for these war economics is the direct result of a political decision by the executive powers located in the White House and the Pentagon, in response to the threat on national security posed by international terrorism. In itself, this new round of war-related economic activities points to important structural relationships between political decision-making, industrial capacity and the economic performance of key industries in the setting of modern states, such as Boeing and General Motors in the US. Would such industries survive the onslaught of cheap labour and rationalization of production if there were no politically motivated decisions to continue to support a domestic capacity as strategic and indispensable system properties, thus assuring state survival? Interestingly, therefore, it seems likely that this new round of public-funded economic activities related to warfare demonstrates the tenacity of 'old' war economics in the contemporary world.

Economic Agendas in Internal Wars

Current debate, especially on internal conflict in the developing world, has questioned the conventional view on the causal relationship between economy and war, whereby economic means facilitate the conduct of war. This relationship could well be viewed in reverse, whereby the conduct of war becomes instrumental to the accumulation of economic assets for parties involved. Multiple resources stem from the breakdown of law and order and can be conveniently exploited at gunpoint, such as pillage, protection money, labour exploitation, control of trade, land appropriation or stealing aid supplies.⁹ Furthermore, valuable resources in areas of conflict can encourage the emergence of war economies in apparently chaotic situations. For embattled elites in so-called weak states, as well as for rebel movements deprived of outside support, provoking economic violence can be an affordable way to fight each other or confront opposing forces in society. Therefore, opposing parties often have a stake in continuing violent conflict rather than brokering peace. In fact, violence is used as a means to an economic end and 'has increasingly become the continuation of economics with other means'.¹⁰

Greed or Grievance?

The main argument between those who adhere to socio-economic inequalities as strong mobilizing factors and those who claim that economic incentives drive

9) Keen, *The Economic Functions of Violence in Civil Wars*.

10) Keen, *The Economic Functions of Violence in Civil Wars*, p. 11.

violent conflict has recently been characterized as the contrast between greed and grievance.¹¹ Paul Collier and Indra de Soysa,¹² both protagonists of the ‘greed’ hypothesis, have used quantitative statistical methods to try to unravel the mystery of causality. The result of Collier’s analyses points to the importance of ‘greed’-related variables over ‘grievance’-related ones. For example, Collier postulates that countries with a high percentage of primary commodity exports, a high ratio of young men and little education are very conflict-prone.¹³ In his opinion, loudly voiced ethno-religious cleavages, ‘ancient hatreds’ and other ‘grievance’-related factors do not account for the outbreak of conflict, but serve to hide the economic agendas of the so-called violence ‘entrepreneurs’. People become more opportunistic in wars, criminality increases, markets are more easily controlled and monopolized by fewer actors and rent-seeking predation increases markedly. As a result, economic opportunities open up for power holders and armed militia. Collier distinguishes four distinct benefiting groups: businessmen; traders; rebels; and criminals. Peace will be achieved when those groups that stand to gain from it are more influential and politically powerful than those that gain from continued war: ‘The relative power of economic interest groups is the classic question posed by modern political economy’.¹⁴

Although the ‘economists’ have presented a number of valid arguments in favour of the ‘greed’-related factors, the significance of statistical correlation should not be overestimated. In fact, in many cases rebel movements rely ultimately on the support and acceptance of broad communities within which they operate. The motivations, grievances (perceived and real) and actions of these communities often provide the backbone for sustained rebellion against oppressive political forces and actors. The contemporary phenomenon of violence-related plunder and ‘warlordism’ should not be equated with the often genuine drive of entire population groups to emerge from a situation of forced subservience. In many cases local people hold grudges against the prevailing socio-economic injustices of the power elites in control, social injustices such as arbitrary court rulings and the oppression by neo-patrimonial elite groups.¹⁵

Despite the appealing simplicity of the contradiction between greed and grievance, it seems that both concepts are intricately linked and that grievance may provide the initial drive for people to seek ways to redress their plight,

11) This is the title of a book edited by Mats Berdal and David M. Malone (2000), *Greed and Grievance* (London: Lynne Rienner). The book had its genesis in a conference organized in London on the theme of ‘Economic Agendas in Civil Wars’.

12) Berdal and Malone, *Greed and Grievance*, chapters 5 and 6.

13) Paul Collier (2000), ‘Doing Well out of War: An Economic Perspective’, in Berdal and Malone, *Greed and Grievance*, p. 97.

14) Collier, ‘Doing Well out of War’, p. 105.

15) Paul Richards (2002), *The Political Economy of Internal Conflict in Sierra Leone*, CRU Working Paper (The Hague: Netherlands Institute of International Relations ‘Clingendael’).

whereas direct economic gains may help to explain the ruthless activities of warlords and their cronies during such conflicts. As a result, any definition of the contemporary nexus between economics and politics in situations of localized violent conflicts should be approached with extreme caution. Such a tentative definition should allow for the broad inclusiveness of economic activities, as well as with regard to the direction of the underlying causal relations between accumulation and warfare.

Local Wars?

It seems that ‘conventional’-type war economies are closely related to the notion of external aggression and the existence of external treaties, such as the Cold War setting. How do such economies function with regard to so-called internal wars? The idea that many internal wars are limited to the domestic setting stems from prevailing ideas about the predominance of states in the international system,¹⁶ but seems to have lost its significance because the external ramifications of internal war cannot be neglected. Such wars are only internal in so far as most violent activities and war theatres can be located inside a specific state or territory.

Economic exploitation of available resources materializes in the context of such localized war theatres. Resource exploitation is principally geared towards sustaining the war effort by the various actors involved. Mostly political and strategic motives underlie the power struggle between contending factions in most of these intrastate conflicts. The relentless search for financial resources to sustain the war has led to an increase in resource-related fighting over the strategic areas in which these resources are located, without taking into account local entitlements. This has led to the proliferation of war tactics aiming to secure strategic resources and to an increasing tendency to remove all local residents (human cleansing). Clearly, this is a distinctive feature of the new war economies.

Simultaneously, the conflict dynamics involved are increasingly interconnected with international trends, markets and actors. It could even be postulated that many such conflicts have over time become ‘resource-related external-demand-driven’ violent conflicts materializing close to extraction sites. Most social scientists seem to agree that these wars thrive on the nexus between internal political dynamics and external demand generated through the globalization of finance, markets and trade. Such wars can hardly be called civil wars, as the participation rate is quite low and civilians are deliberately targeted by all of the parties, regardless of ideology or political agendas. As a result, sequences of violent conflicts can proliferate in specific regions and may be

16) This issue will be discussed more in depth under the heading of Political Legitimatization, chapter 5, section V.

coined trans-boundary¹⁷ regional conflicts. In such conflicts, groups of rebels migrate from one conflict theatre to another. Currently, ex-RUF commanders/rebels are allegedly involved in the conflict in Ivory Coast. Such conflicts are said to thrive on a mixture of transnational ideologies (Pan-Africanism, Black Power movement, Gaddafi's Green Book) and the internal breakdown of neo-patrimonial regimes (abuse of justice, impunity of incumbent political and economic elite groups, marginalization of the majority and maldistribution of wealth). These factors create an enabling environment for these sequential trans-boundary regional conflicts.

State and Non-State Elite Groups

Debate on the nature of the state in the non-Western world points to the weakness of formal state institutions and has led to various attempts to label these states in terms of their weaknesses or façade properties. This has led to labels such as weak states, failed states, predatory states or façade states. Essentially, formal relationships in these states between the executive power elite and the population are weak and sometimes even non-existent. In the setting of such state formations, war economies are consequently linked to motives other than protecting the sovereignty and territorial integrity against outside aggression. Political power in states characterized by internal wars and economies of violence has become atomized and transferred to non-state actors according to emerging patterns of communication, trade and asset transfer. The contemporary political economy of conflict can therefore not solely be accounted for by the actions of states and counter-reactions by non-state actors. Consequently, the incumbent state elites are only one actor among many. Furthermore, a clear distinction between a criminal elite type and a so-called non-criminal elite cannot be formulated, because many incumbent political leaders of sovereign states presently engage in illicit practices to acquire personal wealth without due consideration for their formal obligations or moral status as heads of state. Political office has often become synonymous with personal enrichment.

Distinction between War and Peace

Simultaneously, conventional Western ideas about war and peace need to be reviewed. A debate has currently been entertained on the dichotomous Western thinking about war and peace as two distinct and opposing realities without any

17) Term used by Paul Richards during his presentation on Sierra Leone at the concluding seminar on the 'Political Economy of Internal Conflict', *Between Diamonds and Diaspora*, 1 October 2002, The Hague, Clingendael Institute.

overlap. Unfortunately, many so-called protracted internal conflicts demonstrate a staggering diversity in types of warfare, degrees of intensity of war and locality as well as scale of violence. Pockets of relative stability coexist with areas of extreme violence and disruption. As a result, so-called peace might refer to a situation in which a faction has successfully gained control over an area and its population, but repression is high, random violence is perpetrated against civilians and sporadic violence occurs as a result of the incursions of neighbouring factions. Such a situation, however, can be considered as more 'peaceful' than a shifting sphere of influence in an area between two or more contending factions that change fortune every now and then and where civilians always bear the brunt of successive waves of violence and looting.

Working Definition of War Economies

To conclude, a (sometimes substantial) part of economic activities has always been linked to military activities and has been instrumental towards the execution of war in general. War economies refer to the economic mechanisms that allow actors, including all types of state and non-state actors, to conduct wars or to participate in violent conflicts. This broad definition points to sources of income for such actors and the generation of economic means at their disposal, which *can be transformed into either the assets necessary for the conduct of war or into supplies to maintain a support base*, be it a geographic zone populated by civilians, a rebel base or expatriate communities sympathizing with a specific actor. These resources can also be accumulated as a result of greed and for the sole purpose of increasing personal wealth. Hence, political economies related to conflicts are defined tentatively in this book as:

the way in which economic resources are generated and exploited by participating factions and actors (both internal and external) involved in so-called internal conflicts located inside specific countries, in order to sustain their own existence and further their own political and economic interests.

When internal wars subside because one of the actors acquires political and military predominance, the phenomenon of war economy ceases to exist. It is consequently replaced by a more conventional type of incumbent state elite-controlled pattern of economic extraction and distribution, regardless of whether such distribution is equitable or whether it enhances prevailing socio-economic stratification in these societies, which may have contributed to the emergence of military confrontation in the first place. Therefore, political economies thriving on violent conflict between actors inside states find their *raison d'être* in some kind of equilibrium between the various belligerent actors, resulting in some kind of power balance.

3 Economic Interest Agendas of Protagonist Factions

Angola

The internal war in Angola that came to a grinding halt in early 2002 has been waged by two dominant actors: the ruling party *Movimento Popular de Libertação de Angola* (MPLA) governed by Eduardo Dos Santos; and the *União Nacional para a Independência Total de Angola* (UNITA) rebel movement led by Jonas Savimbi. The war has lasted for twenty-seven years, from independence until the present. Since the death of Savimbi the prospects for peace have increased and a ceasefire agreement was signed on 4 April 2002 in Luanda.¹⁸ Despite the presence of a real perspective for the end of this internal conflict, both the MPLA government and foreign donors seem to be reluctant to invest in the peace process.¹⁹

18) It remains to be seen whether the death of Savimbi and the subsequent ceasefire agreement in Luanda on 4 April 2002 will effectively result in a lasting peace. In the past numerous peace treaties have been violated and war has resumed.

19) *NRC Handelsblad*, 20 July 2002. More than 500 ex-UNITA troops seem to have starved to death in demobilization camps. This may well compromise the prospects for peace. Foreign donors have disbursed only 35 per cent of their pledges.

The incumbent government has always relied on the sale of oil resources, firstly and prominently from the oil-rich enclave of Cabinda but currently shifting progressively towards offshore exploitation. Until the early 1990s, Angola exported to various Western countries including the US, despite the political stand-off during the Cold War, in which the US supported UNITA and the Soviet Union supported the MPLA.

Oil accounts for 80 per cent of the value of Angolan export earnings. The offshore nature of Angola's oil resources has meant that oil production, while it has helped to fund the war, has remained untouched by it. Oil revenues have been essential in funding the war against UNITA, and the financing of arms' purchases has in the past bypassed the accounting procedures of the central bank and the finance ministry of Angola. Critical to the Angolan government's ability to finance its war effort has been the necessity of securing lines of credit. Given a history of defaulting on its loans, the government has acquired short-term loans at high interest rates that are mortgaged against future oil production.²⁰

The UNITA rebel movement depended on foreign support during most of the 1970s and 1980s but had to find alternative, and preferably domestic, sources of income as the Cold War subsided and generous financial support was withdrawn. If oil revenues have been almost the exclusive funding source for the government's military campaigns, diamonds have been a key source of funding for UNITA, which has at various periods during the war occupied the diamond-rich north-eastern provinces of the country (see annexe 4 – Map of Angola, the Lunda provinces). Here, either through its own efforts, taxing local miners for a proportion of their takings or selling mining licenses, funds have been accrued, although the majority has been in the form of rough stones and very little in cash.²¹ The use of violence by both UNITA and government forces is an essential tool in controlling the diggers.²² By late 2001, UNITA appeared largely to have been excluded from the diamond mining areas, although there remained the distinct possibility that some groups remained, having come to an agreement with neighbouring government troops.

Strategies of War

UNITA has employed a guerrilla strategy from the outset of the war, whereas the MPLA's *Fuerzas Armadas de Angola* (FAA) employed the tactics of

20) Quoted from Mark Shaw (2002), *The Middlemen: War Supply Networks in Sierra Leone and Angola*, CRU Working Paper (The Hague: Netherlands Institute of International Relations 'Clingendael'), p. 12.

21) Shaw, *The Middlemen*, pp. 12-13.

22) Christian Dietrich (2000), 'Power Struggles in the Diamond Fields', in Jakkie Cilliers and Christian Dietrich (eds), *Angola's War Economy: The Role of Oil and Diamonds* (Pretoria: Institute for Security Studies).

conventional warfare. Historically, three different nationalist movements contested for power, and the ethnic composition of their constituencies elevated the civil war in Angola to an ongoing power struggle between the major ethnic groups in Angola.²³ During the course of the conflict for independence with Portugal, their internal struggle for hegemony as the dominant liberation movement heralded a tradition of internecine violence, dearly exploited by Portugal. As a result, the post-independence recruitment of support, based on mobilizing primordial identities, has created the preconditions for a zero-sum power struggle. When Roberto Holden's *Frente Nacional para a Libertação de Angola* (FNLA, which was predominantly Bakongo) was militarily crushed shortly after independence in 1975, only the MPLA (predominantly Mbundu) and UNITA (predominantly Ovimbundu) remained. During the Cold War era the stand-off between both belligerents resulted in a proxy war in which South African forces fought against Cuban forces, supporting UNITA and the MPLA respectively. The military confrontation resulted in a geographical pattern that was to remain surprisingly stable during most of the following decades: the MPLA controlled a few enclaves on the coast, in which most of the population was concentrated and also controlled major provincial capitals and garrison towns in the interior; whereas UNITA was virtually in control of the countryside. From the onset of the conflict it had become clear that the major protagonists were involved in a power struggle, Dos Santos striving to maintain state power and Savimbi trying to acquire it. This fact characterized the conflict in Angola more than the rhetoric employed to motivate the ongoing war. Control over the state apparatus and international recognition as the incumbent state leader became the ultimate objectives in what became a 'personalized' battle between the two leaders.

With the decline of superpower rivalry, support to the fighting parties declined considerably and alternatives had to be developed. As a result, control over domestic resources became the prime objective for the belligerent parties in order to be able to maintain the war effort. After the Bicesse accords in 1991 the war temporarily subsided, but the war resumed after the contested elections of 1992.

After the 1992 elections, UNITA retreated to the interior and managed to wrestle control over major diamond areas, with the aid of Executive Outcomes, a major South African Private Military Company (PMC). UNITA came under increasing military pressure and finally agreed to a new peace treaty – the Lusaka Protocol, which was signed in 1994 – although lack of compliance by both sides resulted in continuation of the war. Progressively, the MPLA was able both to increase its military capacity and eventually to win a major

23) The three major ethnic groups are: the Mbundu residing in the coastal areas; the Bakongo living in the border areas with Congo; and the Ovimbundu living in the mountainous heartland of Angola.

diplomatic battle, because UN sanctions were announced against UNITA in 1998. Meanwhile, from roughly 1996 onwards UNITA started to build a conventional army and invested in heavy armaments.²⁴ An arms' race ensued, which involved massive investment from both sides. However, the MPLA was able to command superior resources, up to an estimated average ranging from several hundred million to almost US\$ 1 billion in 1998 alone.²⁵ The government, as already mentioned, was able to mortgage loans against future oil benefits. Global Witness has estimated that between 1992 and 1998 US\$ 3.7 billion in diamonds were sold by UNITA, the money being used to buy arms and supplies.²⁶ Many observers have viewed UNITA's transition from a guerrilla war machine to a conventional army as a strategic error. Following the logic of the arms' race, the FAA changed strategy and instead of mainly protecting important cities and infrastructure, it began trying to oust UNITA from its strategic strongholds in the Central Highlands, by starting a major campaign in September 1999: Operation Restore. In the subsequent military confrontations, UNITA was unable to secure its strongholds. By 1999 it was forced to resort again to guerrilla warfare and Savimbi ordered UNITA to withdraw from the Central Highlands. Eventually, the provisional UNITA capital Jamba, located in the south-east of Angola, was captured by government troops and UNITA was on the verge of military collapse. Savimbi's death removed the personalized power struggle from the Angolan war agenda and apparently sapped UNITA's willingness to continue to fight. During the course of 2002 most UNITA fighters gave up the war and reported to demobilization camps. The demobilization, however, suffered significant setbacks when the UNITA fighters did not receive food and provisions as had been promised by the government and many faced starvation and hardships in the camps. The peace process is still very fragile and the intentions of the MPLA government as yet remain obscured by intermittent delays and failure to engage actively in a post-war rehabilitation and recovery strategy.

Sierra Leone

The main protagonist factions fighting in Sierra Leone were the Revolutionary United Front (RUF) led by Foday Sankoh, invading the country from March 1991 onwards, and a series of incumbent civil and military leaders that succeeded one another during the 1990s. The national army, known from 1991 to 1998 as the Republic of Sierra Leone Military Force (RSLMF), and from

24) Hannelie de Beer and Virginia Gambia (2000), chapter 4, 'The Arms Dilemma: Resources for Arms or Arms for resources?', in Cilliers and Dietrich, *Angola's War Economy*, p. 84.

25) De Beer and Gambia, 'The Arms Dilemma', pp. 86-87.

26) Global Witness press release, *Is the Price of Diamonds Too High? How Angola's Return to War has been Financed by the International Diamond Trade*, 14 December 1998.

1999 as the Sierra Leone Army (SLA), fought against the RUF on behalf of successive Sierra Leonean governments, such as the northern-dominated APC regime (All People's Congress) under the presidency of Joseph Saidu Momoh (1985-1992), the military junta of the National Provisional Ruling Council (NPRC), formed after a *coup* by junior officers in 1992, and the civilian government of President Ahmad Tejan Kabbah²⁷ – the Armed Forces Revolutionary Council (AFRC) – during 1997-1998 and again after the ECOWAS Ceasefire Monitoring Group (ECOMOG) had ousted the AFRC, the civilian government of Kabbah. Furthermore, Civil Defence Forces (CDF) became an important local actor, notably from 1996 onwards.

Sierra Leone is a country well endowed with natural resources, notably diamonds and gold, as well as an abundance of fertile lands and sufficient rainfall. Although the motivation of the major contenders to engage in violent confrontation was apparently not triggered by the presence of valuable mineral resources alone, the potential benefits of diamond extraction provided an important incentive to vie for control of the diamond areas. Diamonds in fact enabled the extension, and possibly the prolongation, of hostilities. Notably, the RUF exploited the alluvial diamond fields in the north-eastern province of Kono. The diamonds were mostly smuggled out of Sierra Leone and used to acquire the necessary inputs to sustain the war effort. Given this diamond-rich region's proximity to the border with Liberia and Guinea, there has been an active cross-border trade in diamonds out of Sierra Leone. One recent estimate placed the value of diamonds produced annually in Sierra Leone in the mid-1990s at between US\$ 350 million to US\$ 450 million, almost all of which were at the time smuggled out to Liberia or Ivory Coast.²⁸ Indeed, the Liberian diamond industry has been historically heavily reliant on that of Sierra Leone, with most of its income having originated from operating buying agencies for high-quality Sierra Leonean gems smuggled across the border.²⁹

The government elite had also been heavily involved in the alluvial mining industry and prior to the RUF occupation the prevailing system of political patronage largely depended on access to the diamond resources. In fact, the political economy of Sierra Leone had revolved around ways to exploit diamond production and to co-opt important national actors in order to maintain political power.³⁰ Diamond extraction and the capacity to command the benefits of this resource therefore constituted a disputed resource for the contending parties. By and large, the government played the card of international recognition as a sovereign regime to negotiate loans from mining

27) Quoted from Richards, *The Political Economy of Internal Conflict in Sierra Leone*, p. 2.

28) John L. Hirsch (2001), *Sierra Leone: Diamonds and the Struggle for Democracy* (Boulder CO: Lynne Rienner), p. 25.

29) Christopher Clapham, quoted in Shaw, *The Middlemen*, p. 6.

30) This process has been exhaustively analysed and documented by William Reno (1995), *Corruption and State Politics in Sierra Leone* (Cambridge: Cambridge University Press).

companies against future exploitation rights. Mortgaging future benefits out to foreign contractors in exchange for immediate support has become a widely adopted strategy of endangered ruling elites in sub-Saharan Africa.³¹

Strategies of War

The RUF invasion in 1991 was remarkably successful, as it managed to push into the east and south-east of Sierra Leone without encountering much resistance. The government army was ill-equipped and badly trained and could not counter the RUF advances. The RUF was assisted by Liberian special forces, the most battle hardened of Charles Taylor's troops. Much of the RUF's early progress was based on a strange but not ineffective combination of classic guerrilla warfare and counter-insurgency tactics.³² Expansion westwards brought into play the counter-insurgency tactic of emptying the countryside and concentrating populations in the towns, through a combination of rumours and hit-and-run raids. The RUF wanted to establish an administrative base in the provincial capital of Bo, but failed to intimidate the local residents and militarily was unable to take the town. After the NPRC *coup* in April 1992, the army was better supplied and the RUF was almost annihilated. The RUF became a survivalist movement establishing secret bush camps. These camps were run as egalitarian mini-societies and the movement recruited many children and initiated them forcefully into the movement. The RUF became a bush guerrilla force, gradually expanding across Sierra Leone. The regular army was incapable of stopping the RUF, as it was trained as a conventional army. From 1995 onwards the RUF established bush camps all over the country and staged hit-and-run attacks, ambushing army units and employing various strategies to acquire the means to survive. Diamonds were bartered, army units ambushed, villages looted and itinerant traders taxed.

The NPRC had contracted Executive Outcomes (EO) in 1995 to counter the RUF's attacks. After the military junta was replaced by a democratically elected government, EO continued to support the armed forces of the state. During the peace talks of 1996 in Abidjan, the army – supported by EO – secretly raided a number of RUF bush camps and no prisoners were taken. Although the RUF signed the agreement, it felt that it had been stabbed in the back by the Kabbah regime. Subsequently, under international pressure from the UN and the IMF, both EO was withdrawn and the food subsidies to the national army were abandoned. The army promptly rebelled and Kabbah went into exile. The new junta – the AFRC – invited the RUF to form a joint government, leading to the first RUF presence in the capital Freetown, but a Nigerian-led ECOMOG force drove the AFRC from Freetown. The RUF had

31) Pyt. S. Douma (2001), *The Political Economy of Internal Conflict* (The Hague: Netherlands Institute of International Relations 'Clingendael'), p. 18.

32) Richards, *The Political Economy of Internal Conflict in Sierra Leone*, p. 6.

meanwhile stockpiled enough resources for a return to the bush war and retreated to its rear bases. The reinstated Kabbah regime managed to imprison the RUF's leader, Foday Sankoh, and also executed a number of army officers for their part in the AFRC mutiny, and the RUF/AFRC then mounted a revenge surprise attack on Freetown, resulting in the ill-famed killings and mutilations of January 1999. The Kabbah regime resigned to a compromise with the RUF, resulting in the Lome peace accords that gave Sankoh vice-presidential status while also becoming the Minister for Natural Resources in a new government. A UN peacekeeping force was deployed in the course of 1999: the United Nations Mission to Sierra Leone (UNAMSIL). Installed in Freetown, Sankoh apparently became convinced that the government was terminally weak. He began to use his diamond industry contacts to acquire the resources for a final assault on state power.³³ When UNAMSIL forces were taken hostage in April 2000, the RUF apparently overplayed its hand. British forces were quickly deployed to protect the weak Kabbah regime and the seemingly powerless multinational peacekeeping force. In May 2000, after protestors had been shot in front of his Freetown home, Sankoh was again imprisoned. The British military presence finally tilted the balance in favour of the incumbent regime and UNAMSIL, and from then onwards, following a final peace agreement negotiated in Abuja, peace gradually materialized and the RUF demobilized during the course of 2001, meanwhile transforming itself into a political party (RUFPP). Elections were held in May 2002, resulting in a victory for Kabbah, and the post-conflict rehabilitation process is currently being implemented.

In the case of Sierra Leone, it becomes clear that the protagonists actually lacked funding and could not engage in the build-up of conventional capacity, let alone mount an arms race. The RUF, the CDF and the national army had limited military equipment. The RUF had consistently engaged in bush war guerrilla practices operating from secret base camps, allowing it to maintain stature as a viable contender against an increasingly competent CDF force. The complicated dynamics of the Sierra Leonean war, in which the national army has switched sides with the advent of the AFRC, also provided precious recovery time for the RUF. As a result, the belligerents' strategies invariably remained local in scope, whereby hit-and-run tactics were employed by all sides, leading to the maintenance of a war-front zone largely representing the geographical border between the southern Mende- and northern Temne-speaking peoples. From 1995 onwards the RUF maintained a presence in a cigar-shaped belt that extended from the east to the west, covering large areas of the northern and central provinces.

33) Richards, *The Political Economy of Internal Conflict in Sierra Leone*, p. 10.

Colombia

In Colombia there are a substantial number of war-related resources for the main protagonist factions to tap. The main commodities and activities that comprise the resource bases of the ongoing war economy are: kidnapping, rent extraction of multinational corporations' personnel, narco-trafficking, oil exploitation, gold smuggling and emerald exploitation. The Colombian conflict has pitted various guerrilla groups against the government's armed forces since the mid 1960s and against a heterogeneous force of paramilitary groups since the 1980s. The two major guerrilla groups are: the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia* – FARC), and the National Liberation Army (*Ejército de Liberación Nacional* – ELN). Furthermore, there are self-defence groups, grouped together in the so-called United Self-Defence Forces of Colombia (*Autodefensas Unidas de Colombia* – AUC). Finally, the national army of the Colombian state is involved in the ongoing conflicts.

Because of the changing fortunes of the various actors, the geographical spread of various resources and the impact of important external actors (namely the United States), the Colombian conflict has a highly volatile character resulting in differential and temporary resource-related strategies of the major contending forces.

The state of Colombia, which funds the national army, relied on its revenues from oil, coffee, coal, gold and US military assistance to fund its war effort. Allegedly, the major guerrilla forces, FARC and the ELN, depend more on income from ransom than from taxation of drug-trafficking. Whereas FARC is said to depend to about 45 per cent on ransom money only, the ELN recovers about 25 per cent of its income from this source. By contrast, it is estimated that the ELN earns roughly 40 per cent of its total revenues from diversion of government funds, while this seems to account for only 9 per cent of FARC's income (see annexe 5 – Proportional Share of Income per Activity for Two Major Colombian Rebel Groups).

Finally, the AUC forces seem to depend largely on two sources of income: narco-trafficking and donations from the interest groups that they protect. The AUC represents different paramilitaries: those that are organically linked with the narco-bourgeoisie and those that protect the cattle ranchers, large landowners, agribusinesses, and conservative political sectors.³⁴ A calculated estimate has put the AUC's annual income at more than US\$ 80 million.³⁵

34) Nazih Richani (2002), *Defining the Linkages between the State, Army and the Autodefensas Unidas de Colombia*, CRU Working Paper (The Hague: Netherlands Institute of International Relations 'Clingendael'), p. 2.

35) Richani, *Defining the Linkages between the State, Army and the Autodefensas Unidas de Colombia*, p. 2.

Much of these funds are derived from the drug trade, gold business, taxing agribusiness and large landowners, and money-laundering activities.

Strategies

The Colombian war economy can best be characterized as one of succession and invasion by the various belligerent forces. Geographically, Colombia is a patchwork of non-contingent extraction zones of resources that feed the ongoing internal conflict. Hence, the national army in fact controls only a limited area, consisting mainly of the major towns and some parts of the central highlands between the major mountain ranges and some parts of the coastal plains.

The increasing military intervention of the US in the conflict created a new perception among the military and their conservative right-wing supporters among cattle ranchers, large landowners and agribusinesses that they can win the war against the insurgency. The military establishment felt emboldened by the US military's involvement and assistance and the new international mood created after the 11 September 2001 attacks against the World Trade Centre and the Pentagon in the United States. Prior to these attacks, General Fernando Tapias, commander of the armed forces, and Jorge Mora, commander of the army, had already departed from their old view that the civil war was not winnable and had started to express the view that they could win the war in a matter of a few years.³⁶

This change of perception of an important actor such as the military came in the midst of an ongoing peace negotiation, contributing to its failure and changing the conditions that favour peace.³⁷ Prior to the introduction of 'Plan Colombia' in 1999, representatives of the dominant classes such as the industrialist group ANDI, and Necanor Restrepo, from the powerful economic conglomerate in Antioquia (*Sindicato Antioqueño*), among others, were vocal supporters of a peaceful exit. The guerrillas on their part were not less committed to a peaceful exit, provided that it was associated with the introduction of meaningful political and social reforms. 'Plan Colombia' and the subsequent 'war on terrorism' created a new international political economy that did not favour a peaceful negotiation of the internal conflict in Colombia. Consequently, the Colombian civil war has become part and parcel of the 'war on terrorism' to the detriment of the peace process.³⁸

36) Interview of both generals with Semana, 21 August 2001.

37) See Nazih Richani (2001), 'The Political Economy of Colombia's Protracted Civil War and the Crisis of the War System in Colombia', in *The Journal of Conflict Studies*, vol. XXI, no. 2, winter 2001, pp. 50-77.

38) US foreign policy after 11 September 2001 towards Colombia witnessed shifts, particularly in easing restrictions regarding the use of weapons and planes that the Colombian military had obtained through 'Plan Colombia' to carry out anti-narcotics operations to be employed also

This change in strategy was reinforced by the contemporary trend of the growth of AUC forces. The AUC has dramatically increased its military power, from a fighting force of 5,000 combatants in 1995 jumping to an estimated 15,000 fighters in 2002. It has successfully repelled the ELN from strategic strongholds in the mid-Magdalena area, and it has attempted to exercise hegemony over the strategic Colombia-Panama smuggling route by uprooting FARC in the early 1990s and has largely succeeded in achieving that aim. The Colombia-Panama border area had become a major theatre of military confrontation between FARC and the AUC along with the Colombian-Ecuadorian border. The AUC's strategy of cutting FARC's main supply routes coincides with that of the state and the US. While the AUC focuses on Panama, the Colombian army and the US forces in Colombia are trying to cut the supply routes from Ecuador. At the political level, the AUC, in sharp contrast with the guerrillas, does support the foreign capital investments and has no ideological objection against multinational presence and practices in Colombia. This facilitated a partnership between the AUC and foreign private companies, particularly those investing in areas of conflict.

In 1990 FARC had 5,600 fighters, by 1996 it had 7,500, and by the end of the 1990s it had doubled that force to 15,000.³⁹ FARC benefited the most from the process of taxing narcotics' production because most of the coca plantations were in areas in which it has historically operated such as Putumayo, Caqueta, Meta and Guaviare – that is, relatively peripheral areas on the southern and eastern fringes of the Colombian heartland (see annexe 6 – Map of Colombia). The ELN did not capitalize as much because it did not really have any military presence in these areas, although in the early 1990s coca plantations started in south Bolivar and Catatumbo (north Santander), which were strongholds of the ELN until 1997-1998 when the AUC took control. Thus the ELN did not have much of an opportunity to extract protection rent from the coca production process and if it did it was short-lived, so it relied more on ransom-kidnapping and war taxes on landowners.

Meanwhile, FARC emerged stronger and more confident because it commands more resources. In the 1970s and 1980s FARC maintained a low-profile strategy in mostly peripheral areas, where it controlled local residents and provided some kind of civil administration. In response to the activities of the national army and the AUC, which resulted in the loss of some strategic areas, FARC managed to penetrate traditional production areas of export crops, such as the banana and coffee-growing areas. This new strategy partly results from the deteriorated terms of trade for local producers and the fact that

against the guerrillas. In practical terms the distinction between anti-narcotic and counter-insurgency operations was problematic, particularly in south Colombia, where FARC operated even before considering easing the restrictions.

39) Nazih Richani (1997), 'The Political Economy of Violence: The War System in Colombia', in *Journal of Interamerican Studies and World Affairs*, vol. 39, no. 2, summer 1997, p. 42.

the state seems to have abandoned these groups, providing a fertile breeding ground for subversion against the state. FARC has hence become active in many areas where hitherto it had no presence at all. According to Ingrid Bolivar (2002), guerrillas in general tend to extend their presence from outlying poor areas to richer areas co-existing alongside sizeable pockets of poor rural settlers, areas of rapid economic growth and weak institutional presence, as well as in formerly prosperous established rural areas that have been abandoned by government services.⁴⁰

It seems that guerrilla forces, the national army and the various civil defence forces (AUC groups) are engaged in – invasion, succession and expansion – strategies that are mutually reinforcing and complementary in nature. The outcome tends to create a geographical divide between government forces controlling the central valleys and large population centres, with the AUC increasingly monopolizing pockets in which profitable economic activities take place that are related to the international economy⁴¹ and the guerrilla forces in charge of peripheral areas and increasingly ‘old’ economic production areas, notably of cash crops, both legal (such as coffee) and illicit in nature.

For the time being the state seems to be unable to eradicate important sources of income for the guerrilla movement such as illicit crop production, despite overwhelming support both from internal actors (the AUC) and external actors (the United States). In Colombia, the military balance between the state and guerrillas carries more weight in explaining the exponential increase in drug production than the purely economic explanations, since the state and its international backers were not successful in increasing the costs of coca production to the peasants and thus making their business unprofitable. So far, the balance of power between the guerrillas and the state has prevented the curtailment of illicit drug production and has consequently opened prospects for the illicit crop growers to negotiate a settlement that takes into account their interests.

Sri Lanka

In Sri Lanka, the internal war was waged between the government army, supported by police and militia, and the Liberation Tigers of Tamil Eelam

40) Ingrid Bolivar (2002), *The Political Economy of the Armed Conflict in Colombia: Order and Security in Drug-Trafficking*, CRU Working Paper (The Hague: Netherlands Institute of International Relations ‘Clingendael’), pp. 5-6.

41) The AUC presence has become strongly correlated to the activities of major multinational firms operating in Colombia. For an in-depth analysis, see Nazih Richani (2002), *The Interface between Domestic and International Factors in Colombia’s War System*, CRU Working Paper (The Hague: Netherlands Institute of International Relations ‘Clingendael’), pp. 8-12.

(LTTE). After sporadic eruptions of violent ethnic conflict, the start of the internal war can be placed at around 1983. Anti-Tamil riots in the Sinhala-dominated areas heralded a period of rapid escalation into near civil war. Although both the national army and the LTTE were rudimentary military forces in the early 1980s, they gradually expanded and grew, both in numbers and in budget. The national army grew from a mere 40,000 in 1986 to an estimated 150,000 nowadays, i.e. in a timespan of fifteen years (the entire armed forces consist of some 230,000 including a large paramilitary police force of 80,000 men). The national army was financed through the national budget and regular military spending. The percentage on military spending consequently grew from roughly 4 per cent of the total government expenditure to a staggering 22 per cent in 1997.⁴² The LTTE had to find its resources first and foremost from within its own community. Consequently, rich Tamil businessmen were approached to sponsor the movement and humanitarian front organizations gradually helped to raise funds among the diaspora communities living in some industrialized countries. The LTTE also expanded its fleet, as it depended heavily on marine supply routes from the mainland of India.

By contrast to the other conflicts studied, both of the protagonist groups had only very limited access to profitable domestic resources, for the simple reason that Sri Lanka lacks a significant mineral resource base. Its riches depend largely on a few export commodities such as tea and foremost on the extensive cheap labour base on which the garment and tourist industry flourish. This fact has forced both the government and the LTTE to seek alternative income opportunities, in turn leading to a growing foreign debt and a growing proportion of military spending on the part of the government, and a proliferation of illicit activities, such as smuggling of drugs, weapons and increasingly the smuggling of asylum seekers and economic refugees, on the part of the LTTE. This feature has given the LTTE a strategic advantage, because ultimately the government of Sri Lanka is constrained by its capacity to engage in new foreign debts, while it is subjected simultaneously to foreign scrutiny resulting from a certain level of transparency of official budgeting.

Strategies

Throughout the entire conflict, the war has been characterized by the classical juxtaposition between a conventional army representing the state and a guerrilla force representing a specific ethnic minority bent on achieving independence. The Sri Lankan conflict theatre is moreover located largely in

42) Figures from Kingsley de Silva (1998), chapter 6 on Sri Lanka, in *Causes of Conflict in Developing Countries: South Asia Regional Report*, vol. II (The Hague: Netherlands Institute of International Relations 'Clingendael'; and Kandy, Sri Lanka: International Centre for Ethnic Studies), pp. 401-403.

the north and east of the island state, although time and again the LTTE have mounted spectacular attacks on targets inside the Sinhala heartland. The war intensified in the early 1980s and gradually escalated into a continuous stand-off between both military forces. Between 1987 and 1990, India intervened in the conflict, initially as a peacekeeping force, but gradually becoming entangled in the intricacies of the conflict. India became an additional actor and ultimately faced staunch military opposition from the LTTE. Government forces managed to occupy the Jaffna peninsula in the early 1990s, but came under increasing military pressure from a well-organized and determined opponent. In fact, the war, although geographically contained, was not to be won by either side to the conflict. During the course of the last twenty years, a gradual arms race between both movements has ensued, but has resulted only in a protracted military stalemate. The government's army remained largely confined to urban areas and isolated military camps, which proved vulnerable to the surprise tactics of concerted LTTE attacks. The LTTE military campaign of hit and run proved sufficient to contain an increasingly larger and better-equipped adversary, bogged down in conventional strategies aiming to occupy the Tamil territories and to demonstrate the continued predominance of the state. This strategy has proved to be costly but necessary to maintain the claims to territorial integrity of Sri Lanka. In turn, the LTTE have claimed an increasing share of the island's territory as their future exclusive homeland, regardless of the fact that many non-Tamils have resided for a long time in some of these areas. The result has been the existence of a relatively peaceful Sinhala majority area that is sometimes shaken by incidental attacks and a war-ridden north-east where government presence is limited to heavily armed garrisons and where the LTTE moves around more or less freely, yet without being able to capitalize on permanent positions.

Presently, because of a ceasefire that has already held for several months controlled by a monitoring unit consisting of soldiers from some Nordic countries in Europe, the prospects for arriving at a negotiated settlement seem to have improved. Because of bans on diaspora funding in Canada and the US following the 11 September 2001 events, pressure on the LTTE had increased. The LTTE is furthermore eager to be accepted as a legitimate political movement and not as a terrorist outfit. Meanwhile, the present government of Sri Lanka has been facing an uphill battle against economic decline, mounting external debts and a lack of viable alternatives to sustain the huge costs of the conflict.

A Memorandum of Understanding (MoU) was signed between the LTTE and the incumbent government of Sri Lanka in February 2002. The MoU among other things comprised a ceasefire, allowed the circulation of persons and goods in earlier restricted areas and provided for the establishment of an international monitoring system regarding arrangements under the MoU. It also allowed political offices to be set up by the LTTE in the rest of the country. In the period between February and September 2002 a whole series of measures were taken aimed at the normalization of daily life in war-affected

areas, and at establishing contacts and confidence-building between the two parties. From 14-17 September 2002 a first round of peace talks was held in Thailand, where the LTTE announced that it would no longer aim at an independent Eelam, but said that it was satisfied with a homeland that enjoyed a large degree of autonomy. These talks are continuing in 2003.

4 Economies of War: How Internal Conflicts are being Financed

Introduction

Theoretically, while reviewing the relationship between violent internal conflict and the domestic availability of resources, the major question seems to be whether wars are fought over, or with, resources. Are resources the reason why these conflicts are fought, or are these conflicts fought with the economic benefits derived from resource exploitation? This question again focuses the debate on the issue of causality. Are protagonist groups vying for the largest share of the pie, or are they trying to promote a political agenda with the help of economic resources? Although the salience of this question is beyond doubt, I would first like to focus on resource characteristics and modes of resource extraction in order to be better informed about what is meant by resources and how such means are used in order to establish the parameters within which causal relations can be studied.

Generally speaking, a distinction between the various resources used in the funding of internal conflicts is necessary, because it will reveal strategic properties that have important consequences for the belligerent parties concerned. It goes without saying that the exploitation of oil, for instance, requires sophisticated extraction methods but also the capability of the

'proprietor' to protect effectively such exploitation from aggressive incursions by competing forces. In fact, the nature of the exploitable resources in a given country or area goes a long way to predicting the potential of a specific actor to sustain a war effort against internal opponents. It is therefore important to discuss briefly some of the major differences between resources that are available to the various belligerent forces engaged in internal wars.

This chapter firstly reviews systematic properties of a number of resources as a prelude to discussing modes of exploitation and patterns of resource allocation such as arms purchases, redistribution among target populations or predatory behaviour of armed factions.

This chapter aims to unravel patterns of causality between resource exploitation and internal conflict, by explaining how and through which means war economies are thriving in the contemporary context, notably of developing countries.

What are the resources used, and how are they being exploited? How are these funds, which are generated through resource exploitation, used? To what extent are war economies exclusively geared towards maintaining the war effort, or are patterns of redistribution of funds for non-military means also operated during violent internal conflicts? Also, to what extent can local actors benefit from war economies, and if so, how do these war-related income strategies interact with the overall war economies prevailing in those areas?

Finally, some tentative conclusions are drawn on the question of to what aim war economies are operated? Are war economies merely operated for self-enrichment, used to realize the strategic objectives of the warring factions only, or are they also used to provide services to population groups and consequently to promote legitimacy among groups from which some of these actors draw support?

Section I Different Resources, Different Modes of Funding

The overall perception on the kind of resources involved in internal conflicts presently focuses rather narrowly on mineral resources only, such as diamonds, gold, emeralds, silver, oil, valuable metals or raw materials for industrial use, such as coltan. This perception does not acknowledge the complex nature of contemporary political economies related to internal warfare. There are many alternative sources of income that should equally be considered resources in their own right.

A sharp distinction can normally be made between mineral and non-mineral resources. Secondly, the distinction between so-called point resources and diffuse resources is a pertinent feature. Thirdly, extortion, looting and voluntary contributions by diaspora communities to the war effort should be treated as a separate category of resources. Fourthly, the provision of external donor money to the incumbent governments of countries in which internal

wars are waged has to be seen as a distinct and separate form of resource provision.

Mineral and Non-Mineral Resources

Mineral resources seem to be by far the most common resources that are used by fighting factions to generate an income. In almost all countries in sub-Saharan Africa where major internal conflicts have materialized, war strategies have invariably focused on the possession of at least one valuable mineral resource. The strategies of belligerent factions, as can be inferred from chapter 3, have by necessity focused on the areas where these minerals are found. In fact, there seems to be a very straightforward relationship between the geography of mineral deposits and the geography of internal conflict in a number of conflict cases. Hence diamond-rich Kono in Sierra Leone became the key resource area for the RUF; and in Angola after the war had resumed in 1992, UNITA appropriated diamond-rich areas in the Lundas and in the Cuango valley.⁴³ The military occupation of these areas ensured control over resource exploitation. As was mentioned earlier, oil exploitation was the mainstay of the MPLA, and because of the nature of the oil findings in Angola, it has been relatively easy for the Dos Santos regime to protect oil exploitation. Firstly, oil was located in an enclave, Cabinda, in which UNITA had no strategic partners. The rudimentary resistance movement of Cabinda, the *Frente para a Libertação do Enclave de Cabinda* (FLEC), never had the capacity to take on the state's security forces. During the 1990s when progressively important oil deposits were found at offshore locations, the military vulnerability of exploitation diminished even further. In Colombia, by contrast, oil is found at locations far away from the coast and protection of pipelines to the coastal bulk stations is virtually impossible. Both the government and the oil multinationals are consequently vulnerable to extortion practices and money is paid to the major rebel groups that are capable of sabotaging the pipelines.

Non-mineral resources vary from natural resources such as land, wood, and aquatic resources to non-material resources generated either through extortion, intimidation or the use of force (plunder and looting) and external funding, either through individual contributions (through diaspora funding, and issues of coercion and covert support) or bilateral/multilateral funding through humanitarian aid delivery and development aid (including issues of fungibility, substitution effects and misallocation).

In the case of natural resources, most notably renewable resources such as land and aquatic resources, structural issues related to livelihood systems and entitlements are involved. Struggles about these resources are ongoing,

43) The Cuango River, a tributary of the Congo River streaming northwards, is an important mining site of alluvial diamonds in the Lunda Norte province, where many large-scale mining operations are located; see annexe 4 – Map of Angola.

irrespective of war or peace, and are related to profound socio-economic relationships and historical developments in a specific context.⁴⁴ With the exception of the production of drugs such as coca leaves and opium poppy, it seems that the generation of direct profits is more limited and it is difficult for belligerent forces simply to apply 'hit-and-run' tactics because of the nature of these resources. The role of natural resources such as land and aquatic resources in supplying the means to wage war is thus limited. Nevertheless, this research will analyse the proliferation of illicit drug production in war-torn societies, notably in the case of Colombia. In some other particular cases, notably tropical timber and valuable wildlife species, natural resources are tapped into by warring factions. Timber can be extremely valuable as a source of income, as exemplified by the recent state of affairs in Liberia, where Charles Taylor's regime was said to have acquired substantial financial gains from the accelerated exploitation of timber, which was used to fight off an insurgency in the north-west of the country (Lofa county).⁴⁵

Point and Diffuse Resources

Point resources are mineral deposits concentrated in veins or reservoirs in the subsoil. These subsoil deposits require sophisticated machinery and expertise and are moreover vulnerable to external attacks. The mining companies involved in this type of mineral exploitation have always had to consider security measures in order to protect their investment. Such companies consequently have a long history of dealing with government forces, rebels and private security companies. Point resources, with the exception of offshore and peripheral locations, are therefore open to external threats and change hands every so often, following the military realities on the ground. Point resources are also more vulnerable to extortion practices.

Diffuse resources, by contrast, are spread over a larger area, and are much more difficult to control. Alluvial deposits of diamonds, gemstones, gold and silver, but also coltan, are hence mostly exploited in a traditional way, using individual diggers and rudimentary equipment to exploit these minerals. Diffuse resources give rise to competing structures and to the shifting boundaries of factions' territories. These resources are much more difficult to control completely and hence require the deployment of substantial numbers of controllers and are labour-intensive in nature.

44) P.S. Douma (2003), *The Origins of Contemporary Conflict; A Comparison of Violence in Three World Regions* (The Hague: Netherlands Institute of International Relations 'Clingendael').

45) Press release of 12 August 2001 by the Forest Conservation Agency, *Liberian Timber Fuelling Regional War*, <http://forests.org>.

Non-Material Resources

Although more elusive in nature, various *non-material 'resources'* to fund internal wars can be identified. For a number of conflicts these resources are of paramount importance for the specific actors involved in these conflicts. Both in Colombia and in Sri Lanka, revenues from various 'fund-raising' practices allegedly constitute the majority of their income⁴⁶ (see also annexe 5 – Proportional Share of Income per Activity for Two Major Colombian Rebel Groups).

Extortion has been applied by all of the actors involved in internal wars, taxing either large companies that are actively exploiting mineral deposits, governments that rely on income from mineral exploitation (oil) or external agents such as international non-governmental organizations (INGOs) that intervene in war theatres in order to provide food or medicine to war-affected population groups.

Extortion has become an important source of income in Colombia for the major rebel forces (FARC and ELN). The abduction of important individuals and the extraction of ransom fees seems to be a particular feature of the Colombian conflict, a feature that is increasingly also applied by the AUC.

Looting does not always materialize and seems to have been mostly practised in the cases of Sierra Leone and Angola. In parts of Sierra Leone, entire cities have been dismantled and all building materials have been shipped to neighbouring countries.⁴⁷

In the case of Sri Lanka, voluntary contributions from diaspora communities residing in Western countries play an important role as resources for the LTTE struggle against the government's forces. However, these contributions are not always provided on a voluntary basis. Indeed there are indications that the LTTE pressures diaspora elements into compliance simply because of fear, or because it is capable of implementing reprisals against diaspora kinfolk in Sri Lanka.⁴⁸

Emergency and Development Aid

Finally, the related issues of emergency aid and development aid need to be highlighted as important resources that can be tapped into by the various actors involved in conflict. Numerous publications have revealed the relationship between humanitarian wings of rebel groups and the armed wings of such

46) Gunaratna estimates that up to 60 per cent of LTTE income is derived from diaspora funding; quoted in Stanley Samarasinghe (2002), *The Political Economy of Internal Conflict in Sri Lanka*, CRU Working Paper (The Hague: Netherlands Institute of International Relations 'Clingendael'), p. 38.

47) Field observation by Pyt Douma in Koidu town, eastern Sierra Leone, April 2002.

48) Samarasinghe, *The Political Economy of Internal Conflict in Sri Lanka*, p. 36.

organizations.⁴⁹ The fact that such organizations receive funds for civilians under their control enables them at the very least to establish some semblance of credibility and also helps them to free their fighters from supporting their kinfolk. As has been mentioned, the delivery of aid can be abused in various ways.⁵⁰ As a result, the delivery of humanitarian supplies cannot be considered to function in a conflict-neutral way, as it will always have side-effects (albeit sometimes unintended) that benefit one or the other actor involved in the violent conflict.

In some cases within our case study sample of Sri Lanka, the provision of so-called structural development aid continues unabated, despite the presence of an internal violent conflict and despite high levels of intensity. It seems as if the international donor community has resolved to support the incumbent government in the south-west of the island state regardless of policies and strategies related to the violent dispute, which is largely confined to the north-east. In view of the rather high levels of military expenditure and the maintenance of a large professional army, the issues of substitution or the so-called 'fungibility' effects of the external aid must surely be taken into account. Again, structural development aid may well be intended to support genuine efforts to raise standards of living for poor people, but it simultaneously results in taking pressure off the government so that it can release funds for the armed struggle. In times of war, governments may also decide to purchase military equipment and pursue policies that run counter to well-intended external efforts to support development and combat poverty.

Section II Exploitation and Control

In this section the focus lies with modes of exploitation. Modes of exploitation demonstrate different belligerent actors' degree of organization. Simultaneously, different methods to exploit resources can exemplify linkages between resource extraction during conflict situations and other actors, which are sometimes hidden from our view because they perform normal services. There are various regular industrial types of resource mining, such as oil, diamonds or other precious mineral resources found in subsoil point resources. Exploitation of alluvial deposits, as has already been mentioned, lends itself to traditional methods of mining by groups of miners. Logging of timber again requires substantial technical investment and logistical capacity. So-called non-

49) Peter Uvin (1996), *Development, Aid and Conflict: Reflections from the Case of Rwanda* (Helsinki: UNU/WIDER); Alex de Waal (1997), *Famine Crimes: Politics and Disaster Relief Industry in Africa*, African Issues Series (Oxford: James Currey; and Bloomington and Indianapolis: Indiana University Press); and Douma and van Walraven, *Between Indifference and Naïveté*.

50) See John Prendergast (1996), *Frontline Diplomacy: Humanitarian Aid and Conflict in Africa* (Boulder CO and London: Lynne Rienner).

material resources, such as those based on kidnapping or extortion, require yet other skills and techniques.

Large-scale Mining

Specialized companies are involved in the case of large-scale industrial exploitation of mineral resources. Such companies mostly acquire mining permits from the officially recognized state elite groups. These companies receive these mining rights as a result of paying concession fees and sometimes so-called signing bonuses to the government officials involved. In the case of oil exploitation in Angola, the payment of signing bonuses is a normal procedure.⁵¹ Large multinational oil companies in Angola execute the drilling and subsequent pumping of oil. In fact, because of its offshore nature there is no distinction between oil exploitation in Angola or in other producing countries, because the war does not affect production. In the case of diamond mining in the Lunda provinces of Angola, the image changes profoundly. In the recent past, big mining operations have changed hands and all types of security arrangements have been taken to protect major diamond mines. In terms of modes of exploitation, again we see large-scale specialized industrial companies involved. Because of the erratic nature of internal warfare, resulting in high opportunity costs resulting from insecurity, many companies have withdrawn and have been replaced by more aggressive so-called junior mining companies.⁵² These companies are organized around the inbuilt assumption that they operate in highly risky environments and all are closely linked to government forces, rebel forces or private military companies (PMCs). In fact, protection money is part of production costs. In Colombia this practice has become institutionalized between the major rebel forces and the companies involved. In exchange for not harming installations and personnel, multinational companies pay so-called direct taxes.⁵³ In Angola and Sierra Leone, because various actors are competing for hegemony in specific areas, the situation is much more fluid. In some cases the rebels have been firmly in control and hence have defined the rules of the game (as in Sierra Leone), but in the case of Angola the government army successfully ousted UNITA from important diamond strongholds prior to UNITA's military defeat early in 2003. Several cases have been reported in which individual army officers of the Angolan army (FAA) employed their own soldiers as miners to exploit diamonds on part of the diamond mining companies' concession in exchange for protection. In the Lunda provinces, PMCs have operated throughout the

51) Duncan Clarke (2000), 'Petroleum Prospects and Political Power', in Cilliers and Dietrich (eds), *Angola's War Economy* (Pretoria: Institute of Security Studies).

52) Ian Smillie, Lansana Gberie and Ralph Hazleton (2000), *The Heart of the Matter: Sierra Leone, Diamonds and Human Security* (Ottawa: Partnership Africa Canada).

53) Richani, *The Interface between Domestic and International Factors in Colombia's War System*, p. 7.

conflict, effectively securing safe exploitation for some mining companies and some extraction sites.

Alluvial Mining

In the case of alluvial mining, large numbers of young miners are traditionally employed, controlled by overseers, while in the background local businessmen provide food, shovels and pans. This type of exploitation also functions during peace and there is no difference in the way that alluvial mining is executed during periods of violent conflict. However, in rebel-held territory in Sierra Leone this system was sometimes executed by RUF soldiers, who did not receive payment as under the traditional scheme. Most diamonds were collected by local commanders and part of the revenue value was exchanged for necessary inputs to sustain the war. In Angola, because of the immensity of the alluvial deposits, control was also difficult and so-called *garimpeiros* from Angola and neighbouring countries flocked to the diamond-mining sites. In this case, when both army and rebel troops encountered groups of diggers in their territory, they offered 'protection' in exchange for part of the revenue, offers that in fact could not be refused by the unorganized diggers. From 1992-1998 UNITA established a control system on almost all *garimpeiro* activity in the Lunda provinces, levying a 20 per cent tax on their activities.⁵⁴ Of course, mining to some extent continued without interference from belligerent forces, but illegally operating miners took high risks.

Drugs

The case of illicit drug production stands out concerning renewable resources used to fund internal wars. In our sample, only Colombia figures as an important producer both of coca and of poppy. After the demise of the so-called marijuana boom⁵⁵ during the 1970s, the leading networks of producers and smugglers concentrated on the production of coca leaves and its transformation to coca paste and cocaine for the Western consumer markets, located in neighbouring United States and Canada, but also in Europe. The families active in this field, the narco-bourgeoisie, became an important additional actor in the internal war as they progressively started to fund *Autodefensa* forces. The guerrilla forces quickly realized the potential of coca as

54) Christian Dietrich (2000), 'UNITA's Diamond Mining and Exporting Capacity', in Cilliers and Dietrich (eds), *Angola's War Economy*, p. 277.

55) In the 1970s marijuana from Colombia was popular in Western consumer markets and production boomed until superior and more powerful strains were developed in Europe and the United States. As a result, bulky Colombian weed was replaced by home-grown marijuana in the major consumer markets from the end of the 1970s and production originating from the north-western Sierra Nevada of Santa Marta subsided.

an income-generating activity, which was facilitated by the geography of the internal war in Colombia (see annexe 6 – Map of Colombia: Prevalence of Paramilitaries and Guerrillas by Department, 2002). Interestingly, in the early 1980s the role of FARC was limited to levying tax on coca leaf production. In the 1990s FARC began to expand in other sectors of the cocaine production process and began to regulate laboratories that produce coca paste and cocaine.⁵⁶ As a result FARC now controls the coca production process and can deliver cocaine to the existing distribution and smuggling system. The importance of this specific case demonstrates the potential for expansion regarding specific resources related to sustaining war economies. Whereas in most cases the processing (such as polishing and cutting diamonds, or refining oil) is controlled by large industrial companies that are primarily not directly involved in these violent conflicts, FARC has succeeded in extending its control over the processing of coca paste. Of course, this development can largely be attributed to the illicit nature of drug processing and hence the marginalization of the entire production chain. Nevertheless, command over an entire production chain definitively gives such an organization some edge over competitors and state-orchestrated anti-drug campaigns.

Control and Exploitation of Non-Material Resources

Other non-material resources each require their own specific expertise and methodology. In the course of time, specific groups developed their own, violent and non-violent, ways to tap into one or more alternative sources of income, such as through extortion practices, kidnapping, diaspora collections and posing as developmental NGOs in a bid to attract foreign funding.

When reviewing the different modes of exploitation and control of these sources of income, it becomes clear that as one moves progressively away from more direct and sometimes violent modes of extraction, the expertise to run such funding schemes requires adaptation and flexibility by the factions involved.

Consequently, the Colombian guerrillas, as well as increasingly some *Autodefensa* forces⁵⁷ that use kidnapping as an important source of income, have developed ‘intelligence services’ types of activities, following prospective targets closely and planning operations minutely. Armed actors employing these

56) Bolivar, *The Political Economy of the Armed Conflict in Colombia*, p. 20.

57) Although the *Autodefensas Unidas de Colombia* pose as a unified force, there is enough evidence to support the assumption that they can be both divided into separate groups representing specific geographical areas and into different functional groups supporting either narco-bourgeoisie or traditional elite groups consisting of landowners, cattle ranchers and conservative elite; see also Richani, *The Political Economy of the Armed Conflict in Colombia*, section on ‘Defining the Linkages between the State, Army and the *Autodefensas Unidas de Colombia*’.

tactics, despite revolutionary or conservative and nationalist rhetoric, can therefore hardly be distinguished from organized crime.⁵⁸

The skills employed to execute extortion rackets may involve the use of ‘diplomat’-type personalities that shuttle back and forth between the corporate headquarters of major multinationals and the command centres of the armed factions that they represent. Although a serious nuisance factor, most commercial enterprises end up paying, indicating that their operations remain highly lucrative.

The networks that organize and channel the funds generated from diaspora communities require yet another set of organizational capacities and skills. In these cases humanitarian front organizations, allegedly set up to finance all types of developmental objectives, collect the ‘voluntary’ donations and use existing banking systems to channel money to the fighting factions. This has clearly been the case with the Tamil communities residing in Canada, the United States and Europe. Interestingly, the chain of transmission and exchanges for weapons and how these reach the conflict theatre remains highly secretive but merits closer scrutiny. It seems that some of the successful Tamil businessmen residing in Colombo – that is, in Sinhalese territory – facilitate capital flows and resource distribution on behalf of the LTTE inside Sri Lanka.⁵⁹ Such allegations point to the complexity of interrelationships between actors inside and outside the conflict theatre.

Concerning the use of emergency relief by belligerent factions, many examples can be presented. In Sierra Leone the emergency phase and concomitant emergency humanitarian aid is gradually being phased out. Since the May 2002 elections the incumbent government’s major challenge has probably been the rebuilding of viable government services. In some of the former rebel-held areas the majority of foreign NGOs have clearly had bad experiences. During the conflict, but also in the early post-war phase, Catholic Relief Services (CRS), one of the major INGOs, broke off its relationship with the RUF because of looting, abduction of local staff and breach of parole.⁶⁰ Another problem is related to the humanitarian organization instituted by the RUF, the Organization for the Survival of Mankind (OSM), which many expatriate aid workers have qualified as a ‘resource trap’. This example nevertheless demonstrates the cleverness of the factions involved in the internal conflict. In many cases foreign emergency assistance is provided during a conflict, which presents the executing agencies with the classical moral

58) Recently, the AUC’s leader, Carlos Castaño stepped down (source: the Dutch newspaper *NRC Handelsblad*, 15 July 2002) because he refused to be held accountable for all types of atrocities committed in the name of the AUC by the various constituent groups.

59) Personal communication to Pyt Douma during a field trip in 1997 by a senior intellectual in charge of a research think tank.

60) Statement by Matthew Hochbrueckner, Country Director for Catholic Relief Services, in an interview with Pyt Douma on 22 October 2001.

dilemma of providing relief to victims, while knowing that both government and rebel forces base their strategies on the assumption that no matter the case the international community will always provide food and shelter. The massive displacement of population groups in Bié and Benguela provinces in Angola resulting from the FAA's intentional counter-insurgency programmes are 'facilitated' by the delivery of emergency in the regional capitals, where these people invariably end up.⁶¹ The international community has hitherto failed to denounce these war crimes and to hold the incumbent regime publicly accountable.⁶²

Tentative Assessment of Sections I and II

In most cases belligerent forces, state armies or rebel forces alike vie for control over strategic mineral deposit sites. The possession and control over mineral resources, regardless of whether they are alluvial or subsoil deposits, enables factions to benefit from a regular income. The strategies of competing forces are often centred on these sites and most battles are waged to ensure claims to specific sites. This also applies to the production of illicit crops, as in Colombia many coca plantations are located in FARC-controlled areas.

It seems that only when incumbent regimes control mineral deposits, are they likely to be exploited by regular industrial firms. Hence, when sophisticated techniques and high capital investments are required, only 'stable properties' are considered viable for exploitation. In some cases, namely Colombia, protection money is required to ensure the safe exploitation of mineral deposits. Rebel groups rarely employ foreign firms to extract mineral resources, because in most cases they lack the military capacity to enhance stable production and also because such production would make them vulnerable to attacks by national armies and is strongly at variance with guerrilla warfare strategies. In this regard diffuse resources such as the alluvial deposits of diamonds are a more reliable source of income because they are exploited using traditional techniques. Control over such exploitation in the form of taxation, although time-consuming, is more adapted to guerrilla strategies and presence. This also applies to the production of coca because plantations are spread over a huge area but infrastructure is weakly developed and control at roadblocks is easy.

The major observation with regard to control and exploitation is probably the fact that most factions involved in violent conflict do not develop specialized skills in order to be able to exploit independently from other actors. In most cases the work is done by either specialized firms or traditional diggers and producers, and hence could be qualified as predator economics. This

61) Interview on 29 November 2001 with Paola Carossi, field coordinator in Angola on behalf of OCHA (the UN Office for the Coordination of Humanitarian Affairs).

62) Interviews with prominent members of civil society in Angola, November 2001.

observation applies largely to mineral resources and also to some attractive renewable resources such as timber and illicit crops.

Contrary to the above, in the field of what has been called non-material resources, specialization becomes the *raison d'être* for groups involved. Over time, factions develop the skills required to execute kidnapping (as in Colombia), apply extortion schemes (as in Colombia and Angola) or extract diaspora funding (as in Sri Lanka). It may well be that the development of and reliance on alternative non-material resources emerges when groups are cut off from mineral or other resources because of specific historical and geographical factors. For example, the LTTE operated in resource-poor areas in the north-east of Sri Lanka, and guerrilla forces in Colombia emerged in remote rural areas where resources were generally limited. Forceful eviction may sometimes lead to dependence on such activities, as the case of the ELN in Colombia demonstrates. Finally, all of the actors are involved in trying to get access to humanitarian aid during conflict. Many groups form humanitarian front organizations that are mandated to deliver aid to war-related civilian victims in the areas under their military control. This development is inevitably linked to the issue of legitimacy.

Section III Predation or Legitimacy: Patterns of Resource Allocation

In the contemporary debate about the political economy of internal war much discussion has focused on the debate between greed and grievance. In fact, economic resources are always needed to wage war but political motives or overt rhetoric are used to legitimize the economic exploitation of resources during a conflict. As has already been reiterated in chapter two, the major protagonists of the so-called greed hypothesis⁶³ have applied various statistical techniques to try to prove the causal relationship between proxy variables supposedly representing greed and proxies representing (group) grievances. Unfortunately, many proxy variables could be used to represent both categories, and hence more confusion than answers has been provided.⁶⁴ Thus

63) The most outspoken authors supporting this thesis are Paul Collier, Jean Paul Assam and Anke Hoeffler. For typical examples of this type of research see Paul Collier (2000), *Economic Causes of Civil Conflict and their Implications for Policy* (Washington DC: World Bank); Jean-Paul Assam and Anke Hoeffler (2000), *Looting and Conflict between Ethno-regional Groups: Lessons for State Formation in Africa*, preliminary paper presented at the Centre for International Studies Workshop on 'The Economics of Civil Wars', Princeton University, 18-19 March 2000.

64) For an extensive overview of this debate see Berdal and Malone (eds), *Greed and Grievance*; Keen, *The Economic Functions of Violence in Civil Wars*; Paul Richards (1996), *Fighting for the Rain Forest: War, Youth and Sources in Sierra Leone*, African Issues Series (Oxford: James Currey; and Bloomington and Indianapolis: Indiana University Press); and Jeroen de Zeeuw and Georg Frerks (2000), *Proceedings of the International Seminar on the Political Economy of*

one proxy indicator supposedly reflecting economic motives takes high unemployment among young men combined with a low level of formal education. Such an indicator may well provide a pool of potential soldiers or rebels, but why not suggest with at least equal conviction that their motivation is inspired by grievance over the lack of job opportunities and education?

There is an enormous variation in modes of operation between conflict theatres and between the actors involved, especially if a historical perspective is taken into account. In many cases, it seems that armed factions over time try to build up viable relations with population groups inhabiting the areas that they command. In some cases such groups build a socio-economic infrastructure in order to acquire both local recognition and legitimacy and also to promote international standing and credibility. There hence seems to be a continuum between 'greed' and 'grievance', in which the strategies of the various armed movements involved can be situated. The 'greed and grievance' debate has been useful in highlighting the importance of economic agendas in warfare, and there is certainly evidence that economic factors greatly complicate and prolong violent conflicts. But there is little, if any, convincing evidence that 'new wars' are triggered by competition for economic 'niches' alone'.⁶⁵

A review now follows of some of the political motives underlying internal wars, as far as such motives are known or have explicitly been stated by participating groups, and *a comparison of such rhetoric to the resource-related distributional patterns initiated by these actors*. By doing so, *one can determine that if political motives genuinely motivate the belligerents' actions, then the financing of war becomes secondary*.

Samarasinghe (2002) states that the causes underlying the Tamil-Sinhala conflict clearly originate from a range of state-led developments that were detrimental to the Tamil community. The official Language Act of 1956 resulted in a net loss of government jobs for Tamil-speaking people because Sinhala became the only official language. In the mid-1970s the issue of affirmative action regarding the preferential treatment of Sinhala students outraged the Tamils, and in the late 1980s the state-funded settlement of Sinhalese peasants in small farmsteads in the north and east of the island state was considered to be a threat to the traditional homeland of the Tamil community.⁶⁶ These issues provided strong incentives for the Sri Lanka conflict. The LTTE gradually developed institutions in the areas under its control, clearly trying to replace the state presence and to enhance political legitimacy.

Meanwhile, UNITA, one of the two main protagonist movements of the internal war in Angola, has been able to maintain support among vast groups of

Internal Conflict, 22 November 2000 (The Hague: Netherlands Institute of International Relations 'Clingendael').

65) Quoted from Richards, *The Political Economy of Conflict in Sierra Leone*, p. 13.

66) Samarasinghe, *The Political Economy of Internal Conflict in Sri Lanka*, p. 10.

the population. In fact, as a result of colonial occupation, a sharp division between the coastal elite group centred in Luanda and other ethnic groups had materialized. The total neglect of the majority of the population residing in the interior created a fertile breeding ground for armed resistance, and the incumbent government has been perceived by many Angolans as an alien occupying force. UNITA draws support from the majority ethnic group, the Ovimbundu, and political marginalization and continuing neglect by the governing elite have created grievances on which UNITA was able to capitalize.⁶⁷ UNITA managed to develop schools, hospitals and rudimentary administrative structures in areas under its control. It established a temporary seat of government in Jamba in the south-east of Angola, but time and again was forced to retreat from advancing government forces during military offensives. UNITA eventually failed to maintain a stable presence in certain areas and was unable to keep up the provision of social services to its constituency.

In Columbia, FARC has been able to draw support from marginalized peasant settlers who could not access the formal economy and had to find alternative means of subsistence. The institutional weakness of the Colombian state, combined with FARC's growing control over local municipalities, reaching a staggering number of 622 municipalities – that is, 61 per cent of the total number⁶⁸ – enhanced the legitimacy of the rebel movement. FARC served in some cases as a catalyst to the settlement process and may be viewed as one of the 'main regulators of economic activity and, in some cases, as the foremost contributor to political security'.⁶⁹ Clearly, it seems that FARC has become a political actor in its own right, commanding secure territories and collecting taxes and establishing public facilities, in the process de facto replacing the Colombian state. FARC has consistently claimed that it is pursuing political objectives and aiming to introduce meaningful reforms in four key areas: land reforms and crop substitution; reforming the military institutions; political reforms; and redefining Colombia's model of economic development.

Meanwhile, in the case of Sierra Leone, the RUF's political motivation was less outspoken. Nevertheless, Richards claims that the RUF was a result of a complex of factors related to the breakdown of traditional patrimonial relationships as well as a crisis of modernity.⁷⁰ According to interviews with its leadership, the RUF aspired to pressure the incumbent regime into socio-economic reform and did not want to overthrow the government. The RUF established bush camps for its fighters and only in some areas established a

67) Pyt Douma (2001), *South Africa: Angola Case*, paper presented at the workshop on 'War Economies and Organized Crime: Searching for Coping Strategies', 28-29 June 2001, Berne, Switzerland, p. 3.

68) Richani, *The Interface between Domestic and International Factors in Colombia's War System*, p. 20.

69) Quoted from Bolivar, *The Political Economy of the Armed Conflict in Colombia*, p. 21.

70) Richards, *Fighting for the Rain Forest*.

permanent presence (notably in the eastern region of Kailahun). However, the RUF failed to set up a well-functioning civil administration, capable of delivering necessary services to the civilians under its control.

In all of the cases reviewed, the major contenders challenging the incumbent elite groups at least embedded their violent campaigns and activities in 'grievance'-related rhetoric. In most cases the various belligerent forces, with varying degrees of success, established alternative governance structures in the areas under their control. However, it remains to be seen to what extent these alleged political motivations compare with activities on the ground, both for the government elite and their major contenders.

It has consequently become vital to review the acts of the various belligerents on the ground and to determine how and to what aim the resources extracted during conflicts were used. Survival as an armed faction, or possibly as a political power after the demise of violent conflict, has been the logical point of reference against which this analysis is pitted. Beyond survival, the question of resource distribution must be critically reviewed in order to determine patterns of allocation, ranging from self-enrichment to the build-up of socio-economic infrastructure for the benefit of large constituencies. Such an analysis may provide answers on the issue of causality, as was formulated at the start of this chapter.

Violence and Legitimacy: Are New Wars fought over Economic Resources Alone?

Some authors claim that the situation in many sub-Saharan African conflicts demonstrates the validity of the assumption that both rebel groups and governments abuse power with the aim of enriching themselves.⁷¹ Although there are many indications that such practices are ongoing, there is a real danger of depicting rebels and local governments as the only forces responsible for resource-grabbing, as exploitation may well serve the strategic aim of third parties residing in other countries, obfuscating their sometimes ambiguous role in these murky wars. On a global scale, ideological rhetoric focusing on anarchy and violence helps to obscure the role played by multinational companies, sometimes openly supported by their governments. In fact, all of the actors involved in these conflicts have hidden agendas and it has become highly profitable to pose as morally superior and win over the hearts and minds of the mostly Western-based powerful public opinion. Hence, the motives of all of the

71) See, for example, Jean- François Bayart, Stephen Ellis and Béatrice Hibou (1999), *The Criminalization of the State in Africa* (London: James Currey); Patrick Chabal and Jean-Pascal Daloz (1999), *Africa Works: Disorder as Political Instrument* (Oxford: James Currey; and Bloomington and Indianapolis: Indiana University Press in association with the International Africa Institute); and William Reno (1998), *Warlord Politics and African States* (London and Boulder CO: Lynne Rienner).

actors involved should be critically reviewed. Of course, war profiteering takes place, irrespective of the composition of the various groups involved and of their ideological make-up. It is therefore crucial to reveal the realities on the ground. How did resources figure in the violent conflicts studied, and where did the money end up?

Sierra Leone

In Sierra Leone the war effort was allegedly largely funded with the revenues from alluvial diamond mining.⁷² Estimates about how much money was generated during the war vary widely, between roughly US\$ 400 million in the mid-1990s to US\$ 70 million in 1999.⁷³ It may well be that diamond mining declined substantially towards the end of the war, and perhaps exploitation diminished because the traditional entrepreneurs and middlemen had been forced out of the digging business by 1999. By that time all of the actors engaged in the war were also involved in the diamond-mining business. Although the reasons for the apparent decline remain obscure, it must have had repercussions for the belligerent forces' capacity to purchase dearly needed equipment to pursue the war.

One of the actors involved, the Civil Defence Forces, grew in numbers, outfit and strategy towards the end of the conflict cycle. Their involvement in alluvial diamond mining also increased. Nevertheless, the costs of the war in Sierra Leone may have been far less than what alluvial diamond mining has produced over the years. The question then remains of what has been earned with alluvial mining and who has benefited most?

In his paper on the political economy of war in Sierra Leone, Richards (2003) estimates that by 1999 the RUF supplied about US\$ 20-50 million of the total output. He assumes that the other belligerent parties (including the Sierra Leonean government's own CDF) supplied the rest – that is, also between US\$ 20-50 million out of a total of US\$ 70 million. In 1999 less than US\$ 1.5 million officially flowed through government coffers. However, no mention is made about the smuggling routes through both Guinea-Conakry and Liberia. Liberia, as will be seen later in chapter 5, played an important role in smuggling the diamonds out of Sierra Leone, transporting them to marketplaces, selling them and eventually channelling back war-related inputs to the RUF. In view of the fact that the RUF controlled the most profitable

72) Smillie, Gberie and Hazleton, *The Heart of the Matter*.

73) Richards, *The Political Economy of Conflict in Sierra Leone*, p. 13, mentions an OTI estimate in the order of US\$ 70 million (see USAID, Office of Transitional Initiatives (2000)). The experts who compiled the *Report of the UN Panel of Experts on Sierra Leone* (2000) put revenues in the range between US\$ 25 and 125 million. Finally, John Hirsch cites Caspar Fithen, who estimates total annual revenues at between US\$ 350 and 450 million in the mid-1990s; in Hirsch, *Sierra Leone*, p. 25.

alluvial diamond deposit sites, it seems reasonable to assume that it and its Liberian business partners equally had a larger share in diamond profits. Nevertheless, it also seems likely that the people in control of vital supply routes and supply of commodities to the land-locked RUF movement were in a commanding position and must have been capable of taking advantage of the situation. Consequently, much profit has probably been lost to outside actors and various groups of middlemen. Admitting that the RUF received less than it could have earned on the grounds of potential profits, the question remains what did it do with the funds available?

It seems that the RUF evolved as a rather exclusive and entrenched 'secretive' movement, largely confined to forest camps in Sierra Leone's interior. The organization of these camps was apparently based on rather strictly enforced egalitarianism. In fact, the movement socially resembled 'isolated sectarian organizations'.⁷⁴ Furthermore, the RUF fighters received no wages and the movement lived through controlled looting. In some parts of the country where the RUF enjoyed considerable local support, the movement set up rudimentary forms of civilian administration, notably elementary schools and local courts. From these observations it becomes clear that the RUF did not seem to require substantial financial inputs to be able to function as a warring party, nor did it need substantial resources to build local civilian structures. Strikingly, people interviewed from all participating parties declared that RUF war inputs were largely obtained through a combination of looting and barter practices involving foreign supporters, middlemen, army units and even Nigerian troops intervening in the conflict.⁷⁵ These findings suggest that contrary to the allegations about the 'dependence' on diamond money, the RUF survived on a combination of human and local resources, at best supplemented by income generated from alluvial diamond mining. The proceeds of the diamond mining filtered down to a large number of external actors, and a substantial amount seems to have 'leaked' away to powerful intermediary agents and local RUF commanders catering for their own benefit.

Angola

Another resource-related scenario emerged in Angola, in which three distinct phases can be identified: superpower proxy confrontation from 1975 to around 1987; a phase of superpower withdrawal; and the contemporary phase of internally funded warfare that has shortly ended.

As a result of the loss of superpower support, both sides resorted to domestic resource maintenance, resource capture or exploitation. Both parties used mineral-rich territories to fund the war from the late 1980s, using the resources to buy weapons and to support an increasingly corrupt elite on both

74) Richards, *The Political Economy of Internal Conflict in Sierra Leone*, pp. 17-18.

75) Interviews with Pyt Douma during fieldwork conducted in October 2001 and April 2002.

sides.⁷⁶ It seems that both parties did little else than become entangled in an all-encompassing power struggle, which has been resolved in favour of the incumbent government.

UNITA was believed to rely entirely on the sale of diamonds and on taxation of the *garimpeiros* to support its war effort. Shaw (2002) calculates that UNITA probably earned far less than the Global Witness estimate of US\$ 3.7 billion, which he claims is an overestimation. South African industry experts have suggested that Angola has a total diamond mining output per year of approximately US\$ 600 million. Shaw goes on to conclude that UNITA probably controlled half of the entire production, as it possessed and had some kind of control over half of the country's diamond fields.⁷⁷ Diamond production from UNITA-controlled areas would thus amount to a yearly market value of about US\$ 300-320 million. As UNITA was never likely to be paid market prices in the murky world of illegal diamond dealing, it is probable that the organization never earned more than US\$ 200-250 million a year, giving total earnings of between US\$ 1.4 to 1.8 billion⁷⁸ over the period 1992-1999. Although this is substantially less than the Global Witness estimate, it amounts to a purchasing power per year of some US\$ 200 million. During this period UNITA built up a conventional army, including an armoured division, to maintain control over an estimated 70 per cent of Angolan territory in around 1995-1996.⁷⁹ According to de Beer and Gambia, UNITA spent most of its financial reserves on weaponry purchased largely in East European countries. However, UNITA's capacity to maintain the war effort remained inferior to that of the MPLA.

Moreover, after the military successes of the *Fuerzas Armadas de Angola* (FAA) from 1999 onwards, UNITA again had to resort to guerrilla tactics, abandoning its conventional strategy that had been adopted in 1994. From 1999 onwards it became clear that many UNITA soldiers were forced to develop alternative livelihood strategies while continuing to apply hit-and-run tactics. UNITA units had to live off the land, living like ordinary bandits, looting whatever they could lay their hands on at gunpoint.⁸⁰ This phenomenon indicates that diamonds were basically used to purchase conventional weaponry during a specific period of time when UNITA was in control of important alluvial extraction sites. The conventional war strategy employed by Savimbi, aimed at confronting the incumbent regime in an all-out bid for power, ultimately backfired and led to loss of the resource-rich areas and subsequent military defeat.

76) De Beer and Gambia, 'The Arms Dilemma', p. 86.

77) Shaw, *The Middlemen*, p. 13.

78) Shaw, *The Middlemen*, p. 13.

79) De Beer and Gambia, *The Arms Dilemma*, p. 87.

80) Shaw, *The Middlemen*, p. 40.

As had been the case with the RUF, it seems plausible that UNITA lost out on a large share of the diamond profits. Middlemen, weapons' dealers, shipping agents, criminal networks supplying UNITA and friendly regimes had to be entertained in order to acquire the necessary funds to service the fighting capacity – that is, to purchase weapons, ammunition and fuel. This was notably the case when UNITA became more and more isolated during the late 1990s and had to pay its way to acquire necessary inputs.

The MPLA, as can be concluded from the review in chapter 3, relied heavily on oil production, and oil has consistently been the mainstay of the regime, with annual revenues in 1999 alone of an estimated US\$ 4 billion. This clearly indicates how superior the incumbent regime was in terms of funds available to finance the war. With a growing annual production ranging from 500,000 barrels of oil in 1991 to 764,000 barrels in 1999, production is estimated to reach more than one million barrels in 2005 with an estimated market value of around US\$ 12 billion.⁸¹ After the withdrawal of the Cubans and the loss of Comecon support, the regime started to invite major Western oil companies to exploit the offshore oil extraction potential. In a few years the MPLA had managed to build a booming oil industry amid internal conflict.

Meanwhile, the Dos Santos regime, realizing the risks of monopoly and potential external pressure, carefully divided exploitation blocs among a large number of oil companies from almost all major Western countries. Fifteen large operators were functioning by 2000. It goes without saying that the oil industry and notably prospective future oil exploitation has facilitated the incumbent regime's possibilities to borrow money to purchase weapons or other commodities demanded by the inner circle of Dos Santos and his clientelist network in the Luanda enclave.

Meanwhile, both protagonists have remained irreconcilable, as the failure of both the Bicesse and Lusaka accords demonstrates. According to calculated guesses, the government imported weapons in excess of US\$ 5 billion in 1993, 1994 and 1999.⁸² In fact, the Angolan government procured all types of armaments from Russia, which had provided the MPLA with generous support during the 1980s. The overriding logic for the military was that most weaponry had been produced in the Soviet Union, hence it monopolized spare parts and repair capacity for most FAA equipment. Russia and the eastern European countries automatically became privileged providers of military hardware to the Angolan government. The non-transparent manner in which the national budget was allocated shrouded military spending in mystery. Nevertheless, it

81) Clarke, 'Petroleum Prospects and Political Power', p. 213; and Mark Shaw (2000), *War Without an End? The Political Economy of Internal Conflict in Angola*, CRU Working Paper (The Hague: Netherlands Institute of International Relations 'Clingendael'), p. 16.

82) Figures by Human Rights Watch (1999), quoted by Francois le Billon (2001), 'Angola's Political Economy of War: The Role of Oil and Diamonds 1975-2000', in *African Affairs*, no. 100, p. 64.

became clear that the major government offensives had been largely funded with oil revenues, either through the use of misty budget constructions, the direct appropriation of signing bonuses by the presidency or the emission of equity stakes in exploitation blocs to small independent oil companies in exchange for payment in arms or other security services such as military training.⁸³

The MPLA regime consistently focused on a military solution to end the war, and hardliners predominated. The regime did little to legitimize its rule other than through intimidation and abuse of power. From the mid 1990s onwards some army generals from the FAA received mining concessions in the government-held diamond-mining areas, signalling a material base for co-optation between the presidential elite and the FAA's top brass. The highly risky mining endeavour provides potential benefits for FAA generals while simultaneously providing an incentive to ward off UNITA from these areas and even providing some additional income for the Angolan power elite.⁸⁴ Hence, the entire economy was geared towards the war efforts, leading to the total neglect of other sectors of the economy. Economic greed and short-term benefits for competing elite groups seem to have been the overriding motives for the continuation of internal war in Angola.

Colombia

In Colombia, yet another setting developed, in which more than two actors can be distinguished. This analysis will focus on two guerrilla forces – FARC and the ELN – the AUC militias, the government of Colombia and the narco-bourgeoisie. All of these actors developed strategies to acquire, retain or retake resources.

Although the conflict between the state and guerrilla insurgency forces dates back to more than forty years ago, the character of funding modalities has remained fairly stable. The government of Colombia only has limited coverage in terms of geographical areas under control, currently supported by AUC forces dominating a large number of geographical nuclei spread all over Colombia (see annexe 6 for the spheres of influence of the AUC, ELN and FARC). This typical feature, of a fragmented centre and a fragmented periphery in one state, facilitates the reality of coexisting but unequal enclave economies. One system comprises the state bureaucracy, the urban population, inhabitants of the central highlands and some corridors leading to important coastal towns. Other systems comprise oil extraction sites, gold mines, emerald mines or coca plantations. In fact, seemingly chaotic but in reality functional

83) William Reno (2000), 'The Real (War) Economy of Angola', in Cilliers and Dietrich (eds), *Angola's War Economy*, p. 228.

84) Douma, *South Africa*, p. 6.

geographical divisions have materialized among actors and economic activities to the bewilderment and confusion of the average outsider.

The state is organized in a more or less conventional manner, taxing industry, the mining sector and the agricultural sector. As was elaborated in chapter 3, this generates a substantial amount of money, enabling the state to function normally within the confines of its sphere of influence. The government earned approximately US\$ 7 billion in 1999 alone, respectively from oil (US\$ 2.8 billion), coffee (US\$ 2.3 billion), coal (US\$ 0.9 billion), gold (US\$ 0.3 billion) and US military assistance (US\$ 400 million) to finance its war machine.⁸⁵

The army has generally not been very successful in combating the guerrilla forces and it has frequently been ambushed and humiliated during military campaigns aimed at ousting guerrilla forces from its strongholds. This has allegedly created conditions in which civil militia flourished. Moreover, civil militia have been a common feature in Colombia since the state's inception, to the extent that local patrons sometimes had better equipped units than the national army. The state managed to coexist with these groups to appease local political bosses who were organically linked with sectors of regional elites.⁸⁶ Although it seems difficult to categorize state-civil defence relationships as state terror, there has been ample evidence of linkages between the armed forces and the paramilitary and underground support for the dirty war against the social basis of the guerrilla (so-called *Guerra sucia*).⁸⁷ The proliferation of the AUC in various parts of Colombia since the early 1990s can also be viewed as an alternative of the dominant elite to try to reassert political control over economically important areas. This has created the typical pattern referred to earlier.

The AUC, which currently consists of an estimated 8,000 fighters, is said to earn approximately US\$ 80 million yearly, mainly generated through taxing drugs' production and trafficking, the gold business, but also taxing multinationals operating in its area of influence as well as large landowners and cattle ranchers.⁸⁸ Richani (2002) claims that these are very moderate estimates and a superior amount of funds seems available to these paramilitary forces. Although the AUC has close ties with the state and the military, it is not dependent on state resources or the military for its continued existence. The AUC seems to possess much modern military equipment, including helicopters

85) Richani, *The Interface between Domestic and International Factors in Colombia's War System*, p. 13.

86) Richani, 'Defining the Linkages between the State, Army and the *Autodefensas Unidas de Colombia*', p. 1.

87) Maria Victoria Uribe (2000), *Insights about the Political Economy of Internal Conflict in Colombia*, paper presented during the seminar on 'Political Economy of Internal Conflict' at the Clingendael Institute in The Hague, the Netherlands, 22 November 2000, p. 8.

88) Richani, 'Defining the Linkages between the State, Army and the *Autodefensas Unidas de Colombia*', p. 2.

and gunships, enabling it to operate as a state-of-the-art military force. Because of its political affiliations, the money generated is destined to serve the political and strategic motives of the social forces that it represents, respectively the narco-bourgeoisie and the conservative-landed elite, but despite its unified structure there are signs that the AUC is fragmenting because of the ambivalent nature of its constituent elements. Civilian militia representing narco-bourgeoisie families may deviate considerably from those of conservative regional elites. The AUC Recently allegedly dismantled itself because some factions seem to have become unmanageable.⁸⁹ Others indicate that this may well be a strategic move by the AUC leadership to distance itself from the most criminal elements within the movement and to try to gain credibility in the eyes of the major supporter: the United States.⁹⁰

The guerrilla forces, FARC and ELN, partly rely on the same resources as the paramilitaries, but also on extortion and kidnapping as an important additional component. One estimate of guerrilla income claims that FARC has earned some US\$ 450 million and the ELN about US\$ 150 million with the various resources that they tap into.⁹¹ This is a considerable amount of money and if put against the AUC's income and numbers it must be adequate to support the armed forces of both protagonist groups, respectively an estimated 15,000 FARC troops and approximately 3,000 ELN. Because of the porous character of Colombia's borders, the possibilities for importing military hardware are almost inexhaustible (see chapter 5 on the networks involved). However, as has already been mentioned earlier in this section, notably FARC has developed into a quasi-state actor, taking on all types of responsibilities normally associated with functional states. This development has surely been facilitated by the absence of the Colombian state and FARC's ongoing encroachment on local municipalities (presently controlling some 60 per cent of total municipalities). In order to fulfil its capacity to deliver social services, FARC has imposed so-called 'community taxes' and subcontracting to boost local employment on multinational companies operating in the areas under its control. In this respect FARC has demonstrated a willingness to invest in sectors other than solely in the maintenance of a standing fighting force. It seems that the substantial income generated by FARC has enabled the movement to consider projects other than the military stand-off with the national army and the AUC. This feature clearly sets this movement apart from the majority of actors involved in the Colombian war economy.

89) *NRC Handelsblad*, 19 July 2002.

90) *NRC Handelsblad*, 3 August 2002.

91) See annexe 5 – Proportional Share of Income per Activity for Two Major Colombian Rebel Groups.

Sri Lanka

Because of the island's limited natural resource base, where hardly any valuable mineral resources or interesting renewable resources are to be found, both protagonists depend on alternative sources to fund the war. Thus the government has had to rely on taxation of cash crops such as tea and increasingly on the garment industry and tourism. Additionally, a general consumers' tax on all goods was introduced to fuel the war effort. Foreign development funds are also an important source of income. The LTTE, meanwhile, has had even fewer domestic resources. In fact, extreme resource scarcity in the north and east of Sri Lanka has fed the dispute between both communities as central state resource allocation became a crucial prerequisite for many Tamils in order to eek out a livelihood. The LTTE turned to smuggling activities, allegedly becoming involved in drug trafficking between the 'Golden Triangle' and Western markets, the smuggling of illegal immigrants and also weapon shipments between various countries in the sub-region. To this aim the LTTE runs a shipping fleet of eleven vessels, which normally transport legal goods but are allegedly used to transport illicit commodities if so required.⁹² The movement also receives substantial support from kinfolk in the adjoining state of Tamil Nadu in India, providing an important motive for the Indian central government to become involved in a failed attempt to mediate a solution (1987-1990). Furthermore, expatriate Tamil diaspora groups have evolved into sizeable communities in a number of Western states, providing a valuable external resource base for the LTTE movement. Estimates of the total amount generated by diaspora Tamils vary from US\$ 25 to 100 million yearly.⁹³ It seems reasonable to assume that the LTTE generates somewhere around US\$ 50-60 million based on the contributions of around 600,000 Sri Lankan Tamil diaspora – that is, some US\$ 100 per head, which is not a lot of money giving the earning capacity of even a modest job in the West. This has led to the current stalemate in which both belligerents receive funding from the outside.

Throughout the armed conflict, the Sri Lankan government has consistently been able to continue to function as a 'normal' government. Social spending, notably on education and health, has continued regardless of the violent confrontations between the national army and the LTTE's guerrilla forces. By far most of the fighting takes place in the north and east of the island, thus limiting the scope of the conflict and having important consequences for the political economy of the internal conflict. Because of the limited scope of the conflict, successive governments have been able to continue 'business as usual' on a large part of the territory as well as effectively governing the majority Sinhala population. However, the government has also

92) Samarasinghe, *The Political Economy of Internal Conflict in Sri Lanka*, p. 40.

93) Samarasinghe, *The Political Economy of Internal Conflict in Sri Lanka*, p. 38.

continued to deliver social services in areas under the LTTE's control with the implicit complicity of the LTTE, as both protagonists could lay claim to legitimate rule over these areas and populations. The government has also provided support to an estimated total of 700,000 internally displaced persons (IDPs). This feature of the Sri Lankan conflict helps to explain why no major humanitarian emergency situations have developed in the war-affected areas.⁹⁴ These specific features of the local conflict setting have enabled the Colombo-based governments to continue to have international legitimacy and credibility, in the process attracting substantial development funds from a variety of donors. In recent years total foreign assistance has dwindled from an all-time high of US\$ 700 million to an estimated US\$ 200 million in 2000, roughly equalling 9 per cent and 3 per cent of GDP respectively.⁹⁵ This was because of lack of progress in the peace talks. Furthermore, the issue of 'fungibility' is complicated by the fact that aid has been under-utilized because of a lack of matching local funds with donor funds. Only a limited percentage of donor funding was earmarked and actually used to fund a multitude of programmes and projects. However, the issue at stake is that of fungibility.⁹⁶ The generous provision of aid has assisted the government to perform well in socio-economic development, whereas simultaneously funds were 'freed' to invest elsewhere, namely defence. This issue remains contested because there is no hard evidence to prove causal linkages between aid funds and defence expenditure.⁹⁷

The internal conflict, however, led to the build-up of a significant national army, ranging from a few thousand troops in 1980 to 100,000 in 1990 and 150,000 in 2002.⁹⁸ Strikingly, in the early 1990s defence expenditure required on average some US\$ 400 million per year, accounting for 13-17 per cent of total government spending, roughly equalling donor funding for development during that period.⁹⁹ However, the government was unable to finance the expansion of the armed forces and since 1992 the government has collected a National Defence Levy on sales, contributing to about 2.5 per cent of total government revenue.¹⁰⁰ In order to fund the extensive war machine and to maintain government spending in other sectors, the government finally resorted to borrowing money and from 1992- 2001 Sri Lanka's foreign debt tripled.

94) Samarasinghe, *The Political Economy of Internal Conflict in Sri Lanka*, p. 23.

95) Samarasinghe, *The Political Economy of Internal Conflict in Sri Lanka*, p. 15.

96) Fungibility refers to the substitution effects of external funding. External funding of a specific sector may free resources otherwise required to fund this sector and allow domestic actors to use these funds for other purposes.

97) Samarasinghe, *The Political Economy of Internal Conflict in Sri Lanka*, p. 54.

98) This figure relates to the three branches of the armed forces only – that is, the army, the air force and the navy. Apart from these forces a total of 80,000 policemen, taking up paramilitary tasks, were active in the conflict. Finally, an elite paramilitary force of 3,000 men existed.

99) See Tables 3.1 and 7.1 on p. 15 and p. 52 respectively of Samarasinghe, *The Political Economy of Internal Conflict in Sri Lanka*.

100) Samarasinghe, *The Political Economy of Internal Conflict in Sri Lanka*, p. 9.

The government was apparently compelled to these unviable and risky funding strategies in order to contain the increasingly successful and devastating impact of the guerrilla strategy employed by the LTTE. By the year 2000 the Sri Lankan government spent around US\$ 1 billion on defence, equalling some 17 per cent of total government spending and about 6.4 per cent of GDP. Many allegations have also been made about corruption with regard to the purchase of military equipment. Local and foreign arms' dealers are said to be in league with senior military officers and political leaders at the highest levels.¹⁰¹ Although the government has promised to investigate these issues, no serious efforts have yet been made. Corruption adds hidden costs to the debt burden and compromises Sri Lanka's financial stability in the near future.

The LTTE has substantially less income than the government and according to different sources the total procurement budget of the movement is estimated at some US\$ 100 million.¹⁰² This amount seems rather modest in view of the other findings in this section. Compared with the AUC's funding in Colombia, such a sum would enable the maintenance of an army of only some 5,000 troops. In the early stages of the conflict the size of the LTTE's army was calculated at approximately 2,500,¹⁰³ yet the LTTE has become a well-organized professional army possibly consisting of over 10,000 troops.¹⁰⁴ Although difficult to calculate, drug-trafficking undoubtedly generates substantial amounts of money and prevailing budget assessments probably underestimate the LTTE's resource strategy and capacity to extract sufficient financial support. Gunaratna estimates that the diaspora provides about 60 per cent of total LTTE funding, channelling the money through humanitarian front organizations based in Western democracies where most Tamil diaspora have settled. This would make diaspora funding the single most important component of the LTTE's resources. Economically, the LTTE has become a 'footloose' movement, making it hard for the government to impact on its resource base. This feature certainly impacts on the economic dimension of this seemingly intractable conflict.

101) Samarasinghe, *The Political Economy of Internal Conflict in Sri Lanka*, p. 60.

102) Ravinatha Aryasinha (2001), 'Terrorism, the LTTE and the Conflict in Sri Lanka', in *Conflict, Security and Development*, vol. 1, no. 2, p. 31.

103) Kingsley de Silva (1998), chapter on Sri Lanka, in *South Asia: Regional Report*, part II (The Hague: Netherlands Institute of International Relations 'Clingendael'; and Kandy, Sri Lanka: ICES), p. 406.

104) This is an estimate based on the growth rate of the government army from 20,000 in 1985 to around 150,000 in 2000, i.e. a growth of 750 per cent. This clearly demonstrates the military escalation of the conflict. Even if the LTTE had grown only half as quickly as the army, it would have around 10,000 troops nowadays.

Conclusions for Section III

Overall, it seems that economic resources were principally used to sustain the war effort and that none of the actors involved generally engaged in substantial investment in other activities and tasks, regardless of whether a rebel group or an incumbent state elite was involved. The governments of Sri Lanka and Colombia, and the FARC rebel groups in Colombia seem to be the only exceptions to the rule, although in the past UNITA has tried to form an alternative state in Angola's interior. However, the Colombian authorities served a rather restricted urbanized constituency that was strictly under their control. Legitimacy therefore seems to have become less important as a war strategy for the belligerent forces involved.

Valuable natural resources have been important for sustaining war efforts, but in many cases other complementary strategies were applied, notably by some rebel forces – such as the RUF, UNITA and the LTTE – to supplement their incomes. These strategies varied widely, from tapping into external support resources such as diaspora funding in the case of the LTTE, or the application of guerrilla survival practices such as looting and living off the land in the case of the RUF and UNITA. Natural resources alone have not been sufficient in keeping the fighting capacity of these movements intact.

Many of the resources extracted under cover of conflict were creamed off by outside parties, ranging from multinationals to middlemen and local traders. The need to capitalize upon resources under the pressure of prevailing war dynamics and dependency on external 'facilitators' seems to have diminished the potential market value of the resources involved. As a result, many of the resources were squandered at below-market-value prices.

In general, incumbent state elites commanded a considerably larger pool of resources to fund their war endeavours, while simultaneously being able to mortgage future benefits because of their official status as legitimate state representatives. Rebel forces generally faced more difficulties in mobilizing sufficient resources to continue fighting, with the notable exception of FARC and during a short period UNITA. Crucial in this regard is the capacity of any actor to become 'footloose' – that is, to generate resources mostly outside the conflict theatre (such as diaspora funding) or shielded from military threat (such as offshore oil exploitation). If a rebel movement manages to sustain itself and generate resources unthreatened by its major competitors, military stalemates are likely to develop in which none of the parties is able to end the conflict by military means (as is the case with the LTTE and FARC).

With the exception of Sierra Leone, a gradual escalatory process can be identified in which the protagonist actors became involved in some type of arms' race. This can be identified notably in Angola and in Sri Lanka, where the national armies have grown considerably during recent decades while rebel forces have simultaneously acquired more soldiers and equipment. This process resulted in a general increase in resource exploitation and in increasing indebtedness of the governments involved, compromising future development

perspectives and wasting significant portions of resource potential. Escalation also led to an increase in civilian casualties and sometimes to extremist war strategies, leading to human cleansing. With to some extent the exception of Sri Lanka, escalation seems to have diminished the propensity to provide socio-economic services to the civilian population at large, because war simply spread more widely and affected more areas and people.

In Angola, the only case where a rebel group changed its guerrilla strategy to become a conventional army, the superior resource base tilted the strategic advantage towards the forces of the Angolan government and UNITA shifted belatedly again to guerrilla warfare.

In Colombia, an alternative pattern emerged by default of effective state authority over the territory of the state. The proliferation of the paramilitary forces supplemented the state's capacity to face the guerrilla movements. However, the paramilitaries increasingly engaged in invading and protecting important economic enclaves, linking up with the strategic interests of their powerful supporters: the narco-traffickers, traditional landed elite groups and, increasingly, multinational companies. State regression was not halted but in fact increased, through the official de facto acceptance of the functional division between the various belligerent forces. The state secured control over the human resource base by dominating the most populated areas, securing taxation of important potential economic exploitation sites through the paramilitary control over lucrative enclaves, simultaneously co-opting the powerful elite that have a free hand to exploit these areas, and finally by the existence of a large periphery in which marginalized *colonos* and farmers live under the rule of guerrilla forces in control of coca and poppy production areas. Presently, however, the state seems committed to eradicating the latter, and (in view of the contemporary history of the country) with probably very little consideration for the high social and human costs involved.

Section IV Local Dimensions of War Economies

The focus in this section lies on local dimensions of war economies. Most war-affected local resident groups suffer from the impact of violence and can generally be considered to be the victims – socially, politically and economically – bearing the brunt of the consequences of internal warfare. Although this assumption has received almost universal support among scholars, activists and policy-makers, very little microeconomic research has been devoted to measuring the precise impact. Nevertheless, the overall picture of displaced population groups losing practically all material belongings and having to start from scratch once conflicts subside determines the perception of the civilian population's suffering.

Surprisingly, specific local resident groups sometimes manage to generate income as a result of internal war, contradicting the overall assumption that war economies lead to a decrease of income. In a number of cases the war also

offers additional income generation to selected groups in society. A number of such local situations have been reviewed in this research. In Sri Lanka, dependents of soldiers and army staff benefited from the impact of army revenues; and coca farmers in Colombia earned substantially more from illicit crop production than those producing legal crops. These individual cases are interesting as they may reveal unintended or sometimes consciously pursued side-effects of war economies and provide insights into patterns of distribution and trickle-down effects of resource allocation decisions made by the major actors involved in these violent conflicts.

Microeconomics of War in Sri Lanka

From a survey held in Sri Lanka in 2002,¹⁰⁵ it appears that so-called service households derive a substantially higher family income than those families without servicemen in their ranks.¹⁰⁶ If the income that these families receive from the army is deducted from their other income sources it becomes clear that most families that provide servicemen to the army belong to the island state's lower socio-economic strata. This has important consequences for the population at large because there are approximately over 230,000 persons employed in the security sector – army, navy, police and paramilitaries (see also chapter 3 – section Sri Lanka).

Firstly, this number represents a numerically important segment of the country's workforce, accounting as it does for about 3.5 per cent of the total number employed, and about 27 per cent of the workforce in the state sector.¹⁰⁷ Secondly, it is also known that relatively high salaries and other emoluments are paid to those in the armed services, in comparison to state sector salary levels of those at comparable levels of educational status and seniority in service. For instance, according to unpublished information obtained from the Sri Lanka Army sources, the minimum monthly receipts ('take-home pay') of an infantryman invariably exceeds Rs. 8,000 (with an additional Rs. 3,000 or more for those serving in the war zone), whereas the overall average monthly income per 'income receiver' in Sri Lanka in 1996-1997 was Rs. 5,760. Thirdly, there is the fact that the overwhelming majority (well over 80 per cent) of those employed in the security services are drawn from the 'rural sector'.¹⁰⁸

Overall, the effect of service-related incomes on the scale of the entire country seems limited, as only a relatively small proportion of total employment is

105) Survey held among a total of 83 households in a densely populated rural area located on the periphery of the third largest urban centre of the island: Kandy.

106) Samarasinghe, *The Political Economy of Internal Conflict in Sri Lanka*, p. 25.

107) Based on data furnished in Central Bank of Sri Lanka (2001), *Economic and Social Statistics of Sri Lanka, 2001* (Colombo: Central Bank of Sri Lanka).

108) Quoted from Samarasinghe, *The Political Economy of Internal Conflict in Sri Lanka*, p. 25.

covered. However, in view of the fact that it concerns a major proportion of the state sector employment, and relates overwhelmingly to so-called 'middle grades', the growth of the security forces in the 1990s somehow facilitated upward socio-economic mobility for these relatively well-educated men. By contrast, if the war ended then a significant number of servicemen would be discharged and, in view of prevailing high levels of unemployment, this could lead to pauperization of a significant number of rural households. In turn, such a development may fuel discontent and lead to social unrest. The provisional findings based on this limited survey indicate that the escalation of war in Sri Lanka has opened up some income-generating possibilities in the absence of sufficient economic growth in the economy at large. Strikingly, overall economic growth has been quite substantial in Sri Lanka despite the war. In a recent study, O'Sullivan¹⁰⁹ found that average annual growth rates from 1990-1995 – that is, when the war was continuously intensifying – were about 4.8 per cent. This study concluded that because the northern and eastern provinces usually only contributed marginally to national output, as the war theatre is located there, the effects of the war on total economic growth were marginal. Nevertheless, war costs have been substantial, estimated at roughly twice the 1996 GDP over a period of 14 years (1983-1996).¹¹⁰ Sri Lanka may well be an atypical case in the sense that the war theatre was largely confined to a relatively poor, resource-deprived and economically backward region of the state.

Tentatively, from the findings presented it appears that a significant number of households have profited from the war as the recruitment of family members boosted overall family income. In view of the overall increase in indebtedness, it seems that the government has mortgaged its future capacity to invest in economic development because of investments in the armed forces, among other things resulting in short-term financial injections in a number of rural households.

Illicit versus Legal Production: The Case of Coca Farmers in Colombia

Coca is produced in a number of relatively remote areas in Colombia. Because of the weak presence of the state in a number of provinces, illicit crop production became a viable strategy for many so-called *colonos* or land squatters, who were landless and subsisted outside the formal economy. In the southern province of Putumayo, farmers have always had enormous difficulties in marketing their produce as a result of a total failure of marketing because of lack of infrastructure and logistics as well as lack of adequate government services. Moreover, coca can be harvested several times a year (requiring

109) Samarasinghe, *The Political Economy of Internal Conflict in Sri Lanka*, p. 21.

110) Samarasinghe, *The Political Economy of Internal Conflict in Sri Lanka*; and Nisha Arunatilake *et al.* (2000), *The Economic Cost of the War in Sri Lanka* (Colombo: Institute of Policy Studies).

between 45 and 60 days per harvest) and the value of coca leaves is significantly higher than that of other agricultural products. As a result, coca production became an attractive livelihood strategy for many poor peasants.

The political economy of the conflict in Colombia, which led to the proliferation of illicit drug production and smuggling, boosted the demand for coca leaves. An average family in the Putumayo region producing about three hectares of coca leaves could earn roughly US\$ 475 a month, roughly double the minimum wage in Colombia's formal economy.¹¹¹

The Colombian state has always been bent on trying to eradicate coca production. This in turn has criminalized small producers, who view their own activities as legitimate and the production of coca as a normal agricultural activity. Again, the Colombian state, failing to control its territory and the various social actors present effectively, tried to turn an agrarian problem into a problem of public order, by citing disobedience to the law and even by criminalizing producers. The war on drugs and 'Plan Colombia', both initiated by the United States, have largely supported the prevailing elitist and exclusionary government policies.

Meanwhile, an estimated half a million farmers are presently involved in coca and poppy cultivation.¹¹² Many small producers of coca (*cocaleros*) live in areas under FARC control and the rebel movement has encouraged production of other plants to support subsistence strategies:

The guerrillas' policy provided an institutional setting – given the unstable nature of illegal cash-crop markets operating within the context of a civil war – stable enough to encourage peasants to assume the risks of planting illicit crops.¹¹³

These risks are substantial in view of the fact that both the Colombian government and the United States are conspiring to end production. However, the alternatives such as crop substitution have hitherto only been marginally applied, and efforts have not so far had a significant impact. In Putumayo, a pilot project aimed at providing crop alternatives for coca has failed, because the government did not deliver timely subsidies, resulting in farmers reverting again to coca plantations.¹¹⁴

In this case, it seems obvious that the incapacity of the state to incorporate marginal farmers into the legal economy, because of lack of institutional capacity and the prevailing policies of marginalizing large segments of the civilian population, is closely related to the origins of the violent conflict in Colombia. Moreover, in view of the lack of viable alternatives, illicit production

111) Bolivar, *The Political Economy of the Armed Conflict in Colombia*, p. 18.

112) Richani, *The Interface between Domestic and International Factors in Colombia's War System*, p. 21.

113) Richani, *The Interface between Domestic and International Factors in Colombia's War System*, p. 21.

114) Richani, *The Interface between Domestic and International Factors in Colombia's War System*, p. 34.

is the almost inevitable outcome of survival strategies for marginal farmers. The financial benefits of the producers, however important in the local context, stand in stark contrast to what is earned once coca leaves are processed into coca paste and finally into cocaine and distributed to the consumer markets. The local dimension of the war-related economy in Colombia therefore presents a classical case of production of illicit crops under the cover of ongoing conflict, whereby the real beneficiaries are shielded from the everyday violence and repression is aimed at local producers of coca leaves.

Conclusions for Section IV

To conclude, both cases demonstrate that conflict may boost the incomes of some rural households, yet probably only temporarily. The cases reviewed represent opposite sides of the conflict dynamics. The Sri Lankan case demonstrates that the incumbent government has assisted some local households, whereas the majority are likely to suffer from the adverse effects of the continuing internal war. Income supplements to servicemen's families are thus a side-effect of the prevailing political economy of war and may even create expectations that will have to be compensated somehow if the war comes to an end, at the cost of post-conflict social unrest.

In Colombia, the illicit production of coca is one of the economic engines on which the war is thriving. The entire production chain feeds a host of actors, including rebel movements, paramilitaries (the AUC), the so-called narco-bourgeoisie, chemists and other specialists involved in the production chain of cocaine, as well as smugglers and drugs' traffickers. The first link of this production chain consists of local resident farmers, in fact condemned to produce coca leaves because no viable alternative is provided, and also locked into the logic of the resource struggle between several belligerent forces underlying the dynamics of Colombia's internal war.

5 The Linkage between Local Economies of War and International Markets

Introduction

Moving away from the local context, it becomes clear that the extraction of resources in a local conflict theatre necessitates the existence of commercial outlets and networks that facilitate transfer, shipment, exchange or monetary conversion. The interface between local and international 'dimensions' of resource transaction is thus an outstanding feature of the political economy of internal conflicts. Without exchange and transactions between both levels, internal wars would quickly subside and peter out. The political and economic logic underlying contemporary internal violent conflicts thrives on the nexus of local and international commercial actors, the interest agendas of actors involved in these conflicts and the prevailing liberal market ideology, limiting supervision by states and international organizations and apparently freeing commodity exchange from legal or moral constraints. Consequently, following the logistics of commercial exchange between the local and international levels and analysing the economic logic of international trade become crucial elements in understanding the existence of localized war economies in weak states. Regardless of the appreciation of local policy agendas and group motivations underlying violent conflict within states, the dynamics feeding local war economies are linked to the formal world economy and as a result such war-related dynamics could theoretically be perpetuated if no countervailing

actions materialized. Such linkages are hence crucial for the existence and sustenance of violent internal conflicts. This chapter looks into the commercial networks that facilitate trade between belligerent forces and the outside world, while simultaneously recognizing the personalized nature of such networks through the existence of a wide variety of so-called 'middlemen'. Additionally, the role of some major international companies is highlighted, as well as existing trade agreements. Finally, external development aid as an independent resource funding or facilitating these war dynamics is analysed against the background of the international state system and issues of political legitimization.

Section I Networks and Middlemen

Networks

Networks are the lifelines of conflict parties, connecting them to the outside world with myriad sophisticated linkages, operating in individual but also in highly organized ways. Networks facilitate the transport of resources from the extraction sites to the marketplace and provide all types of inputs in return that sustain the war effort. Networks are the umbilical cords of the contemporary world's war-related economies. Networks provide not only logistical support but also access to dearly needed capital, contacts with arms' dealers and other important actors involved in these conflicts. It is difficult to create a pertinent typology of networks but some major distinctions are made in this section. One important distinction can be made between the network nodes and the nature of networks involved. Network nodes consist of countries, places and people. Nodes are temporary, dynamic and not very visible. A further distinction can be made between so-called transaction networks and enduring networks. Transaction networks consist of personalized networks and can disappear when specific people or expertise are withdrawn or vanish for whatever reason. Enduring networks thrive on old and established political allegiances, exemplifying the historical evolution of networks throughout different periods in the contemporary history of certain regions. For example, in Southern Africa, both the African National Congress (ANC) and the apartheid regime created networks of supply that outlasted the apartheid conflict. The erstwhile frontline state elites were firmly poised against apartheid regime-friendly rebel or government elites in the region. Nowadays these networks are used to fuel internal conflicts in the entire sub-Saharan region.¹¹⁵ In western Africa, traditional trans-border commercial networks involving specific ethnic groups of traders, such as the Fulani and Mandingo traders, have outlasted several conflicts and continue to function to the present day. These traders continue to

115) Shaw, *The Middlemen*, pp. 54-57.

provision actors involved in various conflicts in the West African region, regardless of whether they supply rebel groups or government forces.¹¹⁶ Meanwhile Colombia, since the time of the Spanish conquest, has served as a corridor for contraband, slaves and gold. Specialized smugglers have developed sophisticated systems linked with international markets.¹¹⁷ In Sri Lanka, Tamil fishermen's communities with their knowledge of the surrounding seas have long been involved in contraband.

Transaction networks have evolved around some of the conflict theatres. Both in Angola and Sierra Leone, individual entrepreneurs, so-called junior mining companies and even peacekeeping forces became involved in some way or another in transactions between belligerent forces on the ground. Colombia witnessed the emergence of alternative contraband routes and concomitant smuggler communities from adjoining Brazil and Venezuela. Sri Lanka seems to have experienced a growth in alternative structures, notably in the sphere of diaspora finance and aid-related organizations.

Regardless of the nature or historical background of the network involved, all are more or less performing the same duties – that is, facilitating the transport of goods and services to and from conflict areas and actors and exchanging resources for war-related inputs. A description of the networks involved in the conflicts studied will be instrumental for revealing how these transactions were operated across the conflict divide.

In Sierra Leone, the smuggling of diamonds, notably from 1995 onwards, became a crucial war resource for the RUF movement. In contrast to the traditional decentralized extraction methods and loose control mechanisms, control over diamond exploitation tightened and RUF commanders monopolized trade. Many diamonds were smuggled across to Liberia and traded for arms, ammunition, medical supplies and food. Although there is some disagreement about the extent of RUF monopoly, different observers have supported the finding that the RUF leadership sold diamonds directly to traders, Lebanese middlemen and even to protagonist leaders (army officers and ECOMOG officers).¹¹⁸ Once diamonds were collected, they were parcelled together by RUF commanders and a number of alternative routes could be used. Typically, the network logistics were based on land routes and on transport by lorries and vehicles. According to Shaw (2002):

even at the height of the conflict, not all of the gems were smuggled over the border into Liberia, but many joined the 'official' diamond trade passing through Freetown. For gems selected to pass into Liberia, these will be transported by 'couriers' who walk over the border and sell them to local traders on the other side. Alternatively, diamonds were

116) Various interviews with security officers, traders and government officials in Sierra Leone, October 2001.

117) Richani, *The Interface between Domestic and International Factors in Colombia's War System*, p. 13.

118) Shaw, *The Middlemen*, p. 21.

transported to Lebanese merchants elsewhere in Sierra Leone. Some dealers were also of course present in the diamond mining areas themselves and so diamonds could be sold directly to them.¹¹⁹

Diamonds were certainly not the only source of income for the RUF as has already been mentioned in chapter 4. The RUF lived off the land, looting and stripping anything of value, selling to itinerant traders who would transport and sell these items in neighbouring countries. Lucrative relationships were also maintained with the 'other side', sometimes resulting in a 'healthy trade in arms and supplies between the sides'.¹²⁰ Moreover, the peacekeeping forces lost quite a substantial number of arms to the RUF after armed encounters. Because of the lack of a formal mandate, sometimes entire contingents of peacekeepers were simply taken hostage and stripped of all their equipment. However, although strictly speaking in these latter cases no networked structure can be distinguished, this type of resource provision by RUF units formed an integral part of their war supply network.

Rebel forces led by Charles Taylor operating within Liberia were and remained a crucial ally for the RUF. During Taylor's successful campaign to take state power in Liberia (1989-1997), he sponsored the RUF and in exchange profited largely from the smuggling of diamonds out of RUF-occupied territories. Taylor and Foday Sankoh (the supreme RUF commander) had met in a training camp in Libya and remained allies in subsequent years. The role of Taylor's rebel movement National Patriotic Front of Liberia (NPFL) in supporting the burgeoning RUF movement should not be underestimated. In fact, Taylor gave direct military support, sending in special forces from the NPFL to join the RUF during initial raids in the east of the country. Over time the necessary army provisions were largely shipped in through the border posts between Liberia and Sierra Leone. The dynamics of both conflicts therefore became intrinsically linked. Army officers in Sierra Leone organized a counter-insurgency and with the help of Liberian volunteers set up the United Liberation Movement for Democracy (ULIMO) movement, fighting against Taylor on Liberian soil. During the period that ULIMO managed to control the west of Liberia, the RUF was blocked off from logistical support, something that in the early stages of the conflict almost led to the movement's annihilation.¹²¹ After the movement's 'hibernation' as a survivalist bush movement, the RUF picked up momentum in 1994-1995, enabling it to occupy vast tracks of land in the north and east of Sierra Leone. By then Taylor had managed to outmanoeuvre his major opponents and ULIMO had suffered a significant setback from a split, enabling Taylor once again to control the Liberian-Sierra Leone border area. The Liberian

119) Shaw, *The Middlemen*, p. 21.

120) Shaw, *The Middlemen*, p. 22.

121) Richards, *The Political Economy of Internal Conflict in Sierra Leone*, p. 3 and pp. 6-7.

connection became even more pronounced after Taylor had acquired the privileges and legitimacy of statehood. The RUF would probably not have been able to continue the war effort without the continuing support of its benevolent neighbour.

The state of Sierra Leone, as we have seen, depended largely on the diamond sector to generate hard currency, with which army supplies could be purchased. The state, however, was in a disadvantageous position throughout the conflict as the RUF held on to the important mining areas. Cash shortage was therefore a chronic feature of the state and the state was consequently forced to use the same type of middlemen that operated for the RUF. For example, in 1998 the newly reinstated Kabbah regime negotiated arms' supplies with a so-called junior mining company, Rex Diamond Mining Corporation.¹²² The executives of this company sold weapons to the embattled regime in Freetown in exchange for diamond-mining concessions. In fact, the supply of Sierra Leone's government took place in a similar manner to that of the RUF. The most important support to the regime was given by PMCs, notably by Executive Outcomes (EO). Again, the costs of the operation were partly paid by a private mining company: Branch Energy. EO and Branch Energy cooperated closely together in the Kono region during the short spell after EO had ousted the RUF, EO providing security and Branch Energy engaging in mining activities.¹²³ The most important difference between the RUF's mode of operation and that of the government was the latter's capacity to negotiate loans on the basis of future exploitation rights. International recognition as the legitimate representative of a state, an issue that will be dealt with in a separate section in this chapter, certainly gives incumbent regimes some edge over belligerent non-state rebel forces. There was clearly a direct link between mineral resources and their use by the government for the procurement of army supplies and military assistance.

In Angola, UNITA's supply network was significantly more sophisticated. Firstly, at the height of its resource capture during the 1990s UNITA commanded significant financial resources. Secondly, UNITA possessed a number of reliable airstrips inside Angola, which were used to ship in arms directly from exporting countries, thus avoiding the painstaking business of having to ship these goods over land in difficult circumstances. Thirdly, UNITA's leadership had wielded important diplomatic support in a number of African states that helped UNITA to acquire end-user certificates and provided the movement with all types of logistical and technical support. Thus Burkina Faso and Togo provided end-user certificates for arms' shipments from eastern European countries, whereas Rwanda provided technical support to polish diamonds, thus assisting in obfuscating their origin. Neighbouring countries, such as the Democratic Republic of Congo (DRC), Zambia and also South

122) Shaw, *The Middlemen*, p. 34.

123) Shaw, *The Middlemen*, p. 35.

Africa furthermore shipped necessary supplies overland to UNITA via a complicated network of smuggling routes. The choice of a specific transit country and a particular smuggling route was determined by a number of factors: political factors, conflict dynamics and climatic circumstances. During rainy seasons transportation by road became almost impossible and both protagonist factions suffered, as during this season the Angolan government army (FAA) could not continue conventional offensives and UNITA could not receive supplies by road. Indeed, the entire conflict in Angola had been characterized, as can be inferred from the various strategies involved in chapter 3, by recurrent yearly cyclic movements between the belligerent forces – that is, dry season government attacks and rainy season UNITA counter attacks.

During the conflict's heyday, UNITA not only managed to procure armaments undetected by the limited FAA radar coverage but maintained large supply networks with neighbouring Zambia, Namibia and notably the DRC. Dictator Mobutu was a staunch supporter of Savimbi's UNITA. Although UNITA was active in alluvial diamond mining from the end of the 1970s onwards, only in the early 1990s did extraction and control become more centralized. UNITA controlled a large number of extraction sites, large territories in the diamond-rich Lunda provinces and also directly involved its own units in diamond digging. Diamond dealers were flown in to secret meeting places and direct deals were struck between UNITA's leadership and these middlemen. According to Shaw (2002), flying war-related supplies into Angola was simply a matter of:

filing a flight plan for a nearby city or country, say Gabarone in Botswana if the flight was leaving from South Africa, and then diverting course, changing altitude to avoid Angolan radar before returning in a similar way.¹²⁴

As a result, UNITA pretty much orchestrated supplies at its own discretion, without much government interference. The fall of Mobutu marked a fundamental change in the Angolan war, as it impacted strongly on UNITA's procurement network via the DRC. Consequently, in 1998 Angola, Zimbabwe and Namibia decided to come to the rescue of Kabila's embattled regime (the DRC is also a fellow South African Development Community (SADC) member state), under a ramshackle and hotly contested mandate of SADC's Organ on Politics, Security and Defence, controlled at that time by Robert Mugabe of Zimbabwe.¹²⁵ When the FAA meddled in the war between Joseph Kabila and rebel forces in the east of the DRC, containment of the UNITA network became an explicit strategic aim. Moreover, Namibia became an ally

124) Shaw, *The Middlemen*, p. 39.

125) Klaas van Walraven (2002), *Empirical Perspectives on African Conflict Resolution* (Leiden: Africa Study Centre), p. 12.

in the DRC's war, siding with the hardline SADC states mentioned. Finally, only Zambia remained a conduit for UNITA supply, as a result of which FAA pressure on the Zambian border areas increased in 2000 and 2001. The cumulative pressures on UNITA's procurement network, despite the enormous difficulties in effectively overseeing all of Angola's borders, yielded some results and weakened UNITA's fighting capacity.¹²⁶

The supply procurement methods of the Dos Santos regime did not differ enormously from that of UNITA. The MPLA itself, as already mentioned in chapter 4, used all types of middlemen to gain access to dearly needed army equipment, again in exchange for oil revenues. As in the case of Sierra Leone, the Angolan government mortgaged future revenues on a large scale in order to prop up the fighting capacity of the army. As opposed to the cash-stripped and poverty-ridden regime in Freetown, the Dos Santos regime commands a huge and ever-increasing source of wealth. This enabled the incumbent government in Luanda to invest in the conventional capacity of its army: the FAA. Clearly, after the huge investments in 1999 when the army was thoroughly re-equipped, the FAA could launch an all-out counter-insurgency campaign against the social bases of the UNITA movement – the civilian population living in the mountainous heartland of Angola – literally to 'empty the sea, so that the fish cannot swim'.¹²⁷ Although hard data have not surfaced as yet, there are strong indications that the FAA has engaged in ethnic cleansing combined with practices of 'gendercide',¹²⁸ which have seriously disrupted the UNITA movement's social base. The resources required to sustain the FAA's high level of military activity, not only deployed all over Angola but also engaged in Kongo-Brazzaville and in the DRC, were generated by different financial mechanisms operated by the government. The incumbent regime used direct cash obtained through signing bonuses received as down payment for oil exploitation blocs in order to negotiate arms' deals directly. Furthermore, equity stakes were attributed to small oil companies, in fact undercover organizations set up by middlemen operating on the borders of legality. These front organizations provided all types of links to arms' producers and arms' dealers. Finally, the government was forced to negotiate loans on the prospect of future oil revenues. Angola's foreign debt grew explosively as a result, to the extent that by 1999 some three billion US dollars had been obtained through oil-guaranteed loans.¹²⁹ To this aim so-called Escrow accounts were instituted, securing repayment of debts. Foreign banks never refused requests for

126) Based on various interviews with stakeholders in the region during fieldtrips in November 2001 and in May 2002.

127) Comment made by several resource people interviewed by Pyt Douma in November 2001 in Luanda.

128) Interview with a human rights' specialist on the Southern African region in Johannesburg, 20 May 2002.

129) Shaw, *The Middlemen*, p. 53.

monetary loans by the Angolan government because the interest rates on such short-term loans are high and therefore very attractive. These various mechanisms facilitated the operation of a shady procurement network by the incumbent regime, bypassing the national treasury and therefore obscuring these activities from public scrutiny. Many observers have made the allegation that the regime and its cronies benefited from the ongoing war, as handsome kickbacks were paid to those involved in securing arms' deals.¹³⁰

In the case of Angola, it seems that the current regime has speeded up resource exploitation by mortgaging the country's future wealth in exchange for handsome fees, enabling self-enrichment under the cover of military procurement.

In Colombia meanwhile, the rebel organizations, the narco-bourgeoisie and the AUC used traditional smuggling networks. Those networks were largely concentrated in the north, operating along the Panama-Colombia corridor and along the Caribbean coast. In the early 1990s the FARC was uprooted from the areas bordering Panama by AUC forces, enabling the AUC to exercise almost total control over this important transit route. FARC, because of its geostrategic predominance in a large number of border provinces, was able to use alternative routes and networks to procure its required war-related inputs.

The Ecuador-Colombia border area, as well as the Brazilian and Venezuelan hinterland, provided numerous possibilities for smugglers to evade rather erratic government border patrols or punctual state-led interventions aimed at countering the influx of contraband. The complex dynamic landscape of Colombia's internal war has hampered effective control of the movement of goods and people by any actor involved. Networks thus mostly comprise individual traders and smugglers that operate from the various neighbouring countries. Because FARC has managed to get a grip on the production chain of cocaine, it entertains contacts with a wide variety of actors, both inside as well as outside Colombia. Many important drug barons in the wider region (such as in Brazil and Venezuela) engage in barter with FARC, exchanging weapons, ammunition and fuel for coca paste. In 2001 large narco-trafficking groups based in Brazil sold weapons to FARC, using river corridors in the dense jungle border areas.¹³¹ Venezuela has increasingly become a source of contraband and weapons for the rebel movements, allegedly with at least passive support from the leftist military government of Hugo Chavez.¹³² FARC can therefore capitalize on political support from left-wing governments in the region, as well as tapping into the support network of the regional drug barons.

By contrast, the AUC seems to encounter little official scrutiny in supplying itself with military equipment. The covert complicity of the national

130) Shaw, *The Middlemen*, p. 52.

131) Richani, *The Interface between Domestic and International Factors in Colombia's War System*, p. 28.

132) Richani, *The Interface between Domestic and International Factors in Colombia's War System*, p. 30.

army and the AUC, as well as the strategic alliance between dominant regional elite groups supporting the AUC forces and the government of Colombia, have virtually resulted in the unhindered procurement of armaments for the AUC forces. The AUC hence does not need secretive procurement networks, as it allegedly has access to government military resources through linkages with army officers with the support of government officials. The AUC's control over the Panama-Colombia corridor is merely used to boost income, probably by facilitating and taxing smugglers that operate gold shipments and illicit drug transportation lines.

The state in Colombia has apparently engaged in a two-pronged procurement approach: one approach that is formal and related to open and official procurement for the national army; and another informal approach, which is operated under cover of the army to forward army supplies to paramilitary forces. The central state's structural military weakness has condemned the state to seek assistance from powerful regional elites that command paramilitary forces in their areas. The incumbent President Uribe of Colombia has recently declared war against the rebel forces and called for a state of emergency. Meanwhile, Uribe has announced a special tax regime to fund the mobilization of additional defence forces. Defence forces are funded through the regular defence budget, which is an integral part of the government's budget. The government of Colombia has also received generous military aid from the United States over the last four years. Thus the Colombian government does not seem able to generate sufficient resources by itself and therefore relies on external and internal assistance to cope with the armed rebel forces. As can be inferred from chapter four (the section on local resources), government procurement has hinged by and large on its capacity to generate income from a number of mineral resources, but it seems incapable of imposing itself on the other belligerent forces. Hence, the fragmented nature of the Colombian conflict has led to the proliferation of all types of unlikely coalitions and strategies for the various actors involved. In the case of the paramilitaries, it can be concluded that they receive regular supplies through the army and pay handsomely for these supplies, indicating some level of corruption and war profiteering within the rank and file of the national army. Shipments destined for the army are clearly brought into Colombia but are in fact handed over discretely to the AUC forces, ensuring them a viable procurement structure. The AUC and the national army facilitate and assist each other frequently, with army officers receiving rewards for information, discretion or turning a blind eye to crimes committed on civilians by the AUC forces.¹³³ The overt and covert complicity between the army and the AUC reflects their strategic and ideological partnership in a joint strategy against the left-wing guerrilla forces. Typically, paramilitary forces in most of Latin and

133) Richani, 'Defining the Linkages between the State, Army and the *Autodefensas Unidas de Colombia*', pp. 3-4.

Central America are the 'left hand of darkness', mostly operating ruthlessly against suspected supporters of left-wing movements and killing with impunity, whereas the formal armies can dissociate themselves from these illegal practices. Ultimately, the limited power of the national army creates a structural dependency on paramilitary forces and on PMCs operating to protect the interest of foreign companies. As has been the case in Sri Lanka, and despite the presence of an overwhelming abundance of resources, the Colombian government has as yet failed to design a solid financial strategy for the procurement of sufficient means to engage in the internal conflict as a viable fighting force.

Meanwhile, in Sri Lanka the provisions feeding the rebel Tamil movement LTTE forcibly arrive by boat because of the island state's geography. The LTTE's capacity to command and occupy vast territories has been limited, prohibiting the movement to acquire airstrips and by consequence denying air shipments. This has resulted in a strategic battle over control over parts of the island's shore, existing harbours and natural bays suitable for docking. The Tamil fishermen have for a long time been involved in contraband from the southern state of India: Tamil Nadu, to the north of Sri Lanka. Tamil Nadu consists of a majority of Tamil kinfolk who entertain close relations with the Tamil ethnic communities in Sri Lanka. The LTTE's procurement network is therefore structurally vulnerable if the Sri Lankan government's naval forces become superior, both in terms of strategic control and superior in detection and destruction capacity. The LTTE has hence been involved in numerous precision attacks against army stockpiles of small arms and ammunition, providing opportunities for the rebel forces. The tenacity and cleverness with which some of these army provisions have been captured has been an outstanding feature of LTTE strategy. The national army has mostly been deployed in large garrison towns or, more often, in large army camps located in enemy territory. These camps have proven vulnerable to concerted surprise attacks by the LTTE in recent years, claiming numerous victims and leading to substantial losses of equipment.

In recent years, the LTTE has allegedly become a regional player in the transfer of illicit drugs, weapons and illegal immigrants in the South Asian region, situated around the Indian Ocean between the Indian peninsula and the South-East Asian peninsula. The LTTE has used this strategic position to establish contacts with a number of regimes and rebel forces (such as the Burmese government and ethnic communities straddling the borders of Burma, India and Thailand). These contacts have helped the LTTE to acquire additional inputs to sustain the guerrilla war in Sri Lanka.

Looking at the government of Sri Lanka, one has to underscore the fact that the Sri Lankan state is relatively poor, given the prevailing scarcity of valuable natural resources. The state therefore has to rely on taxation and on obtaining loans in order to secure enough funding to support the increasingly large fighting force that has been established over the past decade. The government's tax base is precarious, as the island's economy largely depends on

few export commodities and cheap labour. The income generated as national budget depends to a large extent on the vagaries of global commodity prices. Furthermore, the government introduced a special defence tax on all transactions and activities, which has only recently been abolished as a result of the Memorandum of Understanding and the ceasefire that was agreed in early 2002. The special tax underlines the state's structural weakness in securing sufficient financial resources. Because of the nature of Sri Lanka's political structure, with its more or less democratic and legitimate government, army procurements are relatively transparent. However, well-informed observers have pointed to various cases of corruption, in which higher echelon army officers were implicated, sometimes delivering bad-quality goods or simply delivering fewer quantities of required provisions.¹³⁴ Overall, government army procurement is basically official state-to-state business, as the continuation of a major internal conflict has not yet impacted negatively on Sri Lanka's international standing. However, external donors, which deliver a substantial amount of development aid to the government, have become more outspoken on the war and have discretely called on the government to restrain defence spending and seek a negotiated settlement to the conflict.

Middlemen

When addressing the topic of middlemen the most important observation is probably that most middlemen are individuals or small groups of people, closely related or belonging to a specific ethno-linguistic community. Middlemen perform a number of services and provide a range of goods to different parties, regardless of whether these groups are involved in conflict or not. Middlemen mostly try to circumvent all types of formal regulations or administrative procedures, seeking to maximize benefit. Middlemen also engage with actors involved in violent internal conflicts, providing the logistical linkage between producers and consumers of mostly war-related provisions and goods. The services performed range from barter, sale of resources, intermediary bargaining with arms' dealers and military advisers, providing military know-how and support through Private Military Companies, to logistical support through the transportation of army provisions and war-related resources as well as financial backing. Middlemen mostly specialize in one or two different domains and typically function largely as a result of acquired skills and reputation. Secrecy and discretion are probably the most important requirements to remain a trustworthy middleman. Middlemen sometimes maintain networks themselves or share the use of specific conduits for contraband and smuggling with other groups. Networks and middlemen are therefore two separate entities that connect war economies to the rest of the

134) Interviews held by Pyt Douma during three field visits to Sri Lanka during the period 1996-1998.

world. This section highlights the functional differentiation of middlemen, sometimes giving concrete examples of individuals involved. It is important, however, to realize that these functions are fulfilled regardless of specific individuals, and when one middleman is caught or disappears from the scene others will take his place.

At the first level of mediation one finds the middlemen operating at the local level – that is, operating in the conflict theatre itself. These provide either funds to exploit resources by providing food, equipment and lodging to groups of miners, barter diamonds or precious stones depending on the client against consumer goods or weapons, and arrange smuggling against secure financial assets. In sub-Saharan Africa numerous middlemen can be found that perform these tasks. In Sierra Leone, Lebanese middlemen have traditionally provided the means to groups of miners, enabling them to exploit alluvial mining sites, mostly located in riverbeds during the dry season. Typically, a local overseer and formal concession holder is present at the concession site monitoring the shifting of silt and mud and collecting the diamonds from the diggers. The Lebanese middlemen are hardly ever present at the extraction site but work in the background. Lebanese middlemen have been present in Sierra Leone since the early 1900s. Although they do not constitute a homogeneous group, a substantial number are involved in financing diamond operations. Lebanese traders and businesses are often in fierce competition with each other and seldom consist of large-scale networks, but are rather smaller family-based operations. In the provincial capitals Bo and Kenema, every other house is a diamond shop and they all engage in barter activities with miners.¹³⁵ Individual miners and individual Lebanese often have long-standing relationships, and comparative advantages are limited in this rather uniform supply and demand context, so trust is again of overriding importance. The role of the Lebanese changed temporarily between 1995-2001, when the RUF took exploitation into its own hands. During this time it provided other, but dearly needed services. It served as an important link in the broader external and more formalized supply-acquisition chain of diamonds (acting as a go-between for higher-level suppliers and diamond dealers external to Sierra Leone).¹³⁶ Barter was also done by a less well-known group of middlemen: the Fula traders. This ethno-linguistic group has been an important trading community in West Africa for centuries. They have adapted remarkably well to the contemporary changes and opportunities of the war-related economy. Straddling the border between Sierra Leone and Guinea-Conakry, they were in a privileged position to barter with the RUF, dealing in looted property and building materials stripped by the RUF from the towns and villages under their control.

Meanwhile, in Colombia, local middlemen operate in the cocaine production chain. So called *traquetos* buy the coca paste from the FARC

135) Observation by Pyt Douma when visiting Sierra Leone in October 2001 and April 2002.

136) Shaw, *The Middlemen*, p. 22.

'shopping centres' and deliver this to the urban-based drug dealers.¹³⁷ These middlemen are taxed by FARC but work independently. Apart from the Lebanese middlemen in West Africa, who function as local counterparts to international traders, most locally operating middlemen can be called 'small timers' because they profit only on a limited scale while running considerable risks operating in and around war theatres.

The military adviser is a different type of middleman. Such people operate on the fringes of the formal security sector and are typically either ex-officers or military intelligence officers, trying their luck as private entrepreneurs. These middlemen act as contact points and representatives of foreign arms' producers and dealers but also may have a stake in so-called PMCs, such as Executive Outcomes (EO), Defence Systems Limited (DSL – a British-based firm) and Silver Shadow (SS).

The nexus between the privatization of the state, which is central to the structural adjustment agenda, globalization and the response to privatization by many post-colonial African elite groups has led to increased demand for private security sector companies in sub-Saharan Africa and increasingly also in Colombia. This development suits the interest of powerful states as they can avoid the costs of direct intervention, such as the possible loss of troops, and rely on private security companies to protect key private economic interests. Furthermore, these private security companies ensure benefits for the powerful configuration of actors involved. The economic agendas of warlords, state elites, multinationals and other middlemen, as well as lower-rank soldiers and other profiteering elements, have enhanced the existing conflict dynamics in many countries in Africa.¹³⁸ Instead of seeking peace or trying to restructure a fragmented or failed state, many actors seem to have a vested interest in continuing turmoil and insecurity.¹³⁹ These PMCs operated in three of the internal conflicts studied and played a major role in Sierra Leone. In Angola, PMCs have limited themselves to the protection of major diamond extraction companies operating in the north-east of Angola. In Sierra Leone the government contracted EO, which played a major role in 1996 when it destroyed a number of RUF bases and its intervention led to a temporary retake of the diamond areas in the Kono region. However, because of lack of international support for the intervention, EO was eventually withdrawn. In Colombia, private companies have contracted DFL and SS to defend a stretch of oil pipeline belonging to British Petroleum.¹⁴⁰ The use of mercenary

137) Bolivar, *The Political Economy of the Armed Conflict in Colombia*, p. 18.

138) For further reference, see Jakkie Cilliers and R. Cornwell (eds) (1999), 'Mercenaries and the Privatization of Security in Africa', in *African Security Review*, vol. 8, no. 2, pp. 31-42; and Greg Mills and John Stremlau (eds) (1999), *The Privatization of Security in Africa* (Johannesburg: South African Institute of International Affairs).

139) Chabal and Daloz, *Africa Works*.

140) Richani, *The Interface between Domestic and International Factors in Colombia's War System*, p. 10.

companies by various actors engaged in these wars has led to a number of dilemmas. Firstly, are donors willing to support these security interventions as they are undertaken solely to the benefit of their paymasters without taking broader societal interests at heart, while undermining a traditional executive privilege of the state? Secondly, the selective provision of security in return for cash payment erodes any perspective for broad-based future security because PMCs are not accountable to the wider public or the civilian population of a given territory in which they are mandated to operate. Thirdly, the payment of these external actors has by and large escaped public scrutiny and in some cases future extraction concessions were granted because of the resource scarcity of the government concerned. Fourthly, to what extent can the international community condone ongoing private interventions by mercenary companies on behalf of dubious actors that lack both legitimacy and accountability? This perversion of international morals could eventually turn against those who cynically provide the incentives and the means for these ruthless private business interventions inside African 'shadow' states. Because of all these considerations, the use of PMCs has led to confrontations between incumbent poor state elites and the international community¹⁴¹ as well as between human rights' activists and PMCs, accusing the latter of gross human rights' abuses during campaigns.¹⁴²

A good example of a security middleman is Fred Rindel, an archetype of the relatively senior white South African military or security officials who saw no future for themselves in the new South African military and looked elsewhere for other employment opportunities.¹⁴³ Rindel provided training for the Liberian security forces and was allegedly involved in the diamond trade. He also brought in some ex-South African defence force specialists to help establish an anti-terrorist unit in Liberia. However, from the available evidence most middlemen involved in this sector are soldiers at heart and not really businessmen. Contacts also depend strongly on personal contacts within existing armies or with contemporaries with whom a collective past is shared.

Lastly, within this category are the itinerant arms' dealers, who travel around conflict countries and who broker arms' deals for the various factions involved. Without going into detail, and pertinent for this study, the role of these arms' dealers rests on their ability to operate as go-betweens in order to secure arms' contracts for embattled state elites or rebel forces operating under the constant threat of military attacks. Whereas well-endowed actors can purchase weapons openly and directly on the world market, cash-deprived elites have to resort to shady deals involving swaps of future resource extraction permits for armaments.

141) This was the case with the democratically elected government of Kabbah in Sierra Leone and the UN.

142) Interview with a representative of Human Rights Watch in Sierra Leone, 18 October 2001.

143) Shaw, *The Middlemen*, p. 28.

Probably the most crucial category of middlemen consists of the logistical operators. These individuals can bust sanctions, transgress international borders, escape radars and deliver on illegal airfields. Many 'normal' transportation companies can potentially become involved in illicit trade but in most cases logistical operators pose as decent businessmen in order to obfuscate the real nature of their transactions. Sometimes, substantial companies are entirely geared towards the delivery of army provisions to conflict theatres. In the case of Angola, the overland delivery of goods is legal until Angola's border because of existing formal trade arrangements between a number of SADC countries. In this case South African transporters can bring goods to the 'threshold of the UNITA dwelling' – that is, the extreme western regions of Zambia. However, delivery to UNITA is only possible during the dry season because climatic and geophysical conditions determine such transactions. In the rainy season large plains become flooded and it becomes difficult to go into Angola. As has already been mentioned, the RUF was mostly supplied overland. In the case of Angola, air transportation played a significant role. One of the most appealing examples of a modern middleman is undoubtedly Victor Bout, a former Russian Air Force pilot, who runs an entire fleet of old Russian aeroplanes. Bout has been mentioned in connection with numerous conflicts, ranging from Liberia and Rwanda to Angola and the DRC. His fleet is officially based in Qatar, but operates from various airfields. Bout transports anything that yields a profit and mostly war-related goods and valuable resources that originate from conflict zones. As has been mentioned, sub-Saharan Africa is in fact a black hole for radar screening and aeroplanes can go around almost unhindered. In the case of UNITA, the airborne delivery of army provisions was probably vital for its sustenance as a viable fighting force, and the loss of the Andulo airfield in 1999 was a severe blow to the movement. In Colombia, weapons' drops were sometimes organized, but air supplies to the rebel forces were generally erratic and risky, because of the risk of detection. Hence, logistical support proved to be an important lifeline for many armed movements, and disruptions of such networks seriously compromised their existence.

A less visible but nonetheless important final category of middlemen consists of the hidden legal advisers and facilitators of governments and rebel groups engaged in conflict. Without the provision of end-user certificates for arms' shipments, many conflicts would have come to a grinding halt. Without the secret reception and protection of the leadership of armed movements in other countries governed by friendly regimes, many hunted warlords and military leaders would have been behind bars or would have been killed by their opponents. Friendly regimes and their leaders therefore provide valuable services posing as legitimate governments not involved in murky internal wars and hence considered clean by the international community. The transshipment of arms, drugs, army provisions and military hardware is an essential prerequisite for some movements to survive. Thus the governments of Liberia and Burkina Faso, headed by Taylor and Compaore, had a large stake in

beefing up and maintaining the fighting capacity of the RUF in Sierra Leone. The governments of Zambia, Zaire and later Rwanda played an important role in facilitating UNITA. In Venezuela, the incumbent regime of Chavez supports the rebel movements in Colombia, and the leadership of the Dravida Munnetra Kazhagam (DMK) in the Indian union state of Tamil Nadu provided sanctuary for LTTE militants.¹⁴⁴ Thus, by and large, official state representatives have actively supported the movements with whom they were ideologically or ethnically linked. This type of support sometimes even provided an aura of legitimacy.

Tentative Conclusions

First and foremost, the existence of networks and middlemen related to violent conflicts is based on the prospects of profit for those involved. Without financial incentives there would be no such networks and middlemen. The financial autonomy and potential of a government or a rebel faction stands out as a determining factor regarding their capacity to engage in the delivery of army provisions via the various networks and middlemen available.

The findings in this section seem to indicate that networks consist of a variety of actors and mechanisms through which the procurement of the necessary inputs to wage war are channelled. Different networks can be identified: networks comprising state elite groups providing all types of services to other actors, be they rebel forces or friendly regimes engaged in internal war; existing commercial networks that have adapted to suit the needs of clients engaged in violent conflicts, demonstrating the flexibility of such networks; networks of private companies and middlemen that work together to provide all types of security and war-related services to the belligerent forces. Some of these networks stem from a specific historical period such as the ties between the old apartheid officials and UNITA in southern Africa. Surprisingly, rebel groups and governments sometimes use the same networks for their military procurements. Mostly, regimes lacking sufficient means to continue the war effort or corrupt regimes tend to obfuscate their procurement networks because they profit from these systems, and hence take recourse to the same secretive networks that deal with rebel forces. Sierra Leone and Angola are cases in point. Other governments, such as the incumbent regime of Sri Lanka, have mainly used regular and official networks to upgrade their armed forces and to maintain their fighting capacity. Besides the networks mentioned, rebel forces use a variety of methods to ensure sufficient supply, including war strategies aimed at capturing army supplies from the opposing side, barter or looting. Networks are flexible entities, involving a range of actors that do not necessarily know each other, enhancing the secretive nature of war-related procurement

144) K.M. de Silva (ed.) (2000), *Conflict and Violence in South Asia* (Kandy, Sri Lanka: International Centre for Ethnic Studies), p. 415.

networks operating on the borders of legality. The trade with Angola through neighbouring countries demonstrates that legal and illicit trading networks sometimes overlap. Also, there is a crossover between regular supply networks and criminal networks. Sanctions, such as those imposed against UNITA, assist in the criminalization of supply. Once supply becomes a risky endeavour, criminal elements and networks tend to take over from regular supply sources. In fact, in many conflict situations suppliers may feel that they engage in legitimate trade to one or the other party. Only when international pressure has been put on procurement may they opt out, automatically opening a window of opportunity for organized criminal networks.

Middlemen can be subdivided in different 'functional' categories. For the purpose of this research four different categories have been identified: local middlemen; security middlemen; logistical middlemen; and facilitator middlemen. It seems that local middlemen represent the lower echelon of middlemen, in the sense that they run relatively high risks operating in and near conflict theatres, exchanging, bartering and smuggling various war-related goods in and out of these areas. The security middlemen belong to the age-old category of mercenaries, as their services can basically be obtained through a bundle of dollars. They provide technical training, expertise on war tactics and strategies and are generally hired to improve the performance of fighting units in the field. When PMCs become involved, the entire military operation is in fact handed over to these hired specialists. In a number of conflicts their participation on behalf of one of the belligerent forces has tilted the balance in favour of the client. Potentially, very important PMC interventions can easily become highly politicized and can consequently be withdrawn as a result of foreign or domestic political pressure. Logistical middlemen are vital for all of the actors involved in the various conflicts. Without the adequate delivery of necessary inputs to continue the armed struggle, many conflicts would peter out for want of army provisions. Notably rebel forces depend on these middlemen who procure arms, ammunition and fuel, either by air, sea or land to secret dropping places and small airports. Incumbent governments are entitled to use formal logistical networks, shipping agents and airfreight companies. Nevertheless, because of lack of control, undercover operations by logistical middlemen feed conflicts and enable their prolongation. Finally, friendly regimes and legal advisers placed in government circles of countries elsewhere provide important services that create an enabling environment for armed factions to survive, regardless of prevailing sanction regimes and pressure by powerful foreign states. Thus, UNITA survived UN sanctions and collective pressure by the SADC community and the international community because the governments of Burkina Faso and Togo provided end-user certificates enabling UNITA to purchase weapons elsewhere. The downfall of Mobutu, collaboration between Kabila junior and the Dos Santos regime, as well as pressure on Rwanda, have certainly precipitated the military defeat of UNITA. Tentatively, such relatively hidden support is very important for embattled rebel groups that cannot benefit from an official recognized status.

International acceptance is an important prerequisite for rebel group existence and, subsequently, some kind of legitimacy bestowed upon them by friendly regimes or highly placed politicians from other states is an additional bonus.

By and large, networks and middlemen tend to prolong the duration of internal conflicts and may exacerbate the impact on local societies, but it cannot be substantiated that they cause conflict. Sanction regimes imposed in order to curtail the activities of middlemen and the existence of supply networks tend to lead to substitution effects: businessmen operating on the borders of legality and regular supply networks are replaced by criminal networks and gangsters. Profit remains the ultimate driver for the traders and supply networks involved. Finally, there are relatively small numbers of middlemen to be found at the pinnacle of the procurement structures.

Section II Private Sector Involvement: Multinational Companies

This section's intends to demonstrate how the linkages between the private sector mostly based in developed post-industrial societies and middlemen or local actors are operated. In most of the cases encountered, companies function in a 'normal' manner, with the clear distinction that they operate in the context of internal violent conflicts. Again, in most of the cases, regular companies operate with the consent and under the protection of incumbent governments. This is clearly the case with the majority of oil and mining companies operating in specific areas within countries characterized by internal conflict. The connection to the conflict itself is determined by the transfer of financial assets to governments in exchange for exploitation rights, as well as payment for security, either to the regular armed forces, to PMCs and sometimes to rebel forces. This type of connection can therefore be considered a purely rational strategy in unsafe security settings from the point of view of the companies concerned. The operation is considered economically viable if security costs can be kept at sustainable levels.

Colombia provides a good example of how this connection between local and international actors operates around the exploitation of oil. Oil concessions in Colombia have steadily grown to cover an estimated 200,000 square kilometres at present and many peasants have been uprooted by the concessions.¹⁴⁵ The oil companies followed a double strategy, by financing and setting up *Autodefensa* forces while simultaneously trying to coexist peacefully with the rebel forces, giving in to demands for social investments. Thus in the region of Middle Magdalena, the Texas Petroleum Company financed schools, roads, clinics and awarded subcontracts to rebel-controlled companies. Meanwhile, the rebel forces levied direct taxes, and, finally, the kidnapping of

145) This sub-section is largely based on Richani, *The Interface between Domestic and International Factors in Colombia's War System*.

high-ranking employees was a profitable source of income for the rebel movements, ELN and FARC. With the growth of oil concessions, the foreign companies developed a complex strategy engaging the state, the AUC, rebel forces and PMCs. Thus Occidental Oil Company paid more than US\$ 20 million yearly to the Colombian state for protection offered by army units. British Petroleum enjoys the protection of Castaño's AUC for the oil pipeline running through Middle Magdalena to the port of Covenas on the Caribbean coast. Finally, PMCs – notably Defence Systems Limited – designed a security strategy to protect another stretch of pipeline. The nature of the oil deposits in Colombia combined with the presence of powerful and rich foreign oil companies provide 'an opportunity for the extraction of protection rent exacerbating a competition between multinational security companies and the local actors of the war system'.¹⁴⁶

In Angola, foreign oil companies would typically disburse significant signing bonuses when granted concessions for a specific offshore bloc. Although common procedure, in the context of lack of transparency of the treasury and the national budget, these funds were used by the incumbent elite to purchase weapons. Because of the highly secretive nature of arms' deals, it may be difficult to link such transactions with the granting of oil concessions directly. However, direct dealings between the Dos Santos regime and an impressive list of major foreign oil companies demonstrate the validity of the 'business as usual' assumption.

Profitable activities remain an attractive perspective for the private sector, even in the context of a major internal war. As has already been mentioned, the nature of oil exploitation in Angola, largely shielded from the vagaries of war and requiring relatively little additional security measures, has of course boosted the presence of regular private sector companies. In Sierra Leone, most regular industrial activities came to a complete standstill as a result of the guerrilla hit-and-run tactics of the various actors engaged in the conflict. The rutile industry, one of the few remaining profitable industries, closed down its operations in the early 1990s.

At a higher level, financial support is given by regular banks. A host of internationally credible private banks – such as the Union Bank of Switzerland, Banque Paribas of France, ING Barings of the Netherlands, Citicorp of the United States and Nissho Iwai of Japan – provide loans to the Angolan government against so-called offshore 'escrow' accounts. A shipment of oil will be sold to a refiner and the payment will be placed directly on such an account. The repayment of loans is directly paid from the escrow accounts, ensuring that the Angolan government cannot default on its loans.¹⁴⁷ This system facilitates the funding of the war economy and from a moral viewpoint can be seen as

146) Richani, *The Interface between Domestic and International Factors in Colombia's War System*, p. 11.

147) H. Richard Dietrich (2001), 'Ethical Considerations for Multinationals in Angola', in Cilliers and Dietrich (eds), *Angola's War Economy*, p. 247.

covert complicity by these private banks, although from a strictly business point of view nothing stands in the way of this arrangement.

Other, more secretive and even completely illicit connections occurred between foreign-owned private sector companies and actors in the various conflict countries, in their respective roles as 'facilitators' and war profiteers. Facilitators are generally small private companies, owned by individual businessmen, that have connections with all types of middlemen, arms' dealers and have access to financial support. They offer services to governments but also to rebel groups, provided that the latter are in control of valuable natural resources. For example, in Angola, the imposition by the state's oil company SONANGOL on major foreign oil companies to share concession rights with smaller unknown oil companies – mostly front companies for important middlemen – provided the Angolan government with all types of services. A case in point is the company Falcon Oil, owned by an entrepreneur who had earlier received contracts to supply provisions to the FAA, which was assigned significant portions of the Exxon concessions.¹⁴⁸ And in the shady world of the diamond business, small private companies provided crucial services to UNITA. Diamonds had been sold to small-scale diamond cutters who are the agents of large cutting operations. Diamonds were moved via tax havens from the first to the second trader.¹⁴⁹ As a result it seems that a regular supply system was in place, connecting the various layers of the diamond production chain. 'Facilitators' sometimes reside in third countries: South Africa was an important transit country for UNITA's army supplies through the provision of specialized logistical and legal services allegedly provided by South African firms and individuals. Shaw (2002) has adequately described how such firms and individuals interact to form specific networks. The conjunction of UNITA-allied criminals, dubious law firms dealing with the paperwork between producing countries, and UNITA, as well as local cronies, form loose networks through which arms could be delivered to UNITA.¹⁵⁰

In the Kono region of Sierra Leone the so-called junior mining company¹⁵¹ Branch Energy was rewarded with concession rights, resulting from a deal in which the PMC Executive Outcomes (EO) was involved.¹⁵² In this case the government of Sierra Leone contracted EO, but apparently some of the fee was advanced by Branch Energy, emphasizing the likelihood of swaps for diamond prospecting concessions.

148) Reno, 'The Real War Economy of Angola', p. 228.

149) Shaw, *The Middlemen*, p. 38.

150) Shaw, *The Middlemen*, p. 45.

151) Junior mining companies work on the edge of the industry, discovering diamond fields and generating funds on international stock markets. Money is raised on Canadian stock markets by low-value penny shares, resulting in a myriad shareholder structure, typically used to counter the high-risk nature of prospective mining.

152) Smillie, Gberie and Hazleton (eds), *The Heart of the Matter*, p. 55.

These examples above highlight the fact that such companies work on both sides of internal conflicts, regardless of the legitimacy of the actor involved. These companies run high-risk operations in precarious security settings, so financial incentives must be substantial to persuade the investors behind these operations, which are obscured from public scrutiny as a result of the anonymous structure of stock markets and investment flows.

Section III The Prevailing International Context: Trade Regimes, Protectionist Economic Blocs and Sanctions

The process of globalization has reshaped production and markets. Profound changes in information and communication technologies have led to an increasing 'development gap' between the North and the South. Such an uneven impact of globalization stems from structural factors underlying the relationship between strong and weak states in the global economic system. In the rich countries, strong countervailing forces such as labour unions, consumer organizations and specific NGOs somehow manage to cushion the impact on the weaker groups in society. Gradually, the power of the state is diminishing to the benefit of sub-state actors, such as INGOs and multinationals. By contrast, elite and other powerful interest groups in the South monopolize power and tend to suppress opposition forces. Local elite groups are increasingly engaged in a rough power struggle over access to and exploitation of resources. Ironically, the political and economic crises facing many poor states have also resulted in fragmentation of power, albeit in the form of various contending armed factions depending on warlord politics. The incapacity of governments to monopolize national territories or control economic dynamics has resulted in the proliferation of all types of 'new' coalitions between shadow-state rulers, local warlords or armed factions and foreign multinational companies. Hence, globalization in the context of current structural inequalities has provoked the emergence of purely economic gain-seeking alliances, based in strong and weak states alike. The strong state governments are capable, in conjunction with a developed civil society, to foster compromises between powerful multinationals and the state, but in weak states incumbent elites are bribed into compliance.

The interplay of international trade agreements, and the existence of inequalities and trade protectionist regimes, as well as specific international campaigns against illicit drugs, have had and continue to have an important impact on the existence and perseverance of war-related economic systems. The contemporary dichotomy between powerful trading blocs and relatively poor primary producers in the South has exacerbated the inequality, both within poor states between elite groups and the impoverished majority, as well as between these countries and their mighty neighbours in the North. The continuing protectionist measures, such as massive subsidies for farmers in the North and the existence of tariff barriers and import quotas, have had a

detrimental impact on the prospects for poor countries to gain access to important consumer markets. Existing rules on international trade are sometimes notoriously slack, notably when looking at the origin and provenance of war-related resources. Finally, unilateral campaigns such as the United States' 'war on drugs' have had serious repercussions for the internal security setting of a number of Latin American producing countries, such as Peru, Bolivia and Colombia.

The Enabling Environment of the Free Market

Most importantly, any product that enters the global marketplace, physically leaving its country of origin, automatically becomes 'anonymous' as if hardly or no relationship had ever existed between the product and its origin. The current global trade system has not developed awareness about resource exploitation or conditions under which exploitation materializes. There is in general no distinction between a good coming from a peaceful country or one that originates in conflict – that is, oil is oil, timber is timber and diamonds are diamonds, regardless of the manner in which they have been generated and brought to the marketplace. In fact, existing trade agreements either focus on technicalities such as quotas and import tariffs, or on alliances such as customs' unions or trade agreements between countries. The selective blindness of the market, regulated by demand and supply and basic economic laws, has resulted in a global opportunity space for any actor capable of delivering any produce. However, because of structural differences in capacity, technical know-how and financial reserves, some actors enjoy considerable advantage over other less well-equipped competitors. Hence, the complete ignorance with regard to the origin of some of the resources and goods provides an enabling environment for the trade in products generated by war economies. As a result, access to the global marketplace has become the ultimate objective of armed actors locked away in specific geographical areas and fighting opponents for control over resources and state power. This is the demand side of the murky world of middlemen and obscure businessmen. Once contact between demand and supply is established, the global market taps into the conflict zones as long as supply is guaranteed. The apparent incapacity, unwillingness or ignorance that guide these extractive processes leads to the financing of war economies as long as sufficient resources can be generated by the local actors involved.

Protectionist Policies and Subsidies

Farm subsidies in Europe and the United States continue to have a prohibitive stranglehold on real free trade in agricultural products and consequently make it virtually impossible for incumbent elites that rule poor states to diversify their agricultural resource base and access rich consumer markets freely. This anomaly continues to haunt GATT negotiations and ridicules the legitimate

negotiating position of powerful states. Consequences are multiple and in some ways can be directly related to the persistence of war economies.

Prospects for coca farmers to diversify their agriculture successfully and the development of programmes for crop substitution are particularly dim. How can marginal farmers, once they have substituted coca leaf production for other products, even provided that an efficient marketing channel is available, access consumer markets at a profitable rate? The prevailing agricultural policies in the US and Europe effectively curtail any such prospects through the existence of their elaborate subsidy systems resulting in overproduction, which are sometimes subsequently dumped on urban markets in poor states. By virtue of its exclusionary character, the agricultural global market as it were creates niche markets, such as the coca and poppy market. The current US-funded drugs' eradication programmes executed in a number of Latin American countries are therefore political programmes and do not contribute to a structural solution in the long term. The only effect of the 'war on drugs' seems to be the ongoing criminalization of small peasants, clearly the easiest targets for the fumigation and eradication activities. In the absence of viable substitution alternatives, such military campaigns in Colombia have led to the further erosion of state legitimacy, to the point that the state seems to have declared war on its own people, in the process strengthening instead of weakening parallel forces such as guerrilla groups.¹⁵³

Drugs Money and the Global Monetary System

It is a well-known fact that most of the profit generated by the sale of drugs to consumers in the rich part of the world does not return to the place where the drugs originate. In fact, in the cocaine production line one kilo of coca paste costs about US\$ 600. At street level a gram of cocaine is sold for about US\$ 60-80 – that is, approximately US\$ 60,000 per kilo. Most of the surplus value is added during the actual smuggling from the producing country to the market and the distribution in the market country. Official figures generated by the US government estimate that only around 10 per cent of the US\$ 77 billion cocaine market is repatriated, whereas the remainder is recycled in the international financial system.¹⁵⁴ A substantial amount of money therefore has to be 'laundered' prior to its insertion in the global monetary market. It seems likely that important criminal networks in the US are involved to regulate and facilitate this process. Most of the revenue is eventually invested by mafia-type criminal networks in any other activity. Clearly, the developed world stands to gain most from the primary production, as is usually the case in the current global division of labour between primary product-generating countries and the

153) Bolivar, *The Political Economy of the Armed Conflict in Colombia*, p. 22.

154) Quoted by Richani, *The Interface between Domestic and International Factors in Colombia's War System*, p. 35.

developed world. As a result, there is no difference between legal and illicit products in this regard, apart from the fact that illicit money eventually strengthens the financial position of criminal networks in the global economy. Once operating as international investors and posing as decent businessmen, these criminal actors over time tend to change identity and join the ranks of the world's economic power elite.

The War on Drugs, 'Plan Colombia' and the War against Terrorism

The United States has funded and continues to fund a number of political campaigns directed at eradicating what the US government views as illicit drugs and the struggle against networks of terrorism worldwide. 'Plan Colombia', funded by the Bush administration, which provides substantial financial aid and military assistance to the government of Colombia, aims to eradicate coca and poppy plantations and to annihilate FARC, the ELN and other groups designated as terrorist groups. Thus, between 1999 and 2002 an estimated US\$ 1.6 billion was provided. As already mentioned (see chapter 3), the dynamics of the conflict in Colombia changed and the general mood among policy and defence circles has shifted away from compromise to a further escalation of the war with the ultimate aim of crushing the rebel movements. Unfortunately, both for the Colombian government and the US administration, the existence of the paramilitary forces and their poor human rights' record has become a nuisance factor and threatens to damage the 'clean' image of the campaign. The US interest is allegedly largely motivated by future prospects for oil production in a number of regions currently under FARC military control. This has resulted in increasing escalation and confrontation between the various armed actors in the southern region of Putumayo, where large oil reserves are located. The conjunction of national and international forces combining to ensure future resource exploitation under the pretext of politically correct objectives has compromised the legitimacy of the governments involved. To what extent have these actors become willing accomplices of powerful private enterprise interests, executing and legitimizing their military campaigns under the pretext of rhetoric about terrorism and narco-trafficking? The underlying dynamics point to the encroachment of resource exploitation on the peasant economy. Throughout Colombia's violent political history, land has been and continues to be an important factor that fuels the internal conflict. In the absence of policies to compensate peasant families for loss of land and to offer viable alternatives, elite groups in control of the Colombian state have preferred simply to employ paramilitary forces to threaten and intimidate families away from their land. A rentier-based economy has emerged, and the use of land has shifted from agricultural purposes to speculation. With no social policies in place and violence instigated against a significant part of the civilian population, the incumbent political and economic elite maintains a collision course. The state's covert complicity with paramilitary groups, powerful elite groups, foreign multinationals and foreign

governments is clearly aimed at the realization of a political economy that services the interests of only the powerful groups in society.

Section IV The Role of External Aid

In general, the supposed continuum between emergency aid, rehabilitation aid and so-called structural long-term development aid is rather complex, and in fact comprises several types of complex linkages in contrast to what the simple notion of continuum suggests. The continuum is composed of mixed forms of aid characterized by combinations of objectives, closely related to the analysis of the intervening agency and the contextual framework created by other actors involved, such as governments, donors and local population groups. In general, every situation calls for a different approach and most aid agencies have gradually developed flexible strategies to address this variation. However, and pertinent to the aim of this study, emergency aid that is given in the context of an ongoing violent conflict located in a specific war theatre inside a given country, almost always has unintended side-effects. The humanitarian aid community has over time become an important industry in itself, obeying ingrained institutional self-reproduction mechanisms, regardless of issues of relevance or legitimacy surrounding these institutions and their war-related interventions. The flaws of emergency aid and their vulnerability to outside manipulation have already been studied widely, among others by Prendergast (1996), Keen (1994), de Waal (1997), Uvin (1996) and Anderson (1996).¹⁵⁵ Some examples of aid abuse or related issues such as 'fungibility' have already been highlighted in the research. Notably, in the case of Sri Lanka substitution seems to have taken place, and in Angola and Sierra Leone the government as well as rebel forces have abused emergency aid. However, these cases point to the use of emergency aid as additional financial resources, into which some of the belligerents may tap. Although this 'siphoning off' mechanism in itself is a serious problem that tends to assist armed factions indirectly with cash or commodities, other more structural features of the manipulation of external aid are even more alarming.

When patterns of aid distribution coincide with the strategies of one of the warring parties and even contribute to the consolidation of their positions, aid

155) De Waal, Alex (1997), *Famine Crimes; Politics and Disaster Relief Industry in Africa*, African Issues series (Oxford: James Currey/Bloomington & Indianapolis: Indiana University Press); Keen, David (1994), *The Benefits of Famine; a Political Economy of Famine and relief in Southwestern Sudan (1983-1989)* (Princeton: Princeton University Press); Prendergast, John (1996), *Frontline Diplomacy. Humanitarian Aid and Conflict in Africa* (Boulder (Colorado) & London: Lynne Rienner Publishers); Uvin, Peter (1996), *Development, Aid and Conflict; reflections from the case of Rwanda* (Helsinki: UNU/WIDER); Anderson, Mary (1999), *Do No Harm: How Aid Can Support Peace – Or War* (Boulder, London: Lynne Rienner Publishers).

becomes a strategic tool in the context of warfare and generates serious dilemmas for the aid-providing institutions. This section will present some examples and analysis of the strategic impact of emergency-related aid. Although Colombia and Sri Lanka are not dealt with below, this is not to suggest that humanitarian aid is not facing similar dilemmas of 'diversion' or strategic abuse. In-depth case studies indicate how humanitarian activities in Sri Lanka were monitored and controlled in so-called 'uncleared areas' by the LTTE, while the government tried to use the resettlement of IDPs for the purpose of human shielding (Klem, 2001).¹⁵⁶

Providing Aid to IDPs generated through Government Counter-Insurgency in Angola: A Case of Covert Complicity

When the Angolan army started its devastating counter-insurgency programme in 1999, the entire donor community and all the INGOs present in the relatively secure enclave of Luanda were again condemned to wait for the outcome and collateral damage for the civilian population. The higher echelons of the international aid community had been contained in the Angolan capital enclave from the beginning of their intervention and were only allowed access to the target population once the army had given them a 'go ahead' signal. Thus the provision of food and shelter to civilians who flocked together in provincial capitals in the interior because of the FAA's counter-insurgency campaign unwillingly provided the humanitarian keystone of what was basically a military campaign. Thus only when invited by army officers could representatives of INGOs access these war-affected areas and execute a needs' assessment for the internally displaced population groups (IDPs). This resulted in a dilemma for the international community: 'do we continue to give aid to IDPs if these problems are a direct result of deliberate government actions and strategies?'¹⁵⁷ In reaction to this the UN became active within the framework of advocacy and lobbied for the adoption of Article 17 of the Geneva Convention. This Article stipulates that a government is allowed to displace people for security reasons, but only when a number of conditions are met, such as protection during temporary resettlement and providing basic amenities to the war-affected population groups. The various UN organizations stressed that they insist in the Angolan government fulfilling these conditions or they would refuse to assist. However, the government in many cases failed to live up to these conditions. In fact, the UN Office for the Coordination of Humanitarian Affairs (OCHA) has so far merely assisted in covering up the appalling government performance by trying to 'educate' the Dos Santos regime. This

156) Klem, Bart (2001), *Recognizing the Uncanny. Dilemmas of Assistance in the War-Torn Areas of Sri Lanka*. Thesis written for Centre for International Development Issues Nijmegen (CIDIN), Nijmegen.

157) Interview with an OCHA representative in Luanda, 29 November 2001.

amounted to little more than the international donor community paying for all social and economic costs of the continuing internal war without trying to put adequate pressure on the government to stop creating new IDPs and contributing to the further deterioration of Angola's humanitarian crises. The Article 17 approach as it were obfuscated and somehow legitimized both the continuing assistance by the emergency aid community and the FAA's counter-insurgency strategy, creating enormous flows of IDPs.

In the process, Angola's government has become aware of the political potential of humanitarian aid and has organized a coordinating body for the aid distribution in an effort to reap the moral benefits of humanitarian relief provision. Even in the current post-war situation, the soft manipulation of external aid remains an easy target as long as the incumbent government can conceal how much it really spends on emergency relief and can simultaneously take the credit for what others do in this field. Control over the official media and news' agencies enables the MPLA to continue to manipulate public knowledge inside the country about the humanitarian aid situation.

*Enhancing the Geographical Divide resulting from the War in Sierra Leone:
The Unintended Side-Effects of Limited Access to Specific Areas and Groups*

The emergency phase and concomitant emergency humanitarian aid is gradually being phased out in Sierra Leone, although some areas (such as Kambia, Kailahun and Kono districts) only opened up for external interventions in early 2002.¹⁵⁸ Inside Sierra Leone a geographical divide can therefore be observed between formerly rebel-held areas and government and CDF-controlled towns and districts. In the rebel-held areas virtually no external aid has been delivered apart from medical emergency aid (by *Médecins sans frontières*) and some food aid. Needless to say, prior to the peace settlement external aid only filtered minimally through the front lines and therefore the rebel-held areas were at a clear disadvantage when compared to government-held areas. This can be inferred from the geographical spread of INGO/NGO activities in the various districts. The number of INGOs active per district shows a distinct bias towards the major cities and the south-eastern districts. The eastern, northern and western areas are less well served (see annexe 7 – Sierra Leone: Number of INGOs Active per Chiefdom and District, October 2001). The bad experiences of the majority of INGOs in the rebel-held areas, to which reference has already been made,¹⁵⁹ have certainly contributed to the prevailing inequality.

158) In April 2002, three weeks before national elections, the author witnessed massive resettlement campaigns in Sierra Leone. Many IDPs were being resettled in the former strongholds of the RUF – Kailahun and Kono – indicating the differences between regions regarding post-war rehabilitation and resettlement.

159) See chapter 4, section II on Exploitation and Control.

Simultaneously, aid distribution tends to focus more on ex-combatants than on ordinary civilians, mostly because donor agencies and the government wish to neutralize those who would most likely create havoc if they did not receive adequate support.¹⁶⁰ As a result, a picture emerges in which demobilized ex-combatants are privileged beneficiaries of post-war emergency aid. The different treatment of ex-combatants and victims of the war is striking. Whereas the ex-combatants receive money and training freely, the IDPs and returnees have to start virtually from scratch. In some cases their houses are burned and they only have what they wear and have been able to accumulate during their years in the refugee camps. Most returnees and IDPs receive a settlement package comprising some food items, seeds, tools for agriculture, kitchen utensils and some roof cover (plastic sheets). During resettlement in early 2002 in Kailahun district, such kits were not readily available or were incomplete, leading to much discontent and disputes with the issuing authorities, such as the National Commission for Social Action (NaCSA)¹⁶¹ and the INGOs handling the resettlement process. Many IDPs and returnees find it hard to understand why the government is pampering those who are to blame for the war and its impact.

Strikingly, therefore, the pattern of aid allocation tends to favour government-held regions and also ex-combatants, mostly ex-RUF fighters. Consequently, the civilian population – notably in formerly rebel-held areas – is neglected and marginalized, possibly leading to another round of political mobilization in those areas because of government neglect. The reintegration of ex-combatants in Sierra Leone as a whole is seriously compromised if their victims are not compensated in some way or other as well. Besides, peace has been imposed by outside actors. The truth and reconciliation commission is not well implied in the local context, as it is seen as perpetrator-oriented and victims are left out.¹⁶² The National Commission for Disarmament, Demobilization and Reintegration (NCDDR), which is in charge of the ex-rebels and demobilizing CDF fighters, is viewed as rewarding those who committed crimes at the local level but no justice has been applied at that level. At the moment, through the installation of a Special Court, the external community is pushing for the trial of a few major culprits, which amounts to staging showcase justice according to most Sierra Leoneans' perceptions. Many people at the local level feel that they are entitled to justice at their level. Many rumours circulate about plans to settle scores with former rebels, soldiers or

160) Interview with the monitoring and evaluation officer of the INGO *Première Urgence* in Koidu town on 26 April 2002.

161) NaCSA is the national successor institution to the National Commission for Reconstruction, Resettlement and Rehabilitation (NCRRR), which was set up to coordinate emergency relief in Sierra Leone.

162) Interview with Dennis Bright, National Commission for the Maintenance of the Peace, Freetown, 23 October 2001.

CDF fighters who committed crimes, in the absence of local reconciliation and justice. Perpetrators hesitate to testify before the Truth and Reconciliation Committee because they fear that they will end up in the Special Court. Many ordinary citizens do not make a distinction between both institutions, and indeed it is not clear what the formal relations between them are. Moreover, these interventions are perceived as external and not embedded in local demand, leading to feelings of frustration and anger. Many culprits accused by the Special Court mobilize popular support, and a climate of fear and insecurity surrounded the installation of the Special Court in late 2002/early 2003.¹⁶³

These examples demonstrate the salience of pertinent analysis to monitor the wider consequences of aid distribution. Clearly, donors and INGOs should be very alert and suspicious when specific actors or areas do not benefit from external aid, because such patterns may well reflect the intended strategic objectives of parties previously involved in the internal conflict.

Section V Political Legitimatization

This section deals briefly with the important issue of the political legitimization of incumbent state elites involved in violent internal conflicts. The prevailing international state system sanctions the behaviour of state elite groups once they have formally been recognized as the legitimate rulers of a state. This principle, which underlies the international state system, cannot be applied selectively or partially to the great variation of incumbent state elites for fear of opening Pandora's box. Nevertheless, when international recognition is bestowed upon dubious regimes, the credibility of the system itself is put into question. Gradually, therefore, the actual performance of incumbent regimes regarding human rights, governance and generally the treatment of all types of minority groups inside a polity have materialized on the international agenda. However, the international political system is rife with contradictions and patterns of selectivity. Strong states can generally act with impunity, whereas small and weak state elites must be very cautious about their actions. Thus, the violent suppression of the Tibetans and the Chechens by China and Russia respectively has been executed without much international pressure. The maltreatment of minorities in Iraq or Yugoslavia, and the illicit practices of the Liberian President Charles Taylor, have been seriously criticized and sanctions imposed, including armed interventions and international UN sanctions' regimes. Clearly, legitimacy is therefore the mirror image of contemporary political relationships between strong and weak states and reflects the reality of power relations in the global system.

163) Observations by Pyt Douma during a fieldwork visit in January 2003.

In this chapter it is apparent time and again that acceptance of an incumbent regime as the legitimate representative of a given territory and state may have serious consequences for the existence and prolongation of political economies related to internal wars. Criminal state elites can easily abuse their formal status to engage in all types of illicit practices. Such elites can engage with middlemen and use illegal networks for army procurement. They can enrich themselves under the cover of conflict. Such groups may speed up the exploitation of natural resources to the point of depletion, without transparency or accountability to the population at large. Such groups may ultimately squander the future of such states by massively mortgaging future earnings from resource exploitation in exchange for loans, which are then used to continue the internal war and for self-enrichment. The continuation of an internal conflict may well provide these incumbent elites with a political excuse for wasting resources and bypassing internal and external controls on government spending. In some cases there was clearly hardly any difference between governments and rebel elite groups, as they use the same methods and mechanisms to pursue their objectives. The state itself has therefore become an internationally sanctioned 'prize' for the winner of any internal conflict, a fact that underlies the logic of many warlords, rebels and incumbent elites.¹⁶⁴ The perseverance to death of UNITA's former leader Jonas Savimbi to continue to contest Dos Santos's claim to the presidency of Angola is a good example of this mechanism.

To conclude, the recognition of an incumbent regime by the international community leads to the creation of an enabling environment, in which such elites and leaders can thrive. At the moment, support for the incumbent leadership in Angola and Colombia continues, regardless of appalling human rights' records and almost complete absence of basic socio-economic services for the populations at large. This clearly demonstrates the lack of control and monitoring mechanisms for the performance of such elite groups. Mostly, such elites can therefore freely engage in exclusionist and authoritarian policies, under the benign protection of political legitimatization by the global community of states.

164) See, for example, the account of Charles Taylor's campaign to become head of state in Liberia in Stephen Ellis (1999), *The Mask of Anarchy* (London: Hurst & Co.).

6 Major Findings and Conclusions

A review of the various protagonist factions in the four countries studied demonstrates that the violent conflicts all materialize in the context of weakly developed states, with the notable exception of Sri Lanka. In the other three cases, the incumbent state elites have hitherto been unable to assume internal sovereignty and show significant institutional weaknesses. These internal wars have been labelled 'new' wars. In chapter two a tentative definition of war economies was formulated. These wars may well have materialized as a result of genuine grievances, but in due course specific interest groups among the various protagonist factions developed economic agendas related to internal conflict. Under the pretext of catering for the needs and aspirations of specific constituencies, these wars generally focused on the exploitation of valuable resources. As a result, a major debate about greed versus grievance developed among social scientists focusing on the role of 'economic' incentives. Does greed motivate the emergence of war economies and economic agendas or are resources merely the means with which wars are fought, aiming at political inclusion or trying to redress the grievances of population groups involved? It was postulated that these wars thrive on the nexus between powerful contending elite groups involved in internal conflicts, middlemen and multinational companies.

In addition, incumbent state elite groups do not monopolize the instruments of political and military power. Important features of such weakly developed states are a lack of internal political consensus about the nature of the state, a lack of vertical and horizontal legitimacy,¹⁶⁵ and the predominance of a relatively strong sub-state group, that aims at political domination to the detriment of other minorities.

Thus in Colombia, the state merely caters for an urban constituency located in a number of limited geographical pockets largely to the detriment of an impoverished peripheral peasantry. In Sierra Leone, the local power structures were for a long time in cahoots with the national elite, which was largely located in the capital, Freetown. In Angola, the MPLA regime merely controlled a few overpopulated enclaves on the coast, in which an increasing number of internally displaced persons (IDPs) sought refuge, but the regime never catered for their basic socio-economic needs.

Hence, exclusionist and hegemonic policies that favoured small elite groups or catered for powerful economic supporters and regional elites led to a context in which the profound lack of sufficient institutional capacity provided a space of opportunity for contending elite groups to initiate violent resistance, mostly in relatively peripheral areas. In all four of the case study countries specific geographical niches were established by contending sub-state groups, either aiming to cut a better deal for their respective constituencies (as in Colombia and Sierra Leone) or aiming at greater autonomy (Angola) and even independence (Sri Lanka). The major strategies of the incumbent elites (see chapter 3) were conventional in nature, focusing on standing armies and armoured divisions physically occupying specific areas, sometimes supplemented by secretive counter-insurgency campaigns (such as the FAA's campaign in Angola) or executed by paramilitaries (as in Colombia). By contrast, most contending sub-state actors employed guerrilla tactics, attacking the conventional forces by ambushes or by hit-and-run tactics. In the cases of the RUF in Sierra Leone, and UNITA in later stages of the conflict in Angola, counter-insurgency-type tactics were combined with guerrilla strategies. Between 1994 and 1998 UNITA changed to conventional warfare in a final power bid to oust the MPLA regime, but was militarily defeated and consequently reverted to guerrilla strategies again. Consequently, this situation meant that incumbent regimes had strategic advantages over their contenders, because they were able physically to occupy and defend crucial strategic sites, including important resource extraction sites, although this on the other hand implied high costs and also 'tied' troops to certain positions. They also found it

165) The criteria of 'vertical legitimacy' between rulers and ruled implies the existence of a bargain between the state and the political community, the existence of a so-called 'social contract'. Horizontal legitimacy means that ideological consensus and pragmatic politics prevail within the state between the constituent elements.

difficult to provide adequate military response to the guerrilla tactics employed by the rebel groups.

Chapter four found that the characteristics of resources involved in funding internal wars differed quite substantially. Point resources, by their very nature, required not only technical expertise and financial inputs, but were more sensitive to external threats, provided that they are located in the country itself. Offshore point resources were more easily defensible. Diffuse resources proved to be more difficult to control by one faction only, given their often extensive areas of exploitation (alluvial mining). Renewable natural resources sometimes provide interesting funding sources, such as the production and sale of drugs (coca and poppy). Also, the sale of wildlife products and even regular agricultural produce may generate additional income to support the war effort. So-called non-material resources provide interesting funding alternatives, as they can allow groups to become more 'footloose' from the conflict theatre. Internally generated non-material resources, such as extortion money, kidnapping and the abuse of external aid, require specific qualities but allow income diversification and reduce vulnerability and dependence on one source of income only. External generation of funds, such as through diaspora funding, results in greater autonomy for the actor involved.

In terms of functional specialization regarding exploitation of the various resources involved, it was found that most actors involved in internal wars do not invest in specialization. Resources are mostly exploited by outsiders, be they specialized mining firms, oil companies or groups of traditional miners, which extract diamonds, gold, coltan or other precious minerals from river beds of extensive mining sites. Nevertheless, only when incumbent regimes control mineral deposits are they likely to be exploited by regular industrial firms. Hence, when sophisticated techniques and high capital investments are required, only 'stable properties' are considered viable for exploitation. The case of drugs' production stands out as the sole example of functional specialization and control over a large part of the production line by a protagonist faction – that is, the FARC rebel movement in Colombia. By contrast, the exploitation of so-called non-material resources requires the development of special skills. Kidnapping and extortion practices are minutely organized and executed by small groups of specialized people. The collection of diaspora funding necessitates setting up humanitarian front organizations, as does when groups want to tap into external resources provided by donors and humanitarian INGOs working in conflict countries.

From the assessment of local resource generation by the factions involved, the findings suggest that most contending non-state armed factions do not only rely on domestic resource riches. Most rebel movements rely on a combination of income strategies, varying from diamonds, looting and barter in both of the African cases to sophisticated combinations of mineral resources and non-material resources in the cases of Colombia and Sri Lanka. It remains unclear to what extent such groups profit from the resources generated. It seems that in many cases under-market-value prices are likely to be obtained and that

intermediary actors, such as middlemen or friendly regimes, take a substantial share of the pickings. The various government elite groups involved tend to use the resources under their control to purchase army procurements while simultaneously distributing substantial kickbacks to themselves and their cronies. The RUF and UNITA failed to distribute significant sums to the constituencies from which they drew support, in the process undermining their legitimacy as a viable alternative for the corrupt and greedy incumbent state elites that they were confronting. Only the FARC and the LTTE developed strategies to distribute socio-economic benefits to the population under their control, partly by allowing external humanitarian aid. Ruling elite groups generally commanded superior resources and were able to mortgage future resource benefits in exchange for loans, further increasing their strategic advantage over their sub-state competitors.

Tentatively, it seems that most protagonist groups involved in internal conflicts largely catered for their own needs, and personal enrichment was an important motive for leaders and incumbent political elites within these factions. With the exceptions of both the Sri Lankan government and the LTTE in the Sri Lankan war theatre, and to some extent FARC in Colombia and UNITA in Angola during a specific period in the late 1980s and early 1990s, legitimacy was not an explicit aim of the protagonist groups. However, political power and the prerequisites of statehood provided a more tempting target than economic benefits alone. Greed was certainly a motive for a number of individuals, rebels and government elites alike, but, by and large, issues such as political power-sharing, access to decision-making and resource distribution predominated the political agendas of the various protagonist factions involved in the internal conflicts investigated.

During the course of the various conflicts, the protagonist factions engaged in a type of arms' race, leading to a further escalation of the scramble for domestic resources and to a further decline of the natural resource base of the states involved.

Although the local dimension of the war economies is generally quite bleak for the affected population, some cases demonstrate the validity of temporary trickle-down effects and benefits for local groups resulting from these internal wars. In our research sample, two such cases were highlighted: the generation of additional income for servicemen's families in Sri Lanka; and the production and sale of coca by a significant number of so-called *cocaleros* in Colombia. Both cases, however, clearly demonstrate that these effects are just side-effects within the context of the prevailing political economy of war in those countries, and that these effects are likely to be compromised once the conflicts come to a close. The illicit coca production moreover places the *cocaleros* at great risk, whereas most of the profit is earned by the smugglers and dealers catering for the consumer markets. Meanwhile, the extra income for servicemen's families demonstrates the vulnerability of the local economy and the lack of alternative income strategies for most of these poor rural families. The extra income is significantly higher than those of non-servicemen's

families, although in view of the limited number of families involved, it is likely to have only a marginal impact in the country as a whole.

Chapter five presented the linkage between the local and the international network.

Networks and middlemen generally flourish on the profit potential offered by the local actors engaged in armed struggle. Most rebel groups have to make use of the services of such networks and middlemen operating on the limits of legality in order to survive. Ruling elites have the choice between formal networks or informal networks and between illicit trade in army procurement or legal procurement on the world market. The actual use of a given network reveals the nature of the ruling regime involved. Corrupt and exclusionist regimes tend to make more use of illicit networks than more transparent and legitimate governments.

The findings in this section indicate that networks consist of a variety of actors and mechanisms through which the procurement of the necessary inputs to wage war are channelled. Different networks can be identified: networks comprising state elite groups providing all types of services to other actors, be they rebel forces or friendly regimes engaged in internal war; existing commercial networks that have adapted to suit the needs of clients engaged in violent conflicts, as it were demonstrating the flexibility of such networks; and networks of private companies and middlemen that work together to provide all types of security and war-related services to the belligerent forces. Some of these networks stem from a specific historical period, such as the ties between the old apartheid officials and UNITA in southern Africa. Surprisingly, rebel groups and governments sometimes use the same networks for their military procurements. The networked structure is highly secretive in nature and many corridors or trade routes are used to get resources to and from conflict areas and countries. Nevertheless, both illegal and legal trade is operated along these routes, obfuscating the true nature of the interests and actors involved. A crossover exists between regular supply networks and criminal networks. Sanctions, such as those imposed against UNITA, assist in the criminalization of supply. Once supply becomes a risky endeavour, criminal elements and networks tend to take over from regular supply sources.

Middlemen can be divided into functional categories: local-level middlemen; military advisers; logistical operators; and facilitator middlemen. The local middlemen operate in war theatres and run high personal risks while bartering, smuggling or trading with warring actions. The military advisers provide all types of military expertise, including the use of mercenaries from so-called PMCs. The logistical middlemen provide crucial services, as they physically move resources and army procurements from and to war theatres. The facilitators may provide safe havens for faction leaders, provide necessary permits for arms' deals or legal protection against the disclosure of vital linkages and networks from international scrutiny. Middlemen can be active in various war theatres simultaneously, and as a result they seem to be secretive but rather limited groups of intermediary agents.

Networks and middlemen tend to prolong the duration of internal conflicts, but it cannot be substantiated whether they are a direct cause of conflict. Sanction regimes imposed in order to curtail the activities of middlemen and the existence of supply networks tend to lead to substitution effects: businessmen operating on the borders of legality and regular supply networks are replaced by criminal networks and gangsters, further aggravating the conflict.

Multinational companies are active in many conflict countries. In most cases such companies function in a 'normal' way – that is, conducting business as usual, as if there were no conflicts. This selective blindness has resulted in a situation of covert complicity for many international companies. Many major oil companies are deeply involved in Angola, mining companies have important linkages to mineral-producing conflict countries and progressively smaller companies have specialized in high-risk environments. Whereas the large companies struggle with their public image, these smaller companies provide all types of services to the regimes and sub-state actors. It seems by and large that the involvement of multinational companies in conflict areas has become a widely contested issue, but so far these companies continue to operate in these environments, even to the extent of becoming more deeply involved, to the point of recruiting PMCs for protection or offering pay-offs to rebel forces to enable continued operation in profitable areas.

The prevailing international context was also briefly reviewed. The existence of a number of international mechanisms and protocols for trade does not seem to have helped to contain internal conflicts. Instead, it seems rather that a number of these international trade regimes have had negative effects on such conflicts. The free market ideology has led to demand-induced resource exploitation without any control mechanisms operating in many conflict theatres. Protectionist policies in the field of agricultural products and the existence of enormous subsidies to farmers in developed countries seem to limit the possibilities for ruling elites to curb the effects of drug eradication programmes. Crop substitution can never materialize as long as these structural barriers exist. It is not only sub-state groups that profit from the illicit trade in drugs. Most of the profit ends up in the hands of organized criminal groups in Western societies, aggravating the stranglehold of such actors on the formal economy through large-scale money laundering. Finally, political campaigns, such as 'Plan Colombia', reflect the United States's policy priorities without taking the local conflict dynamics into account and may well serve to aggravate the conflict instead of ending it.

The provision of emergency aid to victims of violence inside conflict countries has revealed that apart from the well-known abuse of such funding modalities by protagonist factions, there are also unintended strategic effects that need further scrutiny. Two examples were presented in our research: one in Sierra Leone; and another in Angola. In Angola, the international community has more or less become complicit with the strategies of the ruling elite, to the extent that human cleansing campaigns were followed by deliveries

of humanitarian aid. No matter what the outcome of the army's strategy in terms of creating IDPs, the aid agencies have delivered seemingly unquestioning support. Meanwhile, the aid agencies in Sierra Leone have assisted in 'freezing' the outcome of the internal war, resulting in a geographical divide in the country. The former rebel-held territories have been neglected. In general, post-war rehabilitation has focused on the perpetrators – that is, on the ex-combatants to the detriments of the victims, or the average civilian population. Continuing development aid in Sri Lanka has probably 'freed' money for the government to pursue the war through the effects of fungibility, while humanitarian aid has contributed to the legitimacy of both the government and the LTTE.

Finally, the issue of political legitimization was reiterated in the last section. The prevailing international state system sanctions the behaviour of state elite groups once they have been formally recognized as the legitimate rulers of a state. This has led to a situation in which many corrupt and authoritarian elites have become empowered. It has become apparent that acceptance of an incumbent regime as the legitimate representative of a given territory and state may have serious consequences for the existence and prolongation of political economies related to internal wars.

To conclude, this study of the political economies of internal conflict has revealed an image of a contemporary setting in which all the necessary preconditions are available at the local, national and international levels to facilitate the existence and continuation of war-related economies. In fact, an enabling environment exists at all levels that facilitates the exploitation of resources during violent conflicts located inside specific states. This not only leads to self-enrichment for those involved, but also tends to fuel and prolong these internal wars.

Annexe 1 Major Conclusions of the November 2000 Seminar

Major Conclusions

In the state-of-the-art paper, written by associated expert Pyt Douma, a number of relevant trends were reviewed. Some of these contemporary trends have strongly impacted on the direction and various manifestations of the political economy of internal conflict.

Regarding the role of the state, it was argued that states cannot simply be put together again and that the contemporary political economy of conflict in many peripheral states demonstrates the reality of state decline and fragmentation of power. Legitimacy emerges in this regard as a vital issue. The proliferation of actors engaged in violent conflict begs the question of whether such actors can claim a legitimate status in the eyes of their respective constituencies. In order to be able to survive as a political force, actors are over time compelled to provide somehow for the needs of their constituencies, even very basic needs such as security during internal turmoil, hence gradually becoming legitimate in the process. Some actors, however, demonstrate a purely predatory behaviour, in the process targeting resident population groups, and it seems that in such cases other motives, such as short-term material gains, predominate. A better understanding is needed of the complex amalgam of changing actors, their motives, strategies and resource-generating activities in conflict situations.

On the conceptual level, most seminar participants criticized the current bias favouring economic explanations for the outbreak and sustenance of internal wars. It was argued that the current wave of econometric studies regarding causal relationships between violent conflict and a number of economic parameters fails to take into account the complexity of personal and group motivations. The debate between 'greed and grievance' therefore needs to be taken beyond the current superficial rhetoric and should focus on underlying motives for group mobilization into violence, mostly related to social and cultural grievances. However, economic motives do play a role once the war dynamic has gained momentum, and the prevailing lack of institutions and a culture of impunity may provide the necessary preconditions for a scramble for personal gain among armed factions and warlords. It was argued during the seminar that an approach acknowledging the relevance of both greed and grievance would greatly benefit a more comprehensive understanding of many contemporary internal conflicts.

Beyond the debate on greed and grievance, attention was drawn to the issue of regression and transformation. The regression perspective on conflict focuses on the fact that external forces, combined with local warlords and predator state regimes, drive the ongoing marginalization of people. They also cause greater inequality, criminality and further violent conflicts. Moreover, the

current debate on internal wars in weak states, poor states or so-called 'borderlands' has a strong inbuilt normative bias, judging such conflicts merely as forms of regression, such as regression of state institutions or regression of the developmental process currently under way in many poor states. However popular this view on contemporary conflict might seem to policy-makers from an interventionist perspective, it needs to be criticized from a perspective of transformation. Over time, conflicts change in scope and nature. In fact, it could be argued that the contemporary changes in many poor states reflect a process of transformation in which new forms of governance and societal make-up appear. People residing in war zones are not only passive victims but also active participants in the changing social configurations at the local level.

Research should also focus on the regional dimensions of conflict. Although much of the fighting and resource flows in conflicts are highly localized, involving specific local actors, markets and intermediary agents, many such conflicts are closely linked to external markets and actors. Trans-border trade routes are the physical expression of these external linkages, as well as numerous networks involving different actors. The conflict in the Democratic Republic of Congo, for instance, involves different commercial companies and several sovereign states, allegedly participating for security reasons but more often for economic profits. Countries such as Liberia, Sierra Leone and Colombia are other cases in point. Other, more secretive, networks involve a range of actors such as mercenaries, mining companies, traders and local and foreign politicians. Addressing the regional dimension of such conflicts should therefore focus on the way in which internal and external parties interact, how they organize themselves and which networks they use. Further understanding of the structure and functioning of such networks was called for.

The role of the international donor community also needs to be reviewed. The current popularity of aid conditions and the application of so-called smart sanctions have resulted in heated debates about efficiency and unintended side-effects. It was argued that the ban on blood diamonds could not be implemented effectively as long as local protagonist parties strike profitable deals regardless of their formal status in the conflict – that is, official government representatives dealing with rebel leaders.

List of Papers Presented

- Doug Brooks (2000), *Sierra Leone's Un-Civil War* (Johannesburg: South African Institute of International Affairs (SAIIA)).
- Pyt S. Douma (2000), *The Political Economy of Internal Conflict: A Review of Contemporary Trends and Issues* (The Hague: Netherlands Institute of International Relations 'Clingendael').

- Stanley Samarasinghe (2000), *The Political Economy of Internal Conflict in Sri Lanka* (first draft) (Kandy, Sri Lanka: International Centre for Ethnic Studies (ICES)).
- Mark Shaw (2000), *War Without End? The Political Economy of Conflict in Angola* (Johannesburg: South African Institute of International Affairs (SAIIA)).
- Maria Victoria Uribe (2000), *Insights about the Political Economy of Internal Conflict in Colombia* (San José, Costa Rica: *Fundacion Arias para la Paz y el Progreso Humano* (Arias Foundation)).

Annexe 2 Research Proposal for the Second Phase: Political Economy of Internal Conflict Project

Introduction

This proposal is the result of both the state-of-the-art research phase and the resulting seminar on the 'Political Economy of Internal Conflict' held in The Hague on 22 November 2000. It defines the research questions to be studied by the participating counterpart institutes and researchers in the in-depth field phase of the study and has been approved by the Netherlands Ministry of Foreign Affairs.

The data-gathering and field research phase is projected to take place from 1 August until 31 December 2001. The three counterpart institutes involved will engage one full-time researcher for each case study country involved. The four case study countries in this project are Colombia, Sierra Leone, Angola and Sri Lanka. The Netherlands Institute of International Relations 'Clingendael' will engage an associated expert and, if necessary, additional external consultants to supervise the various research themes, and the case studies, and may also execute visits to the various countries. Broadly speaking, the research themes for this follow-up phase can be grouped in three main clusters:

- The local dimension of political economies of conflict;
- The interface between the national and the international dimension;
- The role of outside actors.

The Local Dimension of Political Economies of Conflict

It is widely acknowledged that the political economies of conflict impact strongly on the local context, but in most studies a clear and exhaustive identification of the different actors involved and their economic interest agendas is lacking. Insight is needed in the economic opportunities available as a result of conflict dynamics and the way actors organize around specific commodities and resources.

Armed factions, rebel groups and militias are widely perceived as actors lacking legitimacy. However, there are indications that such groups over time develop some 'alternative' form of legitimacy among large constituencies by providing some economic benefits.

Research Questions:

- To what extent do the policies and practices of existing and emerging actors engaged in violent internal conflict coincide with economic opportunities and strategic interests?
- What are the economic interest agendas of these specific actors and around which commodities and resources do they evolve?
- In which way do these economic agendas obtain legitimacy and become organized among protagonist groups?
- Which economic incentives can be identified at the local level facilitating group mobilization into violence?
- What measures can be identified to control these actors and curtail their strategic agendas?

The Interface between the National and the International Dimension

Much attention has focused on the emerging coalition of local war-profiteering actors, intermediary businessmen and outside actors, such as global private enterprise and security firms. The flow of commodities from economies of violence takes place through regional and international networks. Such networks are usually not new, but they have gradually transformed over time and the nature of the trade and exchange mechanisms has altered significantly. Understanding of the current networked structure of war economies is needed to control effectively or stop these illicit structures of trade.

Research Questions:

- What actors and commodities comprise the networks operating in the economies of internal conflict in the selected case study countries and the broader regions involved?
- How can a distinction be made between old and new networks, or have networks simply been adapted to suit changing circumstances?
- What weaknesses in the national and international financial and trade regimes enable the functioning of these networks and what measures can be proposed to remedy this?

The Role of Outside Actors

Flows of remittances, voluntary or forced, generated by diaspora groups have been analysed by some researchers, but little is known about diaspora motives, which presumably are vital in generating support for these conflicts, other than superficial prejudices and value judgements. Additionally, the networks for

transmitting clandestine support remain highly secretive and researchers should try to unravel their structure, mechanisms of transfer and the middlemen used. The role of the internal donor community also needs closer scrutiny. What is the impact of aid programmes on internal conflicts, and how are aid resources used in the political economy of war?

Research Questions:

- What are the underlying motives of members of specific diaspora communities, and how do such perceptions help shape the domestic conflict?
- How are the networks of diaspora remittances organized, what are the mechanisms involved and who serves as middlemen?
- How and to what extent is development aid being diverted and abused by the protagonist parties involved in internal conflicts?
- How can conflict-neutral or even conflict-preventive aid be identified and applied?

Annexe 3 Field Studies and Country Papers

Four separate country studies were produced. Moreover, one additional report addressed the issue of middlemen and criminal networks both in Sierra Leone and in Angola, as it emerged that some of these actors and networks figured in both conflict situations. Additionally, a further report was written by an external expert in the case of Colombia on the interface between the national and the international dimensions, because the security situation inside Colombia constrained the execution of fieldwork and data-gathering. In Sierra Leone, a local fieldwork component was added in which the effects of external interventions in the post-war setting on local power relations were examined. The issue of diaspora funding, although very important as an additional factor in the economics of some internal conflicts, has only been covered to a limited extent by this study. This issue seems to be most pertinent in only one of the four cases – Sri Lanka. Exact empirical data were hard to get, precisely because of the rather secretive nature of this type of funding, although some broad estimates have been provided. This remains an important issue for future research and should figure on future research agendas in this field of studies. The research question on conflict-neutral or conflict-preventive aid has been skipped, as this would have required a more donor-focused research approach. Moreover, the Clingendael Institute is currently covering these issues in a research project focusing on democratic transition in post-conflict societies.

In addition to the work by these researchers and counterparts, Pyt Douma made field visits to Sierra Leone (in October 2001 and April 2002) and to Angola, Zambia and South Africa (in November 2001).

This paper has been largely based on the following studies, which were mostly executed by researchers working on behalf of counterpart institutes and some independent consultants.

On behalf of the South African Institute of International Affairs:

Neuma Grobbelaar (2002), *Angola in Search of Peace: Spoilers, Saints and Strategic Regional Interests*.

Mark Shaw (2002), *The Middlemen: War Supply Networks in Sierra Leone and Angola*.

On behalf of the International Centre for Ethnic Studies:

Stanley Samarasinghe (2002), *The Political Economy of Internal Conflict in Sri Lanka* (final draft).

On behalf of the Arias Foundation and *Centro de Investigación y Educación Popular* (CINEP):

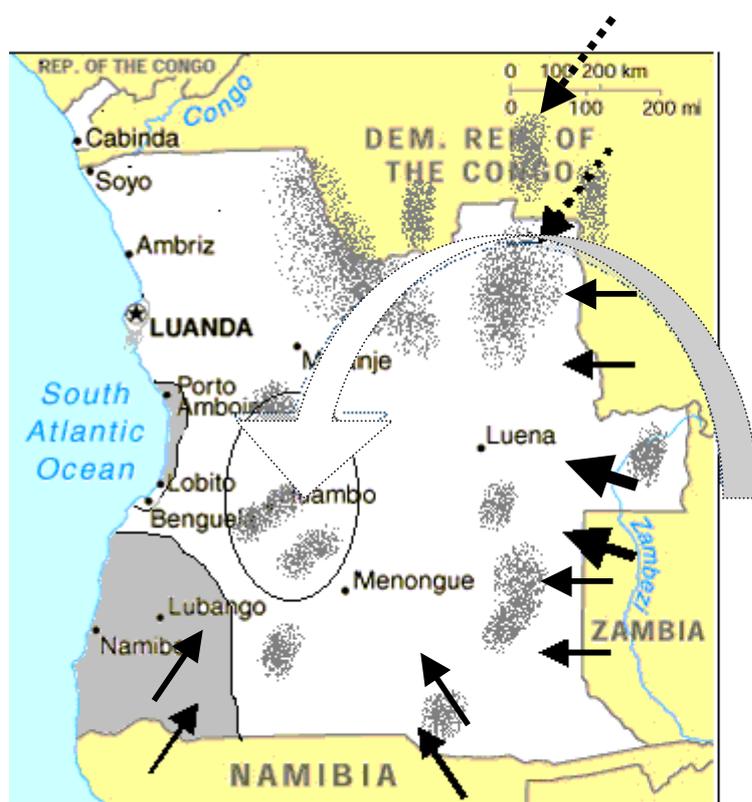
Ingrid Bolivar (2002), *The Political Economy of the Armed Conflict in Colombia: Order and Security in Drug-Trafficking*.

Finally, independent consultants:

Nazih Richani (2002), *The Interface between Domestic and International Factors in Colombia's War Economy*.

Paul Richards (2002), *The Political Economy of Internal Conflict in Sierra Leone*.

Annexe 4 Map of Angola



- Cross-border trade
- ➔ Current key supply route
- ⋯➔ Key supply route until fall of Mobutu
- ↪ Air-bridge into UNITA stronghold prior to its fall
- ▣ Areas of highest diamond concentration
- Areas outside of major cities currently accessible to humanitarian aid

Annexe 5 Proportional share of income per activity for two major Colombian rebel groups

FARC & ELN: Sources of Revenue

Source of revenue	FARC	ELN
Drug-trafficking	48%	6%
Extortion	36%	60%
Abduction	8%	28%
Cattle Robbery	6%	4%
Other Sources	2%	2%

Source: Quoted by Bejarano and Pizarro (2001) 'The Coming Anarchy: the Partial Collapse of the State and the Emergence of Aspiring State-makers in Colombia'. Paper prepared for the Workshop 'States within States' at the University of Toronto, Toronto, October 19-20, 2001. Percentages are based on calculated revenues for 1999.

Annexe 6 Colombia: Paramilitaries and Guerrillas areas of Coincidence by Department 2002



