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### **Global Economic Influences and Policies towards Violent Self-Determination Movements: an Overview**

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*This paper analyses major global economic influences on violent self-determination movements, distinguishing between those influences which affect the basic causes of violent SDMs from those that help sustain and finance such movements. While globalisation has been associated with economic development and political stability in some places, elsewhere it has been accompanied by rising poverty, worsening horizontal inequalities and a weakened state providing fertile ground for violent SDMs. These have been financed, and to some extent motivated, by a variety of global sources, some legal (e.g. oil, aid) and some illegal (e.g. drugs). Most international attention has been placed on controlling sources of finance, but such attempts have invariably been ineffective. It is argued that such efforts will almost certainly continue to be ineffective unless priority is given to addressing the underlying economic causes of violent SDMs.*

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## I. Introduction

This paper explores the major global economic influences on violent self-determination movements; and identifies economic policies which might help reduce the outbreak, ferocity and duration of violence. We analyse two types of global economic influence on violent SDMs, one more long-term, the other more short-term: the first covers the way global economic forces may contribute to or moderate long-term causes of violence; the second consists in the processes by which the global economic and financial system facilitates and motivates violent movements, once conflict has broken out, through finance, trade etc. Our analysis will consider both types in relation to causes of and policies towards curtailing violence.

Since September 11<sup>th</sup> increasing attention has been paid to the shorter-term factors – the way the system facilitates violence through trade and finance - and there is a growing literature on this aspect. Moreover, the increasing body of work on ‘economic agendas’ during conflict also primarily relates to this set of influences. (Berdal 2000; Collier 2000; Guaqueta 2002). Much less attention has been paid to the first category – how global influences affect long-term propensity to violence. Yet these long-term aspects are of more fundamental importance, since as long as they continue eruptions of violent conflict will continue; global efforts to cut off the oxygen of finance and trade are not likely to be effective in the long-run so long as the more fundamental causes remain.

This paper is organised as follows: the next section reviews the various hypotheses that have been advanced as to the major long-term economic causes of large-scale violent conflict: section III considers how these are affected by global economic forces; section IV considers the main global economic factors that facilitate wars in the shorter term, by financing and motivating them, making a preliminary assessment of policies in this area. The final section (V) considers the nature of global policies likely to moderate the long-term causes of violent struggles for self-determination.

## II. Fundamental causes of violent self-determination struggles

Violent self-determination movements consist in violent struggles by groups of people to gain control of the state, or to secure regional autonomy. Such struggles typically involve cultural, economic and political elements.

### *The cultural element*

A popular explanation of violence points to cultural or ethnic differences as being fundamentally responsible – that there is some innate propensity among people’s from different cultures to fight each other, for domination or autonomy. This view has been summarised in Huntington’s well known prediction of a ‘clash of civilisations’. He applied this to global divisions between the modernised west and others (especially Moslems), but similar views have been advanced to explain internecine conflict within nations – e.g. in the former Yugoslavia, where it is argued that age-old ethnic enmities had been suppressed under communism and came to the fore again in the post-communist era; or in Rwanda/Burundi where similar statements are frequently made about Tutsis and Hutus.

It is certainly true that almost all struggles for self-determination have a cultural dimension, i.e. the groups that fight perceive themselves as belonging to a common culture (ethnicity or religion) and are partly fighting for cultural autonomy. For this reason many reports, especially in the general media, attribute wars to primordial ethnic passions, which makes them appear intractable. Some anthropologists, moreover, seem to support the primordial view, arguing that ‘ethnicity is a cultural given, a ‘quasi-natural state of being determined by one’s descent and with, in the extreme view, socio-biological determinants’ ((Douglas 1988).<sup>2</sup>

Yet such explanations are based on an incorrect view of the formation, role and malleability of identities, and divert attention from important economic and political factors. The primordial view doesn’t explain why ethnic groups change over time – are of pre-eminent significance at some points and subsequently group boundaries and the salience of particular identities change. Nor does it explain why some multiethnic countries live in peace, while elsewhere violence erupts.

Extensive evidence on how identities are formed and change and why their salience changes over time indicates that the primordial view of identity and group formation is a misrepresentation – a person’s culture is partly inherited, but also constructed and chosen, with many having multiple identities (Cohen 1974; Ranger 1983; Alexander, McGregor et al. 2000; Turton 1997). It is widely agreed that many tribal distinctions in Africa, for example, were invented by the colonial powers : ‘Almost all recent studies of nineteenth century pre-colonial Africa have emphasised that far from there being a single ‘tribal’ identity, most Africans moved in and out of multiple identities, defining themselves at one moment as subject to this chief, at another moment as a member of that cult, at another moment as part of this clan, and at yet another moment as an initiate in that professional guild.’ (Ranger 1983, p 248). ‘Modern Central Africa tribes are not so much survivals from a pre-colonial past but rather colonial creations by colonial officers and African intellectuals..’ (Wim van Binsbergen, quoted in Ranger 1983). The distinction between Hutus and Tutsis, largely invented by the Colonial powers for administrative convenience, provides an example.

Many anthropologists argue that cultural identity is created/developed/accentuated by people in order to achieve specific ends – the so-called instrumentalist view of ethnicity (Banks 1996). The promotion of identity and difference and the use of cultural symbols is a powerful way of binding people together to act collectively for particular purposes – a way of overcoming prisoner’s dilemma type problems which occur where purely individualistic motivation prevails. Often the basic purpose of promoting cultural identity and unity is economic – for example, Cohen (1974) explained the development of Hausa consciousness and customs in this way.<sup>3</sup> Another pre-eminent example is the work of Glazer and Moynihan who argued that ethnicity was maintained and enhanced by migrant groups in the US in order

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<sup>2</sup> This view has been associated with Smith – e.g. Smith 1986;1991; and also with Soviet ethnobiologists - e.g. Bromley 1974.

<sup>3</sup> He argued that ‘Hausa identity and Hausa ethnic exclusiveness in Ibadan are the expressions not so much of a particularly strong ‘tribalistic’ sentiment as of vested economic interests’; (p 9); The Hausa ‘manipulate[d] some customs, values, myths, symbols and ceremonials for their cultural tradition in order to articulate an informal political organisation ‘ (p 2).

to promote their economic interests (Glazer and Moynihan 1975). Administrative and political objectives may also be served by accentuating cultural differences. For example, the colonial ethnic constructions served both administrative and political purposes.

In many situations ethnic entrepreneurs construct, emphasise and exploit identity differences in order to promote political and/or economic objectives. The use of ethnic symbols and the enhancement of ethnic identities, often by reworking historical memories, is a particularly powerful mechanism by which leaders gain support and mobilise people for self-determination struggles. Differences in perceived identities have been used by political and intellectual elites prior to, and in the course of, both international and internal conflicts, (e.g. Turton 1997; Alexander, McGregor et al. 2000). In international wars, this takes the shape of enhancing national consciousness, with flag waving, historical references, military parades, and so on. In civil wars, it is a matter of raising ethnic or religious consciousness. For example, the radio broadcasts by the extremist Hutus before the 1994 massacre, in which the Tutsis were repeatedly depicted as sub-human, like rats to be eliminated, echoing Nazi anti-Jewish propaganda of the 1930s. Osama Bin Laden appealed to Moslem consciousness, arguing that the war is 'in essence a religious war' (*The Observer*, 4 Nov. 2001).

Yet there need to be some felt differences in behaviour, customs, ideology or religion to make it possible to raise ethnic or other consciousness in an instrumental way. For example, Glazer and Moynihan state that 'For there to be the possibility for an ethnic community at all, there will normally exist some visible cultural differences or 'markers' which might help to divide communities into fairly well defined groupings or ethnic categories'. (Glazer and Moynihan 1975, p 379). Some shared circumstances are needed for group construction - e.g. speaking the same language, sharing cultural traditions, living in the same place, or facing similar sources of hardship or exploitation. Past group formation, although possibly originally constructed for political or economic purposes, also contributes to present perceptions of difference. Whatever the origins of a group, differences in identity seem real to group members – this is why group identities are so powerful as sources of action. As Turton puts it: the power of ethnicity or 'its very effectiveness as a means of advancing group interests depends upon its being seen as "primordial" by those who make claims in its name'. (Turton 1997, p 82). Hence what was a dependent variable at one point in history can act as an independent variable in contributing to current perceptions.<sup>4</sup>

Because of their power as a binding and mobilising agent, shared identities are likely to be an element in many struggles for self-determination, yet cultural differences *alone* are unlikely to be sufficient to explain violent struggles because such differences are only likely to become salient when other differences (political/economic) are present. This accords with the fact, noted earlier, that many multiethnic societies do not suffer from war, and in many there are long periods – centuries even – without major violence, and then it breaks out. We therefore need to go beyond cultural differences to explain contemporary wars. The economic and political explanations do that.

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<sup>4</sup> Smith has argued that the [past] acts as a constraint on invention. Though the past can be read in different ways, it is not any pas@ (Smith, 1991 :357-358, quoted in Turton, 1997).

*Economic explanations*

Four economic hypotheses have been put forward to explain current intra-state wars: group motivation associated with group inequalities; private motivation and incentives; a failure of the social contract, stemming from economic failure and poor government services; and wars provoked by environmental degradation or 'green war'

*Group motivation.* Struggles for self-determination essentially consist in fighting between groups – between those who wish to gain independence or takeover the state and those who resist this, wishing to preserve their control, and/or the integrity of the nation. In movements for self-determination, groups who fight are commonly share cultural identity – which may be a matter of tribal affiliation, race, or religion. Sometimes it is a matter of geography, but this virtually always overlaps with some cultural differences. In some cases, class (i.e. people's relationship to the mode of production) is the dividing element – although in recent conflicts where class appears paramount (e.g. in Central America) there is often also a cultural element. Group motives, resentments and ambitions thus form one of the basic motivations for struggles for self-determination (Horowitz 1985; Gurr 1993; Stewart 2001a). While cultural differences do not cause violence when these coincide with economic and political differences between groups, this can cause deep resentments and may lead to violent struggles. As Cohen stated: 'Men may and do certainly joke about or ridicule the strange and bizarre customs of men from other ethnic groups, because these customs are different from their own. But they do not fight over such differences alone. When men *do*, on the other hand, fight across ethnic lines it is nearly always the case that they fight over some fundamental issues concerning the distribution and exercise of power, whether economic, political, or both' (Cohen 1974).

Where groups suffer economically, socially, or politically compared with other groups in society they generally seek redress, and where political redress is not possible, they may resort to war. Resentments inspired by group differences, termed *horizontal inequalities*, form a fundamental cause of war, according to this hypothesis. These horizontal inequalities have many dimensions – not only economic, but political and social (see Table 1). It is because of these inequalities that leaders are able to use their cultural differences as a way of mobilising support, since the leaders can call on the resentments caused by the deprivations experienced by many group members. In addition, relatively privileged groups may also sometimes be motivated to fight in order to protect their shares against possible attack from the deprived (Horowitz 1985).

**Table 1: Some examples of horizontal inequality in conflict situations**

Categories of differentiation	Political participation	Economic		Social access and situation
		Assets	Employment and incomes	
Selected elements	Participation in government <i>Fiji, Burundi, Bosnia and Herzegovina, Uganda Sri Lanka</i>	Land <i>Fiji Cambodia, El Salvador, Haiti</i>	Incomes <i>Malaysia, S.Africa, Fiji, Chiapas</i>	Education <i>Rwanda, Burundi, Haiti S.Africa N.Uganda, Kosova</i>
		Privately owned capital <i>Malaysia S.Africa, Burundi</i>	Government employment <i>Sri Lanka, Fiji</i>	Health services <i>Burundi, N.Uganda, Chiapas</i>
		Government infrastructure <i>Chiapas, Mexico, Burundi</i>	Private employment <i>Fiji, Uganda, Malaysia</i>	Safe water <i>Uganda, Chiapas</i>
	Army/police <i>Fiji N.Ireland Burundi, Kosova</i>	Aid <i>Afghanistan Sudan, Rwanda</i>	«elite» employment <i>S.Africa Fiji N.Ireland</i>	Housing <i>N.Ireland</i>
		Natural resources <i>Liberia, Sierra Leone</i>	Unemployment <i>S.Africa N.Ireland Algeria</i>	Poverty <i>Chiapas, Uganda, S.Africa</i>

(ii) *Private motivation.* War confers *benefits* on individuals, as well as costs. The ‘private motivation’ hypothesis argues that the net economic advantages of war to some individuals motivates them to fight (see Keen 1994; Keen 1998; Collier 2000). Keen (1998) lists many ways in which war confers individual benefit on particular categories of people. For example, it permits people, especially uneducated young men, to gain employment as soldiers; it offers opportunities to loot; to profiteer from shortages and from aid; to trade arms, and to carry out illicit production and trade in drugs, diamonds, timber, and other commodities. Where alternative opportunities are few, because of low incomes and poor employment, and possibilities of enrichment by war considerable (for example, where there are valuable resources such as diamonds which can readily be mined, or stolen and traded), the incidence and duration of wars are likely to be greater – this is the ‘greed’ hypothesis of Collier and Hoeffler which has its basis in rational choice economics. (Hirshleifer 1994; Collier 2000). It is argued that conflicts often persist because some powerful actors benefit through the manipulation of scarcity, smuggling, etc. and have no interest in resolving the conflict.

Such individual motivation is rarely the main or full explanation of struggles for self-determination – since greed is essentially individualistic it is unlikely to provide sustained

support for a lengthy struggle whose objective is primarily political (i.e. autonomy or the take-over the state) as is the case in struggles for self-determination. Achievement of greater autonomy can be expected to generate some economic advantages for leaders and followers, but often these are ill-defined and remote when the struggles takes place. Hence greed alone is unlikely to be a sufficient explanation of the type of group conflicts that constitute struggles for self-determination. However, it is clear that it plays a part in most conflicts once they are underway, helping to prolong them. In some cases, conflicts seem to transmute from being primarily ideological to being venal, mainly concerned with individual gain. Colombia, perhaps, is an example.

(iii)*Failure of the social contract*. This derives from the view that social stability is premised on a social contract between the people and the government: according to this (hypothetical) contract people accept state authority so long as the state delivers services and provides reasonable economic conditions (employment and incomes). With economic stagnation, or decline, and worsening state services, the social contract breaks down, and violence results. Hence high (and rising) levels of poverty and a decline in state services would be expected to cause conflict (Nafziger and Auvinen 2000). A high level of vertical inequality might be associated with such a failure, unless accompanied by populist measures to compensate the deprived. A breakdown of the social contract can be a powerful motive for both types of self-determination struggle – as people seek self-determination or control over the state to replace what appears as a dysfunctional exercise of power. This is a convincing explanation of the breakdown in consensus in Algeria see Roberts 2001.

(iv)*The green war hypothesis*. This points specifically to environmental degradation as a source of poverty and cause of conflict. (Homer-Dixon 1994; Kaplan 1994). For example, rising population pressure and falling agricultural productivity may lead to land disputes (Kibreab 1996); while growing water scarcity may provoke conflicts (Swain 2000). This explanation overlaps with the previous one – both suggest that rising poverty is likely to lead to conflict, but the greenwar hypothesis points to specific environmental causes of such poverty. The hypothesis contradicts the view that it is environmental riches which lead people to fight, in order to secure control over these resources. ((Fairhead 2000); (Collier 2000). The latter explanation is part of the greed hypothesis as environmental riches provide a clear motive for people to fight to control resources in order to enrich themselves. The greenwar hypothesis could only explain struggles for self-determination where those involved are particularly badly affected by environmental degradation. It is clearly not a general explanation, but may apply in some cases.

There are also political factors which may help determine whether economic motives for conflict translate into violence. One such element is the strength of the state: a highly repressive state can suppress potential conflict (e.g. in Indonesia under Soeharto). At the other end of the spectrum, democratic institutions can allow change to be achieved peacefully. But this will not occur with majoritarian democracy where one ethnic group is in a majority – as for example, in Sri Lanka or N.Ireland. As noted in the discussion of group motivation, horizontal inequalities in *political participation* may be an important cause of violence.

A political explanation often advanced (see e.g. Vayrynen 2000; Nafziger and Auvinen 2002) is the existence of a failed state, which is unable to keep law and order or provide essential services.<sup>5</sup> Such states are associated with, and partly responsible for, some of the factors above, notably economic stagnation and reduced social services. A more general indicator of a failed state is a low level of revenue. For example, Uganda's revenue declined to 5% of GDP during the Amin years – but we should note that this, as with many other variables, this is as much a result as a cause of violence.

### *Empirical evidence*

A review of evidence from both case studies and statistical analyses suggests that each of the hypotheses has something to contribute to explaining serious conflict.

- *Group inequality*: abundant case study evidence shows sharp horizontal inequalities between groups in conflict (Nafziger, Stewart et al. 2000). Group inequalities in *political* access are invariably observed – hence the resort to violence rather than seeking to resolve differences through political negotiation. Group inequalities in economic dimensions are frequent, though not always large (e.g. Bosnia - Kotouc 2001). According to the case study evidence, horizontal inequalities appear to be most likely to lead to conflict where they are significant, consistent across dimensions, and widening over time.

Systematic cross-country evidence on this issue is rare because of lack of data on incomes, employment etc. by cultural group. However, Gurr (1993) has classified 233 politicised communal groups in 93 countries according to political, economic and ecological differences and found that most groups suffering horizontal inequalities had taken some action to assert group interests - ranging from non-violent protest to rebellion.

- *Private motivation*. A number of case studies support the view that private motivation plays an important role in prolonging, if not causing, conflict in some countries. Keen and Reno's work on the Sudan, Sierra Leone and Liberia are powerful examples. (Keen 1994; Keen 2001a,b; Reno 1998). Collier and Hoeffler test the 'greed' hypothesis, with a rather crude measure of resource riches and find a significant association with conflict<sup>6</sup>, which peaks at an intermediate level<sup>7</sup>. However, de Soysa (2000) finds that the overall per capita availability of natural resources is unrelated to civil war, but a highly significant association is found when only mineral resources are included. According to Collier and Hoeffler statistical evidence suggests higher per capita income and greater secondary male education reduce the risk of war, arguing that this is because they increase the opportunity costs of fighting. They conclude that 'greed' outperforms grievance in explaining conflict. *Failure of the social contract*. Considerable evidence from econometric studies shows that conflict incidence is higher among countries with lower per capita incomes, life expectancy,

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<sup>5</sup> 'Humanitarian crises are more likely to occur where the state is weak and venal', (Nafziger and Auvinen 2002: 154).

<sup>6</sup> The measure adopted is natural resource production as a share of Gross Domestic Product.

<sup>7</sup> Rather complex and unconvincing reasons have been advanced for this peak. Cramer has criticised the assumptions underlying the Collier and Hoeffler methodology. (Cramer, 2001).



and economic growth (Nafziger and Auvinen 2000; Elbadawi and Sambanis 2001; Collier 2000; Walter 2001). However, numerous statistical investigations of the association between vertical income distribution and conflict produce inconsistent results (Lichbach 1989; Nafziger and Auvinen 2000; Collier 2000). While it has been suggested that IMF programmes – usually associated with cutbacks in government services – cause conflicts, neither statistical nor case study evidence support this, perhaps because countries on the verge of conflict generally do not qualify for IMF programmes (Morrisson 2000; Nafziger and Auvinen 2000). However, stringent IMF programmes do appear to have been an element provoking conflict in Algeria, both among the Berber and the Islamistes (see Lloyd, this volume).

- *The Greenwar hypothesis.* Case study evidence is contradictory, showing that both environmental poverty and resource riches can be associated with conflict (Homer-Dixon 1994; Fairhead 2000; Kibreab 1996; André and Platteau 1996). Environmental stress tends to make people prone to violence as they seek alternatives to desperate situations (as in Rwanda), while resource riches gives strong motivation to particular groups to gain control over such resources (as in the Congo). Gurr's cross-country investigation showed a high correlation between ecological and demographic stress and demands for autonomy. Yet as noted above Collier and Hoeffler have found natural resource *abundance* is associated with conflict.

While each of the explanations thus finds some support, none of the four account for all of the variance. Some explanations hold in some situations and not others. What each identify is factors likely to predispose to conflict, rather than simple cause and effect. The four economic explanations are not necessarily alternatives. Each may apply in some conflicts, and more than one hypothesis might hold true for some. For example, the conflict in the Sudan is both an example of horizontal inequality (with the South being heavily deprived), and one of powerful private gains which perpetuate the struggle (Keen 1994). Economic stagnation and decline may be a feature (and also a consequence) of the wars in Sierra Leone and Somalia, but they are clearly not a factor in Sri Lanka. While environmental poverty has plausibly been argued to be a significant factor in the conflict in Rwanda (André and Platteau 1996), horizontal inequalities were also evidently important. In some other cases, environmental pressure does not seem to have been important – for example, in the former Yugoslavia. One factor that all investigations find important is a history of conflict in the country. This is partly because the same structural factors that predisposed to war initially often continue, and partly because the possibilities of mobilising people on group lines by calling on historical memories are stronger when there is a history of conflict.

Statistical investigations of the type of political regime most liable to violence suggests that 'intermediate' regimes, i.e. those between authoritarian regimes and established democracies are most conflict-prone (Reynal-Querol 2001 and others). Lloyd's account of the outbreak of violent conflict in Algeria during a rapid attempted democratic transition provides evidence of this (Lloyd, this volume)

While I have distinguished distinct hypotheses concerning the economic and political causes of war, there are some major overlaps in the variables they point to as being significant factors contributing to causing civil war, as indicated in the summary table below.

**Table 2: Variables associated with violent conflict**

Economic variable associated with conflict	Evidence of association with conflict	Hypotheses
Decline/stagnation in per capita incomes	Cross-country and case study support	Failure of social contract; environmental degradation; low opportunity costs of war – private motive.
Horizontal inequality	Cross-country and case study support	Group motives for conflict (horizontal inequalities)
Vertical inequality	Conflicting evidence	Failure of social contract
High poverty	Same evidence as for per capita incomes	Failure of social contract; greenwar; private motives
Reduced government revenue and social expenditure	Case study evidence. Limited statistical investigation. No evidence for association with IMF programmes	Failure of social contract; weak government ability to suppress conflict – failed state.
High levels of natural resources	Support for mineral resources only	Private motives (and financing)
Political factors associated with conflict		
History of conflict	Strong statistical and case study evidence	Persistence of economic conditions giving rise to conflict; memory of conflict acting as mobilising agent.
State expenditure low proportion of national income	Casual evidence	Weak states
Unequal access to political power among groups	Case study and statistical evidence	Horizontal inequalities
Intermediate political regime	Statistical and case study evidence	Inability to negotiate or suppress pressure for change

### III. How global influences affect the fundamental economic causes of conflict

At a general level, two contradictory views have been advanced on the connection between *globalisation* (i.e. the growth of global influences, particularly through greater international trade, financial flows and increasing global communication) and the incidence of conflict: on the one hand the neo-liberal view is that globalisation reduces the likelihood of conflict because it raises incomes and spreads democratisation. On the other hand, it is argued that globalisation increases inequality and marginalisation, while greater emphasis on local

identities is likely to occur as a reaction to cultural homogenisation, making internal wars more likely (Hegre and Gleditsch 2001).<sup>8</sup> According to Willett, 'one of the major structural causes of current patterns of violence and conflict is to be found in the general failure of neoliberal policies, underpinning the current phase of globalisation, to deliver more equitable patterns of development to large parts of the world' (Willett 2001: 36).

Before commenting on these contradictory positions, both of which appear somewhat simplistic, we will discuss how global influence affect the variables found to be associated with conflict, identified above.

1. *Income growth:* In general evidence suggests that slow growth (and especially economic stagnation) is likely to be associated with a higher propensity to conflict.

The uneven growth rates among countries across the world, all facing broadly the same global environment, are indicative of the fact that global influences do not have a uniform impact. Clearly, the impact depends in part on conditions and policies within countries, as well as factors related to regional location, which shape the effects of global forces. Despite this attempts have been made to identify some universal impact of increased globalisation on economic growth in two ways: first by comparing the growth rates of countries with different degrees of openness; and secondly, by looking at the growth record over time, with particular emphasis on the post-1980 period when the rate of globalisation accelerated.

Theoretically, neoclassical models predict that greater openness should lead to higher growth in developing countries and to convergence with the North. But these are essentially full employment models and assume exogenous technology change. The predictions of the new growth theories, in which technology change is endogenous, are more ambiguous, depending on the assumptions made about technology transfer (i.e. whether it is positively related to increased trade).(Lutz 2000).

Some empirical assessments have concluded that greater openness leads to faster growth, of the best known probably being (Sachs and Warner 1995). The methodology of this and other studies, however, has been effectively criticised by Rodriguez and Rodrik (1999), particularly in relation to the measure of openness. A cross-section study by Rodrik (1999) of the relationship between capital market liberalisation in developing countries, 1975-1989, and per capita GDP growth rate found no relationship.

As far as convergence is concerned, evidence suggests a widening gap in average per capita incomes between the top five (of 122) countries and the bottom five from 1960 to 1995, with the gap accelerating from the early 1980s; looking at the ratio of the top five to the middle two countries, the gap fell from around 1960 to the early 1980s and then rose, while the ratio of the middle two to the bottom two countries has widened for most of the period. (Lutz 2000) The ratio of average GNP of the richest countries with one fifth of the world's population to the GNP per capita of countries with the poorest fifth of the world's population has also widened, doubling from 1960 to 1990 when it reached 60 and increasing to 94 by the

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<sup>8</sup> The neo-liberal view is advanced by Russett and Oneal, among others. The alternative view has been put forward by Duffield, and Willett, among others.

end of the 1990s. (UNDP 1999) Studies of particular countries adopting trade liberalisation measures have shown that in many cases these did not trigger convergence and may have done the opposite. (Slaughter 1998; Berry 1998; Oxfam 2002). It is clear from this evidence that global influences have *not* lead to convergence of incomes across countries.

**Table 3: Global Growth Rates: 1965-2000**

Region	Growth in GDP		
	1965-1980	1980-1990	1990-1999
World	4.1	3.4	2.5
Low-income economies		4.7	3.2
Low-income economies, ex-India and China	4.8	2.9	
China	6.8	10.1	10.7
India	3.6	5.8	6.0
Middle income economies	6.3	3.3	3.5
Latin America	6.0	1.7	3.4
Sub-Saharan Africa	4.2	1.7	2.2
South Asia	3.6	5.6	5.6
East Asia and Pacific	7.3	8.0	7.5
High-income economies	3.8	3.4	2.3

Source: World Bank, World Indicators(UNDP 2001)

Evidence of change in growth rates over time does not support the view that increased openness to global influences (resulting from the liberalisation of trade and capital accounts) has been associated with increasing growth rates – in fact the reverse seems true, with the growth rates of the 1980s and 1990s significantly less than in the previous more inward-looking decades (Table 3) . There was a marked slowdown in all regions of the world, with the important exceptions of India and China, the two largest countries, where growth accelerated. But among Sub-Saharan Africa there was a serious deterioration in growth in many countries (Table 4). Eight countries increased their growth rate in the period 1980-2000 compared with 1965-1980 while 25 experienced a worsening in growth. Moreover, particularly serious was the fact that two-thirds of the countries had falling per capita incomes in the latter period. While many countries in the region suffered severe conflict over these years, and their poor growth performance is partly due to this, the growth rate of quite a number of countries without significant conflict deteriorated, partly as a consequence of worsening commodity prices and tough adjustment policies - for example, Cote D'Ivoire, Kenya, Malawi and Zambia.

**Table 4: Growth rates in per capita incomes in African countries 1965-1999**

Country	Growth in GDP per capita 1965-1980, % pa	Growth in GDP per capita 1980-2000, % pa	Increase (+)/decrease (-)
Angola	0.6	1.7	+
Benin	-0.3	0.4	+
Burkina Faso	1.7	1.9	+
Burundi	2.4	-1.7	-
Botswana	9.9	4.3	-
Cameroon	2.4	-0.6	-
Central Af. Rep.	0.8	-0.9	-
Chad	-1.9	1.3	+
Comoros	0.6	-1.6	-
Congo	2.7	-1.8	-
Congo dem. rep.	-1.3	-4.8	-
Cote D'Ivoire	2.8	-1.7	-
Gabon	5.6	-1.3	-
Gambia	2.3	-0.3	-
Ghana	-0.8	0.6	+
Guinea-Bissau	-2.7	0.3	+
Kenya	3.1	-0.1	-
Lesotho	6.8	0.7	-
Madagascar	-0.4	-1.6	-
Malawi	3.2	0.9	-
Mali	2.1	1.5	-
Mauritania	-0.1	-0.3	-
Mauritius	3.7	4.7	+
Mozambique	0.6	-0.2	-
Niger	-2.5	-2.2	-
Nigeria	4.2	-1.8	-
Rwanda	1.6	-2.6	-
Sierra Leone	0.7	-4.0	-
Swaziland	3.7	0.7	-
Tanzania	0.8	-0.3	-
Uganda	-2.2	1.5	+
Zambia	-1.2	-2.5	-
Zimbabwe	1.7	-0.2	-

Source: UNDP *Human Development Report*, 1993, 2002

As far as growth is concerned globalisation has clearly had mixed effects: it has enabled some parts of the world to grow rapidly as they can borrow internationally, attract foreign investment and sell their goods on the world market, although on balance growth has not

accelerated – indeed it has been slower in the last two decades than the previous two. However, in a large number of poor countries, increased globalisation has been associated with worsening commodity prices, rising debt, declining industry, and falling incomes. It is in these areas that conflict has been particularly likely to break out. While global forces can take much credit for the economic successes of S and East Asia, those same forces have failed to provide generate growth in many other countries, which then become more vulnerable to conflict. There then follows a vicious cycle as conflict worsens economic regression.

2. *Inequality*. The evidence suggests conflict is more likely where *horizontal inequality* (i.e. inequality between groups) is high, while there some evidence that *vertical inequality* (or inequality among individuals) also increases the propensity to conflict. Violent SDMs might arise with both types of inequality. Rising horizontal inequality acts as a powerful incentive for groups to seek independence, or control over the state; while rising vertical inequality can give rise to movements that seek transformation of the state in order to promote redistribution of assets (as in the case of land distribution in Colombia and Zimbabwe).

The era of accelerated globalisation has been associated with rising vertical inequality in the majority of individual countries ( Cornia and Sampsa 1999; Cornia 2001; Stewart and Berry 1999; Wade 2001; Sala-i-Martin 2002). In general, the evidence suggests that more open economies and ones with greater foreign direct investment tend to have rising inequality (Lundberg, M et al. 2000; Wang 2001).

The rise in inequality appears to stem from a variety of factors some associated with world wide technology change and institutional change as much as trade liberalisation or international capital flows. (Cline 1997) Technology change has tended to raise the returns to skilled labour relative to unskilled and there has been increase dispersion of earnings in most countries for which there is evidence (see e.g. Robbins 1995; Berman 1997) In addition, the worldwide move towards the market has tended to reduce the constraints on wage differentials (Atkinson 2000), weaken the Trade Unions and reduce (and sometimes eliminate) minimum wages. Empirical work on Latin America has suggested that the reforms as a whole have been unequalising; within them, privatisation, financial reforms, tax changes and trade reforms have been unequalising, while capital account liberalisation was equalising (Morley 2000). Evidence for the unequalising impact of trade reform has been produced by (Oxfam 2002;Berry 1998; Wang 2001).

Essentially similar factors responsible for widening differentials within countries have acted to widen differentials between countries, viz. opportunities for high earnings and accumulation have increased for some as a result of global opportunities, but have stayed the same and sometimes diminished for others (particularly the unskilled and uneducated). Countries specialising in primary products have generally suffered declining terms of trade, while those with low levels of human capital have found it difficult to diversify away from primary production, or to take advantage of higher value-added production opportunities. At a world level, however, the rapid growth of China and India – both very poor countries – has been equalising so that inter-country income distribution, when weighted by population, has become more equal, and according to some estimates this offsets the impact of rising

differentials within countries, taking world income distribution as a whole (Sala-i-Martin 2002; Bourgignon and Morrisson 2002).

The question of whether the tendency to higher vertical inequality within countries also involves higher horizontal inequality has been less well-researched. Horizontal inequalities generally have their origin in historic circumstances – often colonial policy which privileged some groups over others. An initial advantage often leads to long-term cumulative advantage, as resources and education allow the more privileged groups to secure further advantages. In general, one would expect that increasing global opportunities would accentuate such horizontal inequality, as any group with an initial advantage (e.g. of education or location) would find this advantage accentuated by global competition. For example, particular regions benefit from export production growth, whether manufacturing or minerals. In Nigeria and Indonesia, the riches conferred by oil production were heavily concentrated in particular regions of the country. Countries which have succeeded in the global economy almost invariably find development is regionally uneven. Manufacturing exports in China have been concentrated in the Southeast of the country which has grown rapidly leaving the rest of the country far behind. Much of China's rising inequality has been due to increasing regional differentials (Knight and Song 1990); similarly, in Mexico the rapid industrial expansion resulting from NAFTA has been concentrated in the north of the country. Ethnic or religious groups which for historic reasons have more education than others in their society are able to take advantage of the new opportunities – in Fiji for example, the non-native Indians are more educated and have greater industrial experience, consequently generally benefiting more from the expansion of industrial production and trade. In South-east Asia, historically the Chinese have accumulated educational and entrepreneurial advantages. The same is true of particular ethnic groups in Africa – the Kikuyus in Kenya and the Tutsi in Burundi and Rwanda, for example.

It is apparent that horizontal inequalities have been widening in many of the areas where conflict is threatened or has occurred, as some groups are able to take advantage of global opportunities while others are left behind. For example:

- There is evidence of widening differentials between Moslems and Westerners in the world as a whole, indicated by divergencies in average per capita incomes of OECD and Moslem countries. For example, from 1975-1999, annual growth in per capita incomes in Arab States was 0.3%, while that of high-income OECD countries was 2.2%. In 1999, PPP adjusted per capita incomes in the high-income OECD countries was nearly six times that of the Arab states.
- More specifically, there has been a widening gap in per capita incomes between Israel and Palestinians; Israeli per capita incomes have been growing at about 5% p.a. (1990-1999), while the CIA estimate that GDP in Palestine has been declining at a rate of 7.5% (dates not specified). Palestinian incomes per capita are roughly 8% of Israeli incomes. The unemployment rate in the areas under the Palestinian authority is 40% compared with 9% in Israel. Aid to Israel is \$185 per capita, while aid to the Palestinians is \$37 per capita. There are also inequalities between Jews and Moslems within Israel - for example, the infant mortality rates among Moslems is double that among Jews.

- A huge and rising gap in incomes can be observed between Afghanistan and the West; Afghanistan has suffered income decline over the past twenty years, and its estimated per capita incomes are one twentieth of those of the high-income OECD.
- Uneven regional growth has occurred in most countries participating successfully in the global economy - for example, in the development of Indonesia, Thailand, China and India. This creates tensions, sometimes leading to struggles for self-determination; these are sometimes initiated by regions that have been notably successful (which wish to jettison the backward regions), and sometimes by the backward regions which resent domination by the successful. The movement for Punjab independence (now suppressed) was an example of a relatively successful area seeking independence from the rest of India which lagged behind. The Biafran movement for independence was also motivated by its prosperity (due to global exports of oil) relative to the rest of Nigeria which was in some respects damaged economically by the success of the oil economy. The political rebellion in the state of Chiapas in Mexico is an example of a backward region seeking autonomy: while the North of Mexico has benefited from NAFTA, Southern areas of Mexico were left behind. In the Philippines, participation in the global economy has increased incomes in the Northern parts of the country relative to the Moslem South, where there has been a long struggle for independence.
- In Nepal, the benefits of growth have also been unevenly distributed geographically and between castes. Political power has been monopolised by the economically privileged Brahmin-Chettri group, while aid distribution has focussed on relatively well-off areas. The Maoist rebellion is concentrated among impoverished classes in impoverished regions (UNDP 2002).
- In Indonesia, globalisation has led to uneven incomes, especially as a result of oil. An important source of conflict in the four resource rich provinces (Aceh, Riau, East Kalimantan and Papua) has been their desire to retain these riches rather than sharing them with the rest of the country (this has been described as “aspiration to inequality”.(Tadjoeddin 2002)

In sum, global economic influences have tended to result in uneven development across classes and groups tending to generate horizontal inequalities which can give rise to independence struggles. In some case, government action has been taken to counter sharp inequalities. This has sometimes been successful in preventing violence (as in Malaysia), but elsewhere this action has provoked SDMs as richer or more privileged groups wish to retain their privileges (such as in Biafra, Sri Lanka and Indonesia).

3. *Poverty*. The combination of slow growth (or lack of it) and growing inequality has meant that poverty has been declining very slowly at a global level and in some parts of the world poverty levels have been rising. High levels of poverty decrease the opportunity costs of conflict, and make it easier for leaders of SDMs to mobilise support.



**Table 5: World Poverty: 1987-1998**

<i>Regions</i>	<i>Population covered by at least one survey (percent)</i>	<i>Number of people living on less than \$1 a day (millions)</i>		
		<i>1987</i>	<i>1990</i>	<i>1998</i>
East Asia and the Pacific	90.8	417.5	452.4	267.1
EAsia and Pacific (excluding China)	71.1	114.1	92.0	53.7
Eastern Europe and Central Asia	81.7	1.1	7.1	17.6
Latin America and the Caribbean	88.0	63.7	73.8	60.7
Middle East and North Africa	52.5	9.3	5.7	6.0
South Asia	97.9	474.4	495.1	521.8
Sub-Saharan Africa	72.9	217.2	242.3	301.6
<b>Total</b>	<b>88.1</b>	<b>1,183.2</b>	<b>1,276.4</b>	<b>1,174.9</b>
(excluding China)	84.2	879.8	915.9	961.4

Source: World Bank, webpage:

<http://www.worldbank.org/poverty/data/trends/income.htm>.

Absolute numbers of people in poverty, defined as people on incomes below \$1 a day, have been rising in SubSaharan Africa, South Asia and Eastern Europe and Central Asia. Numbers in poverty as a proportion of the population rose in SubSaharan Africa and Eastern Europe and Central Asia (the latter from a very low ratio). In SubSaharan Africa nearly 50% of the population are below this poverty line, and other indicators of poverty (life expectancy, infant mortality, and educational enrolment) have also been worsening.

The high and rising levels of poverty in SubSaharan Africa certainly predispose to conflict. While there are many factors accounting for this poverty besides global influences – notably poor levels of education, weak governance structures, and AIDs – global influences have not been favourable. The terms of trade have been deteriorating; there is a huge burden of external debt; tough adjustment policies imposed from outside have generally not succeeded in restoring growth; recently aid has been declining; and African countries have only attracted miniscule amounts of private capital.

*4.Social service provision.* Failure of the state to provide people with services and to protect against risks, for instance through the provision of food subsidies can reduce loyalty to the state and increase the likelihood of conflict. This is an aspect of the failure of the social

contract. Increased openness of the economy, which is an important aspect of globalisation, tends to expose people to more risk. Historically increased openness was accompanied by a rise in social security expenditure which protected people against risk. But increased global competition for capital and highly skilled manpower tends to put downward pressure on tax rates, especially direct taxes. Moreover, export taxes are discouraged by the International Financial Institutions (IFIs) which weakens the revenue base of primary product producers. To the extent that these downward pressures are not compensated for by rises in other taxes, total tax revenue may decline undermining governments' ability to finance the social sectors. (Rodrik 1997) Grunberg 1998; Murshed 2001). In addition, the role of the private sector and NGOs in service delivery has increased and that of government diminished with the advance of a market model of service delivery. (Stewart et al. 2000) Moves towards decentralisation – also part of the current global model of service delivery – further reduce the role of central government in this area, weakening people's ties with the central government.

For developed countries, Rodrik has shown that increased openness from 1966 -1990, especially when accompanied by reduced restrictions on international capital markets, reduced governments' tax revenue and social sector spending, while the tax burden shifted from capital to labour. (Rodrik 1997), p61-62). He concludes:

Hence the evidence suggests three things: globalisation reduces the ability of governments to spend resources on social programmes, it makes it more difficult to tax capital, and labour now carries a growing share of the tax burden. ([Rodrik, 1997 #241], p64).

Globalisation has been associated with a general decline in direct taxes, particularly corporate taxation, as countries seek to attract capital flows. Effective tax rates on US majority owned affiliates fell from over 50% in 1983 to 20% in 1998. (Mold 2001) In addition, global capital mobility has facilitated tax evasion by foreign investors. Oxfam estimates that developing countries as a whole may be losing up to \$90 billion through this source (Oxfam 2000, p 20).

For low-income developing countries total current revenue as a % of GDP has been declining from an estimated 16.5% in 1980-1, 16.0% in 1988-9 and 14.8% in 1999. Among African economies government revenue as a share of GDP held up in the 1980s (though GDP per capita was falling so that revenue per capita fell), but seems to have fallen in the 1990s. For ten African countries for which data are available, government revenue as a % of GDP was 15.5% in 1990 and had fallen to 11.4% by 1998.<sup>9</sup> However, varying experience showed that such a fall was not unavoidable: for example, Kenya and Zimbabwe increased their revenue share over these years.

Levels of social expenditure per capita in African countries fell sharply in the 1980s (Stewart 1995a), reflecting falling incomes and revenue share. In the 1990s, the average fall was less, since the fall in per capita incomes was less and the share of the social services in total government expenditure rose in some countries. There was sharply diverging performance –

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<sup>9</sup> Data from World Bank, *World Development Report*, 2000/1. Similar conclusions emerge from data on African HIPC countries produced by Murshed, 2001.

with some countries experiencing a significant drop in income per capita, and in the revenue and social sector shares (e.g. Zambia) while others had rising incomes, revenue and social sector shares (Uganda). For the period 1980-1997, the share of GNP going to education increased in seven African countries, for which evidence is available, and decreased in nine (World Bank 2000).

Differentiating between faster and slower globalisers, as evidenced by changes in the share of trade in GDP over the 1980s and 1990s, no systematic difference in the share of GDP going to health or education sectors is evident. (Vandermoortele 2001)

Governments' ability and willingness to provide universal social services has tended to be weakened by a variety of global influences – including problems in raising revenue in a global economy, increased emphasis on the need for budgetary balance, increased debt servicing requirements pre-empting budgetary resources, and the model of service provision advanced by the IFIs in which the private sector, NGOs, and within the government, local authorities, take an increasing role. The impact of these factors has varied widely: in some countries there has been a severe weakening in the tax base, partly due to governance issues, which has seriously undermined the social contract. Thus in half the African economies for which data is available current government revenue at or below 10% of GDP – a level at which it is impossible to meet social sector needs. In these countries, the social contract is evidently being undermined. Moreover, in such countries government revenue may also be insufficient for the government to repress rebellion effectively (one of the political explanations of violent conflict).

In summary, globalisation has not had uniform effects on the variables associated with conflict. In some countries – such as China - it has contributed to accelerating growth and reduced poverty. In these countries, the growth and poverty impact of globalisation has reduced the likelihood of conflict, but at the same time the uneven impact of this growth across regions and populations enhancing horizontal inequalities, and the sharp economic fluctuations (e.g. as experienced in South East Asia in the late 1990s) have raised the probability of political disturbances.

For many countries, globalisation has not led to the acceleration of economic growth predicted by those who hypothesise that it would tend to diminish conflict. For the world as a whole, indeed, globalisation has been associated with an overall slowdown in growth. In some countries – especially in Africa – it has been associated with prolonged stagnation and rising poverty. For Africa as a whole, there has been declining per capita income during this era. In many low-income countries, particularly those suffering declining incomes, there has also been a cutback in the role of the state and very high unemployment, especially among male youth, all elements which tend to make violent conflict for self-determination more likely.

On the political side, globalisation has been associated with a transition to democracy. According to the UNDP, 'Since 1980, 81 countries 'have taken significant steps towards democracy, with 33 military regimes replaced by civilian governments'. (UNDP 2002, p 10). This has put more countries into the dangerous 'intermediate' position between dictatorship and stable democracy where conflict is most likely. Indeed, the UNDP reports that only 47 of

the 81 new democracies are ‘fully democratic’. The transition to democracy of the remainder has either stalled or they have lapsed back into authoritarian regimes or conflict.<sup>10</sup> In the longer run, these transitional states may turn into stable democracies – but in the medium term they are more vulnerable to conflict.

We see, therefore, that the two positions put forward at the beginning of this section, are both over-simplistic. Globalisation does not systematically reduce the likelihood of conflict but in important respects, and in certain conditions, increases it. On the other hand, it does not invariably provoke conflict. Where it is associated with well-distributed economic growth and increasing social provision, the probability of conflict is reduced. The major issue is then what international and national policies are most likely to generate conditions which reduce the potential for violence. These will be considered in Section V after consideration of global influences on the financing of conflicts.

#### **IV. Private profiteering and global financing of conflicts**

The issues of private profiteering from and financing of conflict are closely intertwined. The likelihood of making considerable fortunes from war enhances the motives for war; at the same time these profits (or some of them) contribute to the finance of the wars. Hence the presence of the sort of resources that can generate large profits plays a double role in generating and sustaining conflict. There are many motives for struggles for self-determination besides private profiteering, as discussed at length in the previous sections of this paper. However, in most conflicts private profiteering plays some role, while in some situations it seems to be a dominant feature. For example, Reno (2000) has argued that in weak states as official revenue falls and patronage politics is thereby weakened, control over natural resources becomes a new source of patronage and the struggle for control of natural resources, consequently becomes a driving force for war, while a UN Report found that conflict in the DRC ‘has become mainly about access, control and trade of five key mineral resources: coltan, diamonds, copper, cobalt and gold’. (UN 2001)

Resources suitable for this dual role need to be internationally marketable – because local markets rarely produce large profits, and never in sought after foreign exchange – and to offer rents (i.e. returns substantially higher than the costs of production). The generation of rents is crucial if large profits are to result. The most obvious candidates that fulfil this role are: oil; diamonds; timber; drugs. (These are not the only commodities involved in war-activities: for example, jade mines provided the finance for the Kachin state independence movement and the gem trade has supported war-activities in Afghanistan, while in Liberia Taylor received substantial resources from iron ore and rubber as well as diamonds and timber (Reno 2000)). Each of these products is associated with rents because of global restrictions on production and sales which raise returns above costs.

- diamonds because of the monopoly of much diamond production and sales (largely maintained by the activities of De Beers) which keeps retail prices way above the costs of production;

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<sup>10</sup> Estimates derived from Polity 2002.

- timber (especially tropical hardwoods) because of environmental restrictions;
- oil as a result of oil-producing countries' efforts to sustain prices;
- drugs because production and consumption is generally illegal.

Several points should be noted about these products. First, only commodities with particular rent-generating characteristics qualify. Commodities such as cotton, tobacco, coffee or tea for which there are no supply restrictions do not offer large rents – they may finance skirmishes but are not major sources of war-motivation or finance. This suggests that the use of undifferentiated natural resource exports as a proxy, as used by many of the econometric investigations into this type of motivation, is not appropriate (e.g. Collier 2000; Elbadawi and Sambanis 2000).

Secondly, profits are made from trading these commodities as well as production. Thus some countries at war become centres for illegal trade in e.g. drugs and timber. N. Ireland, for example, is said to have profited from drug trading, Zimbabwe has profited from illegal oil, timber and diamond concessions in the Congo, and Thailand and Sierra Leone have profited from timber trading.

Thirdly, the possibility of gaining personal fortunes and of financing wars through the sale of such commodities is by no means confined to rebels. Indeed, as we shall see below, the majority are most easily accessed by governments, and they act as a strong incentive for a particular government to fight to retain power as well as providing finance for repressing opposition. For example, timber has been a major source of finance for governments in Liberia, Burma and Cambodia; oil provides the government finance in the Sudan and Angola; official aid is generally a government monopoly, and has been a useful source of finance in Sudan, in Rwanda and in Sierra Leone; drug financing, in contrast, is mostly a source of rebel finance, because of its illegality; while profits from diamonds go to both sides.

Fourthly, in most cases the complicity of major companies is needed. In the case of diamonds, the trade was implicitly sanctioned by De Beers which bought diamonds from countries in conflict. In timber, it is argued that the 'same companies .. crop up again and again in different countries....these are the same companies that are engaged by the World Bank at the highest level and are selected as the company to practice the establishment of "model" concession programmes with World Bank funding'. (Global Witness, 2002: 12) French companies play an important role in the Liberia timber trade.

Fifthly, and related to the above, not all the activity is illegal. Indeed, in some cases all may be legal – for example, oil and aid.

Sixthly, the presence of these potential sources is not by itself enough to cause war. There are peaceful societies which produce and trade in every one of the listed commodities (even drugs).<sup>11</sup> Other factors need to be present to transform the situation into one of war – including the more fundamental economic and political causes of war discussed above.

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<sup>11</sup> For example, Brazil, the Cameroon and the Philippines in timber; Botswana in diamonds; many countries in oil; Mexico in drugs; and most countries with respect to aid.

Where such fundamental causes are present, the availability of abundant rents from these commodities may help to persuade potential leaders into rebelling (for example, Charles Taylor in Liberia; or the post-Mobutu situation in the Congo), or may encourage and facilitate the prolongation of war (for example, in Cambodia, Burma, Angola, Liberia and Sierra Leone).

Seventhly, the illegality of many of these transactions, together with the breakdown in formal trade and banking systems which often occurs in wars or in weak states means that informal channels dominate. These informal channels require considerable trust between agents because there is no legal system to have recourse to, if one party reneges on the deal. Consequently, cultural ties often become a crucial aspect of the trade.<sup>12</sup>

Finally, global connections are critically important. First, there has to be a global market – it is consumers outside the country in conflict, mostly in OECD countries, that provide a market for the commodities; secondly, global restrictions on production and trade are generally responsible for the existence of rents; thirdly, global companies invariably play a role in trade, and often in production. These manifold global connections mean that potentially global policies could reduce, if not eliminate, these sources of war-finance.

Two other types of global resource also need to be considered – aid flows and remittances from diasporas - since they contribute to the finance of conflict and in a sense offer rents being provided on a non-exchange basis, without corresponding activities or costs – aid flows and remittances from diasporas.

The rest of this section will provide brief overviews of each of the sources of finance listed above, and their contribution to war motivation and finance. In addition, we will discuss the global trade in small arms because this too facilitates violent conflict.

### **Diamonds**

As a result of effective NGO campaigns, notably by Global Witness, the role of diamonds in financing conflict is well-known. The sale of diamonds has been a major source of war-finance in Angola, Sierra Leone and the Congo. Diamonds are a particularly suitable commodity for this as they are high value and portable: 1 kilogram of exports from Sierra Leone, for example, realised \$1.15m. in 1999. Around 4% of world production, valued at nearly \$7.0 billion a year, is estimated to be directly related to conflict-finance. While kimberlite diamonds require capital-intensive mining, and are not accessible to rebel movements, alluvial deposits are mined by small enterprises employing diggers using simple technology. These are the deposits which are to be found in West and Central Africa, and provide most of the war-finance of rebels.

The following are some examples of diamond-financed conflict:

- It is widely accepted that diamonds financed Savimbi's rebellion in Angola (having earlier helped finance the independence movement). According to a Global Witness

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<sup>12</sup> Cohen (1969) shows, in a peacetime context, how Yoruba identity was used to facilitate trade throughout West Africa.

Report in 1998, UNITA controlled 70% of the country's diamond production, generating \$3.7 billion over a seven year period – much of it purchased by de Beers. (Global Witness 1998) .

- The rebels in Sierra Leone – the RUF –were also largely financed by diamonds, sold with the assistance of Taylor in Liberia. One report argued that ‘The point of the war may not be to win it, but to engage in profitable crime under the cover of war. Diamonds, in fact, have fuelled Sierra Leone’s conflict for the better part of three decades..’(PAC 2000) The huge discrepancy between Sierra Leone’s official diamond exports in 1998 and 1999 (totalling \$3.0m) and imports recorded in Belgium (\$96.2m) indicate the extent of rebel control over diamonds (as does the even larger amount ‘imported’ from Liberia (\$567m for the two years) even though Liberia is not thought to have any deposits. Its estimated that export earnings from diamonds in 1999 were around \$138m. of which \$70m. went to the RUF and another sizeable sum to a militia organisation supporting the government. (Goreux 2001)
- The Congo is the third war-zone where diamonds have played a major role. An international company, Oryx, has an agreement with the Congo and Zimbabwe governments, for commercial exploitation of major natural resources, involving a \$1b. agreement for diamonds, and concessions for other resources including timber (see below).

While mining of ‘conflict’ diamonds from alluvial deposits is mainly carried out on a small scale by local people, global connections are vital for the diamond trade. Global actors are responsible for trade, polishing, and, of course, final consumption. The South African company, De Beers, dominates the market, owning 40% of diamond mines, and until the late 1990s regulating the world price by buying up most diamonds and managing a buffer stock. This involved buying diamonds from conflict sources, notably Angola and Sierra Leone. Around half the world’s diamond polishing takes place in India, while half the world’s diamonds (polished and rough) are traded via Antwerp. A small number of banks specialise in the diamond trade – in Antwerp two banks account for 90% of the financing. (Global Witness 2000) Half the value of final consumption is located in the US.

Some progress has been made in identifying mechanisms for controlling the global trade in conflict diamonds. The UN has led on the need for an effective control system<sup>13</sup>, with Security Council endorsed sanctions against diamonds produced in Angola introduced in 1993, and in Sierra Leone in 2000. However, the UN sanctions against Angola were relatively ineffective – in 1999 a certificate of origin could be bought for \$5 and the UNITA soldiers traded diamonds with government soldiers<sup>14</sup>. A preliminary report to the Security Council in March 2000 noted that ‘UNITA is still trading in illicit diamonds, and has access to funds abroad’.<sup>15</sup>

Recently, there has been a shift in international opinion regarding conflict diamonds – even the commercial diamond industry changed their position after pressure from NGOs,

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13 For example, the UN Report of the Panel of Experts on Violations of Security Council Sanctions Against Unita March 2000, which described Angolan rebel’s funding by diamonds,

14 Goreux 2001.

15 Quoted in Goreux, p7.

including Fatal Transactions, Global Witness, Niza, and Medico International. Global Witness has outlined the nature of global controls needed to prevent the sale of conflict diamonds.<sup>16</sup> In October 1999, De Beers stopped buying Angolan diamonds following pressure from NGOs and fear of bad publicity destroying the consumer market.

Preliminary moves to outlaw 'conflict diamonds' were made by the industry itself in July 2000, in the so-called Kimberley process, when a meeting of the World Diamond Congress in Antwerp agreed to take concerted action to eliminate trade in conflict diamonds.<sup>17</sup> A meeting of industry representatives, NGOs and governments in March 2002 agreed that all diamonds should contain certificates of origin. However, there is 'no effective and credible monitoring mechanism'. (Guaqueta 2002: 7). To enforce the industry's proposals there is a need for legislation by importing countries. In June 2001, legislation to ban the sale of illegally traded diamonds in the US was introduced into the US Congress, supported by the US diamond industry and NGOs, - while it was approved by the House of Representatives in November, in February 2002 it still had not received Senate approval.<sup>18</sup> Since the US accounts for more than half world diamond sales, this could have a substantial effect in itself, as well as by encouraging other importing countries to introduce similar laws.

A notable aspect of the progress in moves towards conflict-diamonds is the important role of the NGOs in monitoring the situation, publicising it, and orchestrating public opinion.

## Timber

Hardwoods have a global market, are valuable and easy to acquire, especially in wartime conditions when government regulatory systems are weak. In both peace and war, timber concessions provide a mechanism for rewarding powerful individuals and securing their support. In addition, where government regulation is weak, private enrichment and rebel finance can be secured through illegal logging, while companies often use private militias to ensure their control over forest areas. Logging and sale of hardwoods has been a major source of war profiteering and finance in Cambodia, Burma and the surrounding areas, Indonesia and in West Africa (Liberia and Sierra Leone). Logging companies collaborate with government or rebels according to who controls the area. Government controlled production may, of course, be perfectly legal (though sometimes illegal activities are sanctioned to allow diversion of profits from the state to private pockets). Rebel sources are generally illegal. Illegal products are estimated to account for as much as half of the EU's timber imports.

Examples of timber-financed conflicts include:

- Cambodia, where the Khmer Rouge used timber sales to finance warfare (and other services) both in government and later when fighting in opposition. The economic

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<sup>16</sup> [www.oneworld.org/globalwitness/reports/conflict/conflict.html](http://www.oneworld.org/globalwitness/reports/conflict/conflict.html).

<sup>17</sup> Information from "Diamond Industry to police illicit gems" *Financial Times*, 20 July 2000. Three elements in the proposed system of control are: the establishment of an International Diamond Council composed of producers, manufacturers, traders, governments, and international organizations; strong penalties for traders caught dealing in illegal diamonds; and agreement by importing countries to accept parcels of rough diamonds only sealed in a standardised way and registered in an approved international database.

<sup>18</sup> *Financial Times*, June 22, 2001; 'Rhetoric rules of 'blood' diamonds', *Business Day*, Feb. 2002.



survival of the Khmer Rouge was linked to the control of natural resources (Le Billon 2001 ). With the withdrawal of external sponsorship (essentially Chinese), the guerrilla group initiated major deals with Thai companies, in logging, quarrying and gem mining with the complicity of Thai military forces located along the border and the Thai government. The July 1997 coup was also financed by timber, secured from regional military units with business support. Logging concessions were subsequently used by the government to reward supporters. Cambodia's war 'became a "wood-fired war [eventually] too profitable for many of those involved [to be stopped]" (*The Economist* 1995: Le Billon, 2001: 6)

- In Burma, exploitation of timber has been a major source of war revenue for the government during its long civil war – with logging operations not only providing finance but also roads which help control dissident areas. At the same time Thai companies have worked with rebel organisations, sometimes 'protecting' the area with landmines.
- In Liberia, Taylor funded his rebellion by exploiting natural resources (timber, iron ore, rubber and diamonds). After gaining power, he used logging concessions to monopolise gains for his supporters, and diverted much of the revenue from the state to his (and his cronies) pockets, providing funds for arms imports against the UN embargo and for support for the RUF in Sierra Leone. Moreover, roads built by logging companies were used to supply arms to the RUF. Logging companies organise militias in their areas – these operated against a Liberian dissident group and participated in a conflict in the Mano river basin.
- Zimbabwe's intervention in the war in the Congo has been largely motivated by the commercial concessions gained, among which timber is important: one company received the rights to logging of 33 million hectares.

Policies to control the timber trade are at a much earlier stage than those towards diamonds, although proposals have been put forward for certification of the origin of different hardwoods. In some countries, the exploitation of timber resources is perfectly legal. There is much less awareness among consumers of the connection with conflict, though there is mounting desire to control the trade for ecological reasons.

## Oil

Oil revenue confers large resources on governments via royalties, taxation and bonuses. Moreover, unlike taxation of individuals, payments do not need the concurrence of the people, and take place via a few large and generally untransparent transactions. Hence oil revenues lend themselves to corruption, can readily be diverted to personal pockets and/or to arms purchases, thus providing a strong motive to hold onto power and a means of so doing, as well as a motive for struggles for self-determination and for their suppression (such as those of Biafra, East Timor and Aceh in Indonesia, and Scotland, for example). By its nature, being highly capital intensive and requiring the participation of large international companies, oil revenue tends to go to governments rather than rebel movements, although it can potentially underwrite separatist movements. Oil revenue has supported governments' violent suppression of opposition, providing finance for arms, airstrips and other types of infrastructure which assist the government. Major examples are:

- Angola, where oil revenue has financed government military operations, much revenue apparently disappearing from public budget allocations (Le Billon 2001) - about \$1.4 billion state income was unaccounted for in 2000 (Global Witness Press Release, 13 Dec. 2001). The military budget accounted for over a third of government expenditure, 1995-1999, and oil-backed loans for a third of the country's debt at the end of 1999. (Human 2001) Arms traders are believed to have been allocated equity in oil projects. (Global Witness, 1999).
- Sudan: in the late 1990s, control over the oil fields became "central to the war between government and armed opposition forces, as well as the ongoing conflict between the various militia factions".<sup>19</sup> A UN rapporteur concluded that this had raised the long-standing conflict to a 'new league'.<sup>20</sup> Non-Arab minorities in the South were violently displaced so as to clear the area for oil production, with oil company airstrips used for this. "International observers, including officials from the Canadian government, the United Nations, Amnesty International and Human Rights Watch, say government forces and their allies have led a brutal campaign against civilian populations near oil field." (*New York Times*, October 13, 2002). Moreover, oil revenues promise finance for arms. One general stated "Sudan will be capable of producing all the weapons it needs thanks to the growing oil industry".<sup>21</sup> Military expansion almost doubled over three years since oil-revenue began to flow. As in other areas, international companies were involved – this time Talisman as Canadian company with partners in China, Malaysia and Sudan.<sup>22</sup>
- Burma: two major oil companies (Unocal and TotalFinaElf) are developing production of gas in opposition areas. It has been alleged that Total lent the government helicopters for the fight against minorities in the Tenasserim area. The gas pipeline passes through areas where the Karen and Mons minorities live, and its building provides further motive and opportunity for suppressing opposition among these peoples.
- In Congo-Brazzaville, Elf is believed to have supplied arms to help the 1997 coup, and to have provided boats for the transport of troops from Angola to support the coup leader.
- In Western Sahara, the granting of prospecting contracts by the Moroccan government to two international firms<sup>23</sup> in territory claimed by the Polisario Front, which is seeking independence, is a "provocation... that worsens an already worrisome situation" (Mohammed Abdelaziz, head of the Polisario movement, quoted by Reuters, October 24<sup>th</sup> 2001).
- The example of the role played by oil companies in Algeria is demonstrated in Lloyd (this volume).

Oil companies are necessarily complicit in the use of oil-finance. Yet what they do is generally legal and in collaboration with governments. Moreover, fungibility of resources

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19 Amnesty International, May 2000, p 8, quoted in Swanson 2002: 21.

20 "the economic, political and strategic implications of the oil issue have seriously compounded and exacerbated the the conflict ... as well as further diminishing the already slim chances for peace": L. Franco, UN Special Rapporteur, 54<sup>th</sup> session of the UN General Assembly, 14<sup>th</sup> October 1999, quoted in p27.

21 General Mohammed Yassin, quoted by Christian Aid 2000.

22 *New York Times*, October 17, 2000.

23 French company, TotalFinaElf and US company, Kerr-McGee Corp.

weakens the direct connection between oil-finance and war-finance. NGO and public pressure can, nonetheless, be effective – e.g. with respect to Shell's operations in Nigeria.

## Drugs

The illegality of the drugs trade gives rise to huge rents – most of which go to the traders rather than the peasant producers. For example, it was estimated that if cocaine had been legal in 1990, the street price (broadly reflecting costs of production and trade) would have been one twenty-fifth of the actual US price, while the Colombian wholesale price was 10-20% of the US retail price. (Sarmiento 1990) Given that production is generally illegal, finance generated from the production and/or sale of drugs tends to be a source of finance for rebels rather than governments, though this is not invariably the case, as militias supporting the government sometimes exploit drug-finance, as is the case in Colombia, where drug loads have been found on Colombian Air Force planes. (Ruiz 2001) Non-producers can also benefit from drug trading - for example, in Guatemala and the IRA in N.Ireland – again because they can exploit underground opportunities, most of their activities being outside the law. Not only does drug money finance arms, but it provides a major motive for those who profit from it to perpetuate conflict. The beneficiaries are not only rich dealers, but also small-scale farmers for whom the production of poppies or coca provides a livelihood where there are few alternatives. Attempts to suppress production without providing viable alternative livelihoods thus extends support for rebels, rather than reducing it. Drug finance has been of outstanding importance in the wars in Afghanistan and Colombia. In both the emergence of drug production and dealing on a large scale came *after* the outbreak of conflict – which was in each case a response to felt grievances – but in both drugs provided a major source of finance and a motive for the continuation of conflict among some groups. Both sides in these conflicts (government as well as rebels) are actors and recipients in the drug trade. Family, ethnic and ‘gang’ connections are vital to this trade.

- Afghanistan: poppy production was estimated to have increased twelve-fold from the early 1980s to the mid-1990s. Donini (1996) estimated that by 1996, poppies were the country’s main export crop, and that Afghanistan was responsible for 40% of world poppy production. Rubin 1997 estimated that the value of production was between \$200 and \$400m at that time, which is about ten times estimates of ‘official’ exports. Money from the sale of poppies provided the major source of foreign exchange for arms, supplemented by other illegal activities (e.g. smuggling consumer goods into Pakistan). (Marsden and Samman 2001) After 1998, the Taliban attempted to suppress production. However, it seems to be reviving in the post-Taliban regime. Cultural networks facilitate these activities. From the nineteenth century the drug trade in South Asia was controlled by the Pathans – both this and smuggling of goods was developed by the massive migration of Pathans to Pakistan during the 1990s. Cultural links also support the export of heroin from Burma to Bangladesh, via the Rohingya Moslems who fled there after prosecution by the Burmese in the 1970s (Haq 2000).
- Colombia: coca production emerged in the 1950s as the most profitable crop in the Colombian Amazon. Adjustment policies of the IMF and World Bank in the 1980s and 1990s - including import liberalisation – further undermined the profitability of food production, and increased the relative advantages of coca. (Avirgan 2002) By the 1990s coca is estimated to have covered 150,000 hectares with 300,000 people directly dependent on production. Most of the production is in the area controlled by the rebel group, the FARC, who finance their activities by taxing production, drug dealing as well as kidnapping and extortion. But drug dealing also helps finance the government allied militias. In addition, generous US aid to suppress drug production

supports the military activities of the government. (Vargas Meza 1999) The need for trust among trading partners is paramount, given the illegality of the trade. This is achieved through family connections or close knit (criminal) communities, backed up, always, by violence. (Thoumi 1995)

The developed countries, led by the US, have been trying to eliminate production, imports and consumption of drugs for several decades, with limited impact. Trade in drugs from war economies is particularly difficult to control because it is invariably illegal, and hence legislation and controls which reach legal trade do not affect it. Current policies include prosecution of both producers and consumers of drugs, including the use of substantial military force, supported by US finance, equipment and personnel, to attempt to eradicate drug production. Consequently, US aid against drugs has become a source of war-finance for governments in drug-producing countries, such as Colombia.

A group of NGOs put forward a manifesto to the UN General Assembly in 1998, arguing that the international conventions on control of the drug trade had been ineffective in controlling the drugs trade or consumption, had led to criminalisation of producers and traders, had involved violation of human rights, and had used substantial resources which might have been used for social purposes. In their stead they proposed that production of drugs by small farmers should not be prosecuted; that small farmers should be offered profitable alternatives; military eradication measures should be stopped; and that prosecution of consumption should cease.<sup>24</sup>

Although not specifically directed at the war-related drug production and trade, these proposals provide a basis for policies towards drugs in war. So long as drug production and consumption remains illegal, it will provide an important motive for conflict, since conflict makes it easier to sustain illegal activities and also to hide the profits in ways that facilitate war finance. Legalisation would thus help reduce the role of drugs in motivation and war finance. However, the prospects for this, particularly in the US, are small, and the US government has recently stepped up the military 'solution'.

## Aid

While drug sales provide an illegal source of war-finance, aid provides a totally legal one. Yet aid to conflict countries is an important source of war-finance, with official aid supporting governments, and rebels receiving some NGO support.

During the Cold War, aid from East and West provided the main financial support for those countries fighting wars by proxy – i.e. most third world conflicts (e.g. those in central America; Southern Africa; and East and South East Asia. ). After the Cold War, aid for such purposes greatly diminished, and many of the wars by proxy came to an end. Countries in conflict after the Cold War, however, still received considerable aid flows, as indicated in table 6. Moreover, the war against terrorism (post Sept. 11) is generating a new form of war

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<sup>24</sup> Manifesto of the International Coalition of NGOs for a Just and Effective Policy of Drugs, Vienna 15 March 1998 <http://www.tni.org/drugs/encod/oasis.htm>

by proxy, again associated with enhanced aid flows (e.g. to Pakistan; the Philippines). Whether or not all the aid received by countries in conflict was intended to support conflicts, indirectly it provided resources that governments could be used for this purpose. Some of the aid flows are aimed at ‘humanitarian’ objectives (i.e. relief), often taking the form of food aid. But this too can be used to support the war effort (see Stewart and Samman 2001).

**Table 6: Aid flows to some countries in conflict**

Country	Average annual aid \$m. 1996-2000	Pop., m.	Aid per person, \$	Aid flow as % exports 1998
Afghanistan	170	25.87	6.6	na
Angola	372	12.36	30.1	29.2
Colombia	209	41.54	5.0	1.5
Congo rep.	188	2.86	65.7	18.1
Ethiopia	678	62.8	10.8	55.8
Indonesia	1442	207	7.0	1.5
Israel	2217 <sup>a</sup>	6.1	236.4	6.9
Liberia	96.8	3.0	32.2	na
Myanmar	71	45.0	1.6	na
Nepal	388	23.4	16.6	36.3
Palestine	582	2.8	207.9	na
Philippines	701	74.3	9.4	1.8
Sierra Leone	133	5.0	26.6	158.7
Somalia	94	9.4	10.0	na
Sri Lanka	373	19.0	19.6	5.9
Sudan	207	30.0	6.9	na
Uganda	709	21.5	33.0	128.2

a. 1996 only.

Source: OECD, Development Statistics; World Bank, World Development Report 2000/1.

Studies of Rwanda, Cambodia and the Sudan illustrate the important role which can be played by aid in contributing to and/or financing and prolonging conflict :

- The Rwanda case shows how aid-financed development can be associated with sharply rising inequality, extreme poverty and high levels of exclusion – conditions which provide fertile soil for conflict, particularly in the historical and political circumstances of Rwanda. Despite sustained growth until the mid-1980s, the skewed pattern of growth had left almost 90% of the population estimated to be in poverty, of which 50% were ultra-poor. (Uven 2000) There was a huge increase in inequality between 1982 and 1994 (Maton 1994). An analysis of an IDA-supported rural development project from 1972 to 1984 showed that the net result was:
  - a great increase in inequality between regions, classes, groups and individuals...A small group of people – politicians, civil servants, project employees – managed to obtain most of the advantages of the multi-million dollar project: jobs in and outside of the project, free land for cultivation by family members, rentiers, or political clients (Uven 2000: 70, referring to findings of Lemarchand 1982).
 Military aid – especially from France - also helped finance accelerating military expenditure with a rapid expansion of the army.
- There is some similarity between the Rwandan situation and that of Cambodia in the 1970s, when huge amounts of military and economic aid flowed to the Lon Nol government – which financed 95% of government expenditure in 1974. Meanwhile, state resources (essentially US aid) were diverted to ‘a small group of army officers,

bureaucrats, and urban commercial elite' which embezzled much of the aid inflows. (Le Billon and Bakker 2000: 69). Like Rwanda, the aid-supported development process had led to rising inequality, enriched the elite and left the rural peasantry in poverty. As with Rwanda, this provided a social and economic situation which eventually resulted in genocide.

- Sudan has received large flows of aid during its 17 year war, much of it in the form of food aid. Altogether the food aid amounted to one fifth to domestic food supplies between 1983 and 1994. Despite this, severe food shortages occurred with high malnutrition and raised deaths rates. In 1988 30,000 people died in camps. The food aid was used by the Sudanese government to pursue its war aims: it aimed to prevent any aid reaching the South so as to force people to move into camps, where they suffered from diseases and food shortages and were sometime used as slave labour. When donors aimed to circumvent this via a special programme for the South, the Sudanese government tried to block airlights, bombed airstrips, and occasionally attacked relief personnel. Food aid was diverted to and/or plundered by the military. (Keen 1994; Stewart and Samman 2001). Sudan also received financial aid to support its development programmes. Between 20 and 55% of imports were financed by aid from 1975 to 1993. Much of this indirectly financed military expenditure which accounted for 3.6% of GDP in 1990, almost twice expenditure on health and education combined. Moreover, most of the health and education expenditure was spent in the North. (Keen 2001b).

Not all aid to countries in conflict is used to support governments' war aims. In Mozambique, for example, food aid was widely distributed (including to rebel areas) and saved many lives. Yet aid flows are unearned resources, like natural resources, which are readily diverted to war aims, and where the government is an active participant in conflict, it is to be expected that it will be used in this way.

## **Diasporas**

Another important global source of support for some SDMs is provided by diasporas. The diasporas not only provide considerable financial resources mainly to support their families in the countries of origin but they also help to influence different aspects of policy in the host country. They may also act as a conduit for illegal trade and arms supplies.

Diaspora financing can be important for SDMs where the diaspora is large, is located in areas of the world where earnings are significant and the SDM appeals to perceptions of shared identity. Generally, this only occurs in conflicts which use and promote differences in identity as part of the struggle, and in which the struggle has been such – in length and ferocity – to create a sizeable diaspora. Struggles of this kind include among others the Tamil conflict in Sri Lanka, the SDM of the Kurds, the Northern Irish Catholics, and Jewish diaspora support for Israel. It is notoriously difficult to identify the use of remittances sent by migrants to their countries of origin, but we can be sure that most will be used for purposes of personal consumption. Remittances may be paid through official banking channels or unofficially and they may be made in kind as in the purchase of consumer goods, services or the payment of bills for families.



- The Sri Lankan Tamil diaspora in South India numbering about 100,000 was very influential in the early years in influencing Indian government policy which for some years gave direct support for the rebels and also provided a base for supplies. After support from India ceased, the diaspora in Western Europe, the US and Australia – estimated at 600-800,000 – provided finance and arms. One estimate is that 80% of the funds of the LTTE came from the Tamil (Venugopal, p 11). The diaspora also managed to get considerable international recognition for the movement, even though official aid supported the Sri Lankan government.
- In Somalia, remittances from the diaspora were estimated to amount to \$338 million in 1985, much of it going to the north. Diaspora remittances provided the main financial support of the Somaliland ‘government’: according to one estimate, it receives \$150m. annually far in excess of official aid.
- The Irish diaspora dates back to the large migrations in the nineteenth century, mainly to the US and UK. In the US in particular, the diaspora forms a powerful group which acts as an effective lobbyist in support of the Irish Catholics, especially the work of the Irish National Caucus in formulating the Macbride principles for fair employment. This has been important in helping to alleviate some of the structural discrimination against the Nationalist population in the North of Ireland ([www.irishnationalcaucus.org](http://www.irishnationalcaucus.org)). During the 1990s the Irish diaspora has also been at the forefront of new investment in the Republic of Ireland, helping to transform the relations between the South and the North. These activities – which influence local opinions and strategies - are among the most important influences on the conflict in Ireland.

At the same time the diaspora has (especially in the past) operated as a fund-raiser, led by Irish Northern Aid (NORAID) which probably constituted the main source of finance to the IRA.. Since September 11<sup>th</sup> fund-raising and lobbying activities by diaspora organisations supporting groups in N.Ireland which do not respect the current cease fire have been restricted.

In the UK, alliances between the Protestant diaspora, the British Conservative Party and the Royal Ulster Constabulary, and also between extreme Ulster loyalist groups and right wing extremists in Britain aim to influence British government policy. Remittances from these organisations are a source of funds to the Unionists.

- During the 1950s the Front de Liberation Nationale (FLN) organised systematic collections among the migrant population in France for the independence struggle in Algeria. Since then, migrant workers left Algeria for France and other countries in the 1960s and 70s and in the late 1980s and early 1990s supporters of the Front Islamique du Salut (FIS) sought asylum in other countries, including Germany and the UK. This latter group are the main supporters of the Islamistes. Algerians living in the diaspora make provision for their families either through regular official or unofficial transfers or through regular gifts of consumer items and help with education or health matters. These transfers represent an important economic and cultural intervention in support of Western values although Algerians send less home through the official channels

than do Moroccans and Tunisians (partly because of a lack of official concessions and due to the instability of the dinar) (Kharoufi 1993/4; Talha, 1992).

The diaspora has also been very important in raising the profile of human rights cases and presenting a positive picture of Algerian culture, particularly in France and the Southern Mediterranean countries .

In the 1980s and 90s many Islamist social welfare organisations were supported by Islamic banks: most active in the region of Algiers was *Al Taqwa* (Piety) which has been linked to the Egyptian Muslim Brotherhood. (Since December 2001, however, *Al Taqwa's* assets have been frozen). Since the outbreak of the armed conflict in 1992, the Algerian Islamists receive most of their local support from donations and protection rackets in Algeria (Martinez 1999)..

- About one third of Kurds live outside Kurdistan, around 850,000 in Western Europe – with the biggest concentration in Germany, and the remainder in and around the Middle East. Kurdish diaspora networks act as a lobby for support for an independent Kurdish state through their support for local newspapers, radio and television satellite stations, which beam into Turkey, Iraq and Iran. The Kurdish diaspora also support organisations such as the Institut Kurde in Paris which acts as a lobby group and provides information about the situation in the Kurdish territories. .

The activities of diasporas are generally probably more important as a political platform for the SDMs, a method of gaining diplomatic and financial support, as for the actual finance or arms that they supply. The clearest example here is that of the Jewish diaspora which eventually succeeded in securing recognition of the state of Israel, which gained hugely from the official flows of aid and arms, mainly as a result of diaspora pressure. In N. Ireland, the single most important factor sustaining the conflict was the systematic discrimination against the Catholic population. The Macbride principles, adopted in the US as a result of diaspora pressure, represented a crucial intervention. However, in some SDMs, where other sources of finance are limited, the diaspora provided funds can be of critical importance – as seems to have been the case in Ireland and Sri Lanka.

Host governments can attempt to restrict such remittances if they desire. Where much depends on open-funding raising (as in the case of Irish organisations in the US), such restrictions may be quite effective. But the leaky nature of any financial controls means that restrictions are unlikely to be effective in most contexts.

### **The global trade in small arms**

The global trade in small arms facilitates – and worsens the effects of – violent struggles for self-determination. So we briefly review the situation even though this is not a direct source of finance – although it should be noted that arms suppliers often offer credit to finance the purchases.

It is estimated that at least half a million small arms are in existence, though this is very much a guesstimate as data is highly deficient.<sup>25</sup> The combined value of (legal) production of small arms and ammunition in 2000 is estimated at \$4 billion. Major producers are the US (with at least half world production, China and Russia, while another 20 countries (mainly in Europe) are medium scale producers, 30 more are small producers and 40 others have some capacity. Less is known on what appears to be pervasive illegal production, which takes place in at least 25 countries, with 'homemade fire arms' estimated to account for up to 16% of this illegal production. Small arms are used by official armies and police, and by civilians for 'domestic' use, as well as by insurgents. Insurgents are believed to account for a surprisingly small proportion of the total -- on a world basis just 0.2% (this is still a very large number (i.e. 1 billion).) Government military forces are estimated to account for just over 40% of the total, with most being in private civilian possession (over 55%).(Graduate Institute, 2001: 88.) The fact that insurgents account for such a small proportion of the total is one reason why it is particularly difficult to control this aspect of small arms production alone. Another reason for difficulties in securing effective global controls is the large number of potential (and illegal) producers, so that even if the major countries imposed controls there would still be plentiful suppliers.

The ready availability of small arms, at a low price, reduces the costs of conflicts, and may increase their damage and extent – though horrendous human injuries can be inflicted by primitive weapons, such as pangas and machetes, as shown in Rwanda. It is said that in Uganda an AK-47 automatic rifle can be bought for the price of a chicken and in Northern Kenya for the price of a goat. (Pax 1998)

The various international efforts to reduce the flow of arms to conflict-affected areas generally appear to be rather ineffective.

The first international agreement was initiated by the Organisation of American States in 1997, which adopted a convention for the prevention and eradication of illegal trade in firearms. By October 2000, ten of the 34 OAS states had ratified it.. Model regulations were adopted in 1998 harmonising procedures among OAS states which have been adopted by six states. In West Africa, there was a Declaration of a Moratorium on Importation, Exportation and Manufacture of Light Weapons covering both legal and illegal activities. But progress on implementation seems to have been limited. A Southern Africa Regional Action Programme was adopted in 1999, and a protocol relating to weapons marketing is under consideration. The European Union has a Code of Conduct (1998) which excludes arms exports to countries barred by sanctions; if the arms are likely to be used for internal repression; or those 'that would provoke or prolong armed conflicts or increase existing tensions..'

The first global multilateral arrangement incorporating export controls for conventional weapons and sensitive dual-use goods and technologies - the Wassenaar Arrangement (WA) -

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25 Graduate Institute of International Studies, Geneva 2001. Small arms are usually defined to include (1) pistols, which includes revolvers and semi-automatics; (2) shotguns; (3) submachine guns; (4) rifles; (5) machine guns; (6) anti tank mortars; (7) landmines; and (8) flame-throwers and other explosives. (O'Grady 1999).

received final approval in July 1996 and began operations in September 1996.<sup>26</sup> Participating States (which mostly include developed countries) agreed to ensure that transfers of arms do not contribute to the development or enhancement of military capabilities that undermine international and regional security and stability and are not diverted to support such capabilities.

However, it is evident that there are large loopholes in the arrangements so that small arms are effectively available to all countries. The loopholes include: arms production brokered by or under license from signatory countries but produced elsewhere; production and sale by non-signatory countries; and 'legal' sales from signatory countries which in fact end up in conflict-countries, either because they are resold or because of weak monitoring and implementation. For example, a variety of British companies sold arms to Rwanda and were never brought to account, while guns and rifles have been produced under licence from Heckman and Koch (a subsidiary of British Aerospace) in Turkey, Mexico, Iran, Burma, Pakistan and Saudi Arabia, countries which are themselves involved in violent repression, and all non-signatories of WA.<sup>27</sup>

There is a strong case for more systematic international agreements on small arms. In July 2001, a UN conference aimed at extending the WA approach on a world-wide basis. It had strong support from a large range of developed and developing countries. However, the US – the largest arms producer in the world – blocked an agreement aimed at restricting arms sales to rebel groups, arguing that in some contexts they wished to support such groups. Even if it had been accepted, it is probable that it would do little more than make a small dent in the market for small arms, given the large number of actual and potential producers. Most reviews conclude that the problem has to be tackled at the demand end, with controls over supplies playing a subordinate role.

### **Some conclusions on sources of arms and finance**

Global sources of arms and finance for conflict are pervasive – as Table 7 indicates. They are also very difficult to control, as is apparent from the discussion of each individual commodity. A prime reason that they are difficult to control is that there are strong political and economic interests in continuing most of the trades, so that a reversal can only be achieved by powerful counter forces. The most effective of such forces is NGO monitoring and campaigning combined with political (and/or consumer) pressure in the consuming countries. This is exemplified in the progress made on diamonds, and from time to time on other commodities (e.g. oil). But in other areas, there has been little progress because of strategic and domestic political interests in the developed countries (e.g. with respect to aid to Israel or the Sudan), or oil. In addition, even where such trade becomes illegal, war conditions make it easy to evade national controls, while global liberalisation has increased the difficulties in making global controls watertight. The fact that so many of the transactions are illegal and don't therefore appear in the accounts of public companies make them especially difficult to control. The cultural networks that facilitate trade in war-zones – for example, drugs in and from Afghanistan and Colombia, diamonds in Sierra Leone or timber

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<sup>26</sup> <http://www.wassenaar.org/docs/talkpts.html>

<sup>27</sup> Evidence from OXFAM, 1998.

in Burma - can readily avoid the rather half-hearted attempts to control them. Drugs and aid provide graphic examples of the difficulties. On the one hand, the flourishing drug trade illustrates how difficult it is to control trade even when the commodity is outlawed everywhere, and the most powerful countries in the world are intent on eliminating it. In complete contrast, official flows of aid are totally in official control. Yet large flows which directly or indirectly finance conflicts continue to many conflict-countries for strategic or domestic political reasons.

Although, then, there is grounds for pessimism about controlling global finance of conflicts, consumers of the commodities at issue and/or political movements can put pressure on developed country governments with some success (as in the cases of diamonds; landmines; and the activities of specific companies, such as Shell in Nigeria) . These groups have considerable potential power, if they can be organised to use it. Moreover, effective controls over financial flows can help enforce constraints over particular commodities, or flows to particular countries, by making it difficult to realise the money acquired through commodity trade – these, and their limitations, are discussed in FitzGerald's paper.

However, even if effective, control over profiteering and finance by themselves are unlikely to bring struggles for self-determination to a halt, if this is the objective. Such struggles can occur with very little financial support, using primitive, though effective weapons (such as the machetes used in Rwanda). To prevent or end such struggles, the more fundamental causes considered earlier need to be addressed. The fact that any set of global controls is bound to be leaky reinforces this conclusion.

**TABLE 7: EXTERNAL SOURCES OF FINANCE FOR SOME RECENT CONFLICTS**

Country	official military aid <sup>a</sup>	Non-military aid <sup>a</sup>	loans private, for arms and other <sup>b</sup>	natural resources advances <sup>a</sup>	natural resources current sales <sup>b</sup>	from diaspora <sup>c</sup>
Angola	West, S.Africa <sup>b</sup> Cuba <sup>a</sup>	Considerable	Considerable	large, for oil; and diamonds	Oil and diamonds	little
Afghanistan	USSR <sup>a</sup> ; West <sup>b</sup> Pakistan; Saudi Arabia. NGOs; Islamic community	Some	Some	finance for oil pipe line.	heroin; smuggling manufactured products; gems	little
Burma		limited	Some	No	heroin; timber	little
Cambodia	some: China, West	Limited	Some	Some	timber	little
Colombia	US	US aid for drug eradication	Large	No	cocaine	little
Liberia	West	Limited	Some	concessions to private companies	timber, diamonds, rubber, iron ore	little
Mozambique	S.Africa; Cuba; West	limited during war; substantial subsequently	Large	No	limited	no
Nicaragua	Russia; Cuba; US	some	Large	No	limited	no
Rwanda	some	from West and IFIs <sup>a</sup>	Limited	No	No	little
Sierra Leone	limited	From West initially; later little <sup>a</sup>	Some	Some	diamonds	little
Somalia	limited	limited	Limited	No	little	significant
Sri Lanka	some <sup>a</sup> ; India (1980s) <sup>b</sup>	from West and IFIs - considerable <sup>a</sup>	Some	No	limited	considerable
Sudan	substantial	substantial, West	Substantial	No	little; oil?	little
Uganda	limited	limited	Limited	No	little	little

a. Mainly to government; b; to govt. and rebels.

## V. Global policies to reduce the fundamental causes of conflict

Earlier we identified certain economic developments as likely to raise the risk of violence – including poverty and economic stagnation, unequal development, particularly inequalities across regions and ethnicities, and a weak state that provides little in the way of social services or human security for its people. The globalising economy and global conditionalities contributed to some of these developments as evidenced by:

- a global slow down in the rate of growth;
- rising inequality in many countries, often between groups as well as individuals;
- a declining role of the state in many countries, with falls in tax revenues, cutbacks in services, and a move in service provision away from central governments to local governments or NGOs.
- global pressure for multiparty democracy without appropriate constraints for ethnically divided societies.

These trends clearly have not occurred in *all* countries and are not only (or necessarily mainly) the responsibility of global, as against domestic policy. Yet global policies must consider the failures of globalisation as well as the successes if violent struggles for self-determination are to be limited. Developing a global economy which incorporates all countries and within them most people must be an important element of any policy aimed at reducing world conflict.

This is not the place to go into a full analysis of global policies needed to achieve a fairer distribution of world output and a wider spread of the benefits of globalisation between and within countries. Below is just a summary of major elements of global policy change likely to help bring about a more peaceful world<sup>28</sup> :

- Improving the world trading system so as to eliminate the current bias against developing countries. This would involve liberalising developed country trade in agriculture and labour-intensive products (notably textiles). Agreement was reached on both these issues in the Uruguay round, but these have not been put into effect.
- Permitting developing countries to introduce infant industry protection so as to allow them to realise the learning and scale economies essential for international competitiveness.<sup>29</sup>
- Introducing policies to help improve the terms of trade for developing countries, including collective producer taxation of commodities whose demand is inelastic; increasing retained value-added on primary commodities by promoting processing in developing countries; promotion of diversification in primary commodity specialist economies.

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28 This is drawn from work by the author and others, including Cornia, G. A., R. Jolly, et al. 1986 ; Stewart, 1995a,b; Fitzgerald, 2001; Oxfam 2002; Stewart, 2002a,b.

29 As Chang 2002 has pointed out, this was the policy adopted by the industrialised countries in the initial stages of industrialisation. (Ha-Choon 2002). This is also true of Korea's development and that of Taiwan. (Wade 1990; Amsden 1989).

- Altering the rules on intellectual property so as to eliminate developing country payment on all essential drugs and other essential goods for the poor; and outlawing patenting of natural products from developing countries.
- Raising aggregate aid levels and redirecting aid towards the poor in poor countries.
- Introducing global taxation of global activities (such as the Tobin tax on short-term capital transactions) to support global public goods (including peace-keeping activities; schemes to support essential drugs for the poor).<sup>30</sup>
- Altering conditionalities of the IFIs so as to support policy changes likely to lead to fairer patterns of development, including slower import liberalisation, policies to improve the distribution of income (such as land reform and progressive taxation), and eliminating privatisation of and user charges on basic needs products.
- Altering conditionalities and the disbursement of aid so as to strengthen governments, by supporting tax increases in countries where tax revenue is low; and distributing aid via governments rather than NGOs except in very extreme cases of dysfunctional or one-sided governments.
- Using aid and conditionalities to improve horizontal inequality – by ensuring that all expenditures are fairly distributed across ethnic groups.
- Political conditionality to recognise the need for constrained democracy in divided societies – i.e. democracy designed to protect minority rights, ensure inclusive government and to respect universal human rights.

## Conclusion

All struggles for self-determination have strong local causes: these generally combine cultural differences with economic and political inequalities and deprivations. Global influences, however, often play a strong role in contributing to the inequalities and deprivations, while they also facilitate the finance of the struggles and provide private incentives for individuals to fight, both among the government and the rebels. Global cultural connections also play a part. On the one hand, diasporas can be an important source of finance for particular groups; on the other, cultural connections facilitate trade and finance, particularly when the trade is illegal.

In summary, while it would be wrong to attribute to global influences major responsibility for all the conflicts in the world today, there is no doubt that the current system of globalisation has contributed to the motivation as well as the finance of many of today's conflicts; and global policy change could consequently do much to reduce it. Since September 11<sup>th</sup>, the developed countries have seen the need to have effective controls over finance for terrorist activities, and progress has been made in tightening controls. But there has been much less recognition that it is essential to tackle the more fundamental economic and political causes of such struggles, if violent contests for self-determination are to be avoided. Yet policies aimed at reducing the finance of conflict alone are unlikely to be effective for two reasons: first, because it is probably impossible to secure comprehensive regulation for both technical and political reasons; secondly, because so long as the fundamental

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<sup>30</sup> See ul Haq, M., Kaul, et al. 1996; Kaul, Grunberg, et al. 1999.



underlying economic and political causes remain violent conflicts will continue, exploiting loopholes in or evading the regulations, or resorting to home-grown weapons. Without the more fundamental improvements in underlying economic and political conditions, actions directed at financing and repressions are likely to have only a small impact.

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