

## **SECURING SUSTAINABLE DEVELOPMENT: TRADE, AID AND SECURITY**

### **DIAMONDS, TIMBER AND WEST AFRICAN WARS**

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#### **Introduction**

Claueswitz famously observed that war is ‘the pursuit of politics by other means’. David Keen has amended this, saying that ‘war is the pursuit of economics by other means’.<sup>1</sup> More colloquially, a Soviet writer once characterized war as being fought for ‘freedom, or iron, or coal, or the devil knows what’. Certainly a major factor in causing and sustaining war, from the earliest times, has been natural resources, renewable or otherwise: iron, coal, oil, gold, silver, tea, coffee, jute, rubber, sisal, tobacco; beavers, buffalo, seals, whales, cod. All in their time have been the focal point of dispute, conflict, colonial expansion and often enough, outright war. This paper is about two natural resources, one renewable and the other not, that have played a major role the destabilization of the entire West African sub-continent over the past two decades. It is primarily about how timber and diamonds fueled the collapse of two countries, Liberia and Sierra Leone, leading to tens of thousands of deaths, hundreds of thousands of refugees and millions of displaced people. And it is about how the aid community came late to an understanding of something that has been known by generals since the dawn of history: that economics often lie at the heart of conflict, and that while war is destructive to life and property, many benefit from it, and some profit hugely from initiating and perpetuating it.

#### **In the Beginning**

Although West Africa’s problems go back to colonial days, the first overt sign of the coming resource conflicts was an event that took place on Christmas Eve 1989, when a small band of fighters crossed the border from Côte d’Ivoire and attacked a Liberian government outpost at Butuo in Nimba County. The National Patriotic Front of Liberia (NPFL) was led by a former government official, Charles Taylor, who had once been charged and jailed in the United States for theft. After his escape from prison, he spent time in Libyan training camps where he met others who would play various violent roles in the destabilization of other countries: Blaise Campaore who would murder Burkina Faso President Thomas Sankara, installing himself as Head of State; Foday Sankoh, an embittered ex-army corporal jailed for his efforts in a failed Sierra Leonean coup attempt, who would soon lead his own ‘revolutionary’ army into the forest.

But the story is getting ahead of itself. In his campaign for power, Charles Taylor offered Liberians little in the way of political or ideological agendas beyond the idea of ridding the country of its tyrannical government and replacing it with one of his own. In order to do this, he needed guns, and in order to obtain guns, he needed friends and - more importantly - money. Had a West African peacekeeping force (ECOMOG) not intervened in mid 1990, it is likely that Taylor would have achieved his ultimate ambition early. With Monrovia temporarily beyond his reach, however, he settled in for a long war of attrition, to be financed by the resources of the territory he controlled. He soon developed relations with a range of shady Ivorian, French and Lebanese business people, and once he had taken control of the Liberian Port of Buchanan, he

began a systematic plunder of whatever he and his business cronies could lay their hands on. It is estimated that between 1990 and 1994, Taylor exported \$300 million worth of diamonds, \$53 million worth of tropical hardwood, \$27 million worth of rubber, and as much as \$16 million worth of iron ore. Taylor used the income for his war effort, while a newly-created and internationally recognized interim Liberian government, restricted mainly to Monrovia and bereft of income, sat on an accumulated international debt of \$3 billion.<sup>2</sup>

Taylor, smarting from the Sierra Leone government's support for ECOMOG, did something else: he exported his military and funding strategies. Just as Taylor had first attacked Liberia from and with the support of Côte d'Ivoire, Foday Sankoh's Revolutionary United Front (RUF) attacked a remote Sierra Leonean border town, with Taylor's support, from a base in Liberia. This first attack, in March 1991, occurred well after Taylor had established himself in the Liberian interior and well after he had begun his economic plunder of the country. Many of the diamonds that he exported in his first years as chieftain of what he called 'Greater Liberia' were, in fact, Sierra Leonean diamonds, not Liberian. As a source of ready cash, hard currency and an absence of taxes, Liberia had long been a conduit for stolen Sierra Leonean diamonds. In assisting the RUF in its push towards the Sierra Leonean diamond fields of Kono District, it must undoubtedly have occurred to Taylor that he might well be contributing to the creation of a warlord 'common market' in which pooled economic resources could be used to purchase pooled weapons, to establish shared bases and training facilities, and eventually to create common cause among the Libyan-trained Presidents of neighbouring countries.

In Taylor's case, the Presidency was finally gained through elections that were held in 1997, the outcome of more than seven years of bloodshed and pillage. An estimated 60-80,000 deaths were caused directly by the war, and tens of thousands more died from starvation and disease. Taylor promised to continue fighting if he was not elected, and a weary populace decided to let him have what he wanted. Taylor inherited a devastated country and an economy in shambles. But there was unfinished business for Taylor in Sierra Leone where the RUF, now firmly in charge of the country's major diamond areas, appeared on the brink of its own victory.

The RUF spoke vaguely of democracy and justice, but its attacks were all aimed at non-combatants. The RUF signature - crudely amputated hands, feet, breasts - was applied only to civilians, many of them women and children. By 1995, the RUF had gained full control of Sierra Leone's diamond fields, and although not acknowledged internationally, it was obvious, even to casual observers in the region, that the RUF was trading diamonds for weapons, the latter supplied by Charles Taylor. As many as 75,000 deaths later, with half the country's population displaced, Sierra Leone had reached rock bottom. The government that was democratically elected in 1996, was by 1999 restricted mainly to the Freetown peninsula. Meanwhile, in 1994, Belgium had recorded the importation of \$284 million worth of diamonds from Liberia, a country that at the best of times had never produced more than \$10 or \$15 million worth of low quality stones in a year. Through the 1990s, the numbers continued to grow. Between 1994 and 1999, Belgium recorded \$2.2 billion worth of rough diamond imports from Liberia.<sup>3</sup>

## The Conflict Diamonds Campaign

'Conflict diamonds' first came to the world's attention when a small British NGO, Global Witness, published a report at the end of 1998 entitled *A Rough Trade: The Role of Companies and Governments in the Angola Conflict*. Global Witness argued that the renewed civil war in Angola, following failed elections in 1992, was largely financed by oil and diamonds, costing the lives of more than half a million people. It reported that UNITA controlled up to 70 per cent of the country's diamond production, generating \$3.7 billion in less than seven years. It also argued that the diamond industry, headed by the giant De Beers cartel, had simply ignored the problem, buying diamonds from any source that offered them.

In January 2000, a Canadian NGO, Partnership Africa Canada, issued an 88 page report on Sierra Leone diamonds entitled *The Heart of the Matter: Sierra Leone, Diamonds and Human Security*.<sup>4</sup> It challenged a commonly held view that Sierra Leone's war, like others in Africa, was a crisis of modernity, caused by the failed patrimonial systems of successive post-colonial governments. It also disputed a thesis made popular by Robert Kaplan, that Sierra Leone was a prominent exemplar of 'the coming anarchy' and 'new age primitivism' - a mindless breakdown of law and order and state control.<sup>5</sup> *The Heart of the Matter* argued that while there was certainly no doubt about widespread Sierra Leonean disenchantment with the failing state, with corruption and with a lack of opportunity, similar problems elsewhere had not led to years of brutality by forces devoid of ideology, political support and ethnic identity. Only the *economic* opportunity presented by a breakdown in law and order could have sustained violence at the levels that plagued Sierra Leone after 1991. The report argued that,

Traditional economics, political science and military history are of little assistance in explaining Sierra Leone's conflict. The point of the war may not actually have been to win it, but to engage in profitable crime under the cover of warfare. Diamonds, in fact, have fueled Sierra Leone's conflict, destabilizing the country for the better part of three decades...Over the years, the informal diamond mining sector, long dominated by what might be called 'disorganized crime', became increasingly influenced by *organized* crime and by the transcontinental smuggling not just of diamonds, but of guns and drugs, and by vast sums of money in search of a laundry. Violence became central to the advancement of those with vested interests. As the mutation of the war in Sierra Leone continued and spread through the 1990s, so did the number and type of predators, each seeking to gain from one side of the conflict or another.<sup>6</sup>

Among these predators were junior mining firms, smugglers, gun runners and thieves. But diamonds hold no attraction for most Africans, beyond the income they produce. The market for gem diamonds lies almost exclusively outside of Africa. Others must therefore be added to the list of predators: De Beers, Tiffany, Cartier, Harry Winston; the governments of Belgium, Israel and Britain which benefitted from the taxes derived from diamond sales, never once asking, for example, how \$2.2 billion worth of diamonds might have been produced in a country like Liberia in only five years.

Throughout this period, the aid community - apart from the two NGOs mentioned above<sup>7</sup> - took almost no interest in the role that diamonds were playing in the conflict. The International Monetary Fund and the World Bank are exceptions. Much has been written about the 'failed

state'. Sierra Leone (and the DRC) have for several years exhibited all the attributes of failed states, but between 1968 and 1985, Sierra Leone's massively corrupt President, Siaka Stevens, like his Zairean counterpart, Mobutu Sese Seko, ruled his collapsing empire without significant challenge. In other words, the state did not 'fail' in a thundering collapse. William Reno has explored this phenomenon - the mystery of seemingly unending 'state decay' - and finds something else: a 'predator state'. 'Rulers of the "predator state" develop dual interests; as their power appears to recede in the formal sphere of decaying bureaucracies, they increasingly use non-formal state power, including their capacity to intervene in informal markets to seek new opportunities and resources for clients.' Political power 'migrates to new areas as inherited colonial institutions decay and the nation-state envisioned at independence fails to appear.'<sup>8</sup> Reno argues that Stevens gutted the formal state, emasculating its institutions and replacing them with personal control mechanisms, creating in the process, a 'shadow state'. Eventually the clientelism and corruption through which he managed his affairs became so over-stretched that the shadow state itself collapsed in the face of a relatively small rebel movement.<sup>9</sup>

But before that happened, the IMF and the World Bank intervened more than once. Attempting to rectify the situation, they made it worse. During the 1970s, Stevens had nationalized the diamond industry and then corrupted it to his own use, mainly through resident Lebanese businessmen. The IMF's first attempt to have the diamond industry denationalized began in 1979, producing a first standby arrangement for SDR 17 million and a second one in 1981 for SDR 186 million. The IMF and the World Bank based their negotiations on a presumption of clear lines between government and the private sector, and based all of their thinking on the formal sector, failing to understand that by the 1980s, as much as 70 per cent of the country's trade moved through non-formal channels. Further 'reforms' during the 1980s led to further multilateral and bilateral credits, while the diamond industry slipped increasingly into the hands of thuggish private sector cronies of Siaka Stevens and his successors.<sup>10</sup>

In *New and Old Wars*, Mary Kaldor writes about 'new identity politics' and the new divisions and loyalties that emerge when a state no longer commands the allegiance of its people. In the case of Sierra Leone and Liberia, bad governance, human rights abuse and declining state services through the 1970s and 1980s - un-noticed or at least not addressed in any meaningful way by the aid community - contributed to growing public disenchantment. The other source of new identity politics, Kaldor says, is the parallel economy, to a large extent the product of macro-economic stabilization, deregulation and privatization promoted by the aid establishment during the 1980s and 1990s.

These policies increased the level of unemployment, resource depletion and disparities in income which provided an environment for growing criminalization... In societies where the state controlled large parts of the economy and where self-organized market institutions do not exist, policies of 'structural adjustment' or 'transition' effectively mean the absence of any kind of regulation. The market does not, by and large, mean new autonomous productive enterprises. It means corruption, speculation and crime.<sup>11</sup>

Typically, as in Sierra Leone, Liberia, the Balkans, the Transcaucasus and elsewhere, this is characterized by gangs of young men who make a living from violence, pillage, kidnap and insurrection. To this volatile mix, add the fact that by the mid 1990s, parts of the diamond industry itself had become 'informalized', with its own parallel economy. Although conflict

diamonds have been estimated at about four per cent of world production, *illicit* diamonds - stolen and smuggled, often for purposes of tax evasion and money laundering - represent about 20 per cent of world production.<sup>12</sup> The purveyors of conflict diamonds did not, therefore, need to invent back channels for the laundering of their goods. They already existed.

## **The UN and the Diamond Industry**

In 1998, the United Nations Security Council placed an embargo on all Angolan diamonds not accompanied by a government certificate of origin. This, however, did nothing to stop, or even slow the pace of diamond sales by the Angolan rebels, UNITA. The following year, the Security Council appointed an 'Expert Panel' under the Chairmanship of Canada's UN Ambassador, Robert Fowler, to look into the situation. The 'Fowler Report' on Angola, issued in March 2000, broke new ground in 'naming and shaming' sitting heads of state. The report named the Presidents of Togo and Burkina Faso as key players in illicit diamond and arms trafficking, and it drew further attention to the complicity of the international diamond trade in buying and selling conflict diamonds without compunction.<sup>13</sup> A second UN Expert Panel dealt with Sierra Leone, reporting in December 2000. It confirmed that millions of dollars worth of diamonds were being exported by the RUF every year, mostly through Liberia, and with active Liberian government involvement

Until the Global Witness, PAC and Fowler reports, De Beers, Antwerp, and most of the diamond industry were in a state of either denial or ignorance on the subject of conflict diamonds. There were some in the industry, however, who took the matter seriously, not least because it was gaining more and more attention in the media, to the very real detriment of the industry. In March 2000, Martin Rapaport, an outspoken American diamond dealer, visited Sierra Leone. He was not only appalled at what he saw, he posted *The Heart of the Matter* on his website<sup>14</sup> In a widely circulated article entitled 'Guilt Trip', he observed that

Hundreds of millions of dollars of Sierra Leone diamonds are being traded on the world markets without any benefit going to the government or people of Sierra Leone. The real problem facing Sierra Leone is not merely how to share diamond resources among warring factions, but how to stop the illegal diamond industry from stealing the country's resources. But it goes beyond that. The bastards are not just stealing Sierra Leone's diamonds, they are trading them for guns. Guns which are used to kill people to keep the war going... The real challenge facing Sierra Leone and the world diamond trade, is how to stop this horrific murderous cycle of illegal diamond activity.<sup>15</sup>

Later in the summer of 2000, other events took place which had far-reaching ramifications for the diamond industry and for Sierra Leone. The first was a Security Council ban on the export - direct or indirect - of all Sierra Leone diamonds until an acceptable certification process could be put in place. A joint Belgian/UK/US mission to Sierra Leone was undertaken in order to develop such a system, and details were unveiled - and approved by the Security Council - at the beginning of August.

Just before that, in July, the World Diamond Congress was held in Antwerp. Normally devoted to the technical and commercial aspects of the industry, this Congress was given over almost entirely to the issue of conflict diamonds. Representatives from governments and NGOs

participated, and the industry agreed to reforms that proposed the most fundamental set of changes it had ever seen. Essentially, the industry called for regulatory legislation in all countries that import diamonds - whether producer, manufacturer or dealer. Banks, insurance companies, shippers and others would be brought into the system. A World Diamond Council was proposed and subsequently inaugurated to help move the process forward.

Then came two days of hearings held by the Security Council's Sierra Leone Sanctions Committee in New York. These aimed to explore the connection between diamonds and guns in the conflict. The hearings were noteworthy for the fact that for the first time in United Nations history, they were open to the public, and were widely reported. In fact by the summer of 2000, the issue of conflict diamonds had been covered in depth in all the major media, with feature articles appearing, or soon to appear, in *Time*, *Newsweek*, the *New Republic*, *Vanity Fair*, *Esquire* and others. *60 Minutes*, *NBC Dateline*, and their counterparts in Japan, Canada, Australia, Britain and South Africa all carried major television reports on conflict diamonds. None of them showed the diamond industry in a good light.

The issue for the industry was twofold. First, as Rapaport suggested, the industry had a moral obligation to make sure that its product was not tainted. Secondly, there was a public relations problem, fanned now by a growing number of churches and NGOs, that threatened to get out of hand. Although no responsible NGO talked about a boycott - understanding that many poor people in poor countries would suffer as a result - 'consumer action' was very evident in NGO campaigning to solve the problem. By the end of 2000, Oxfam, World Vision, Amnesty International and a range of other brand-name NGOs had taken up the issue.

The idea of a global certification system that would keep conflict diamonds out of the trade was first proposed at a meeting in Kimberley, South Africa, in May 2000. South Africa's Minister of Mineral Resources, concerned by the growing chorus of concern about conflict diamonds and worried about the potential for fundamental damage to a key South African industry, called together representatives of government, concerned NGOs and the industry, to discuss what might be done. This was the first in a series of meetings that came to be known as 'the Kimberley Process'. Through the rest of that year and the next, the Kimberley Process grappled with the issue of how to ensure greater probity in an unregulated industry, and how to end the phenomenon of conflict diamonds. The Kimberley Process has been anything but speedy, in part because the issues are complex, in part because new players kept arriving at the table as the implications became clearer - Switzerland, China, Japan - and it took time for them to get up to speed on the issues.

The ideal certification system would comprise three areas. First, it would ensure that a diamond mining country's procedures, regulations and security are adequate to prevent conflict diamonds from entering the legitimate stream between the mine and the point of export. Second, it would include a system to ensure that diamonds are not tampered with while in transit between producing countries and polishing centres. And third, it would ensure that customs controls, policing, auditing procedures and statistical data collection are good enough in countries that trade, cut and polish diamonds, to ensure that conflict diamonds cannot enter the downstream trade.

By November 2001, the Kimberley Process was nearing the end of the job it had set for itself. The last meeting before a deadline set by the UN General Assembly took place at the end of the month in Botswana. A working document emerged from the meeting in its 10<sup>th</sup> draft, containing all of the 'essential elements' of a global certification system:

- provisions for a certificate of origin;
- provisions for internal controls in producing countries as well as in trading and processing countries;
- the creation of a common statistical data base on the trade in rough diamonds;
- a statement on verification of national compliance.

In addition, the World Diamond Council spelled out its understanding of what an industry-managed 'chain of warranties' could look like, and had agreed - after much resistance - to external verification of such a system..

The document, the ministerial statement that followed it and the resolution that was drafted for debate in the UN General Assembly on December 14 were all enthusiastically positive about the work that had been done. But there were serious behind-the-scenes problems:

- the much-debated wording on statistics put details of what might be contained in a common data base off to a further *ad hoc* working group. Such working groups on statistics had been attempted before, and nothing had been agreed;
- there remained uncertainty and division about the agreement's WTO compatibility;
- it was agreed that future decision-making would be reached by consensus. 'Consensus', as it had operated in previous Kimberley Process meetings meant that any one country had an effective veto. With the system open to all countries signifying an interest in joining, this suggested a 'lowest-common-denominator' approach to the undoubtedly complex and controversial issues ahead;
- all reference to a secretariat to manage the system was removed at Russian insistence, and discussion on administrative support was postponed to a future meeting;
- it was agreed that the agreement was not, in fact, an agreement. Rather it was a set of 'recommendations' that would be accepted on a voluntary basis by participating countries;
- the provision for external monitoring of national systems was so feeble that the NGOs present at the meeting insisted that they be disassociated from it - in writing - in any document that went forward.

The WTO issue remained outstanding at the time of writing. On one side of the debate, the US, Canada and others argued for a completely open and voluntary certification system which could not be challenged as a restriction of trade. **One the other, Switzerland, the EC and others argued that the WTO human security clause allows for restrictions.** In addition, with all the major producers and traders, and with the participation of the five permanent members of the Security Council as members of the Kimberley Process, any WTO challenge could be beaten back without difficulty, they said. The real difficulty lies not so much in making the system 'WTO-proof', but in setting up effective monitoring mechanisms and deterrents to non-compliance. In the end, these may well be trade-restrictive, so there may be no foolproof way in avoiding a WTO challenge. The irony in the WTO issue, of course, is that countries like Bangladesh and the Philippines have been trying to gain access for 25 years to Northern markets for their textiles, and have had to fight every inch of the way. But when countries like Namibia, South Africa and Botswana ask that the North block illicit diamonds being traded from non-producing countries like Gambia, Rwanda and Congo Brazzaville, they are told that it is an infringement on WTO trade policies.

For the NGOs, the idea of self-regulation was a non starter. A petition, signed by 180 NGOs in more than 25 countries, put it this way:

*Self-regulation will not work.* Too many governments, companies and individuals have already proven themselves unworthy of trust, at the expense of tens of thousands of lives. Governments and the diamond industry must produce a practical agreement *now*, and it must be an agreement with credible international monitoring provisions built into it. All countries involved in the production, movement and processing of rough diamonds *must* agree to minimum international standards, and these *must* be open to international scrutiny. Nothing less will suffice if consumers are to have the confidence they need and deserve when they purchase something as expensive and as important as a diamond.<sup>1</sup>

The outcome of all this was still in question at the time of writing, because the scheduled December 14 UN General Assembly debate on the document never occurred, ostensibly because there was insufficient time to translate it into the official languages of the United Nations. The matter was postponed until the UNGA could reconvene in March 2002.

### **Meanwhile, in the West African Rainforest**

In September 2000, the RUF attacked neighbouring Guinea from its bases in Sierra Leone. Its first attacks, on border refugee camps between Conakry and Freetown, were distractions; the most violent and concerted attacks took place further South and seemed to have two objectives. One was to neutralize Liberian dissidents in Guinea. The other was aimed at the Guinean diamond areas not far from the Liberian border. It was a carbon copy of what Charles Taylor had done in Liberia in 1989 and what Foday Sankoh had done in Sierra Leone in 1991.<sup>2</sup> In this case, however, the Guinean army fought back and bloodied the invaders. Not long afterwards, dissident elements began to harass Liberian forces within Liberia.

Earlier, the UN Security Council Expert Panel on Sierra Leone had made several recommendations regarding Liberia; some of these were accepted and implemented by the Security Council in May 2001. A ban was placed on all diamond exports from Liberia, putting an end to that particular fiction. Charles Taylor, his family, his entire cabinet and other senior government officials were placed under a travel ban (subsequently refined and renewed in December 2001). Liberian-registry aircraft, widely used for sanctions-busting throughout Africa, were grounded. And a new weapons embargo was placed on Liberia. Earlier, \$40 million worth of EC aid had been held up under Articles 96 and 97 of the Cotonou Agreement, which relate to corruption and human rights abuse.

Taylor, embattled, embarrassed, and short of weaponry, cut back on his support for the RUF. By then it had become clear to the RUF that the large UN peacekeeping force now in Sierra Leone, backed by independent British military units, meant that they were unlikely ever to take power. A tentative peace agreement signed in May 2001 led to the gradual disarmament of the RUF and other non-state combatants, and an incremental ending of RUF hegemony over the diamond areas. By the beginning of 2002, it looked as though the story might have a happy ending. Certainly that is what average Sierra Leoneans and Liberians hoped for. When he declared the war to be officially over in January 2002, Sierra Leone's President Kabbah warned about the unchecked danger of illicit weapons and the unresolved problem of illicit diamonds. (He might

also have mentioned the danger of Charles Taylor and the small matter of creating a state that can provide security, justice, development and jobs for its people.)

But the story does not end there. Cut off from Sierra Leone's diamond wealth and harassed by increasingly effective Liberian dissidents now operating inside Liberia, Charles Taylor returned to his original cash cow: timber. In the 1990s, Liberia was home to the largest remaining area of the Upper Guinean Ecosystem, with about half of what was left in the sub continent. Liberia also had as much as 45 per cent of its original forest cover, harbouring many species of flora and fauna that have become extinct elsewhere. Trees, therefore, were just asking to be cut down, and Charles Taylor did not need international approbation and UN diamond sanctions to prompt his return to timber exports.

As soon as he gained the Presidency in 1997, Taylor had begun a more formal exploitation of this critical resource. By 2000 there were more than 20 companies involved in timber extraction. (Most, however, were either subsidiaries or fictional creations of five primary companies, created for the purpose of disguising statistics, kickbacks and actual payroll costs.) Several of the firms had created armed militia in order to protect their operations from bandits and from local populations, horrified at the extension of destructive logging highways into pristine forest lands. Some of the companies have been involved in illegal weapons imports, both for their own use and for the government. The well-documented example of Exotic Tropical Timber Enterprise is a case in point. Its principal, an Israeli of Ukrainian origin, Leonid Minin, was - until his arrest in Italy for drug possession - directly involved in weapons trafficking, as well as financial kickbacks to officials of the Liberian Forest Development Authority (FDA) and the Taylor family.<sup>3</sup> The largest of the timber companies, Oriental Timber Corporation (OTC), has also been involved in weapons deals. The company's President, Gus Kouwenhoven, had assisted Taylor with logging and weapons operations during his warlord days, and this expanded exponentially after 1997. Much of OTC's current ownership is Hong Kong-based, with principals in Indonesia.<sup>4</sup> The 2001 UN Security Council Expert Panel on Liberia reported a payment of \$500,000 for weapons from the Singapore accounts of an OTC mother company, through Liberian government officials.<sup>5</sup>

These documented cases and others are the tip of a massive iceberg. The magnitude of the iceberg can be surmised from the size of the overall Liberian timber operation, the value of the logs being exported, and the minuscule proportion of the income that actually enters the national accounts of the country. In 1998, timber production was reported to be 157,000 m<sup>3</sup>. The following year it had doubled, and by 2000 it had grown by a factor of six, to 934,000 m<sup>3</sup>, worth an estimated \$106 million. During the first half of 2001, there was a 30 per cent increase on the previous year.<sup>6</sup> These represent official figures; informal estimates are as much as 200 per cent higher. And while tax revenue on the officially recorded exports should have been something like \$25 million in 2000, only \$6.7 million was recorded. The UN Security Council Expert Panel saw this as 'a significant diversion of the timber revenue for extra budgetary activities'.<sup>7</sup> They were not the first. According to the IMF, expenditure by the Office of the President consumed 28 per cent of total government outlays in the first half of 2000, much of it for security purposes.<sup>8</sup> And the IMF repeated earlier concerns about 'off-budget expenditure' in a September 2000 report: 'The use of tax offsets and credits to new forestry concessions has recently become an important means of off-budget expenditure... As this practice raises concerns of management and

transparency, it should be ended and the revenue allocated through existing budget procedures and accounts.’<sup>9</sup>

The UN Security Council Expert Panel reporting on Sierra Leone in December 2000, recommended an embargo on Liberian timber exports, arguing that the ‘off-budget’ proceeds from timber exports, along with diamonds, was helping to finance Taylor’s military support for the RUF. France and China objected to the inclusion of timber sanctions in the Security Council resolution on Liberia. It was argued that this would hurt ordinary Liberians. The subsequent UN Expert Panel on Liberia was charged with a more detailed examination of the issue. Two weeks before it could report in October 2001, however, the Secretary General submitted a separate report to the Security Council, prepared on his behalf by the UN Office for the Coordination of Humanitarian Affairs (OCHA). This report said that timber sanctions would cost 10,000 ‘relatively well-paid jobs’ in Liberia, they would deprive the government of important tax revenue (to be used, *inter alia*, for the renovation of a college in Maryland County), they would shut down secondary industries, and they would negatively affect the construction and maintenance of ‘most of the roads in remote areas of Liberia’.<sup>10</sup> Typical of the traditional, and some might say myopic humanitarian focus, the report failed to mention the long-term economic impact of clear cutting, the embezzlement of funds and the use to which they were being put, or the environmental impact of the broad logging roads cutting wide swathes through virgin forest lands. The report - written by people thinking primarily of generalized sanctions in Iraq - simply repeated Liberian government claims, exaggerating the potential job loss by a factor of two.

The report echoed the crocodile tears that had been shed earlier in the year by China and France, concerned about the economic impact of a timber ban on ‘ordinary Liberians’. Coincidentally, 50 per cent of official Liberian timber exports in 2000 went to China, and 26 per cent went to France. ‘Of course we also import timber from Liberia, but that is not our concern; we just want to find a proper balance between humanitarian issues and the possible link between natural resources and arms,’ a Chinese official said,<sup>11</sup> without saying what that ‘proper balance’ might be. Similarly, a French official at the UN said ‘We are completely open to imposing sanctions on timber (and rubber), if the link with arms is proved.’<sup>12</sup>

The Expert Panel that reported two weeks after the Secretary General’s OCHA report offered considerable proof. And it recommended that the IMF should commission a detailed report on revenue from timber concessions in order to determine more clearly the discrepancy between official and unofficial revenue from timber exports. It recommended a UN ban on all round log exports starting in July 2002, encouraging local operators to diversify into wood processing before that date. At the time of writing (January 2002), no action had been taken on this recommendation.

### **Conclusions: The Role of Aid**

David Keen points out that wars have not always been fought for political or strategic reasons. Since medieval times if not before, armies and their backers have regularly fought for material profit - to feed themselves, to gain long-term economic advantage, to make money under the cover of war.<sup>13</sup> This aspect of war has been largely overlooked by today’s humanitarian agencies,

and even by economists (who should have known better) in bilateral and multilateral aid agencies.

A newer school of research has attempted to rectify this problem and to quantify the various elements that make one country more vulnerable to civil conflict than another. A World Bank study has found that among the characteristics of a country at risk are high levels of primary commodity dependence, geographic dispersion, ethnic concentration, low levels of educational achievement, slow economic growth and high population growth. More or fewer of these factors can be correlated with the likelihood of conflict. The World Bank analyzed 78 civil wars in 161 countries over a period of time, and found, for example, that a country with a primary commodity dependence of 32 per cent or more runs a 22 per cent higher risk of conflict than a country that is in other ways 'ordinary'.<sup>14</sup> By adding or subtracting other factors in the equation, conflict becomes more (or less) predictable.

This is a bit like saying that there is a high correlation between automobile breakdown and the age of the vehicle, the amount of maintenance it has had, the skill of the driver, and how much fuel is in the tank. The range of possibilities aside, however, a question arises about the distinction to be made between opportunity and motive. In the case of a country with 26 per cent or higher dependence on diamonds or timber and clearly descending into conflict, would diamonds or timber be expected to represent the opportunity, or the motive?

If the answer is opportunity, the implication is that the diamonds or the timber must be both available and negotiable. Availability suggests monitoring and control weakness in producing countries (or in the case of Liberia, overt government collusion). Negotiability implies a lack of interest and/or monitoring and control weakness in trading and consuming countries. These are largely issues of governance, having little to do with the value of the commodity or the volume of trade. The question thus becomes one of weighing opportunity and motivation, or as a recent study more graphically expresses it, of trying to distinguish between greed and grievance.<sup>15</sup> There is a growing realization that gangsters such as Foday Sankoh and Charles Taylor are motivated more by the former than the latter, but sometimes the argument swings too far. Even homicidal killers have grievances.

By and large, the aid community has done little to confront these new appreciations of what motivates and fuels conflict. As noted earlier, the IMF and World Bank may have made matters worse during the 1980s in Sierra Leone by their narrow view of the country's economy. They and other donors have since withheld funds to both Sierra Leone and Liberia because of mismanagement, human rights abuse and war. And the IMF has complained about Taylor's diversion of timber income to his own uses. But direct intervention by aid agencies in the diamond and timber issues has been very limited. Few, if any bilateral or multilateral aid agencies have attended any of the meetings of the Kimberley Process. These meetings seemed to be of interest only to foreign and trade ministries.

USAID and DFID have supported various efforts in Sierra Leone to promote security and improved local benefits in the diamond areas. They and Belgium have also assisted in the development of a diamond export certificate for Sierra Leone. NGOs and civil rights activists in Liberia and Sierra Leone have received funding from Northern NGOs and from bilateral aid

agencies, concerned about the issues they work on as well as the broader need to build stronger civil societies. And the most active Northern NGO campaigners, Global Witness and Partnership Africa Canada have received generous funding from official and non governmental aid agencies in Europe and North America. In all this, the contours of new approaches to dealing with conflict may be discerned, based on an appreciation that wars like those in Sierra Leone and Liberia cannot be solved unless their underlying economic logic is addressed. If it becomes more robust, this approach would build on growing aid investments in good governance, the rule of law and a robust civil society.

Given the size of the problem, however, the 'aid' input in this direction has so far been tiny - probably less than the cost of maintaining the UNAMSIL peacekeeping force in Sierra Leone for a week. It has certainly been tiny in proportion to the cost of dealing with half a million refugees throughout the region, and to the costs - if money is ever found for it - of rebuilding the shattered lives and economies of Sierra Leone, Liberia and Guinea.

And aid continues to flow to countries that have assisted Charles Taylor and the RUF, as well as to countries named and supposedly 'shamed' by the UN Expert Panels - Burkina Faso, Togo, Côte d'Ivoire, Gambia and others.

The conflict diamond campaign is still a work in progress, but as it began to show signs of success, it was said by some that diamonds were 'easy': diamonds have popular appeal and media allure. The lessons here could not be applied to, say, timber. This is only partly true. The Kimberley Process was able to convene 11 meetings on the subject of an international diamond certification process because:

- by early 2000, the media publicity generated by NGOs on conflict diamonds was becoming a serious worry to the diamond industry and diamond producing countries;
- the diamond industry decided to end its denial of the problem and to become engaged in trying to find solutions;
- one producing country (South Africa) championed the cause, and other producing countries (notably Namibia and Botswana) provided important backing. The UK and Belgium also played important roles in trying to advance the agenda;
- the brutality of Sierra Leone's RUF and its single-minded focus on diamonds helped bring the issue to wider media attention;
- the kidnapping of 500 UN peacekeepers by the RUF in May 2000 threatened the entire peacekeeping operation and the viability of the UN as a peacekeeping organization; greater Security Council attention was given to diamonds in the wake of this event, and the creation of independent 'Expert Panels' added to the evidence on conflict diamonds, as well as to the publicity.

The unevenness of the Kimberley Process and its as-yet uncertain outcome reflects different levels of interest and commitment among its participants. The strength of the process was its inclusivity. NGOs and senior industry executives attended all meetings, and were encouraged to participate as fully as government representatives. There was no North-South divide: there were as many governments from developing countries as there were from the North. NGOs from Europe, North America and Africa participated; industry was represented by Americans, Europeans and Africans, including De Beers, Belgium's Diamond High Council and the Jewelers of America.

There are additional lessons that emerge from the two ‘conflict commodities’ in West Africa. One is about fungibility between resources. Once the basic lesson of economic plunder has been learned, it can be transferred from timber to diamonds and back again, as in the case of Liberia. The lesson is not so much about timber or diamonds as about the cash they can produce, and the fact that foreign ‘entrepreneurs’ and ‘investors’ seem easy enough to find, even in the most harrowing of circumstances. The second, where aid is concerned, has to do with doctrinaire ideas about the role of government and the private sector. One size does not fit all. Denationalization makes little sense if badly managed government assets are simply handed over to criminals, as was the case in Sierra Leone. In Botswana, joint government-De Beers ownership of the world’s richest diamond mines has not led to corruption or inefficiency. In fact the result is quite the opposite. And a final lesson has to do with sanctions. Pointed sanctions on Liberia were successful in persuading Charles Taylor to reduce his support for the RUF. Timber sanctions might achieve even more, although a Pavlovian humanitarian impulse has so far prevented it.\*

Where the diamond certification process was concerned, the most important factor, perhaps, was the decision of the formal diamond industry - led by De Beers and Belgium’s Diamond High Council (each with very high stakes in protecting their industry, and each with a high degree of influence within the industry), to become involved in the search for solutions. The certification idea will only work, however, if it has teeth, and if governments and the industry are willing to expose the smuggling and cheating that has been rampant in the diamond industry for years - the cover under which conflict diamonds first arose. It must cover the entire industry and all producing and trading countries. Leaving ‘a few’ out provides loopholes and back doors for thieves. The same can be said for the various certification systems that have been developed for commercial forestry.<sup>1</sup> The bottom feeders in the private sector that have taken advantage of Sierra Leone’s diamonds are the same sort - in some cases the same individuals - that have taken advantage of Liberia’s great forests. They do not follow rules unless they are forced to, and if the new rules (as well as the old rules - of which there are still plenty) are not enforced, little will change.

## NOTES

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<sup>1</sup> Keen David, ‘War as a Source of Losses and Gains’, Queen Elizabeth House, Oxford, July 1995

<sup>2</sup> Ellis, Stephen, *The Mask of Anarchy*, Hurst and Company, London, 1999, pp. 90-91

<sup>3</sup> Belgian diamond import figures are derived from statistics produced by the Diamond High Council in Antwerp. Many of these diamonds came from outside the region, their traffickers using Liberia - and sometimes just its name - as a convenient entrepôt.

<sup>4</sup> *Ibid.*

<sup>5</sup> Kaplan, Robert D., ‘The Coming Anarchy’, *The Atlantic Monthly*, February 1994.

<sup>6</sup> Smillie, Ian, Gberie, Lansana, Hazleton, Ralph, *The Heart of the Matter: Sierra Leone, Diamonds and Human Security*, Partnership Africa Canada, Ottawa, 2000, p. 9

<sup>7</sup> The NGOs in question were, of course, supported by others. Partnership Africa Canada received support for its Sierra Leone study from the Canadian Department of Foreign Affairs and from 14 other NGOs.

<sup>8</sup> Reno, William, *Corruption and State Politics in Sierra Leone*, Cambridge University Press, 1995, p. 19

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- <sup>9</sup> For more on this, see Le Billon, Philippe, 'Fueling War or Buying Peace: The Role of Corruption in Conflicts', WIDER, UN University, August 2001; and Bøås, Morten, 'Liberia and Sierra Leone - Dead Ringers? The Logic of Neopatrimonial Rule' *Third World Quarterly*, Vol. 22, No. 5, 2001
- <sup>10</sup> The sad story of the IMF/World Bank contribution to state collapse is told at length in Reno, *op cit*
- <sup>11</sup> Kaldor, Mary, *New and Old Wars: Organized Violence in a Global Era*, Stanford University Press, Stanford, 1999, p. 83
- <sup>12</sup> UN Security Council, S/2000/1195, December 2000, p. 28
- <sup>13</sup> UN Security Council, S/2000/203, March 2000
- <sup>14</sup> URL: [www.diamonds.net](http://www.diamonds.net)
- <sup>15</sup> Rapaport, Martin, 'Guilt Trip', *Rapaport Diamond Report*, Vol. 23, No. 1, April 7, 2000
- <sup>1</sup> Draft NGO statement for the London Kimberley Process Meeting, September, 2001
- <sup>2</sup> The full background and details of the attacks can be found in Gberie, Lansana, *Destabilizing Guinea: Diamonds, Charles Taylor and the Potential for Wider Human Catastrophe*, Partnership Africa Canada, Ottawa, 2001
- <sup>3</sup> The case is documented in Global Witness, *Taylor-made: The Pivotal Role of Liberia's Forests and Flag of Convenience in Regional Conflict*, London, 2001, pp. 9-10; and in the UN Security Council Expert Panel Report on Liberia, S/2001/1015, Oct. 26, 2001, pp. 74-5
- <sup>4</sup> UNSC Document S/2001/1015, October 26, 2001, p. 72
- <sup>5</sup> *Ibid.*, p. 75
- <sup>6</sup> Global Witness, *op cit*, p. 3
- <sup>7</sup> UNSC Document S/2001/1015, October 26, 2001, p. 71
- <sup>8</sup> IMF, 'Liberia, Concluding Statement IMF Staff Visit To Review January-June 2000 Staff Monitored Program (SMP)', May 26, 2000
- <sup>9</sup> IMF, 'Liberia -- Concluding Statement of an IMF Staff Visit To Review January-June 2000 Staff Monitored Program (SMP)' Sept. 2000
- <sup>10</sup> UN Security Council, 'Report of the Secretary-General in pursuance of paragraph 13(a) of resolution 1343 (2001) concerning Liberia', S/2001/939, Oct. 5, 2001
- <sup>11</sup> Global Witness, *op cit*, p. 17
- <sup>12</sup> *Ibid.*
- <sup>13</sup> Keen, David, 'A Rational Kind of Madness', *Oxford Development Studies*, Vol. 25, No. 1, 1997
- <sup>14</sup> Collier, Paul, and Hoefler, Anke, 'Greed & Grievance in Civil War' World Bank, October 2001, p. 12
- <sup>15</sup> Berdal, Mats and Malone, David, *Greed and Grievance: Economic Agendas in Civil Wars*, Lynne Reiner, Boulder, 2000
- \* In his famous article, 'Humanitarianism Unbound', Alex De Waal said that faced with a choice between a humanitarian response and a political response, aid agencies would always choose the humanitarian, even if the political choice might serve to end a conflict sooner.
- <sup>1</sup> For a discussion of forestry certification schemes, see , Bass, Stephen *et al*, *Certification's Impacts on Forests, Stakeholders and Supply Chains*, Earthprint, Stevenage, Hertfordshire, 2001