Engine of War: Resources, Greed, and the Predatory State

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Internal armed conflict in resource-rich countries is a major cause of human rights violations around the world. An influential World Bank thesis states that the availability of portable, high-value resources is an important reason that rebel groups form and civil wars break out, and that to end the abuses one needs to target rebel group financing. The focus is on rebel groups, and the thesis is that greed, rather than grievance alone, impels peoples toward internal armed conflict.

Although examination of the nexus between resources, revenues, and civil war is critically important, the picture as presented in the just-described "greed vs. grievance" theory is distorted by an overemphasis on the impact of resources on rebel group behavior and insufficient attention to how government mismanagement of resources and revenues fuels conflict and human rights abuses. As argued here, if the international community is serious about curbing conflict and related rights abuses in resource-rich countries, it should insist on greater transparency in government revenues and expenditures and more rigorous enforcement of punitive measures against governments that seek to profit from conflict.

The "Greed vs. Grievance" Theory

Civil wars and conflict have taken a horrific toll on civilians throughout the world. Killings, maiming, forced conscription, the use of child soldiers, sexual abuse, and other atrocities characterize numerous past and ongoing conflicts. The level of violence has prompted increased scrutiny of the causes of such wars. In this context, the financing of conflict through natural resource exploitation has received increased scrutiny over the last few years.

One theory influential in World Bank circles is that countries with abundant natural resources are more prone to violent conflict than those without, and that insurgent groups are more likely motivated by control over resources than by actual political differences with government authorities, ethnic divisions, or other factors typically viewed as root causes of civil war. Paul Collier, formerly the head of the World Bank's development research group, now a professor at Oxford University and one of the strongest proponents of this theory, says, "[e]thnic tensions and ancient political feuds are not starting civil wars around the world…economic forces such as entrenched poverty and the trade in natural resources are the true culprits. The solution? Curb rebel financing, jump-start economic growth in vulnerable regions, and provide a robust military presence in nations emerging from conflict."

The civil wars in Angola, Colombia, Democratic Republic of Congo (DRC), Liberia, and Sierra Leone are often cited as examples of this dynamic. In Angola, the National Union for the Total Independence of Angola (União Nacional para a Independência Total de Angola, UNITA) financed its war largely through the taxation and encouragement of the illicit trade in diamonds from the mid-1990s until the war ended in 2002. The Revolutionary United Front (RUF) in Sierra Leone also financed itself by trading in illicit diamonds. In the DRC, control of diamonds, coltan, and timber has been a powerful incentive to prolong the country's vicious civil war. Collier has also classified the illegal drug trade and kidnapping for profit—predominantly by rebel groups in Colombia—as part of this equation. It is undeniable that non-state actors have financed warfare through trade in resources. Successive U.N. investigative panels monitoring UNITA's sanctions-busting in Angola, for example, reported that UNITA earned approximately U.S.$300 million a year from illicit diamond sales between 1999 and 2002.

The greed vs. grievance theory is provocative and compelling to a point. Even on its own terms, however, there are weaknesses. First, there is evidence that greed is often not the determinative motive for rebel group behavior. El Salvador and Sri Lanka, for example, have endured brutal civil wars where resources were not a factor. Cynical exploitation of ethnicity has been a driving force behind conflicts in Rwanda and Côte d'Ivoire. Colombia's civil war existed long before the cocaine boom in the late 1970s and kidnapping in the 1990s, and even the civil war in resource-rich Angola began some twenty years before UNITA started to finance itself with illicit diamond sales in the mid-1990s. Indeed, UNITA agreed to a ceasefire roughly two months after the death of Jonas Savimbi in February 2002, even though U.N. investigators estimated that UNITA was still able to earn as much as U.S. $1 million per day from illicit diamond sales. Had greed been the primary motive of the rebels, they could have continued to fight for much longer to the detriment of the country and civilians caught in the middle of the conflict. This suggests that funding from commodities was secondary to Savimbi's larger goal of defeating the Angolan government, and was not much of a factor in UNITA's choice to end the war after Savimbi's death.

Another aspect of the problem is that many of the actions and aims of armed groups engaged in combat with a government are by definition illegal, and so such groups are naturally prone to seek extralegal financing for their activities. Absent an international patron state willing to finance weapons purchases and the like (as was common during the Cold War), they tap into illicit sources of financing in much the same way as organized criminal and terrorist networks smuggle and trade in contraband. UNITA's leader Jonas Savimbi only in 1994 authorized significant centralized investment in diamond mining, following a complete cessation of U.S. and South African overt and covert aid that had been given to the rebels since the mid-1970s.

A missing element in this greed vs. grievance theory, however, is the role that governments of resource-rich states play. Too often, government control of important resources and the revenues that flow from those resources goes hand-in-hand with endemic corruption, a culture of impunity, weak rule of law, and inequitable distribution of public resources. These factors often lead to governments with unaccountable power that routinely commit human rights abuses; they can also make prolonged armed conflict more likely. The remainder of this essay examines three different aspects of this dynamic.

First, control over resources gives such governments a strong incentive to maintain power, even at the expense of public welfare and the rights of the population. In many resource-rich countries, governments are abusive, unaccountable, and corrupt, and they grossly mismanage the economy. Rather than representing the citizenry, the government becomes predatory, committing abuses to maintain power and controlling the resources of the state for the benefit of a few. Researchers at the World Bank sometimes refer to these governments as "Predatory Autocracies," where:

> [S]tate power faces few constraints and the exploitation of public and private resources for the gain of elite interests is embedded in institutionalized practices with greater continuity of individual leaders. Such regimes are nontransparent and corrupt…little financial and human capital flows into productive occupations, whose returns are depressed by a dysfunctional environment.

The government of Angola, largely dependent on oil during the latter years of its war with UNITA, is one example of such an unaccountable, predatory state. The roots of the Angolan civil war were political, influenced by the dynamics of the Cold War and divisions among the former nationalist movements. The Angolan government enjoyed significant military assistance from the Soviet Union and Cuba and conducted a semi-conventional war against UNITA, which in turn was supported by its apartheid South

Africa backers and encouraged by the West. However, this conflict had been transformed into a low intensity conflict by the end of 1998, and the government of Angola increasingly took on the attributes of a predatory state. During the last years of the war, huge sums of money simply unaccountably disappeared from government coffers, and the population grew ever more impoverished.

Second, unaccountable governments with large revenue streams at their disposal have multiple opportunities to divert funds for illegal purposes. When such a government is involved in armed conflict, the resulting rights abuses can be horrific. The example of the Liberian government under Charles Taylor, as explained below, is a case in point. Relying on off-budget accounts, the Taylor government funded both illegal arms purchases and illegal supplies of arms to rebels in neighboring Sierra Leone, who at the time were subject to a U.N. arms embargo. It took stringent international enforcement of the embargo to put an end to the Liberian government's illegal activities.

Third, armed conflict can be exacerbated by the actions of third-party governments seeking to profit from resource-rich neighbors. A prime example, detailed below, is the way in which both Ugandan and Rwandan governments have intervened in the conflict in DRC, a conflict that itself has been impelled by competition for lucrative resources. (The involvement of Charles Taylor's forces in Sierra Leone's conflict and in western Côte d'Ivoire from September 2002 to mid-2003 was also driven in part by a desire to obtain control of such resources. The incursion into Côte d'Ivoire also fostered individual greed: Taylor's forces resorted to looting in lieu of pay.)

The international community has an important role to play in combating such abuse. Because the problem of abusive, resource-rich states has both economic and political dimensions, a solution requires action by international financial institutions, governments, and corporations to ensure greater transparency and accountability, and, during active conflict, to strengthen enforcement of arms embargoes and sanctions regimes that target known abusers—governments and non-state actors alike.

Angola: Lack of Transparency and Accountability

The Angolan government is notorious for having long mismanaged its substantial oil revenues, especially during the final years of its long conflict with UNITA, when oil was the main source of government funding. In 1999, for example, at a time of a renewed offensives, about 88 percent of the government's total revenue came from oil—more than U.S.$4 billion. In addition to the substantial revenues that went into the war effort, some U.S.$1.1 billion, nearly 20 percent of the country's Gross Domestic Product (GDP), simply disappeared from government coffers in the same year, much of it likely siphoned off through corruption. In its *Country Reports on Human Rights Practices* for 1999, the U.S. State Department noted, "[t]he country's wealth continued to be concentrated in the hands of a small elite whose members used government positions for massive personal enrichment, and corruption continued to be a common practice at all levels."

Despite the substantial revenue inflows, the government in these last years did little for the Angolan population during these years and showed little respect for human rights. Living conditions for millions of Angolans were dismal, and the government made little effort to win over civilians through any type of hearts-and-minds tactics. Government forces routinely resorted to arbitrary arrests and detentions; restricted freedom of expression, assembly, association, and movement; committed extrajudicial killings; "disappeared" people; and engaged in torture and rape.

Essential services and institutions also suffered. The country ranked 160th out of 174 countries in the United Nations Development Programme's Human Development Index (HDI). Some one million people were internally displaced. In 1999 alone, some 3.7 million people, including internally displaced persons, required U.N. or NGO humanitarian assistance, as government assistance was woefully inadequate. Few courts actually functioned. As recently as 2003, the International Bar Association found that only twenty-three municipal courts physically functioned out of the 168 that were supposed to exist. The government even routinely failed to pay salaries of many of its security forces and allowed security personnel to extort the civilian population with virtual impunity.

In recent years, funds lost to corruption or otherwise unaccounted for far exceeded the amount spent on the population. For example, if one combines all government social spending in 1999 with funds spent under the U.N. Interagency Appeal (which funded U.N. programs in the country and most NGO humanitarian programs), the total comes to approximately U.S.$320 million. That is about U.S.$780 million less than the amount of money that disappeared in 1999. The lives of millions of Angolans could have been improved if at least some of those funds had been used for humanitarian purposes, to reconstitute the judiciary, or pay salaries of security forces. The diversion of funds on such a scale violated the government's commitments under the International Covenant on Economic, Social, and Cultural Rights to "progressively realize" the population's rights to health and education. Throughout the conflict, moreover, it was difficult if not impossible for Angolans to exercise any control over the government's use of public funds because freedom of expression was restricted and basic information simply was not made available.

Although the war with UNITA has ended, a conflict in Cabinda province continues. A major concern is that if Angolans do not see the benefits of their sizable natural wealth, the country may not slide into war, but into lawlessness. Angola has a great potential for improvements in human rights and social development, but if the status quo persists, then that squandered potential could lead to future grievances and prevent the resolution of current ones.

Liberia: Misuse of Resource Revenues for Sanctions-Busting

Unaccountable governments with large revenue streams at their disposal have multiple opportunities to divert funds for illegal purposes. Relying on off-budget accounts, the Taylor government in Liberia fomented national and regional instability by providing arms and other support to a vicious rebel group, the Revolutionary United Front (RUF), in neighboring Sierra Leone and rebel groups in western Côte D'Ivoire, as well as to fund its own war within Liberia. Meanwhile, Liberia remained one of the poorest countries in the world.

Despite international arms embargoes, the Taylor government spent millions for his own wars and to supply the RUF, using revenue from government-controlled diamond and timber sales, and from monies diverted from Liberia's lucrative maritime registry. An arms embargo was placed on all parties to the civil war in Liberia in 1992 after the Economic Community of West African States intervened militarily in large part to prevent Taylor, at the time leader of rebel forces known as the National Patriotic Front for Liberia, from taking power. The sanctions remained in effect when Taylor subsequently was elected president of Liberia in 1997 but were largely ineffective because they were poorly enforced. It was only after the U.N. Security Council introduced a new expanded package of sanctions in May 2001, this time accompanied by a serious international enforcement effort, that Taylor's predatory behavior was checked.

For years, Taylor used illicit funds to pay for the illegal weapons. Liberia's weapons purchases from 1999 to 2003, for example, were mainly financed by off-budget spending by the Liberian government. Taylor favored maintaining major off-budget agencies—the Bureau of Maritime Affairs (BMA), the Forestry Development Authority (FDA) and the

Liberia Petroleum Refining Company — headed by his close associates. While neither the BMA nor FDA published its financial accounts or provided financial information, the IMF estimated that, in 2002, off-budget revenues from shipping and timber totaled about U.S.$26 million, some 36 percent of the government's total revenue and almost six times what the government spent on education and health.

Taylor was able to secretly divert these funds until U.N. investigative panels were constituted to monitor sanctions-busting by the government. In March 2001, the U.N. Security Council decided to approve new sanctions on Liberia to start in May 2001. The sanctions were in response to a report presented by the Panel of Experts on Liberia established to monitor sanctions applied to the RUF and other forces operating in Sierra Leone. The basis for these sanctions was President Taylor's support for the RUF in Sierra Leone in violation of the existing sanctions. Security Council Resolution 1343, passed in March 2001, reauthorized the arms embargo on Liberia; imposed a travel ban on key officials, their spouses, and business associates; called on U.N. member states to freeze all financial assets of the RUF; and called for the expulsion of RUF members from Liberia. An embargo was also imposed on all of Liberia's diamond exports, and in July 2003 a timber embargo was added.

The panel examined the Taylor government's misuse of maritime revenues in order to violate sanctions. Liberia today has the second-largest maritime fleet in the world, and in 2002, maritime revenue constituted about 18 percent of government revenue—about U.S.$13 million. The U.S.-based Liberian International Shipping and Corporate Registry used off-budget accounts to pay U.S.$925,000 for illegal arms and other prohibited items at the request of the government in 2000, a period when Liberia was still deeply involved in supporting the RUF and had also launched incursions into neighboring Guinea. Nathanial Barnes, finance minister from September 1999 to July 2002, admitted, "revenue was largely diverted," for the "war effort. But there was no kind of accountability." At least U.S.$1.6 million of maritime revenue was used for sanctions-busting from 2000 through 2001.

Timber revenue was also problematic. The U.N. Liberia panel of experts was able to document how Taylor used these resources to violate sanctions. In one case, the panel documented nine payment instructions for a total of U.S.$7.5 million from 1999 to 2001 to nine different bank accounts. These were all off-budget expenditures from the timber industry. Two of these were used as payments for defense-related expenditure.

On May 6, 2002, prior to the introduction of timber sanctions in July 2003, the U.N. Security Council passed Resolution 1408 (2002). That resolution included a requirement to audit revenues derived from the shipping registry and the Liberian timber industry in order to ensure that the revenue is used for "legitimate social, humanitarian and development purposes." It represents the first time that the Security Council has insisted upon an audit. The Security Council formally linked misuse of government revenues and sanctions busting to reducing human rights abuses and spending more resources on social programs by calling for an audit.

The Liberian government did very little in response to the resolution. It commissioned a systems and management audit, one that avoided any financial analysis. There remains an important opportunity to ensure that the timber revenues are appropriately audited and managed. The international community should encourage and provide technical assistance for a full audit and the creation of a system to ensure appropriate use of this revenue.

The Role of Uganda and Burundi in the DRC

An overlooked aspect of resources and conflict is the role of foreign governments who provide political, material, financial, or military support to rebel groups and governments in furtherance of their own economic interests. The presence of natural resources, particularly strategically important resources such as oil, colors the way foreign governments deal with resource-rich states and rebel groups. They may downplay human rights abuses or poor governance in order to maintaining cordial relations with a commodity provider. In some cases, they may engage in the conflict directly or through proxies in order to secure resources. This is nothing new; it was a mainstay of colonial and Cold War politics. For example, in a 1975 National Security Council meeting during the Nixon presidency, senior U.S. officials discussed which of the various factions in Angola to support, either directly or through allies such as Zaire's dictator Mobutu Sese Seko, once the Portuguese withdrew from the country. In considering options, Secretary of Defense James Schlesinger suggested, "[w]e might wish to encourage the disintegration of Angola. Cabinda in the clutches of Mobutu would mean far greater security of the petroleum resources." The enclave Cabinda was and remains Angola's largest area of oil production.

While Mobutu did not end up with Cabinda, his plunder of state resources in Zaire (now the Democratic Republic of Congo) helped create the conditions that led to the country's civil war. The cycle continues. In the DRC today, warring factions backed by neighboring Uganda and Rwanda, among other governments, have ruthlessly exploited the country's natural resources and in some cases, repatriated them. More than three million people have died directly or indirectly as a consequence of war since 1998, and all parties to this complex conflict have been implicated in gross and systematic abuses.

Uganda has benefited from the DRC's gold and diamonds. According to the U.N. Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth in the DRC, Uganda has no diamonds but became a diamond exporter after it had occupied diamond-rich areas in the DRC. Similarly, the panel reported that Uganda's gold exports dramatically increased after its involvement in the conflict. Uganda also backed insurgents in the eastern Ituri region and played a direct role in combat there. Ituri is rich in gold reserves, and the dispute in part involved control of those resources. The Ugandan economy significantly benefited from the re-exportation of gold, diamonds, coltan, timber, and coffee, and commodity sales significantly improved the country's balance of payments. Uganda is often cited as an economic success story in Africa, a model of economic growth and a country committed to poverty reduction, but there has been little scrutiny by international financial institutions (IFIs) regarding the role of its illegal exploitation of resources in the DRC in bolstering its economy. The U.N. Panel reported in 2001:

> [T]he illegal exploitation of gold in the Democratic Republic of the Congo brought a significant improvement in the balance of payments of Uganda. This in turn gave multilateral donors, especially the IMF, which was monitoring the Ugandan treasury situation, more confidence in the Ugandan economy … [illegal exploitation of resources in the DRC] brought more money to the treasury through various taxes on goods, services and international trade … A detailed analysis of the structure and the evolution of the fiscal operations reveals that some sectors have done better than others, and most of those tend to be related to the agricultural and forestry sector in the Democratic Republic of the Congo.

This problem has not been publicly acknowledged by the IFIs. Thomas Dawson, the director of the IMF's External Relations Department, wrote in June 2002, "in recent years, the Ugandan government's economic policies have proven quite successful in containing inflation and promoting strong economic growth …The IMF has fully supported this program with advice and lending." In a September 2003 review of Uganda's performance under the Poverty Reduction Strategy Paper (PRSP) process, the

IMF and World Bank praised the country for its export-led growth. Although the report raised concerns about human rights and the humanitarian situation in northern Uganda, it was silent on the country's role in the DRC. Overall, it found that "the staffs of the Bank and Fund consider that, based on the PRSP annual progress report, Uganda's efforts toward implementation of the poverty reduction strategy provide adequate evidence of its continued commitment to poverty reduction, and therefore the strategy remains a sound basis for Bank and Fund concessional assistance."

The U.N. panel mentioned above also found that Rwanda, which has no diamond reserves of its own, began to export diamonds after it became involved in the war. It found that the Rwandan military financed its involvement in the DRC through commercial exploitation of resources, shareholding in businesses operating in the DRC, payments from the rebel group RCD-Goma, and taxation and protection payments from businesses operating in Rwandan-controlled areas in the DRC. Most of the revenues generated from these activities are opaque and off-budget. Uganda has been more brazen and has kept this revenue on-budget, even though the source of that revenue is considered to be illegal exploitation of another country's resources; funds are brought in through formal channels and openly included as a source of government revenue. The panel of experts further concluded that the nature of combat in the DRC was intertwined with control over resources. It noted in 2001:

> Current big battles have been fought in areas of major economic importance, towards the cobalt- and copper-rich area of Katanga and the diamond area of Mbuji Mayi. Military specialists argue that the Rwandan objective is to capture these mineral-rich areas to deprive the Government of the Democratic Republic of the Congo of the financial sources of its war effort. Without the control of this area, the Government of the Democratic Republic of the Congo cannot sustain the war. This rationale confirms that the availability of natural resources permits the continuation of the war …. In view of the current experience of the illegal exploitation of the resources of the eastern Democratic Republic of the Congo by Rwanda and Uganda, it could also be thought that the capturing of this mineral-rich area would lead to the exploitation of those resources. In that case, control of those areas by Rwanda could be seen primarily as an economic and financial objective rather than a security objective for the Rwandan borders.

The Ugandan Government established the Porter Commission on May 23, 2001 to look into the allegations of Ugandan involvement in illegal exploitation of Congolese resources.The final report was produced in November 2002, but only made public in 2003. The report exonerated the Ugandan government and its army of official involvement in such exploitation up to 2002. The Commission did, however, support the U.N. panel's findings in relation to senior Ugandan military officials.The Commission strongly recommended further investigation of diamond smuggling, stating that there was a link between senior Ugandan army members, known diamond smugglers, and a Ugandan business.

Despite these activities, no punitive measures have been taken against either Rwanda or Uganda. Nor have international financial institutions demanded audits or other scrutiny of the sources of the countries' contentious revenues.

What Can be Done

The international community should be more consistent in demanding that governments manage their resources soundly, and it should insist on compliance with arms embargoes against known abusers. International financial institutions, the U.N. Security Council, governments, and companies all have important roles to play in pressing for transparency. Each of these actors has taken some steps recently, but many current proposals either depend on voluntary compliance by the government in question or are too limited to be fully effective in promoting greater transparency and accountability.

To its credit, the IMF has been a forceful proponent of such measures in Angola and Liberia. Human Rights Watch does not take a position on the work of the international financial institutions per se but can and does examine the positive or negative impact their activities can have on human rights. Whatever one thinks of the IMF's economic prescriptions, its efforts to promote transparency in Angola and Liberia have been an important source of leverage for those interested in human rights improvements in the country. It has so far refused to enter into a program with the Angolan government until more transparency is evidenced. In Liberia, which has had its IMF voting rights and related privileges suspended, the fund has insisted that greater transparency in the use of timber and maritime revenues will be a key component of any future cooperation with the government.

However, the IMF has been inconsistent regarding transparency globally. As noted above, the IMF has been silent on Uganda's role in the DRC. It has pressed the issue with most of Africa's oil-producing countries but less so in Sudan. Even though there is considerable controversy over the government's use of its oil revenue and control over the country's southern oil fields has led to widespread human rights abuses. It has been less forceful with oil-rich Kazakhstan. The IMF urgently needs to adopt a consistent strategy to promote transparency and accountability in order to address ongoing and potential conflicts throughout the world.

The World Bank has also been moving towards a consistent approach on transparency. A two-year-long review by the World Bank assessing its role in the extractive industries has largely concluded that the bank should consistently address these issues. The Chad-Cameroon pipeline has promising transparency measures built in to it, but it is too early to tell whether they will be consistently enforced. The bank is also providing technical assistance to countries like Angola in order to help them better manage revenue. Recently, the bank approved financing for the Baku-Tbilisi-Ceyhan pipeline and has required government disclosure of oil revenues as a condition of financing. But it is less forceful in Central Asia or in Uganda on these issues. By requiring audits, accurate public disclosure of revenues and expenditures, the public in resource-rich countries could have an opportunity to exercise oversight over governments' use of public funds.

Third-party governments also have a critical role to play, particularly where institutions such as the IMF and World Bank have no leverage. Oil-producing governments often generate far more revenue than IFIs can provide, and many of those governments choose not to enter into programs with them. For example, Nigeria, Venezuela, Equatorial Guinea, Angola, and Kazakhstan do not have formal IMF programs. The U.K. government has led the Extractive Industries Transparency Initiative (EITI). The EITI is a voluntary effort that would allow for the publication of such data by both governments and companies. It involves governments, companies, IFIs, and NGOs. But as a voluntary initiative, it is wholly reliant on opaque governments to cooperate. Unless there is forceful diplomatic pressure on governments and commitment by the sponsoring governments, such as the U.K., this mechanism may not yield the desired level of transparency in countries where management of revenues has been most problematic. While some governments have been quick to support voluntary measures, there is a real need for mandatory measures and constant diplomatic pressure to promote transparency.

Companies also have a role to play. They should voluntarily endeavor to publish their payments to governments. Royal Dutch/Shell has begun to do this in Nigeria, but many companies resist voluntary disclosure out of fear of antagonizing host governments. The Publish What You Pay campaign is an NGO-led effort to make such disclosure mandatory. Although corporate disclosure without government disclosure may not yield full transparency, it would definitely enhance transparency. At a minimum, disclosure would allow interested parties to determine different sources of revenue in order to begin to determine how it is spent. However, no government has embraced mandatory disclosure at this writing. The International Finance Corporation (IFC), the private-sector lending arm of the World Bank, is considering mandatory disclosure as part of its loan agreements with extractive industry companies.

Perhaps the most important aspect of responsibly managing revenue is ensuring that it takes place regardless of whether a country is at peace, preparing for war, or engaged in conflict. Although the war in Sierra Leone is over, the misuse of diamond revenue and related corruption still means that the population is not experiencing the full benefits of its country's natural wealth. Nigeria's oil-producing Niger Delta may not be at conflict or war in the technical sense of those words; It is nonetheless anarchic and riddled with violence that stems from the fact that oil revenue has not benefited communities in the oil producing regions. Under successive dictatorships, billions of dollars of oil revenue were diverted into private hands. Moreover, oil theft and black-market sales drain tens of millions of dollars from public coffers. Such theft cannot occur without some official acquiescence because of the scale of the operations involved. Those revenues are also used to arm and equip private actors who engage in violence, in part to maintain control over those resources.

Sanctions need better monitoring and enforcement. UNITA was able to profit from illicit diamond revenue while sanctions were in force. Charles Taylor flouted longstanding arms embargoes and was not deterred until the U.N. Security Council enhanced monitoring of sanctions busting and increased enforcement of the embargoes. The international community should adopt a rigorous approach toward monitoring and enforcement of sanctions wherever a conflict takes place. A positive development is the use of investigative panels to monitor misuse of resources and sanctions busting in Angola, the Democratic Republic of Congo, Liberia, and Sierra Leone. The international community may want to consider a permanent roster of experts that can investigate these issues throughout the world, rather than ad hoc panels.

When governments actively break sanctions or embargoes, or illegally exploit the resources of a third country, the Security Council's treatment of Liberia provides a model. Security Resolution 1343 was the first time that the council imposed sanctions on one country for its refusal to comply with sanctions on another. The Liberia sanctions were essentially designed to assist the peace process in Sierra Leone. They fully achieved this objective. The diamond embargo in particular resulted in an almost complete cessation of the trade in illicit diamonds from Sierra Leone to Liberia and helped realign the trade axis to Freetown. In conjunction with sanctions, IFIs should require audits of questionable commodity flows, which they are already empowered to do by their existing mandates, and should push for compensation of or repayment to countries from which resources have been illegally extracted.

Conclusion

When unaccountable, resource-rich governments go to war with rebels who often seek control over the same resources, pervasive rights abuse is all but inevitable. Such abuse, in turn, can further destabilize conditions, fueling continued conflict. Factoring the greed of governments and systemic rights abuse into the "greed vs. grievance" equation does not minimize the need to hold rebel groups accountable, but it does highlight the need to ensure that governments too are transparent and accountable. Fundamentally, proper management of revenues is an economic problem, and that is why the role of IFIs is so important. But it is an economic problem that also has political dimensions and requires political solutions. Political will and pressure, including targeted U.N. sanctions where appropriate, can motivate opaque, corrupt governments to be more open and transparent. Where such pressure is lacking, as in Liberia prior to enforcement of sanctions, continued conflict, rights abuse, and extreme deprivation of civilians all too commonly are the result.