Knowledge, evidence and learning for development

Definitions, characteristics and monitoring of conflict economies

Luke Kelly
University of Manchester
10 February 2022

Question

- *How are conflict economies defined in the literature?*
- *What features do they identify in recent or contemporary conflicts?*
- *What methodologies are used to measure and monitor conflict economies?*
- *What research or programmes works on conflict economies?*

Contents

1. Summary

The idea of conflict economies is a broad concept encompassing several research angles. Definitions differ according to these focuses. Some of the main uses of the concept are to understand:

- economic analysis of the motives for and likelihood of war (e.g. a 'resource curse', corruption and patronage, or unequal distribution)
- financing of state and non-state belligerents (e.g. through 'conflict minerals' or state patronage)
- how the continuation of conflicts can be explained by rational motives including economic ones
- how conflict affects economic activity, and how conflict parties and citizens adapt

As this suggests, analysis of conflict economies may have a narrower or wider focus. It describes a number of – often interrelated – causal relationships. Some research looks at how conflict parties are funded, whereas other research considers the wider effects of conflict on economic activity, or the economic institutions and norms that facilitate conflict. The concept may be applied to different types of conflict, including interstate, intrastate, as well as forms of conflict driven by organised crime or securitised counter-terrorism policies.

Some distinctive **characteristics of war economies** are (Ballentine & Nitzschke, 2005, p. 12):

- They involve the destruction or circumvention of the formal economy and the growth of informal and black markets, effectively blurring the lines between the formal, informal, and criminal sectors and activities;
- Pillage, predation, extortion, and deliberate violence against civilians is used by combatants to acquire control over lucrative assets, capture trade networks and diaspora remittances, and exploit labour;
- War economies are highly decentralised and privatised, both in the means of coercion and in the means of production and exchange;
- Combatants increasingly rely on the licit or illicit exploitation of / trade in lucrative natural resources where these assets obtain;
- They thrive on cross-border trading networks, regional kin and ethnic groups, arms traffickers and mercenaries, as well as legally operating commercial entities, each of which may have a vested interest in the continuation of conflict and instability.

The precise nature of war economies varies from context to context and features may be more or less prominent in different cases. Research has also highlighted the importance of understanding 'coping' (how people make a living) and 'shadow' (illicit activity made easier by the conflict) alongside 'conflict' (i.e. activities specifically linked to war) economies; that economic structures may be both cause and consequence of violence (e.g. patronage-based economic systems may be a cause of conflict, and be entrenched by conflict); and that conflict economies are complex systems.

Measurements of conflict economies have ranged from econometric analysis of the relationships between conflict and natural resources, to measurement of particular resources' contributions to armed groups and supply chain analysis; to contextual analysis of the modes of production and exchange and their role in conflict.

Programmes that may be said to target conflict economies are necessarily varied. They include efforts to stymie the trade of 'conflict minerals'; economic agreements accompanying peace processes; efforts to address livelihoods for citizens and ex-combatants who might otherwise participate in illicit activities; and economic and political governance reforms. Authors highlight the importance of considering the complexity of conflict economies and the difficulty of isolating one illicit business, or focusing on security without considering livelihoods; or using economic bargaining without altering the underlying basis of patronage.

The first section of this rapid review outlines the evolution of the term and key definitions. Most of this discussion occurs in the academic literature around the early 2000s. The second looks at key characteristics of conflict economies identified in the literature, with examples where possible from both academic and grey literature. The third section briefly identifies methodologies used to measure and monitor conflict economies, as well as some current research and programmes on conflict economies, from academic literature as well as NGOs and other sources. The findings have been derived via a literature search and advice from experts in the field. Given time constraints, the report is not comprehensive. The review is gender- and disability blind.

2. Definitions of conflict economy

Definitions of the term

Goodhand (2004, p. 157) defines war economy as 'all economic activities carried out in wartime'. The terms 'war economy' and 'conflict economy' are generally interchangeable, although most authors in this review use the term 'conflict', reflecting a preference for the term to refer to intrastate conflict. Some sources seek to distinguish the two, although not much weight is put on the distinction. For instance, Eaton et al. (2019) distinguish conflict from war: 'the term 'conflict economy' is preferred to the term 'war economy' as it better reflects the wide array of actors, objectives and armed struggle' in the countries they study: Iraq, Syria, Yemen and Libya (Eaton et al., 2019). As most of the research discussed in this review is on conflicts involving multiple actors, and as most authors use the term 'conflict economy', this review follows suit, except where a quoted author says war economy.

Conflict economies are differently understood depending on:

- the type of conflict or context (e.g. international conflict, civil war or other type of latent or low-level conflict);
- the type of economic activity and how directly it is related to conflict (e.g. Goodhand (2004) uses the terms combat economy, shadow economy and coping economy);
- and the focus of analysis (e.g. how resources affect conflict; how conflict affects economic systems; how particular actors are financed).

A war economy has traditionally been understood as a 'centrally-planned economy devoted to production for a war effort' (de Waal, 2016, p. 5), such as those of the belligerents in the Second World War. **However, the term is now more commonly used to describe the economic footing of intrastate conflicts and 'new wars', including the resource bases of**

both state and non-state belligerents, and the patterns of economic activity and livelihoods that develop. This review will focus on the second definition.

One definition of a conflict economy that reflects this focus is of 'a system of producing, mobilising and allocating resources to sustain competitive and embedded violence, both directly and indirectly' (Eaton et al., 2019, p. 4).[1] Competitive violence is used 'to contest the existing distribution of power' (Eaton et al., 2019, p. 4), whereas embedded violence 'can underpin how a political settlement works, as the deals agreed between elites may revolve around who has the 'right' to use violence' (Eaton et al., 2019, p. 4). Resources may therefore be mobilised in a number of formal and informal ways, involving violence or the indirect threat of violence.

In the broadest terms, conflict economies are situated within economic explanations of conflict -e.g. the 'greed versus grievance' debate on causes of conflict. These are often set against identity-based explanations. However, most approaches now emphasise how control of resources and identity are linked (Wennmann, 2019). As a recent report puts it: 'while some groups will fight to promote or defend a particular identity, others fight for economic survival or enrichment. For many more actors, these motivations are tied together, and separating out 'greed' and 'grievance' is a difficult, if not impossible, task' (Eaton et al., 2019, p. 14). Therefore, most of the literature does not seek to explain the prevailing cause of conflict, but rather to show several causal relationships involved in the origin and continuation of conflicts and how conflicts affect economic activity. Analysis of conflict economies may show both how conflict parties are financed, or how actors use conflict to make money; as well as how ordinary people and economic processes are affected.

Many of the analytical frames for conflict economies come from the political economy of violence, a broad area of study involving several disciplines. It 'focuses on how economic issues and interests shape conflict dynamics— or on how violent conflict starts, endures, escalates, or ends' (Wennmann, 2019, p. 29). It describes a number of causal relationships within conflicts. For instance, Anderton & Carter show the following interactions between economics and conflict (Anderton & Carter, 2019, p. 17): modelling the costs and benefits of decisions to begin conflict; how economic conditions affect conflict; how conflict affects the economy; how conflict is used to appropriate wealth; the 'business organisation' of conflict; and the idea that security is a service and an important public good.

According to one recent review, four themes that are prominent in the political economy of civil wars are (Wennmann, 2019):

- the role of greed and grievance in conflict onset
- economic interests in civil wars
- the nature of conflict economies
- conflict financing

As well as explaining the causes of conflict, research on conflict economies shows how conflicts alter economic systems. One key effect of conflict is the destruction and curtailment

[1] Citing Pugh, Cooper and Goodhand (2004).

of economic activity. Much of the focus of research is on the types of economic activity that persist or develop during conflict. For instance, it is argued that 'civil wars generate unique political and economic conditions that often prove tenacious and difficult to reverse' (Bhatia, 2021, p. 2). A key theme in the literature is that conflict economies increasingly describe activities only indirectly related to conflict. Goodhand (2004) points to the **shadow** and **coping** economies as ways of describing crucial economic activities linked to conflict, although not necessarily driving conflict (e.g. as adaptations to conflict). While not direct contributors to conflict, analysis of the policy implications of coping economies nevertheless highlights that policies affected coping economies are likely to also affect conflict economies; and that efforts to curtail specifically conflict economies are likely to affect coping economies.

Building on this analysis, conflict economies can also be understood within 'conflict systems', i.e. the structures and processes that indirectly support conflict (Eaton et al., 2019; Herbert, 2022). Analysis of conflict systems can also include household and criminal violence, and structural violence or latent conflict (Herbert, 2022). A conflict system is derived from systems thinking and as such posits that individual elements respond to changes in non-linear ways and cannot easily be isolated and acted upon (Eaton et al., 2019). The boundaries between formal and informal economies are blurred so, for example, whether a law will be enforced or not is often based on personal relationships. Conflict systems support conflict but also livelihoods (Eaton et al., 2019). As a consequence of this conceptualisation, 'the networks that support war cannot easily be separated out and criminalized in relation to the networks that characterize peace' (Goodhand, 2004, p. 167).

A related concept is that of the political marketplace. Drawing on examples from the Horn of Africa, research has identified 'a system of governance where monetised transactional politics have become systematic' to the extent that they are the primary driver of decisions and trump the rule of law and institutions (de Waal, 2016, p. 1). Violence is usually a mechanism of bargaining. Conflicts arising are seldom as violent as those in situations of revolution or state building, but violence is very difficult to eradicate. Political marketplaces can lead to conflict: 'some, not all, wartime political marketplaces are war economies in the strict sense of being run for the personal enrichment of the belligerents. A mismanaged political marketplace can collapse into war that bankrupts the economy and impoverishes the belligerents' (de Waal, 2016, p. 5). The political marketplace can be used to analyse fragile and conflict-affected states and the incentives for violence in a number of states (Anten et al., 2012). As conceptualised by the London School of Economics and Political Science's Conflict Research Programme, the political marketplace sits alongside 'identity politics' and 'civicness' as a way of understanding public authority in conflict.[2] This review focuses on research addressing conflict economies specifically.

As stated above, the concept of conflict economies has been applied to intrastate conflicts since the 1990s. However, it can also be used for other types of conflict. These include (Wennmann, 2019):

- the large US-led wars in Iraq and Afghanistan, with economic facets including Western armaments and security contractors
- counter-terrorism operations, which have significant budgets in many contexts

[2] https://www.lse.ac.uk/ideas/projects/conflict-research-programme/research-framework

- criminal violence, such as organised gang violence in South and Central America.

While somewhat distinct from inter- and intra-state conflict, these nevertheless can be similarly understood through a 'focus on the interaction of formal and informal power in establishing control over political and economic resources and opportunities and how this interaction affects the dynamics of violent conflict' (Wennmann, 2019, p. 11). Indeed, conflict economies and related ideas are used to understand authoritarian states at peace, as well as fragile state not fully at war through concepts such as embedded violence or the political marketplace (Eaton et al., 2019; Anten et al., 2012).

3. Key characteristics and features

Exploitation of resources

Work by Collier and Hoeffler linked a country's dependence on natural resources to risk of conflict (from 1998, cited in Ballentine and Nitzschke, 2005, p. 13). Collier and Hoeffler argued that 'a moderate to high natural resource dependence of a country (measured in terms of primary commodity exports as part of GDP) is correlated with a higher risk of conflict' (paraphrased in Ballentine and Nitzschke, 2005, p. 13). Although the figures are widely disputed, and fail to account for many aspects of conflict, natural resources are widely acknowledged as significant in some conflicts (Ballentine and Nitzschke, 2005, p. 13).

The ease of extraction can be linked to types of conflict, with a distinction made between lootable and unlootable resources, for example. Lootable resources are 'easily exploitable and transportable by small groups of unskilled workers' (Ballentine and Nitzschke, 2005, p. 15). They are often associated with 'non-separatist' conflicts such as in Angola, Sierra Leone and Colombia (Ballentine and Nitzschke, 2005). Unlootable resources such as oil and natural gas are associated with separatist conflicts 'because the exploitation of these resources are technology and skill intensive, the benefits tend to accrue to the central government and foreign companies that provide the capital and technology required for exploitation', while fuelling local grievances, as in Bougainville (Papua New Guinea), Aceh (Indonesia), Nigeria and Sudan (Ballentine and Nitzschke, 2005, p. 15). A failure to share the resources or protect against costs can fuel grievances (Ballentine and Nitzschke, 2005, p. 15). The concept of 'obstructable' resources is used by Ross, to describe where resource transportation may be blocked (cited in Wennmann, 2019).

The role of resources is shaped by economic and political institutions and systems. In Iraq, where oil is a significant source of income, control of the state is required to benefit from oil revenues. Contracts are awarded for kickbacks. 'Political leaders also maintain relationships with state-sanctioned armed groups, which extract rents and taxes from smugglers and informal businesspeople' (Eaton et al., 2019, p. 24). While resources are divided from the capital, political parties have links to armed groups, such as the Peshmerga, Popular Mobilisation Units (PMU) and tribal groups (Eaton et al., 2019, p. 24). The Libyan state is highly dependent on oil revenues. As foreign buyers do not buy oil from non-government groups, the state has control of oil revenues. Many Libyans, including armed groups, are paid by the state, but 'competitive violence' is employed to contest divisions of resources (Eaton et al., 2019, p. 27).

The role of natural resources in war economies can be blocked or facilitated by international conditions. Studdard (2004) suggests access to natural resources is more salient since the end of the Cold War as conflict actors no longer have access to funding from the superpowers. Foreign states may place sanctions on conflict goods, such as oil or diamonds, making it harder to realise revenue from them or encouraging the development of smuggling networks.

Myanmar has shown the characteristics of a conflict economy since independence. Ethnic groups were excluded from the country's politics, spurring insurgencies. The armed groups as well as state actors use resources including poppies to support their power bases (Woods, 2018). Since the 1990s, there have been peace agreements, but they have not addressed land and resource rights, which continue to fuel conflict (Woods, 2018).

The relationship between the exploitation of Myanmar's natural resources and conflict has a number of facets. Since the ceasefires, armed groups looted resources in what may be termed 'ceasefire capitalism' (Woods, 2018). The state allowed armed groups the right to exploit resources if they renounced political aims. Poppies, timber mining and agriculture are all resources used to supported Myanmar's ethnically based armed groups (Woods, 2018). The Tatmadaw (state military) also controls economic resources. The military is expected to self-finance, which encourages it to appropriate resources. A lack of transparency aids this process. Where the state lacks legitimacy, e.g. ethnic-minority territories, its extraction of resources is confronted by hostility, which can lead to conflict. Neither Myanmar's military nor the ethnically based armed groups would benefit from civilian control of the country's natural resources (Woods, 2018).

Although much has been written about natural resources such as oil and diamonds, conflict parties have used other sources of revenue (Wennmann, 2019). These include external assistance from governments or diasporas, asset transfers from civilians, the printing and forging of money, protection rackets, landing fees, kidnapping, portfolio investments, and legitimate business ventures (Wennmann, 2019).

Conflict, coping and shadow economies

Studdard (2004) suggests that much work on conflict economies can focus unduly on activities that contribute to the conflict, or that support one side in the conflict. This may leave out many forms of economic activity less directly related to conflict, and their distinct functions. She points to the **shadow economy** and the **coping economy** (see also Goodhand, 2004). The shadow economy describes economic actors working outside of the formal economy, such as via smuggling. Such activity is made easier by conflict. Insecurity can be profitable for many actors who benefit from the 'marketisation of war' by providing security services (Ingiriis, 2020). The coping economy describes efforts to maintain livelihoods and subsistence. Studdard (2004) highlights that combat, shadow and coping economies are coexistent and linked.

However, the three types of economy cannot be easily separated. For instance, research on Afghanistan in the 2000s argued:

> there are no clear boundaries among [conflict, shadow and coping economies], and networks have developed with complex overlapping connections. Incentive systems vary at different levels of the commodity chain. For a resource-poor farmer, poppy is part of

> the coping or survival economy; for the landowner leasing his land or for the opium trader, it is part of the shadow economy; and, for commanders that tax poppy, it is part of the combat economy. Opium is simultaneously a conflict good, an "illicit" commodity and a means of survival (Goodhand, 2004, p. 164).

Criminal economies can pose challenges to peace and lead to more violence, but their eradication can itself create conditions for violence as livelihoods often depend upon activity such as poppy cultivation (Nitzschke & Studdard, 2005, pp. 229–230). Indeed, while livelihoods and conflict economies are often understood as separate areas of focus, there are strong links between the two. A recent review finds that livelihoods 'may be underpinned by structures of violence' in fragile and conflict-affected states, creating risky and unregulated work (Herbert, 2022). This can in turn increase risks of violence (Herbert, 2022). Conflict economies are therefore understood as complex systems that cannot be understood through one or two facets in isolation (Herbert, 2022).

Links between formal and informal activity are likely to change with the intensity of conflict, with increasing illicit activity and patronage. In the early stages of the conflict in Yemen, economic conditions were improved by an 'informal, technocrat-led economic truce that helped to protect pre-war economic institutions that remained highly centralised even as, in other ways, the country broke apart. Civil servants in Sanaa engaged with political leaders on both sides of the conflict and the parties quietly allowed the central bank to maintain a level of neutrality' (Crisis Group, 2022, p. 5). However, since this broke down, violence has been used more to control economic institutions and activity. Conflict parties are likely to seek control of key economic activities, thereby linking formal and informal forms of control. Yemen's economy is reliant on 'hybrid systems and networks involving state institutions, the private sector and illicit trade actors' (Eaton et al., 2019, p. 29). The Houthis 'have sought control of the main levers of the economy, including the import and distribution of basic goods, particularly fuel, via merchants with privileged access to the Houthi leadership' and taken a 'predatory approach to the private sector' (Crisis Group, 2022, pp. 30–32; Eaton et al., 2019, p. 30).

In Syria, the economy has contracted significantly since the war and more activity has come under the control of conflict parties. Contracts are given to regime loyalists and militias are allowed to loot captured areas (Eaton et al., 2019, p. 28). The informal economy has grown since the war began, with illegal activities such as kidnapping, informal financial networks and smuggling becoming more prominent during the intense phases of conflict (Eaton et al., 2019, p. 29).

Typologies of conflict

The nature of economic activity varies from context to context, can shape conflict strategies and outcomes, and evolves over time. The nature of economic activity – e.g. predatory, parasitic or extractive economies – combined with the military strategies of belligerents – e.g. expansion, contention, control – creates particular features (Wennmann, 2019, summarising Naylor, 2002). For instance, in what is termed a system of 'extraction-territorial control', 'insurgents establish control over an area from which the state is excluded' and may function as a de facto state exercising state-like functions (Wennmann, 2019, p. 8). As rebels gain more control over populations and resources, they need to 'build institutions to administer at scale' and increasingly resemble states (Wennmann, 2019). Le Billon (2001) developed a typology of resource conflicts based on four geographic characteristics (resources are concentrated/diffuse or proximate/distant to the capital) and four types of armed conflict (competition for state control, secession, rebellion, and warlordism) (summarised in Wennmann, 2019, p. 10).

A distinction can be made between embedded and competitive violence (Eaton et al., 2019). Embedded violence is defined as that underpinning 'how a political settlement works, as the deals agreed between elites may revolve around who has the "right" to use violence' (Eaton et al., 2019, p. 4).[3] Eaton et al. (2019) give the example of Iraq, where resources and patronage are controlled from Baghdad and divided along ethno-sectarian lines (albeit backed by armed groups). Competitive violence can be defined as violence 'deployed by warring elites to contest or defend the existing distribution of power' (Eaton et al., 2019, p. 4).[4] Fighting between rival armed groups for control over resources and rents, among other things, usually falls into this category' (Eaton et al., 2019). The armed groups competing for rents in Syria's transit areas are an example of this form of violence. Competitive violence is more likely to occur where there is no agreement on how resources should be divided, or the division of resources does not reflect the power balance (Eaton et al., 2019, p. 32).

Conflict economies are often understood in the context of statebuilding, peacebuilding or analysis of the causes of state failure/fragility. For instance, it is argued that in Afghanistan, a 'war economy has been both a cause and consequence of state crisis' (Goodhand, 2004, p. 155). As such, 'criminal' or 'illicit' aspects of economic activity cannot simply be targeted to remove conflict funding (Goodhand, 2004, p. 167). The economic activity during wars is often a continuation of previous forms of economic activity, and can continue after conflict. 'War economies are extremely flexible and resilient and may continue to operate after the official end of violent conflict' (Studdard, 2004, p. 4). If marginalised by a peace settlement, conflict parties may act to 'spoil' the peace by continuing to exploit their networks and resources (Studdard, 2004). Conflict economies are intertwined with complex political, regional and sub-national dynamics.

Regional dimensions

International trade and borderlands have been identified as particularly important to conflict economies (Goodhand, 2004; Bhatia, 2021; Jackson, 2006). While it is often argued that state funding for conflict parties has declined since the end of the Cold War, international trade and support remain important. In many conflicts, 'systemic cross-border networks' are an important source of funds and goods (Studdard, 2004). The trade in arms or resources can help spur violence and instability in neighbouring states (Studdard, 2004). One reason for this is that conflict goods can escape formal sanctions through transnational networks. Conflict actors can also smuggle goods to generate income by avoiding taxes (Studdard, 2004). More generally, international political economy has highlighted the global influences on conflict economies, as

[3] Adapted from Cheng, Goodhand and Meehan (2018), Synthesis Paper: Securing and Sustaining Elite Bargains that Reduce Violent Conflict.

[4] Adapted from Cheng, Goodhand and Meehan (2018), Synthesis Paper: Securing and Sustaining Elite Bargains that Reduce Violent Conflict.

resources and products are sold on global markets and conflict materiel is imported (Wennmann, 2019).

Examples include Iraq, where smuggling emerged as a significant facet of the economy following international sanctions on the country's oil. The networks developed in the 1990s have been utilised by ISIS in the 2010s, with key personnel employed by both regimes (Eaton et al., 2019, p. 25). Import fraud is a 'critical part of Libya's conflict economy' (Eaton et al., 2019, p. 27). The smuggling of refined fuel, wheat and flour are also opportunities for profit (Eaton et al., 2019, p. 27). Human smuggling and people trafficking are sources of revenue for armed actors in Libya who demand money for protection or as tax (Eaton et al., 2019, p. 27).

Internal borders are also sources of revenue through trade and taxation, as in the Democratic Republic of Congo (Jackson, 2006). In Yemen, there is evidence that 'ostensible rivals cooperating with one another to facilitate both licit and illicit trade', including the sale of arms (Eaton et al., 2019, p. 29). The seizure of Saudi-supplied war materiel is also an important source of goods for trade in both Houthi and Saudi-supported regions (Eaton et al., 2019, p. 29).

Foreign funding can be important to conflict parties, particularly where exploitable resources are not present or where economic activity has been destroyed by war. For instance, the Afghan conflict has long been driven by regional dynamics (Goodhand, 2004); and Syria and Yemen, without significant oil reserves, rely on outside funding. This can take several forms (Ballentine & Nitzschke, 2005):

- Remittances. These often contribute to the 'coping economy'.
- Humanitarian aid. Aid was over 10% of Syria's GDP in 2017 and over 5% of Yemen's (Eaton et al., 2019).
- Economic support to conflict parties. In Syria, money and goods from Iran and Russia are sources of revenue and products (Eaton et al., 2019, p. 29).

Sub-national dimensions

Eaton et al. (2019) show that national generalisations overlook important distinctions between regions and settlements. Within their study area of Iraq, Syria, Libya and Yemen, they identify a typology of sub-economies (Eaton et al., 2019, pp. 7–11):

- **Capital cities**: controlling the instruments of the state can help to control resources through key legal, economic, regulatory, political and institutions. Capital cities often have trading links with other countries. Eaton et al. (2019) note that despite the fragmentation of conflict, control of the capital city is 'the most prized asset' in Iraq, Libya, Syria and Yemen – albeit more so in the former two states. It can give access to state budgets, and therefore patronage networks. This effect is more pronounced where more economic activity is based in the capital. Control of state institutions may take direct or violent forms as when Libyan militias have infiltrated national financial institutions, or intimidated their leadership, for influence or contracts (p. 34). In Iraq, the capital is an important source of power and patronage. Revenues are divided along ethno-sectarian lines, following long-standing arrangements. There is little 'competitive violence', but the division of resources is linked to controlling instruments of force (e.g. militias).

- **Transit areas**: the division of territory between different armed actors, and with neighbouring states, creates tax revenue and arbitrage income for armed actors controlling these areas. Armed actors compete for these rents. For example, armed groups control the transit of goods between areas of Syria.
- **Oil-rich areas**: Complex supply chains, infrastructure and expertise are needed to profit from oil. Conflict actors controlling an oil-rich territory may have to co-operate with other local and international actors. Foreign states may decide not to accept oil controlled by certain conflict parties (as with the anti-government forces in Libya). ISIS only controlled some of the oil supply chain, so had to co-operate with other actors to produce and sell oil abroad.

In Myanmar, areas dominated by armed groups representing specific ethnic minorities exhibit particular characteristics (Woods, 2018). While the government of Myanmar, or the army (Tatmadaw), often controls resource exploitation, in many areas this is achieved through some degree of co-operation with armed groups (Woods, 2018). In areas bordering countries such as China, smuggling is a potential source of revenue (Woods, 2018).

4. Methodologies, research and programmes

The issues of conflict economies is broad and has therefore been approached from a number of different angles (Wennmann, 2019). The academic literature focuses on economic methods to determine the risk of conflict on the one hand; and analysis of the political economy of conflict and conflict actors, and the institutions, norms and supply chains involved. There is also a considerable NGO and policy literature on the control of conflict resources, their contribution to conflict, and efforts to regulate their sale.

Programmes targeting conflict economy come from a variety of actors and sectors, from security focused policy (e.g. targeting of oil wells or migration routes); to political processes such as elite bargaining; to disarmament, demobilisation and reintegration (DDR) for fighters; and attempts to regulate the flow of ‘conflict resources’.

Methodologies and research

Economic determinants and data

Early scholarship focused on the economic determinants of the likelihood of conflict. Collier and Hoeffler (2009) used econometric analysis to draw links between factors such as income growth, natural resource availability and risk of conflict. Scholars disagree on the precise relationship, e.g. whether particular resources or areas near resources are important, or the role of factors such as a population’s age structure and length of peace (Collier et al., 2009). A number of studies have measured the relationship between conflicts and natural resources, with measures focusing on availability and ease of extraction (Le Billon, 2009, p. 15). Some approaches use mathematical modelling to show the dynamics of conflict (Wennmann, 2019). For example, some authors use numerical measures such as ‘enduring internal rivalry’ (EIR);

data can also be produced to show the likelihood of war or peace in a given context (Anderton, 2019).[5]

Conflict resources

Following the identification of a link between natural resource dependence and conflict, and the role of particular resources in conflicts, efforts were made to identify and regulate the trade in illicit or conflict-linked goods (e.g. metals in the Democratic Republic of Congo [DRC]) (Nitzschke, 2003). Responses included ethical trading (e.g. the UN Global Compact, the Extractive Industries Transparency Initiative, and corporate social responsibility initiatives) and formal sanctions including UN commodity sanctions, the OECD Convention on Combating Bribery, the US Alien Torts Claims Act, the Dodd-Frank Act, and the Kimberley Process for diamonds (Cooper, 2006). These efforts to regulate conflict resources such as diamonds and oil have been assessed in terms of the strength and appropriateness of the regulations, their monitoring, and their effect on the ground (Addaney & Lubaale, 2021; Nitzschke & Studdard, 2005; Stoop et al., 2018).

Many of these attempts are accompanied by obligations to monitor and measure supply chains for links to conflict. Think tanks, international organisations and non-governmental organisations (NGOs) have provided methods and measures on conflict minerals. For example, International Peace Information Studies (IPIS) 'uses maps to visualise conflict actors and their areas of influence, conflict drivers such as natural resources or key territories, conflict events and severity, and contextual information.' Their maps include information on mines, whether they are certified by organisations such as ITSCI, whether armed groups are present (and which ones) and whether interference has been observed. It also collects information on arms supply chains. Problems include the undocumented nature of much of this activity, and that the 'problem of conflict financing can shift from one area to another in the course of a few months as armed groups change positions. In addition, artisanal mining is sometimes characterised by sudden large migrations of miners, following changes in security, season, production, and world market prices' and the map is therefore presented online and updated regularly (Weyns et al., 2016, p. 6). Analysis of specific conflicts has also been undertaken, such as the work of the UN Panel of Experts on the DRC's war economy in 2000.

The ICGLR Mine Site Inspection and Certification Standards seek to show whether mines are connected to conflicts or not.[6] The OECD (2016) provides guidance for companies wishing to monitor their supply chains, including potential risks of fuelling armed groups, with information on relevant legislation and factors to be measured. Although focused on the due diligence required of companies, it nevertheless points to ways in which mined goods may be linked to conflict.

Wennmann (2019) argues that it is important to measure the mobilisation costs of resources in assessing their role in conflict, i.e. measure both the income generated and how far it contributes to conflict efforts. A number of research projects seek to assess this. The Enough Project seeks to supply data on supply chains for metals and minerals, and whether they contribute to conflicts.

[5] https://www.economicsandpeace.org/research/

[6] https://www.oecd.org/investment/mne/49111368.pdf; http://icglr-rinr.org/index.php/en/databases

Given the difficulties in obtaining clear data on these activities, they use data from government sources, the UN and other sources, mining experts and field research to estimate armed groups' profits from mines by estimating production, prices, costs of transport etc. (For more detail on the methodology see: Enough Project, 2009, pp. 16–18).

The Targeted Sanctions Initiative by the Graduate Institute in Geneva, produces databases on UN targeted sanctions between 1991 and 2014.[7] It includes sanctions on conflict resources, among other types of sanction. Its qualitative database[8] includes assessment of the effectiveness of sanctions. For example, it assesses the success of sanctions on the conflict party UNITA in Angola (among other examples).[9] It therefore implicitly measures the contribution of resources to conflict efforts.

Along these lines, Ballentine and Nitzschke (2005) recommend **commodity chain analysis** to consider who controls commodities being produced, manufactured and consumed, and the role of violence. **Case studies of particular resources can show how they are linked to conflict**. Woods (2018) provides case studies of jade mining and agribusiness in Myanmar. The study of jade mining in Kachin state shows how concessions are used to fund the military, and support ethnic armed organisations (EAOs) the military wants to co-opt. If the war were to end, the industry might fall into civilian hands, which would reduce revenues for the military and EAOs.

Crisis Group's Economics of Conflict (EoC) initiative provides analysis of conflict economies using quantitative and fieldwork methods.[10] For example, it analyses efforts to bring a ceasefire to Yemen and the sticking point of control of goods through Hodeida port.[11] They use interviews with figures involved in the economy and politics, mapping of areas of control, currency and price data, and trade data from a number of sources. They model the effects of control by certain actors on prices; or estimate the revenues generated by controlling certain ports/trades.

Political economy analysis

Much research is more focused on political economy analysis of conflict actors, their interests, resources and contexts than analysis based on large datasets (de Waal, 2016; Goodhand, 2004). For instance, Eaton et al. (2019) focus on understanding the regional dynamics of conflict economies in Iraq, Syria, Yemen and Libya that recognises the role of economic motivations but seeks to show their specific interactions through networks, forms of exchange and legitimation etc. Their discussion of policy implications analyses conflict sub-economies through their rent structures, armed group behaviour and types of violence (Eaton et al., 2019).

---

[7] https://www.graduateinstitute.ch/research-centres/global-governance-centre/targeted-sanctions-initiative

[8] https://www.graduateinstitute.ch/sites/internet/files/2019-10/TSC%20Qualitative%20Database%20(June%202014).pdf

[9] https://www.graduateinstitute.ch/sites/internet/files/2019-10/TSC%20Qualitative%20Database%20(June%202014).pdf

[10] https://www.crisisgroup.org/future-conflict/economics

[11] https://www.crisisgroup.org/middle-east-north-africa/gulf-and-arabian-peninsula/yemen/231-brokering-ceasefire-yemens-economic-conflict

An example of ongoing research is **Chatham House's Cross-Border Conflict Evidence, Policy and Trends (XCEPT) programme** which examines 'conflict-affected borderlands, how conflicts connect across borders, and the drivers of violent and peaceful behaviour.'[12] The London School of Economics and Political Science's Conflict Research Programme include analysis of political marketplaces (alongside other logics of fragile and conflict-affected states).[13]

Policy and programmes related to conflict economies

Security interventions

Eaton et al. (2019) highlight how Western powers have made a number of policy interventions in Iraq, Syria, Yemen and Libya and their direct and indirect effects on conflict economies. These have taken the forms of: supporting particular conflict parties; and often feature the 'pursuit of various political, economic and military approaches in isolation from one another' (Eaton et al., 2019).

Western security policies have had several effects on sub-national regions. In capital cities, 'security-based Western policy interventions have had a far-reaching impact on the distribution of rents. In some cases, this has had a direct role in determining who can access state resources and assets' (Eaton et al., 2019, p. 50). Western powers can also control access to the international financial system, which can entrench particular actors, or drive others to illicit activities.

In transit areas, Western states have made fewer interventions, but neighbouring states' policies on border crossings have influenced conflict economies. Western policies to limit migration has made smugglers 'resort to ever more violent means of generating revenues from migrants' in some contexts (Eaton et al., 2019, p. 51). Control of border crossings by Turkey (north Syria) and Saudi Arabia (north Yemen) have affected local economies and armed groups. In one area, 'the Saudi-led coalition appears to have taken a political, pragmatic approach in accepting – in order to keep local actors on side – the continuation of smuggling routes that supply Houthi-aligned forces', again highlighting the links between coping and conflict economies (Eaton et al., 2019, p. 51).

In oil-rich areas, Western states have intervened through air strikes and controlling access to markets for oil. This has had the effect of reducing violence in Libya. However, in Iraq, smuggling networks have developed since sanctions in the 1990s (Eaton et al, 2019, p. 52).

Eaton et al. (2019) discuss the policy implications of their findings, including the possibilities of helping populations in need without supporting conflict parties or predatory elites; the costs and benefits of elite bargains, the difficulty of disrupting patronage networks. They warn against 'Cracking down on illicit practices without offering viable livelihood alternatives' (Eaton et al., 2019, p. 54); and encourage a clear understanding of the risks of diversion of humanitarian aid in conflict economies, but also of the risks of cutting off aid.

[12] https://xcept-research.org/

[13] https://www.lse.ac.uk/ideas/projects/conflict-research-programme

Economic diplomacy and considerations

Economic diplomacy has been employed in countries such as Libya as a way to stop conflict or mitigate its humanitarian effects (Crisis Group, 2022). The UN has attempted to include economic dimensions within conflict resolution, and may do the same in Yemen, as these are key to the conflict and can therefore provide a stronger basis for any ceasefire or agreement (Crisis Group, 2022).

Peace processes do not usually incorporate economic dimensions, formally or informally. A 2005 article argues that peace processes generally neglect economic dimensions, with some exceptions including South Sudan (Nitzschke & Studdard, 2005, p. 227). In Myanmar, the state sought to co-opt armed opposition groups by allowing them access to resources, which had some success in bringing peace but also sustained the underlying support for violence actors (Nitzschke & Studdard, 2005; Woods, 2018).

Governance reforms have been emphasised by many donors as a way to address the patronage networks and corruption involved in many conflict dynamics (Nitzschke & Studdard, 2005). The Chad –Cameroon Pipeline Project, supported by the World Bank, is one example (Nitzschke & Studdard, 2005, p. 231).

Livelihoods approaches

Research and programmes have also taken a livelihoods approach. Looking at how citizens sustain livelihoods during conflict is seen as an important way to understand the effects of conflict, potential pathways for aid, and considerations for peace processes (Ballentine & Nitzschke, 2005). There is also some evidence on livelihoods interventions undertaken in fragile and conflict-affected contexts (Herbert, 2022). The Secure Livelihoods Research Consortium conducts research on livelihoods in conflict-affected contexts.

Given the complexity of conflict economies, many authors caution against interventions that do not consider the complex interactions of economic activity and conflict (Eaton et al., 2019). In particular, the idea that ''legality' is a relative, not fixed, concept in conflict economies', and is often decided by a conflict party, means that policymakers should not simply focus on legal measures, but should seek to assess the broader social and economic impact of economic activities (Eaton et al., 2019, p. 55). The interrelation of 'coping' and 'conflict' activities also requires careful consideration. While policymakers may wish to focus on one type of activity, it is likely to have effects on others – e.g. oil used to finance an armed group will also likely sustain livelihoods (Eaton et al., 2019).

5. References

Addaney, M., & Lubaale, E. C. (2021). *An Unintended Legacy: The External Policy Responses of the US and European Union to Conflict Minerals in Africa* [Preprint]. SOCIAL SCIENCES. https://doi.org/10.20944/preprints202105.0508.v1

Anderton, C. H., & Carter, J. (2019). *Principles of conflict economics*. Cambridge University Press.

Anten, L., Briscoe, I., & Mezzera, M. (2012). *The Political Economy of State-building in Situations of Fragility and Conflict: From Analysis to Strategy*. https://doi.org/10.13140/RG.2.1.4122.4563

Ballentine, K. & Nitzschke, H. (2005) "The Political Economy of Civil War and Conflict Transformation," in Fischer, Martina and Schmelzle, Beatrix, eds., *Transforming War Economies. Dilemmas and Strategies*, Berghof Foundation, pp. 11-34. https://berghof-foundation.org/library/transforming-war-economies-dilemmas-and-strategies

Collier, P., Hoeffler, A., & Rohner, D. (2009). Beyond Greed and Grievance: Feasibility and Civil War. *Oxford Economic Papers*, 61(1), 1–27. https://doi.org/10.1093/oep/gpn029

Cooper, N. (2006) Chimeric governance and the extension of resource regulation. *Conflict, Security & Development*, 6:3, 315-335, DOI: 10.1080/14678800600933498

Crisis Group. (2022). *Brokering a Ceasefire in Yemen's Economic Conflict*. https://www.crisisgroup.org/middle-east-north-africa/gulf-and-arabian-peninsula/yemen/231-brokering-ceasefire-yemens-economic-conflict

de Waal, A. (2016). Introduction to the Political Marketplace for Policymakers. https://www.lse.ac.uk/ideas/Assets/Documents/Conflict-Research-Programme/policy-reports/JSRP-Brief-1.pdf

Eaton, T., Cheng, C., Mansour, R., Salisbury, P., Yazigi, J., Khatib, L., & Royal Institute of International Affairs. (2019). *Conflict economies in the Middle East and North Africa*. https://www.chathamhouse.org/sites/default/files/publications/research/2019-06-21-Conflict-Economies-MENA_0.pdf

Enough Project. (2009). A *Comprehensive Approach to Congo's Conflict Minerals*. https://enoughproject.org/files/Comprehensive-Approach.pdf

Goodhand, J. (2004). From War Economy to Peace Economy? Reconstruction and State Building in Afghanistan. *Journal of International Affairs*, 58(1), 155–174. http://eprints.lse.ac.uk/28364/1/Goodhand_LSERO_version.pdf

Herbert, S. (2022, forthcoming). *Lessons from interventions that address livelihoods and cross-border conflict systems.* XCEPT Evidence Synthesis. Birmingham, UK: GSDRC, University of Birmingham. Forthcoming

Ingiriis, M. H. (2020). Profiting from the failed state of Somalia: The violent political marketplace and insecurity in contemporary Mogadishu. *Journal of Contemporary African Studies*, 38(3), 437–458. https://doi.org/10.1080/02589001.2020.1774522

Jackson, S. (2006). Borderlands and the transformation of war economies: Lessons from the DR Congo. *Conflict, Security & Development*, 6(3), 425–447. https://doi.org/10.1080/14678800600933621

Le Billon, P. (2009). *Natural Resource Types and Conflict Termination Initiatives*. Colombia Internacional, 70, 9–34. https://doi.org/10.7440/colombiaint70.2009.01

Nitzschke, H., & Studdard, K. (2005). The legacies of war economies: Challenges and options for peacemaking and peacebuilding. *International Peacekeeping*, *12*(2), 222–239. https://doi.org/10.1080/13533310500066511

OECD (2016), *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas: Third Edition*, OECD Publishing, Paris. http://dx.doi.org/10.1787/9789264252479-en

Stoop, N., Verpoorten, M., van der Windt, P. (2018). More legislation, more violence? The impact of Dodd-Frank in the DRC. *PLOS ONE* 13(8). https://doi.org/10.1371/journal.pone.0201783

Studdard, K. (2004). *War Economies in a Regional Context: Overcoming the Challenges of Transformation*. IPA Policy Report. https://www.ipinst.org/wp-content/uploads/publications/wareconomies.pdf

Wennmann, A. (2019). The Political Economy of Violent Conflict Within States. In *Oxford Research Encyclopedia of International Studies*. https://doi.org/10.1093/acrefore/9780190846626.013.370

Weyns, Y., Hoex, L., & Matthysen, K. (2016). *Analysis of the interactive map of artisanal mining areas in eastern DR Congo*. International Peace Information Service (IPIS). https://ipisresearch.be/wp-content/uploads/2016/10/Analysis-and-map-artisanal-mining-DR-Congo_v005-1.pdf

Woods, K. M. (2018). *The conflict resource economy and pathways to peace in Burma* (No. 144; Peaceworks). United States Institute of Peace. https://www.usip.org/sites/default/files/2018-11/pw_144_the_conflict_resource_economy_and_pathways_to_peace_in_burma.pdf

Acknowledgements

We thank the following experts who voluntarily provided suggestions for relevant literature or other advice to the author to support the preparation of this report. The content of the report does not necessarily reflect the opinions of any of the experts consulted.

- Siân Herbert, University of Birmingham
- David Keen, London School of Economics
- Neil Cooper, Kent State University
- Charles Anderton, College of the Holy Cross
- Heiko Nitzschke, German Embassy in Ethiopia
- Tim Eaton, Chatham House

Suggested citation

Kelly, L. (2022). *Definitions, characteristics and monitoring of conflict economies.* K4D Helpdesk Report. Institute of Development Studies. DOI: 10.19088/K4D.2022.024

About this report

This report is based on six days of desk-based research. The K4D research helpdesk provides rapid syntheses of a selection of recent relevant literature and international expert thinking in response to specific questions relating to international development. For any enquiries, contact helpdesk@k4d.info.

K4D services are provided by a consortium of leading organisations working in international development, led by the Institute of Development Studies (IDS), with the Education Development Trust, Itad, University of Leeds

Nuffield Centre for International Health and Development, Liverpool School of Tropical Medicine (LSTM), University of Birmingham International Development Department (IDD) and the University of Manchester Humanitarian and Conflict Response Institute (HCRI).