

New Approaches to Conflict Analysis

Building a peace economy?

Liberal peacebuilding
and the development-security
industry

Jenny H. Peterson

BUILDING A PEACE ECONOMY?



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New Approaches to Conflict Analysis

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Until recently, the study of conflict and conflict resolution remained comparatively immune to broad developments in social and political theory. When the changing nature and locus of large-scale conflict in the post-Cold War era is also taken into account, the case for a reconsideration of the fundamentals of conflict analysis and conflict resolution becomes all the more stark.

New Approaches to Conflict Analysis promotes the development of new theoretical insights and their application to concrete cases of large-scale conflict, broadly defined. The series intends not to ignore established approaches to conflict analysis and conflict resolution, but to contribute to the reconstruction of the field through a dialogue between orthodoxy and its contemporary critics. Equally, the series reflects the contemporary porosity of intellectual borderlines rather than simply perpetuating rigid boundaries around the study of conflict and peace. *New Approaches to Conflict Analysis* seeks to uphold the normative commitment of the field's founders yet also recognises that the moral impulse to research is properly part of its subject matter. To these ends, the series is comprised of the highest quality work of scholars drawn from throughout the international academic community, and from a wide range of disciplines within the social sciences.

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JENNY H. PETERSON

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For my parents

CONTENTS

List of figures and tables — viii

Acknowledgements — ix

List of abbreviations and acronyms — x

1	Introduction: war economies, peace economies and transformation	1
2	War economy transformation: current policy options and issues	14
3	Explaining the dynamics of transformation: the nature of the development-security industry	43
4	Transforming a war economy: learning from the case of Kosovo	69
5	Strengthening the rule of law: managing the criminal facets of war economies	85
6	Privatisation: liberal reform and the creation of new conflict economies	115
7	Customs reform: protecting borders, confirming statehood and transforming economies?	138
8	The war economy transformation agenda: DSI approaches and behaviours	162

Appendix: List of interviewees — 187

Bibliography — 189

Index — 215

FIGURES AND TABLES

Figures

1.1	Towards positive transformation	7
3.1	A rational choice (RC) model of war economies	55
3.2	A structural political-economy (SPE) model of war economies	56

Tables

2.1	Tools for war economy transformation: a project assessment approach	40
4.1	Kosovo's war economy	76
4.2	The legacy of Kosovo's war economy	80
5.1	DSI engagement with rule of law reform and the impacts on war economy transformation	113
6.1	DSI engagement with privatisation and the impacts on war economy transformation	137
7.1	DSI engagement with customs reform and the impacts on war economy transformation	160
8.1	An SPE framework for analysing war economies	175
8.2	A framework for analysing DSI engagement with war economies	185

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ABBREVIATIONS AND ACRONYMS

AAK	Alliance for the Future of Kosovo
AL	Alternative Livelihood
CARPO	Council of Europe Regional Police Project
CIVPOL	Civilian Police
CPE	Complex political emergency
CSR	Corporate social responsibility
DDR	Disarmament, demobilisation and reintegration
DOC	Department of Organised Crime (UNMIK)
DRC	Democratic Republic of Congo
DSI	Development-security industry
DTI	Department of Trade and Industry (PISG)
EDC	Export Development Canada
EITI	Extractive Industries Transparency Initiative
EULEX	EU Rule of Law Mission
FARK	Armed Forces of the Republic of Kosovo
FAST	Flexible anti-smuggling team
FATF	Financial Action Task Force
FIU	Financial Investigation Unit
FYRM	Former Yugoslav Republic of Macedonia
GDP	Gross Domestic Product
ICC	International Criminal Court
ICG	International Crisis Group
ICO	International Civilian Office
ICTR	International Criminal Tribunal for Rwanda
ICTY	International Criminal Tribunal for the former Yugoslavia
IJPP	International Judges and Prosecutors Programme
IFI	International financial institution
IMF	International Monetary Fund
ISSR	Internal Security Sector Review
KC	Kosovo Customs
KEK	Kosovo Energy Corporation
KFOR	Kosovo Force (NATO)
KLA	Kosovo Liberation Army (UÇK in Albanian)
KOCB	Kosovo Organised Crime Bureau (UNMIK)
KPC	Kosovo Protection Corps (TMK in Albanian)
KPF	Kosovo Protection Force
KPM	Kosovo People's Movement

Abbreviations and acronyms

KPS	Kosovo Police Service
KSF	Kosovo Security Force
KTA	Kosovo Trust Agency
KVM	Kosovo Verification Mission
LDK	Democratic League of Kosovo
MNC	Multinational corporation
NATO	North Atlantic Treaty Organization
NewCo	New company (former SOE prepared for privatisation)
NGO	Non-governmental organisation
OC	Organised crime
OSCE	Organization for Security and Co-operation in Europe
PAK	Privatisation Agency of Kosovo
PDK	Democratic Party of Kosovo
PISG	Provisional Institutions of Self-Government
POE	Publicly owned enterprise
RC	Rational choice
RoL	Rule of law
RUF	Revolutionary United Front
SOE	Socially owned enterprise
SPE	Structural political-economy
SPOC	Stability Pact Initiative against Organised Crime
SRSG	Special Representative of the Secretary General
SSR	Security sector reform
TARIK	Integrated Tariff of Kosovo
TIMS	Trade Information Management System
UCS	UNMIK Customs Service
UN	United Nations
UNCIVPOL	United Nations Civilian Police
UNHCR	United Nations High Commissioner for Refugees
UNHQ	United Nations Headquarters (New York)
UNICEF	United Nations Children's Fund
UNITA	União Nacional para a Independência Total de Angola
UNMIK	United Nations Mission in Kosovo
USAID	United States Agency for International Development
UNSC	United Nations Security Council
UNSCR	United Nations Security Council Resolution
WCO	World Customs Organization
WTO	World Trade Organization

Introduction: war economies, peace economies and transformation

Since the end of the Cold War, economic greed and profit-seeking have become a significant motivation for the perpetuation and deepening of conflict in some parts of the developing world. The most acute economic motivation in armed conflict has been the illicit exploitation of lucrative natural resources such as diamonds, timber, gold, oil, precious gems, and minerals like coltan, which have provided both the means and incentive for some warring parties to wage campaigns of violence and human rights abuses. (Government of Canada, 2009)

BLOOD DIAMONDS in Africa, drug cartels in Latin America and the participation of warlords in Afghanistan's illicit opium trade have heightened both public and academic awareness of the problem of war economies – systems in which economic incentives either motivate actors to instigate and participate in political violence or which facilitate ongoing conflict by providing a means of financing violent struggle. Policy statements such as the one presented above, along with explosive media reports, dramatic Hollywood recreations, countless non-governmental organisation (NGO) programmes and masses of academic research reveal an increasing concern over these economies, and have in turn led to a growing interest in and need for policies which limit the degree to which commodities can be used to either finance war, or become a dominant motivation for individuals to take up arms. Seen as a major threat to peace, stability and development, the international community has increased its focus on creating and improving upon policies which can eradicate or transform these 'economies of war' into 'economies of peace'. Unfortunately, success on this front has been largely elusive, with violent economic activities continuing to fuel and feed off war and insecurity in many parts of the world.

While the relationship between economic activities or incentives and instances of political violence have been well documented and analysed from

multiple perspectives, there is a notable lack of a more general reflection on the policies through which these activities are managed or transformed. The processes through which development and security actors, tasked with reconstructing war affected societies into peaceful liberal states, engage with or tackle the problem of war economies remains under-scrutinised. Discussed in greater detail in upcoming chapters, much of the work in this regard looks narrowly at the problem, evaluating specific projects or the trade of a specific commodity. Victories are often measured quantitatively, with overall reductions in the cross-border trade of illicit diamonds, or the number of drug-free provinces defining progress. Assessments of broader approaches tend to be classified as serious failures of ultimately unachievable tasks, as illustrated by analysis of the decades-long American War on Drugs. While there has been some more substantial and nuanced analysis of the dynamics and flaws of specific programmes, for example the Kimberly Process which seeks to prevent diamonds from fuelling political violence, the transformation of war economies into peace economies has rarely been considered holistically. Programmes are analysed separately as opposed to being approached as a broader reform area and studies often fail to combine a concern for the practical policy-related issues with the more substantive conceptual and political dynamics of programming.

Through a critical exploration of the mechanisms and political relationships which are involved in transformations of war economies into peace economies, this book provides a more holistic mode of analysis, offering a multi-layered examination of the processes through which security and development actors attempt to manage war economies in conflict-affected states. As the methods and politics of war economy transformation are assessed, what becomes apparent is that current transformation attempts have become both illustrative of and central to the liberal peacebuilding agenda. This agenda, led by international development and security actors, has the ultimate goal of constructing liberal peaces from the vestiges of what they define as weak, failed and collapsed states. It is in the dominance of the liberal peacebuilding agenda that the broader explanation for the failure of transformation projects across time and place can be found, as the ideological, conceptual and resultant operational practices of this project complicate and create barriers for transformation. As shown through analyses of several reform areas central to war economy transformation, paradoxes and problems found within the liberal peacebuilding project itself hinder the ability to effectively manage the dysfunctional political-economic practices which threaten security. The lack of success seen in this programme area is not merely a function of poor project planning and implementation, but rather indicative of a faltering project of global governance which imperils its own success through its reliance of faulty, narrow conceptions and ideological commitments.

While examining the failure of one particular policy area, war economy transformation, what emerges are wider conclusions applicable to the practices of development aid and peacebuilding more generally. At issue are the fundamental practices and theories of international intervention, which are exposed as operationally flawed, conceptually defective and deeply ideological. Taken as a whole, these interrelated layers of critique offer a significant challenge to the dominance of the current liberal peacebuilding agenda. Through this challenge, however, comes the opportunity to adapt and reformulate the theory and practice of peacebuilding. As actors attempt to build economies of peace, we witness challenges to the dominance of the liberal agenda. Examples of actors utilising their agency and power to challenge dominant processes suggests that security and development actors need not always operate under the limitations of the current liberal peacebuilding consensus and can, through a greater understanding of the problems and politics involved, work towards less destructive and more just forms of political-economic relationships specifically and more just modes of peace generally.

War economies, peace economies and transformation

Before engaging with the above debates, it is useful to explore the terminology involved and place the discussion within a wider context of international aid and interventions. War economy transformation is one of the many goals of what is referred to as peacebuilding. Seen as both a way of preventing latent tensions from turning into violent political conflict and of rebuilding societies already affected by such hostilities, peacebuilding programming involves states and local communities being treated with a range of reforms and policy prescriptions. Often led by external actors, but in coordination with national and local actors, peacebuilding acts as an umbrella for a wide range of activities. Local governance reform, including decentralisation, addressing rural poverty, gender empowerment, demobilisation, disarmament and reintegration (DDR) of ex-combatants along with a multitude of other programmes are implemented with the aim of preventing future conflict, rebuilding what was destroyed during conflict, and creating new processes and relationships which will prevent a return to violence.

At the centre of this peacebuilding agenda is the need to create modes of economic interaction which facilitate and support peace. Economic reform involves a wide variety of practices, from macro-economic stabilisation programming led by institutions such as the International Monetary Fund (IMF) and the World Bank, to rural poverty reduction led by international NGOs and local community-based organisations (CBOs). In war-affected areas, however, it is increasingly recognised that attention needs to be paid to

the illicit and illegal economic activities which often come to support and feed off violence. Standard economic reforms fail to adequately address these activities, and thus tailored policies are needed to transform them into relationships which no longer pose a threat to peace and security. It is these specific reforms, a subset of peacebuilding and economic reforms, which this book will explore.

These policies, discussed in greater detail in forthcoming chapters, aim to manage or transform what are often colloquially referred to as war economies. Often studied under the rubric of political economies of violence, these forms of economic activity are considered to be antithetical to the creation of peace. They refer to occasions where economic incentives either motivate actors to instigate, participate in or prolong violence or where profits from the trade of resources acts primarily as a source of funding for ongoing political struggles (though these two functions can exist simultaneously or become more and less dominant throughout the course of a conflict). The trade of a commodity or an economic exchange may not be the sole cause of conflict, but does become a fundamental part of the conflict dynamic, impacting the nature and/or trajectory of political violence. In this sense, war economies do not simply refer to the state of an economy in times of conflict, but are defined as the economic relationships and transactions which cause, sustain or prolong periods of physical political violence or instances where actors take advantage of political violence for financial gain.

The most notorious examples of war economies come from the African continent where the illegal diamond trade was seen as fuelling conflicts in Sierra Leone, Liberia and Angola. Such infamous cases have led to an increased focus on the role of natural resources in conflict-affected areas with other conflicts being analysed through the lens of economic opportunities, including Cambodia where the trade in timber was a factor in funding continued insurrection and in Afghanistan where the opium industry is seen as contributing to ongoing instability. The notion of a resource curse is commonly invoked, implying that the abundance of resources has actually hindered, rather than helped, countries' development by fuelling violent conflicts (see Basedau and Lay 2009 for a good review of the literature). War economies involve a wide range of commodities including the sale of both licit (such as timber and coltan) and illicit goods (including arms and drugs) and activities such as human trafficking, organised crime, diasporic funding (either through voluntary contributions or extortion), money laundering, tax evasion, corruption, and even the use and manipulation of foreign aid. Besides a diversity of commodities and activities, war economies are also known to involve a range of actors, from rebel groups and organised criminal gangs to state agencies and democratically elected leaders. In some cases, opposing factions cooperate in order to allow both sides to continue their economic

Introduction

endeavours. Private companies in 'peaceful' states also have a position in these commodity chains, with conflict goods such as diamonds, oil and timber being traded through multinational corporations. The consumption of these otherwise licit goods occurs primarily in 'peaceful' developed nations, as does the consumption of illicit goods associated with conflicts, including cocaine and heroin. Private security firms from within the conflict-affected country or from abroad are also known to have become central actors in war economies. For example, the South African firm Executive Outcomes was hired to fight rebels operating in and around the diamond fields in Sierra Leone, while Branch Energy, a UK firm (with contested links to Executive Outcomes), received generous contracts in these newly liberated diamond fields (Francis, 1999; Howe, 1998). The profits from such activities often find their way either legally, or illegally through money laundering, into the world's largest financial institutions and banks, making use of modern banking systems and communications technology. These processes and relationships point to the complex and globally integrated nature of war economies, challenging images of war economies as simply being the direct economic transactions between combatants and traders within a given conflict zone – a complexity that will be further considered throughout this book.

Conceptualising a peace economy and transformation

At this point, it is useful to consider how a war economy can be distinguished from its natural antonym – a peace economy. In the most basic sense, the two can be differentiated on the basis that the former, as defined previously, is either a result of, directly causes, or directly contributes to physical, organised, political violence while peace economies are constituted by economic relationships which neither benefit from nor have a causal relationship with physical, organised political violence. By this criteria, and given the aforementioned interdependence and global scope of economic activities, it is impossible to classify any economic system as a clear example of a peace economy. While geographically detached from the physical violence associated with war economies, or having the appearance of being far removed from the political economy of violence due to their involvement only at a seemingly distant node in a commodity chain, what are often (wrongly) classified as peace economies are in fact clearly connected to political economies of violence. Though an actor's distance in terms of geography and role in the commodity chain does place it nearer to the category of peace economy on the spectrum, one should not dismiss the need to address activities occurring in these areas in transformation projects.

Further, in order to move towards a peace economy, one must also conceive of peace in a much broader sense, one that goes beyond concerns

regarding overt physical violence. If one judges peace also in terms of the prevalence and role of structural violence (Galtung, 1969) at both local and international levels, the task of creating a peace economy becomes a much wider and more substantial project. Eradicating direct or personal violence, the physical acts of violence committed by identifiable actors, is not sufficient as this can at best only facilitate a negative peace – simply an absence of war as opposed to a positive peace which focuses on the eradication of structural forms of violence as well. Manifest forms of structural violence (less tangible forms of inequality and justice) can be considered as a precursor or potential trigger for latent, as of yet unobservable, forms of physical violence. Of course, there are critiques of this simple binary with concerns that such definitions expand understandings of peace to such a degree that the category itself becomes meaningless, analytically useless, that it is far too normative and that violence becomes characterised simply as anything that ‘Galtung doesn’t like’ (Boulding, 1977: 84; Lawler, 2002). However, the distinction between creating positive and negative forms of peace is adopted here to clarify and reinforce Galtung’s largely accepted notion that what is generally defined as peace often entails much injustice, continued suffering and the roots of future conflict.

In order to transform economies of war into economies of peace, both the structural facets (for example global inequalities and power relations which facilitate and encourage illicit economic activity) and physical facets of violence related to war economies (the more observable and tangible processes of economic exchange) must be addressed. This suggests the need for much larger and more diverse projects than we see in current transformation strategies that tend to be based on narrowly conceived policies which attempt to merely prevent resources or a specific economic activity from contributing to physical violence. Such an approach forces us to recognise that the process of capital accumulation and power relations and imbalances in the geopolitical landscape can themselves be seen as forms of structural violence insofar as periphery regions or persons are exploited in order to ensure the status quo for more dominant, powerful actors. For example, the geopolitical relationships involved in the trade of oil cannot be subtracted from the equation in our consideration of violence witnessed around the drilling of oil in Angola and Nigeria. Thus, in order to transform war economies, the structures which permit, encourage and facilitate war economies must also be addressed, meaning one must also consider the wider structural factors which have facilitated, and which perhaps prompt, actors’ participation in political economies of direct violence.

For this reason, it is useful to add a third category of economy to the discussion, that of a ‘positive peace economy’ whereby economic relationships not only have no obvious association with direct/physical violence, but also

are free of structural violence and support a just and sustainable peace. In this regard, it is useful to consider the transformation of war economies not in terms of an either-or dichotomy, but along a scale with various shades of grey. Therefore, when arguing for the transformation of war economies, two stages are envisioned. The first entails transforming economic relationships so that at a minimum, they are no longer attached to or reliant on overt physical violence – a negative peace economy. The second stage, and what this book refers to when calling for transformation, is a more progressive form of positive transformation, whereby physical violence is not only eradicated, but other forms of injustice (such as discrimination, fear, intimidation, or unfair and dangerous labour practices) are also reduced. What is meant by positive transformation or moves towards an economy of peace therefore hinges not only on removing violence from the equation, but also inserting norms of equality, fairness and well-being into political-economic life into our definition of a peace economy. Thus a war economy can be considered transformed along a qualitative line – the first step being to remove overt physical violence from economic life, and the second step involving transforming relationships in such a way as to support a move towards a positive form of peace. Transformation should be seen as an ongoing process, not easily measured in terms of quantitative progress, but in terms of qualitative changes which seek to remove all forms of violence from economic life.

What emerges through the forthcoming analysis of current practice, however, is that there is little if any movement towards positive transformation. Instead, what we witness is a focus on the creation of a very narrowly conceived (negative) peace economy, which prioritises stability and an absence of immediate physical violence, and that even in this regard, there has been limited success. Such an approach is indicative of the liberal peace-building project which appears either unwilling or unable to consider or attempt to resolve instances of injustice, both local and international, which would need to be addressed to move towards either negative or positive peace

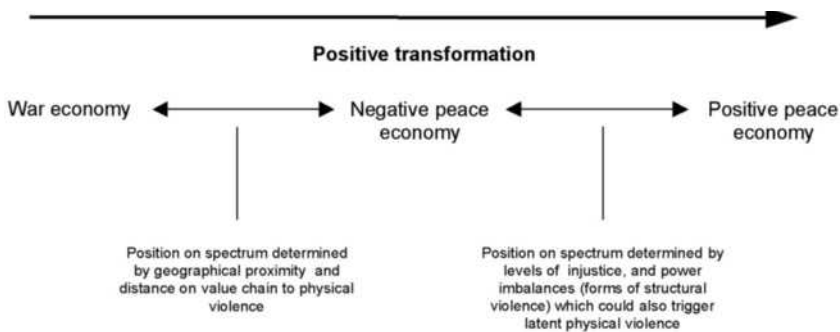


Figure 1.1 Towards positive transformation

economies. It is important to highlight that the call for positive transformation does not envisage any particular predefined endpoint. It does not suggest replacing liberalism with anything in particular and what are deemed progressive policy decisions in case study material should not be taken as a new set of blueprints. Instead, what is progressive and what will further the goals of positive transformation are the lessons related to challenging the liberal system and negotiating in non-hegemonic ways with a variety of stakeholders in each context. These negotiations should not privilege security and economic growth above social, political and economic justice (which should be at the forefront of creating sustainable and just transformations). This may sound a difficult task, but examples of the opportunities for engaging in and supporting such processes can be found throughout this book.

Transforming war economies: the role of the development-security industry (DSI)

The responsibility for the transformation of war economies called for above rests with an assortment of actors who are simultaneously tasked with resolving global issues related to peace and development more broadly. In tracing the ways in which these actors operate and interact, one witnesses the emergence of a diverse but structured network of actors which create and implement the peacebuilding programming of which war economy transformation is now a part. In terms of these actors' theoretical and conceptual underpinnings and beliefs, as well as their *modus operandi*, development and security actors have become so entwined that it is possible to speak of a development-security industry (DSI). The DSI encompasses a broad range of actors who engage collectively in activities which aim to simultaneously promote peace, security and development. This industry can be likened to what Duffield refers to as strategic complexes, whereby we can identify 'growing strategic networks, linking development and security actors – academics, military establishments, NGOs, private security companies and so on' (2001: 36). Like strategic complexes, the DSI consists of numerous actors including donor states, bilateral and multilateral organisations, militaries and military alliances, local and international NGOs and private companies.

While Duffield is quite specific regarding the role each of these actors has to play in the global governance project (Duffield, 2001: 53–73), the DSI can usefully be divided into two broad categories – guiding actors and operational actors. Guiding actors can be seen as the most powerful institutions within the network, actors who have the power to shape and guide political and economic policy at a broad, systemic level. They are not only central in influencing the nature of interventions, but also remain largely in control of the funding for development-security endeavours. Guiding actors include donor

Introduction

governments and their militaries, powerful multi-lateral actors (such as the EU and the UN Security Council) as well as powerful international financial institutions (IFIs) and multinational corporations (MNCs). Alternatively, operational actors can be defined as actors and institutions responsible for carrying out the directives and implementing the aims of the guiding actors. These actors include NGOs, specialised UN agencies (such as the UNHCR or UNICEF) and small private companies. These institutions and the individuals working within them can be seen as responsible for the day-to-day functioning of the DSI at the meso and micro levels. Of course, the division is not always so clear – actors may engage in both guiding and operating activities. NGOs such as Amnesty International and Human Rights Watch can be seen as both attempting to alter policy at a macro level while engaging and implementing policy at the micro level.

The separation between those with high levels of diplomatic and policy-making power as opposed to those whose mandates are limited to implementation at the micro level is lent support by Duffield's assessment of strategic complexes, where he determines that through their interaction and relationships with other actors in the network, 'governments are acquiring the ability to project power' (2001: 72). Tracing the division of labour within the DSI by separating the industry in such a way will prove a useful tool in disaggregating and more clearly defining some of the issues and problems related to development-security programming. As will become clear in forthcoming chapters, such a distinction will contribute to a more nuanced reflection on the role of various actors and move us away from a rather unhelpful perception of a homogenous 'international community'. Nonetheless, it must also be taken into account that despite the DSI appearing to be made up of multiple connected but independent actors, it is an industry still very much led by dominant global institutions – states and the large international institutions whose agendas they control. Because of this high degree of control, it is possible to argue that the DSI's activities remain guided by the dominant liberal peacebuilding consensus which will be described in greater detail in forthcoming sections.

It is essential to clarify the justification for placing this network at the centre of analyses of war economy transformation. From a pragmatic point of view, grouping development and security actors together as the key actor is essential as actors on both sides of the dichotomy have prominent roles in the creation and implementation of these political-economic programmes. The responsibility for policies which seek to transform war economies is now given both to traditional security actors such as law enforcement agencies and the military, as well as to more developmental actors, such as NGOs, civil society groups and various legal actors. As development and security actors are now often required to work together in solving this facet of modern conflict it is

useful to consider them as a solitary actor, despite differences between them. Beyond this, the increasing merger between these actors and the blending of the security and development agendas has proved to be one of the greatest legitimising forces in terms of justifying the broad and intensive modes of intervention that the liberal peacebuilding paradigm requires generally, and that in turn facilitates the strong and invasive forms of intervention required to transform war economies specifically. Liberal peacebuilding (discussed in greater detail in [Chapter 3](#)) now requires the transformation of entire societies – intervention in the political, economic and social realms, which requires a linking of security actors in theory and in practice.

The history and nature of the development-security nexus

The rebuilding of Europe and Japan following the world wars reveals a historical merging of international security and development goals which cautions against treating the merger of development and security, and therefore its role in liberal peacebuilding, as an entirely new or innovative phenomenon (Duffield, 2001; 2005). However, despite there being substantial historical record of the blending of these two agendas and discourses, it is argued that since the end of the Cold War there has been a broadening and strengthening of the relationship between development and security actors. The two fields have become increasingly and overtly linked in ways not seen in previous decades. As Neclâ Tschirgi notes, 'Only some 15 years ago it was unusual for policy makers to talk of development and security policies in the same breath. Today the reverse is true' (2006: 39).

This increasingly strong merger has several roots. The end of the Cold War is seen as having a strong impact. No longer constrained by the divisions and limitations resulting from the struggle between East and West, development and security actors have found themselves freer to intervene, creating increased political space for both sets of actors and thus more opportunity for simultaneous engagement. This freedom has since been transformed into a right to intervene (Allen and Styan, 2000) and finally into an idea of a responsibility to intervene (Shaw, 2003), whereby the DSI is *expected* to engage with conflict-affected areas or insecure environments in order to protect individuals from the negative effects of violence. The end of the Cold War also signalled a relative end to the ideological battle with liberal institutionalism emerging as the dominant guiding principle of international development and security apparatus. Key principles within liberal international relations theory and neo-liberal economics have fused the areas of security and development by suggesting that there is a positive relationship between economic and social development on the one hand and stability and peace on the other. This relationship is based on two complementary assumptions, the first being that

peace brings development, and conflict brings underdevelopment (Fitzgerald, 2001). The second assumption simply reverses the above axiom, concluding that development brings peace and underdevelopment brings conflict. War and poverty are perceived to be in a 'dynamic and mutually reinforcing relationship' (Luckham et al., 2001: 3). Though highly debated on empirical and theoretical grounds, the democratic peace hypothesis, another key tenet of liberal theory which suggests that democracies do not fight other democracies and are also less likely to suffer from civil wars, has also aided in the fusing of development and security agendas with the former promoting it as a mode of political development and the latter supporting it for reasons of security.

The adoption of liberal political and economic approaches by both development and security actors over the past several decades has led to a common agenda and legitimising discourse – economically developed and democratic societies have emerged as the recipe for a peaceful and prosperous international arena. Of course, normative liberal ideals do not fully define international relations. Realist concerns still exist, but even these concerns now support similar liberal-based interventions, 'based on a pervasive fear that impoverished people will threaten institutions of neo liberal global governance' (Wilkin, 2002: 634). Thus, both liberals and realists have merged concerning the solution to global instability – the former for normative idealistic reasons, the latter for reasons of self preservation. This coming together of development and security actors from both realist and liberal camps has resulted in a specific and ideologically driven mode of intervention known as liberal peacebuilding. Under this model, actors operate under a distinctly liberal framework which favours liberal democratic governance systems, free and open markets and individual human rights. This model is now seen as the primary, if not the only, model for rebuilding states after conflict, with actors as diverse as local NGOs and powerful international institutions coming to accept what some have termed a 'peacebuilding consensus' (Richmond, 2007). The details and impacts of this ideologically driven foundation of the DSI on war economy transformation will be further discussed in several of the forthcoming chapters as they are fundamental to understanding both the practices and failings of transformation.

**Exploring the role of the DSI in the building of peace economies:
book structure**

Through an examination of this industry's ideological, conceptual and operational underpinnings, a clearer understanding of the processes, successes and failures of war economy transformation is gained. The nature of the DSI and its impact on the transformation of war economies is further explored throughout the remainder of this book. [Chapter 2](#) provides a detailed review

and assessment of the policies which the DSI has utilised as it seeks to transform these economies into peaceful post-conflict economies, offering some insight into the reasons for failure in specific policy areas. [Chapter 3](#) offers an in-depth discussion of the development-security industry, detailing the nature and characteristics of the industry and the complex network of actors on which it depends. In this chapter, the problem of war economies which the DSI confronts is explored in greater detail, with a discussion of the ideological foundations of this industry and the competing conceptualisations and standpoints from which these modes of economic activity can be analysed. [Chapter 4](#) will illustrate the above discussions and debates via an examination of the war economy in Kosovo, where the problems of organised crime and smuggling are seen as contributing to a distinct form of economy which both fuelled and fed off the regional conflict and continues to present problems for post-conflict peacebuilding.

[Chapters 5 to 7](#) provide detailed analysis based on empirical research of attempts by the DSI in Kosovo to create a peace economy. Each of these chapters points to trends both in the micro and macro politics of liberal peacebuilding, suggesting that the failure to build peace economies is not simply a matter of poor project planning and implementation but rather a problem related to faulty conceptualisations of the political-economic aspects of war and the much broader issue of ideological bias in the current peacebuilding agenda. An analysis of rule of law reform ([Chapter 5](#)), thought to be an effective way of managing the criminal elements of war economies, considers whether at the ideological level, the rhetoric of liberal notions of law and statehood are used as justification for the imposition of politically motivated reform and how this might result in short-term political goals hindering the creation of sustainable and accountable legal and security mechanisms. This analysis is related to the conceptual issues whereby the political-economic relationships in question are classified as wholly criminal as opposed to political in nature. In this chapter, operational barriers which limit the effectiveness of rule of law reform to potentially play a positive role in transformation are also considered.

[Chapter 6](#) analyses the use of privatisation as a tool of transformation. Seen as a way of ensuring that commodities and other lucrative economic opportunities cannot be captured or manipulated by political actors and warring parties, privatisation is considered central to political-economic transformation generally and dealing with the associated problems of war economies more specifically. Analysis reveals that this programme had a unique impact on transformation. While this reform project is meant to act as a cure for destructive political-economic relationships, such as corruption and organised crime, privatisation also creates new arenas in which actors can continue or reformulate such relationships. The DSI's firm ideological

commitment to privatisation appears to have blinded it to these impacts. Conceptually, liberal peacebuilding's tendency to view this body of reform as an economic and technocratic process also creates new and deepens old political tensions. Again, not unlike the previous areas of reform, the likelihood that these ideological and conceptual problems will be replicated and entrenched is increased by operational issues, primarily related to the staffing and capacity of institutions.

Chapter 7 considers the importance of customs reform. Seen as central in dealing with the smuggling and illegal side of a war economy, customs agencies also serve as a way of regularising trade and collecting revenue for the state. Analysis of this reform area in Kosovo reveals interesting contradictions in the DSI's behaviour, challenging some of the assumptions and findings from previous chapters regarding the ways in which the liberal peacebuilding agenda operates. While the reform of the customs service can be fundamental in creating (or confirming) a conflict-affected country's status as a 'strong state' via the creation or control of international borders, at a conceptual level, some customs reform processes have been more effective in recognising the social, economic and political motivations and interests which affect transformation processes. This conceptual difference, along with observations of several operational differences, partially refutes conclusions made regarding the liberal peace and the DSI in previous chapters. When these differences (along with occasional variations from the norm that are raised in previous chapters) are taken as a whole, conclusions regarding the nature of the DSI begin to take form.

The concluding chapter considers the findings from each of the case study chapters leading to the creation of a comprehensive framework for analysing the DSI as it engages in attempts to build liberal peace economies in conflict-affected states. The dominance of a liberal ideology is found to be problematic in and of itself but also to have serious consequences for the ways in which the problem of post-conflict transformation is conceived, and the operationalisation of solutions. However, given the heterogeneity of processes considered throughout the book, this chapter presents a more nuanced and reflexive analytical framework which takes into account the diversity of this industry as well as the opportunity for actors within it to operate with agency. While finding that there has been limited success in current modes of liberal peacebuilding in transforming war economies, this chapter concludes with suggestions for future research and policy directions.

War economy transformation: current policy options and issues

WHETHER SEEN as a primary cause of a war, as one of several competing motivations to engage in violence, or simply an outcome of the supposed lawlessness that is characteristic of conflict, it is increasingly recognised that economic motivations create serious barriers to the resolution of war and the consolidation of peace. Not only a problem in terms of the causation, prolongation or intensity of conflict (Ballentine, 2003), these war economies continue to pose problems in the post-conflict phase. Reports from Angola illustrate this point with one researcher finding that

the management of the diamond industry retains many of the characteristics that it acquired during the periods when the diamond fields were both a prize and a weapon in the civil war: the control of the diamond fields and their populations by force of arms . . . and the domination of the Angolan diamond trade by secretive networks operating on the margins of the law, but ultimately to the benefit of political elites . . . In fact, far from occasioning fundamental change in the pattern of exploitation in the diamond fields of the Lundas, the end of the war has served to legitimize the status quo. (Pearce, 2004: 62)

A report regarding the timber industry in post-war Cambodia comes to a similar conclusion, with research determining that 'large portions of Cambodia's forests have become a new battleground, as forest-dependent communities are confronted with the predations of powerful companies and corrupt officials. Conflicts, often involving violence, are now reported almost every week and are increasing both in number and severity' (Davis, 2005: 162). Despite nominal changes, in terms of the 'conflict' and 'post-conflict' language, the constituent parts and processes of war economies continue, often flourishing and growing following the end of official fighting.

What follows is a detailed review of the policy options used by actors

within the DSI to address problems such as those described above and thus halt the destructive impact of these economies in the conflict and post-conflict phases. In the proceeding section, descriptions of these policies and the logic underpinning their use in transformation will be explored. Following this, however, is a more critical reflection on these policies' effectiveness and impact on political-economic transformation. This section will reveal that the policies used by the international community to manage these destructive relationships have proved, on the whole, to be less than effective. Although there are examples of policies which have had degrees of success in reducing the relationship between violence and economic activity, the long-term impact of these policies in creating negative peace economies, let alone positive peace economies, has been limited. The reasons for such failures will be explored, setting out the need and justification for the more holistic and structural forms of analysis which characterise the remainder of the book.

Tools of transformation: the logic of policies employed

The DSI has created new and reformulated ongoing policies in its mission to transform war economies. Its repertoire consists of a range of programmes which attempt to prevent actors from using profits acquired through the trade of commodities or other economic transactions to fund violent campaigns. These same policies also seek to limit the degree to which criminal actors can take advantage of insecure environments for profit or personal gain. Broadly speaking, this set of reforms can be divided between the targeted and the general. The former directly tackle the trade of a specific commodity or economic practice, while the latter takes a broader approach, seeking to halt or prevent the development of a relationship between economic profit and political violence more generally. The justification of each individual policy as a tool of transformation, why these policies should work in theory, is set out below.

Targeted policies

Targeted policies which seek to manage the trade of a specific conflict commodity have received the greatest amount of attention. One of these strategies, the eradication or destruction of a commodity, has proved a dominant approach where the war economy primarily involves the trade of illicit drugs. The most notorious example of this approach is the aerial spraying of coca crops as part of Plan Colombia, a US-sponsored assistance strategy aimed in part at eradicating drug production in Colombia. While this programme can be seen primarily as an attempt by the US to decrease the amount of cocaine flowing into the United States (and the crime associated

with this trade), it is also considered to be a means by which actors can diminish the power of the drug cartels, known to be linked to various paramilitary groups in Latin America. Similar eradication plans have been used in areas of Afghanistan where there has been a preference for physical eradication over the more controversial chemical and aerial methods.

Eradication plans are often closely linked to wider military responses. Plan Colombia also provides technical and financial assistance to aid the Colombian government in their military campaign against the drug cartels and the paramilitaries associated with them. Likewise, increased violence related to the drugs industry in Mexico has led its government to increase the role of the country's army in combating the drugs industry, highlighting actors' willingness to initiate sizeable military responses against activities which threaten the safety of citizens, state institutions (in the case of Mexico, the police and judiciary have increasingly become targets of the drug cartels) and the security of international borders. However, the option of military force is not only used in cases of drug based-war economies (Le Billon and Nicholls, 2007). For example, private military companies were used to clear Sierra Leone's diamond fields of rebel groups in the 1990s. International peacekeeping troops may also, inadvertently, find themselves involved in the policing of war economy activity if their mandates include monitoring and controlling international borders or helping to establish rule of law. However, this involvement is often *de facto*, and not a deliberate strategy of war economy transformation.

There are other, less militaristic, strategies which also focus on the management and governance of particular commodities and economic activities. In non-conflict-affected cases, these schemes are more generally referred to as Commodity Tracking Systems, but are increasingly being considered in the management of conflict commodities (Crossin, Hayman and Taylor, 2003). The Kimberley Process Certification Scheme (KPCS) is the pre-eminent example of this approach. After years of negotiation between relevant stakeholders, including the governments of diamond producing and importing states, the diamond industry and various NGOs, the KPCS came into effect in 2003 and sought to end the relationship between the trade of rough diamonds and violent conflict in Africa. Accompanied by high-profile media campaigns in North America and Europe, the issue of 'blood diamonds' rose quickly up the international policy agenda, creating political and public pressure to end the relationship between the trade of diamonds and the political violence. Similar certification schemes have been considered, though not implemented, for other conflict commodities including timber which is known to contribute to incidents of violence in several states including Liberia and Cambodia as well as for the trade of minerals and compounds such as coltan which have become a defining feature of the war in the Democratic Republic of Congo (DRC).

A related cluster of targeted policies, which can broadly be referred to as resource governance initiatives, are also central to transformation. Including privatisation, anti-corruption/transparency programmes and resource-sharing mechanisms, this body of reforms seeks to improve public and private management systems related to resources, thus preventing them from being used to fuel violence. Effective privatisation, discussed in greater detail in [Chapter 6](#), has emerged as a key strategy within the resource governance agenda. Of course, many of the resources which become part of conflict dynamics have been privatised prior to the outbreak of war, with the struggle over the benefits of privatisation sometimes fuelling violence. In such cases, the DSI often attempts to further regulate the industry by trying to increase levels of transparency and perceived fairness in terms of who is eligible to participate in the privatised industry and to where/whom the accrued profits flow. Alternatively, where conflict commodities have primarily been under government control, new privatisation plans may be implemented. Underpinning the focus on new or improved privatisation are concerns that profits from industries which are not 'properly' privatised can be used by political actors to further their violent crackdowns on political enemies or that governmental power to grant access to industries results in political actors meting out control of resources to political supporters at the expense of political opponents (leading to or deepening internal political conflict). As such, when resources are held purely in the public-political realm they are seen as a potential source of conflict. Privatisation is seen as a way of removing the possibility of such political abuse of resources. Its aim is to ensure that political (and therefore potentially violent) competition over resources is replaced by a more neutral mode of competition based on the efficiency of competing private interests which are focused on maximising financial wealth as opposed to maximising political power (Hayman and Crossin, 2005; Swanson, Oldgard and Lunde, 2003). Referring to such resource governance plans as 'ultra liberal codes' Kuditshini (2008) notes how these programmes aim to increase and monitor transparency in regard to *who* industries are privatised to, ensuring that privatisation works in theory as well as in practice and that newly privatised industries do not simply become another commodity over which political rivals can wage war. As an example, privatisation of key industries in both Sierra Leone, Angola and the DRC has been occurring in earnest since at least the 1980s, often at the request of actors such as the World Bank and IMF. However, these earlier processes of privatisation are often considered part of the problem in terms of the growth of war economies – the opportunity to control privatised industries becoming part of complex patronage systems, increasing rather than decreasing political tensions in countries. Therefore, renewed privatisation programmes alongside strict anti-corruption and transparency measures have been introduced in an attempt to rectify such problems.

Alongside privatisation and anti-corruption initiatives, resource governance agendas may also include specific resource-sharing schemes. While there are several models for resource sharing (Le Billon and Nichols, 2007), all are premised on the belief that in sharing the wealth, or at least in sharing the means through which this wealth is governed, resources will cease to be fought over violently. Many post-Cold War peace agreements have included sections related to the sharing of conflict commodities and resources including the Lomé Peace Agreement in 1999 which brought a temporary peace to Sierra Leone and the Lusaka Protocol in 1994 which for a time was successful in easing tensions in Angola (Le Billon and Nichols, 2007). In some cases, agreements specifically allocate a portion of resources or control thereof to former combatants or political groups. Other sharing agreements are more general, focusing instead on ensuring a broader sharing of resources that benefit the country as a whole, thereby reducing grievances over the dispersal of resource wealth. An example of this latter approach to resource sharing and management is the Chad–Cameroon Petroleum Development and Pipeline Project (CCPP) which attempted to prevent oil from becoming an enabling factor of violent conflict in Chad. In this case, the World Bank-supported scheme was seen as a way of preventing the president from using oil revenues to support and curry favour with his own clan in the north and his political supporters (Kojucharov, 2007; Pegg, 2009) and in turn spread the wealth of the oil revenues more evenly across a diverse, religiously divided and underdeveloped nation. Theoretically, the increased transparency of this scheme would not only limit the degree to which oil revenue could be used by actors in the ongoing and latent conflict experienced in Chad over past decades, but would also increase the levels of development across the country, decreasing levels of poverty and thus preventing societal injustices that could in the future erupt into more conflict. In this case, revenue sharing and management is seen not only as a means of creating a negative peace economy (by preventing groups from using oil revenues to seize or retain power), but also as a means for moving towards a positive peace economy insofar as it was meant to literally spread the wealth amongst citizens.

Another option in the transformation toolbox includes formal political and economic sanctions. For example, the United Nations Security Council (UNSC) introduced sanctions in 2000 which prohibited the importation of rough diamonds from Sierra Leone by all member states (UNSC Resolution 1306/2000). This was done in an attempt to curtail a dominant source of funding for the Revolutionary United Front (RUF) rebels who were waging a war against the government. Similar sanctions were put in place to limit the ability of UNITA, the pro-independence party in Angola, to continue its struggle against the government (UNSC Resolution 1173/1998). Sanctions

as a tool of transformation are closely associated with the process of naming and shaming. When formal sanctions are seen as too severe or politically unfeasible, actors may be named and shamed by members of the DSI for their participation in conflict-related trade. Formal reports by the UN, statements by political leaders and media campaigns led by NGOs can all be used to instil a sense of guilt or embarrassment on actors in an attempt to alter their behaviour. A clear example of the naming and shaming approach is found in attempts to manage the resource dimension of the DRC conflict. The UN's *Final Report of the Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth in the DRC* (UNSC 2002a) publicly named and shamed eighty-five companies it believed to be contributing to or taking advantage of insecurity in the DRC for personal or financial gain (Feeney and Kenny, 2005). Companies listed in the final report include Citibank New York (US), International Diamond Industries (Israel) and Banro-Resources Corp (Malaysia/Canada). Home governments of the companies involved were chastised for not abiding by international obligations to ensure their companies act responsibly while conducting business abroad (Feeney and Kenny, 2005: 345) and the panel also placed much blame on the governments and armies of Burundi, Uganda and Rwanda for their role in exploiting resources in conquered areas of the DRC. Further, the report attaches a degree of blame to some of the DSI's largest guiding actors for turning a blind eye to the exploitation of Congolese resources. Saving some of its harshest criticism for the World Bank, the authors of the report find that

Notes exchanged between World Bank staff clearly show that the Bank was informed about a significant increase in gold and diamond exports from [Uganda] that produces very little of these minerals . . . In the case of Uganda . . . the World Bank never questioned the increasing exports of resources and in one instance a staff member even defended it . . . The Bank not only encouraged Uganda and Rwanda indirectly by defending their case, but equally gave the impression of rewarding them by proposing these countries for the Highly Indebted Poor Countries debt relief initiative. (UNSC, 2001, paragraphs 188–189)

This document attempted to expand notions of guilt regarding the realities of the DRC's war economy by highlighting the important though varied role of both domestic and foreign actors.

Not all targeted policies are focused on prohibition, eradication or punishment. For example, alternative livelihood (AL) schemes are becoming increasingly popular in the fight against war economies. In these policies, the focus is not on removing or prohibiting a particular activity, but on creating new opportunities – encouraging and enabling actors to engage in economic activities which support peace, not war. Here, there is an acceptance of the fact that some actors who support war economies do not necessarily support

Building a peace economy?

the violence of which war economies are a part and perhaps engage in these economic activities as a means of supporting themselves and their families. In theory, if these actors can be encouraged to, and equipped with the capacity to, engage in other forms of economic activity, participation in war economies will be diminished. These schemes have been led domestically in countries such as Thailand to deal with domestic drug production issues, to a certain degree of success (Buxton, 2006), but more notably have been used by the DSI in Colombia and Afghanistan, where farmers cultivating drug crops have been encouraged, and equipped with the tools, to produce other crops such as wheat and fruit.

General policies

A second category of responses involves policies which are less targeted on a specific commodity or economic activity and instead is made up of more generic reforms that are implemented as part of the standard international response to conflict-affected states. These policies are not a response to the specificities of war economies themselves, though elements of the reform may be altered to target this problem. The impact of these reforms on war economy transformation can be considered more tangential – the reforms are seen as desirable in and of themselves, but have the additional benefit of contributing to war economy transformation. Corporate social responsibility (CSR) initiatives, for example, aim to create a set of standards by which foreign companies are expected to (voluntarily) abide. Commonly enshrined in such codes are guidelines on how private companies should act in conflict-affected areas in order to prevent their activities from contributing to or benefiting from political violence. Initiatives such as the UN Global Compact, the Extractive Industries Transparency Initiative (EITI) and the OECD's *Guidelines for Multinational Enterprises* provide a foundation for companies and their shareholders who are seeking to minimise or reverse their negative impact on conflict dynamics. Several well-known cases, such as shareholder pressure on Talisman Energy to address its role in the Sudanese conflict, are illustrative of the increasing pressure to hold companies in 'zones of peace' accountable for their contribution to political economies of violence and for companies themselves to consider their potential role in violence before becoming deeply entrenched in the conflict dynamic. Linked to CSR programmes, Export Credit Agencies, government agencies which provide support for home companies conducting business abroad, have also recognised the need to ensure that the companies which they support are acting responsibly (Hildyard, 2005). Bodies such as Canada's export development agency, the EDC, now also engage in extensive CSR reviews in regard to the Canadian corporations which they support. Other national governments, specifically those in Nordic

countries, have also introduced national strategies on CSR in an attempt to ensure responsible behaviour of companies based within their borders (Gjølberg, 2010).

Even more broadly, strengthening the rule of law within conflict-affected states is also seen as having a strong impact on transforming economies of war and in pre-empting any future relationship between economic incentives and violence from taking root. Discussed in greater detail in [Chapter 5](#), this set of reforms encompasses several distinct programmes including security sector reform (SSR), judicial reform and customs reform. Improving the efficiency of the police is considered central in combating the production and trade of illicit drugs, as seen in Afghanistan where the new Afghan National Police are at the forefront of the drug eradication programme. Special investigative units such as organised crime or money laundering task forces are also seen as a key tool as they work to detect and limit the degree to which the profits from conflict-related trade can be realised. The work of the police service is often complemented by reforms within the customs agency, who find themselves at the epicentre of the trans-border element of war economies. Often, the largest financial rewards are made outside the immediate zone of conflict – in the transit zones and destination zones where the commodity is eventually consumed. In addition to manning border crossings to physically detect and reduce trade, customs agencies are also sometimes tasked with detecting financial irregularities in trade and business documents which might be masking illegal trade or profits. Again the example of Afghanistan points to a case where the task of transforming the customs service is seen as essential for tackling the relationship between the drug industry and violence, with key actors within the DSI including the World Bank, the UN Development Programme, the US Agency for International Development (USAID) and the European Union all contributing to the rebuilding of Afghanistan's customs department.

One facet of SSR, demobilisation, disarmament and reintegration (DDR), is seen as having a key role to play in war economy transformation. The financial gains to be made from these economies are believed to create strong incentives that work to discourage former combatants from laying down their weapons and abiding by peace plans. This policy option is based on the logic that if the profits from war are higher than the profits from peace, combatants will choose to continue their armed struggle due to the financial benefits involved. Actors who would choose to continue fighting therefore need to be convinced that peace is indeed the more profitable path. DDR programmes are deemed central in facilitating this shift in perception. In theory, through effective DDR schemes which offer ex-combatants realistic and substantial economic opportunities, potential spoilers are discouraged from continuing the forms of economic activity which supported a war economy. As an

example, USAID specifically targeted combatants once involved in the diamond trade in Sierra Leone in their reintegration programming, helping these former soldiers create an agricultural co-op in a region once dominated by the illicit diamond trade (USAID Sierra Leone, 2004b).

Of course, all of the above security reforms are dependent on a functioning judiciary. A legal system which can effectively investigate and prosecute those believed to be involved in illicit activity, smuggling, tax evasion, money laundering or peace spoiling, is required for any such reforms to be effective. Transformation of war economies also requires effective security and judicial institutions at the global level, and as such the DSI has created and continues to strive for improvements in international intelligence, security and legal regimes. For example, the transnational nature of many war economies and the transfer of profits from these activities through global financial mechanisms requires increased monitoring and control. It has therefore been suggested that the Financial Action Task Force (FATF) on money laundering could potentially be used to flag transactions which are suspected of being linked to the trade of conflict commodities. Though the FATF is not currently mandated with this task (Winer, 2005), it has since the 1990s been used to monitor and flag transactions potentially linked to money laundering schemes (Arnone and Padoan, 2008; Helleiner, 1999), and therefore already has a role to play in managing war economies. Multiple international conventions and institutions including the UN Convention against Transnational Organised Crime, the Council of Europe's GRECO programme, the Offshore Group of Bank Supervisors and the Wolfberg Group are also presently set up to address issues of financial transparency, corruption and money laundering and thus currently contribute to the transformation of war economies through the tracking and investigation of illegal financial transactions (Winer, 2005; Winer and Roule, 2003).

Multiple international security bodies are also involved in the tracking and investigation of the illicit side of war economies. Many of these bodies have been set up to deal specifically with the global drug trade, transnational organised crime or global terrorism, but due to the connections between these activities and many war economies, have been or could potentially be adapted to target war economies. Specifically, the UN Office on Drugs and Crime (UNODC), Interpol, Europol and the intelligence agencies of many countries currently track, investigate and help bring to prosecution actors involved in the illegal (and transnational) facets of war economies. The World Customs Organization (WCO) is also working to increase its ability to monitor and harmonise cross-border trade systems, a task that has been given increased support since the September 11th attacks (Winer, 2005). Courts in countries outside the immediate zones of conflict can also be used to prosecute actors when the above agencies are able to supply requisite evidence. Along with

criminal prosecution, civil claims against those contributing to conflict-related trade could be heard by courts in third party countries. For example, it has been suggested that international firms could be tried under the US Alien Tort Claims Act (Hoffman, 2005) In two cases, *Doe v. Unocal* and *Roe v. Unocal*, Burmese citizens brought charges against the American company, alleging that gross human rights abuses were committed as the company worked with the Burmese government to secure a pipeline project (Hoffman, 2005). Although this case was eventually resolved through a confidential settlement as opposed to a court ruling, the ability of the claimants to bring the case to the American courts in the first place undoubtedly had a strong impact on the final settlement. It is also possible that international legal venues such the International Criminal Court (ICC) and special war crimes tribunals could in the future prosecute for war economy related economic-crimes (Schabas, 2005).

Effectiveness of transformation policies: evidence and explanations

Given the geographical scope, variance in the activities which constitute war economies and the range of policies which attempt to manage these activities, analyses of war economy transformation are necessarily diverse. This wide-ranging body of work is reviewed below. Through an engagement with these studies, the unique and idiosyncratic problems related to individual tools of transformation are highlighted – a mode of analysis that is undoubtedly useful for policy makers seeking to improve upon ongoing and future policies. However, what this policy by policy review also reveals are recurring concerns and themes which require us to question whether there are wider, more generalisable themes and concerns which underpin attempts at political economic transformation. Such questions will be returned to at the end of the chapter.

Targeted drug eradication

An obvious place to begin this discussion is with one of the most oft-assessed areas of transformation – attempts to eradicate drug crops in Latin America and Central Asia. While illustrating limited degrees of success, statistical evidence requires us to remain sceptical of the DSI's effectiveness in this field. Reports on the growth of the opium trade in Afghanistan point to the inability of the NATO coalition to eradicate this fundamental structure of Afghanistan's war economy; while there are reports of overall reductions in some parts of the country, many areas, including those with the greatest levels of violence, continue to register high or even increased levels of production. Reports from 2006 reveal a 59 per cent increase over 2005 levels

(UNODC, 2006: iv) with a further 17 per cent increase in poppy cultivation in 2007 (UNODC, 2007: iii). The official UN survey from 2010 reveals little to no progress in terms of overall reductions in opium cultivation, though all provinces which had been classified as poppy free in previous years remained so in 2010, suggesting a consolidation of some previous gains (UNODC/GOA, 2010). Similar statistics can be found in relation to the cultivation of coca in Colombia. While surveys conducted in 2009 reveal that coca cultivation was at its lowest levels for the century, down 16 per cent from the previous year (UNODC/GOC, 2010: 12), one has to question the sustainability of these gains, given that in this same period there were marked increases in some areas of the country including Cordoba, which saw an increase of 63 per cent between 2008 and 2009, and Cauca, which saw a 385 per cent increase in cultivation between 2004 and 2009 (UNODC/GOC, 2010: 16).

A wealth of analysis exists regarding failures in this area of programming, pointing to multiple problems with this approach to transformation (Buxton, 2006; Dávalos, Bejarano and Correa, 2009; Dion and Russler, 2008; Felbab-Brown, 2009; Goodhand, 2008; Mercille, 2012; Oehme, 2010; Vargas, 2011). Several studies provide evidence of a 'balloon effect' whereby reductions in one area lead to cultivation being pushed to and increasing in other areas. This has been observed in studies in Colombia, where eradication in some regions is believed to have led to increases in cultivation in areas previously considered marginal in the drug war such as Antioquia and Bolivar (Buxton, 2006; Oehme, 2010; Yang, 2008). It has also been noted that the eradication efforts in Colombia have been a causal factor in terms of increased levels of production in Peru and Bolivia (Buxton, 2006). In such instances, the war economy is not so much being transformed as displaced. Eradication of supply might also have perverse impacts. If demand for the drug remains the same, reduced supply can increase the amount paid for the crops, increasing the payoff for farmers willing to engage in the risk of drug crop cultivation (Goodhand, 2005). There are also health and environmental issues in regard to chemical and aerial eradication techniques (Buxton, 2006; Sherret, 2005) and concerns have been raised regarding the impact on the livelihoods of the poor, as in destroying crops, actors are also destroying a coping strategy of many civilians. For example, as Goodhand notes in his assessment of eradication in Afghanistan, 'the destruction of the fields of the more vulnerable (and politically unconnected) farmers subsequently drove up debts so that poor households had little choice but to grow poppy for the next year' (2005: 212). Studies such as these point not only to the inability of eradication programmes to transform war economies in the negative sense, but also illustrate how these types of programmes can actually move us *further away* from a positive peace economy; eradication programmes may actually reduce the economic opportunities for the poor and have negative health impacts on populations,

manifestations of structural violence that disproportionately affect the poor and those in rural areas in which drugs crops are cultivated.

Militarised solutions

Similar assessments can be made of military responses to these economies. As seen with the 'balloon effect' discussed above, the use of hard security tactics via the military can potentially spread drug cultivation further afield. For example, the militarisation of anti-drugs initiatives has 'accelerated the pace of fragmentation and displacement in the illicit sector' (Buxton, 2006: 133). The use of military tactics also increases the likelihood of civilian casualties. With innocent civilians getting caught in the crossfire between the military and those involved in the drug trade, political or physical security is being pursued at the expense of human security. This is associated with the increase in human rights abuses that often increase with military involvement (Dunn, 2001). In line with this, the militarisation of the war on drugs (or any commodity) can also be seen as a direct threat to democratic governance and freedoms. Exploring the increasing role of the army in Mexico's battle against the drug trade, Lindau notes that the government's militarised strategy 'increases the power of the least-transparent, least-accountable portions of the regime' (2011: 177–178).

When militarisation is perceived to have been chosen due to external pressure from the guiding actors within the DSI, there are also concerns regarding state sovereignty and the legitimacy of governments. If the use of the military is largely seen as appeasing powerful international actors, as opposed to a strategy chosen by the relevant national leadership and their constituencies, the power of the state and its leaders may be called into question, threatening political stability in an already weakened state. Such external interference is illustrated by a warning to the Bolivian electorate by then US Ambassador Manuel Rocha who prior to the 2002 Bolivian elections stated, 'I want to remind the Bolivian electorate that if they vote for those who want Bolivia to return to exporting cocaine, that will seriously jeopardize any future aid to Bolivia from the United States' (van Cott, 2003 as quoted in Buxton, 2006: 135). Those against the militarised approach to drug eradication supported by the United States were threatened with serious political and economic consequences, an obvious interference in internal political processes by external actors. Governments seen as going against the desires and wishes of domestic electorates in order to appease powerful external actors risk alienating their own populations, but when military responses come from external actors themselves, the threat to national sovereignty is even greater. The use of private military companies such as Executive Outcomes to clear the diamond fields in Sierra Leone or the use of private

security companies by multinational corporations to protect their own activities in conflict zones are clear examples of this. In such cases one of the markers of a strong sovereign state, monopoly over the use of force, is challenged and usurped by private or external entities, threatening both the sovereignty and legitimacy of the state itself. In this regard, the use of the military to eradicate or control elements of the war economy might result in immediate, short-term successes, but could lead to long-term problems as the legitimacy of the state is questioned.

The use of the military in transformation is further called into question by the fact that in many cases, the militaries are themselves part of the war economy. International military actors are also known to have become entangled in political economies of violence, contributing either directly or indirectly to illicit economic activity, as discussed in forthcoming chapters. This must cause one to question the motivation of some of these actors to take seriously their role in transformation. For international police and peacekeeping forces *not* involved in the war economy itself and who are committed to its transformation, a range of other problems exist. Because their role in managing the political economic aspects of conflict tends to be implicit as opposed to explicitly stated in their mandates, they are often not equipped (either in terms of technology or staff capacity) to act effectively. They will also be confronted with the problems of authority and legitimacy as external actors attempting to police foreign populations (Cockayne, 2009; Cockayne and Lupel, 2009b; Felbab-Brown, 2009; Gavigan, 2009; Holt and Boucher, 2009).

Resource governance and privatisation

Other targeted policies, albeit less controversial, have likewise been questioned in terms of their effectiveness on transformation. Although occasionally heralded as a success in terms contributing to overall reductions in conflict diamonds and as prime example of cooperation between states, NGOs, MNCs and consumers, the Kimberley Process has faced much criticism (Cooper, 2011; Crossin, Hayman and Taylor, 2003; Hilson and Clifford, 2010; Maconachie, 2009; Smillie, 2005; Winer, 2005; Turner, 2006; van Dijck, 2009; Wilson, 2011; Zulu and Wilson, 2009). For example, it has been condemned for lacking substantive capacity for monitoring and enforcement. Participants are largely expected to self-regulate and self-monitor, presenting their own records as proof of export levels. In some cases the capacity for monitoring and management by national actors is limited and some mechanisms are believed to be plagued with corruption. Further, powerful actors have limited the ability of other actors within the process to gather requisite data. Russia and Israel both sought to prevent the release of data in terms of

statistics on diamond trading activities in their countries or by corporations based within their borders (Smillie, 2005: 60).

At the same time, there is evidence that less powerful actors remain on the losing end of the process. Hilson and Clifford (2010) illustrate how the suspension of local diamond trading, whilst investigations were conducted into Ghana's diamond trade vis-a-vis Kimberley regulations, had dire consequences for small diamond communities and local producers. Even though Ghana was eventually exonerated, the period of disruption led to economic upheaval locally. Further, the diamond industry in West Africa continues to be characterised by asymmetries of power and wealth (Cooper, 2011) meaning that small, local producers run the risk of being excluded from the industry altogether as obtaining the requisite licenses and compliance certificates is expensive and often requires particular political connections (Wilson, 2011). And in terms of related policies offering the citizens of Sierra Leone opportunities for reconstruction and development, the scheme has had limited success with only US\$280 000 of the \$37 million trade finding its way back to local diamond communities (USAID Sierra Leone, 2002; see also Cooper, 2011). Even with the establishment of the Diamond Area Community Fund, which is supposed to ensure that some of the wealth created by the diamond trade feeds into local development initiatives, there has been little progress in turning diamonds into a resource for peace (Maconachie, 2009).

Similar problems are identified with the use of privatisation schemes as a means of governing the trade of commodities. It has been documented that pre-conflict privatisation schemes undertaken in countries such as Sierra Leone and the DRC have in fact *contributed* to the growth and entrenchment of war economies (Le Billon, 2003; Pugh and Cooper, 2004). The spoils and opportunities presented by privatisation processes, whether pre- or post-conflict, are seen as essentially enriching the elite and creating a commodity over which actors can wage war. In the post-conflict setting especially, privatisation processes can reward and enrich former war entrepreneurs by creating opportunities for these actors to legalise or legitimise gains made during the conflict. If war entrepreneurs and related criminal elements are allowed to influence these reforms (as they often are due to the economic and political power accrued during the conflict) policies will have little impact in terms of redistributing wealth. Such issues will be explored in greater detail in [Chapter 6](#).

Resource-sharing schemes do not appear to fare much better in terms of transformation. The former RUF leader Foday Sankoh, for example, briefly held the position of Minister of Natural Resources, giving him a great deal of control over mining concessions. The appointment was largely granted in return for his agreement to participate in peace plans. This arrangement lasted only a matter of months, with the RUF returning to their violent

struggle and exploitation of the country's diamond wealth. In this case, resource sharing proved to be a short-term fix which neither appeased the key belligerents in the conflict nor the general corps of combatants – illicit diamond trading continued to be a lucrative enterprise, and those fighting for more ideological or political reasons do not appear to have been swayed by political manoeuvrings at the elite level.

Furthermore, in terms of resource sharing in the wider sense, a spread of resource wealth that would benefit conflict-affected societies as a whole, these schemes are again found lacking with a global elite (as opposed to local populations) benefiting from new schemes. In Sierra Leone, the key international trading relationships which fuelled the destructive link between diamonds and violence were barely disrupted. As Pugh and Cooper document in their study on Sierra Leone, 'Old firms linked to the conflict are now returning to claim their concessions. Most notably, the Canadian mining firm DiamondWorks' (Pugh and Cooper, 2004: 116). This problem can be linked to the evidence that resource governance reforms tend to favour international actors (primarily MNCs). Little effort has been made in terms of attempting to privatise to domestic actors (Kuditshini, 2008). As international actors have greater ability and capacity to make successful bids and are (rightly or wrongly) believed to act more ethically, much of the resource wealth and profits leave the host country. Also, with externally led privatisation, anti-corruption and resource governance schemes, the role of the state is diminished and the state-citizen relationship is pushed to the background as forging and maintaining strong relationships with foreign companies and international governing institutions becomes the primary task. Critiqued by those concerned with global economic justice, this control over resources in the South by powerful northern actors is another form of structural violence insofar as it limits the degree to which domestic actors can push for more accountable forms of governance.

Finally, regardless of the success of these various governance schemes, there is no way of ensuring that legal and legitimate profit streams will not eventually be used to wage war. Even in the 'cleanest' of processes, where there is little corruption and income is channelled transparently to the appropriate actors, the fact remains that governments will still profit through the taxing of profits or via payments for the granting of mining concessions. Although funds acquired in this way are 'legitimate' and 'legal', nothing prevents governments from using said funds to commit human rights abuses against its own citizens or political enemies. In the case of the Chad-Cameroon pipeline project, the president spent \$4.5 million of the 'legitimately' earned \$25 million signing bonus from oil companies on arms to strengthen government troops which were confronting unrest from various rebel groups in the country. Though this money was returned following inter-

national pressure, future changes to the agreement allowed for increased spending on arms using funds from the project (Kojucharov, 2007). Indeed, the ability of the CCPP to fundamentally alter conflict dynamics in the region was perhaps overstated – ‘the World Bank grossly overestimated its ability to alter these existing institutional patterns and it failed to appreciate the extent to which oil wealth would amplify many of Chad’s pre-existing problems such as corruption and political instability’ (Pegg, 2009: 312; see also Winters and Gould, 2011).

Sanctions and shaming

With concerns over the effectiveness of voluntary management schemes, more forceful policy tools such as sanctions are often adopted. However, these have also been assessed and found wanting. At a basic operational level, there are a series of challenges which make the enforcement of sanctions difficult. These challenges are largely a result of lack of political will and capacity by key actors. Sanctions require a great deal of international cooperation and agreement which for political (and economic) reasons is often lacking. In regard to addressing the regional war economy in West Africa, for example, both France and China blocked attempts to place sanctions on the trade of Liberian timber (Atkinson, 2008). Sanctions can also have a perverse effect on the goal of transformation by increasing the incentives for smuggling. As Andreas notes, ‘[s]anctions and embargos inflate profits and create economic opportunity structures for those best connected in the world of covert commerce. This strengthens the hand of criminal actors, fuels cross-border black market networks, and encourages closer ties between political leaders and organized crime’ (2009: 35). Besides this, there are serious moral hazards in terms of placing sanctions on war economy participants. Depending on the language used and their scope, sanctions could inadvertently lend support or legitimacy to governments engaged in serious human rights abuses. Where sanctions target only the activity of rebel forces, they may grant an advantage to one party in the conflict, strengthening one side both politically and economically and potentially denying smaller non-state groups the right to self defence (Lunde and Taylor, 2005).

Similar arguments can be made regarding the use of naming and shaming. While there have been some successes in the use of this strategy (Ballentine, 2005), most notably in the massive public relations campaign which sought to shame diamond companies into addressing their contribution to several of Africa’s civil wars, there remain serious questions regarding both its effectiveness and ethical desirability. It is problematic, for example, that this approach may be used in lieu of more punitive measures such as sanctions or formal legal proceedings. As Ballentine argues, there is concern

that a 'growing reliance on naming and shaming [is] a substitute for more decisive action. Deprived of subpoena power and lacking any enforcement capacity of their own, however, expert panels can be only a poor and partial substitute for determined Security Council and member-state action' (2005: 455).

Creating documents, reports and media campaigns which implicate actors in the structures of violent economies may be necessary but not sufficient. Reports might induce actors to change their behaviour unilaterally, provide a foundation on which actors issue sanctions, or induce states to change their foreign policies. However, on their own, naming and shaming tactics offer little more than reputational damage, and even that is often limited. Certain actors may not be concerned with or threatened by the tarnishing of their reputations. While some members of the international community, such as MNCs, NGOs and IFIs, are more cognisant and sensitive to the impact of reputational damage, other actors are less deterred by such damage. Organised crime groups, terrorist organisations, individuals such as Victor Bout (one of the world's most infamous arms dealers) and some states will not alter their behaviour because of this strategy.

Of course, this discussion is also mired by ethical concerns. Inevitably one must consider who has the power to name and shame, where that power comes from and how it is being used. Persaud (2001), for example, raises concerns over the naming and shaming by the OECD of a group of relatively small and powerless nations for engaging in 'harmful' tax and financial policies – noting how tax regimes in OECD countries engaging in similar practices were labelled using less pejorative terms such as 'preferential tax regime' or 'potentially harmful' (2001: 202; Tsingou, 2010). One needs to consider the power of an actor such as the OECD to actively name, shame and thus punish less powerful actors given the fact that such power is not reciprocal. An OECD or UN panel shaming actors in the developing world carries with it greater consequences for state and sub-state actors than the voices of the citizens in conflict-affected zones attempting to shame the powerful actors in the DSI. While powerful institutions in the global system are able to essentially blacklist weaker actors, there is not a similar mechanism which would allow for smaller players in the international sphere to likewise effectively call into disrepute the activities of powerful actors. Related to this, there is also concern that processes of naming and shaming are not governed by the clear evidentiary rules of legal proceedings, that misinformation or tainted information can find its way into reports for political reasons, leading to problematic political consequences.

Alternative livelihoods

Moving on in the assessment of transformation policies, the optimism surrounding alternative livelihood (AL) programmes initially appears justifiable given its recognition that other transformation projects can have negative impacts on individuals' livelihoods and that unless policies are initiated to replace what has been destroyed, such approaches will be ineffective. This recognition goes some way to moving us towards positive transformation insofar as it identifies the economic injustices built into other transformation processes and attempts to rectify them. However, such optimism must be tempered with existing analyses of these projects. A number of technical difficulties and financial limitations have been identified which are believed to severely reduce the effectiveness of AL schemes (Buxton, 2006; Felbab-Brown, 2009; Mansfield and Pain, 2005; Oehme, 2010; Spellberg and Kaplan, 2010). Incentives for switching from an illicit economic activity to a licit economic activity are rarely strong enough as the financial benefits of the former continue to outweigh the benefits of the latter. In Afghanistan, the income earned by farmers engaged in growing poppies can be much greater than what would be earned if they farmed one of the suggested replacement crops – wheat. One study estimated that farmers can earn up to 1000–2000 lakhs a year for growing poppies, instead of the 20 lakhs they would earn for producing wheat (Goodhand, 2000: 92). Although wheat prices vary from year to year, the overall utility of shifting to an alternative crop can be described as minimal at best. By the UNODC's own admission 'None of Afghanistan's licit agricultural products can currently match the gross income per hectare from opium' (UNODC, 2011: 10). Even in years where wheat prices have increased, the general trends in the growth in the price of opium far outstrip even a decent increase in wheat; the former seeing an increase of up to 306 per cent between February and March 2011 (UNODC, 2011: 10). In Colombia, the average income of a coca-growing family in 2006 was \$5194, compared to an average of only \$2413 for families not involved in this crop (Dávalos, Bejarano and Correa, 2009: 382). An interesting adaptation of the AL approach, 'venture development' has been put forward, which encourages producers of illicit crops not to simply switch to growing an alternative crop but to simultaneously add value to their new crop by producing a marketable good – for example if switching to growing coffee beans, the grower could increase their income by then producing espresso coffee soda (Spellberg and Kaplan, 2010). Such an approach does suggest ways in which the basic economic calculations which limit the uptake of AL programmes could be overcome, however, even this approach is unlikely to overcome the other limiting factors of this policy tool.

For example, poor infrastructure such as access to markets and transport

Building a peace economy?

routes often make shifting to alternative crops infeasible and farmers are often not provided with the initial inputs or credit to purchase inputs that a shift to a new crop would entail. Likewise, even if the switch to a new crop is successful, sales, and thus the benefits of making the transition, are not assured. While smugglers are adept at transferring large quantities of drugs across difficult terrain and finding willing buyers, the same infrastructure and market opportunities are not always available to those who have made the switch to a legal crop. Established trade routes, reliable middle men and a solid consumer base may not exist for the new commodity. This is made worse by liberalisation policies that allow for cheap imported agricultural products, which have therefore undercut the market for domestically grown agri-products (Buxton, 2006). Other noteworthy problems that have been identified with this approach include the issue of sequencing – alternative livelihood projects might be more effective if individuals were able to see that the benefits of these programmes were stable in the long term. However, the rapid nature of eradication programmes and their implementation *prior to* the stabilisation of alternative livelihood schemes creates a disincentive for individuals to participate (Buxton, 2006). The benefits of alternative livelihood projects may also take several years to materialise (Oehme, 2010), again limiting the degree to which target groups will agree to participate. Finally, all of the above concerns are related to the fact that AL programming remains very much underfunded in relation to its cousin policies of eradication and heavy-handed military and security policies which accompany them.

Corporate social responsibility

Moving onto analyses of the more general approaches to transformation, one finds a wealth of critical assessments of corporate social responsibility (CSR) programmes (Feeney and Kenny, 2005; Hayman and Crossin, 2005; Hildyard, 2005; Idemudia, 2010; Lunde and Taylor, 2005; Martin-Ortega, 2008; Turner, 2006; Zandvliet, 2005). The most common critique of CSR is that abiding by these codes remains voluntary – similar to the certification schemes discussed earlier, actors are not legally required to commit to these strategies. Further, as with the naming and shaming policies, there are concerns that even if many companies agree to abide by such codes they will simply be replaced by companies less concerned by their corporate image or under fewer constraints from legal and political pressures at home (Patey, 2007). For example, as Turner argues,

The withdrawal of western MNCs such as Lundin Petroleum, allowed Eastern MNCs, largely from India and China, to expand operations in Sudan. Eastern MNCs thereafter flourished due to their states' investment in the Government of Sudan and the absence of human rights pressures from their own civil societies.

The actions of Chinese and Indian MNCs thus reveal some of the flaws of voluntarism. No Chinese state-owned oil enterprises are supporting, endorsing or participating in the EITI. (2006: 382)

While some companies might commit to CSR for moral reasons and others due to shareholder or civil society pressure, there are few options in terms of holding companies to account either legally (through international or domestic courts) or economically (through sanctions), and those companies that are willing to voluntarily abide by CSR codes are unlikely to be the greatest threat in terms of MNCs' contribution to war economies.

Further, issues of global economic justice must also be considered. CSR schemes are primarily created by the world's most powerful actors – MNCs and large multi-lateral institutions such as the OECD and the UN. The needs and desires of the citizens most affected by harmful corporate practices are rarely taken into account meaning there might be corporate *responsibility* (as defined by MNCs) but not corporate *accountability* to local communities (Carbonnier, Brugger and Krause, 2011; Idemudia, 2010; Maconachie, 2009; Newell, 2005). This relates to wider concerns that CSR as a tool of transformation is less effective in regard to the ideal form of positive transformation which would involve fundamental changes in the modes of global economic exchange – 'If we step back from the glitter and fanfare surrounding the dizzying array of initiatives being launched and take a moment to assess them, it is plain to see that the majority of current CSR initiatives pose no real threat to corporate interests or global capitalism' (Turner, 2006: 383; see also Macdonald and Macdonald, 2010; Zulu and Wilson, 2009). If we are concerned with the creation of a positive peace economy as a long-term goal, the ways in which the MNCs operate in a globalised capitalist market would also need to be addressed.

Rule of law and security reforms

Unlike the study of CSR, which has received much analysis in terms of its role in war economy transformation, other areas classed as *general* tools of transformation have received notably less attention. The use of rule of law reforms, for example, is rarely studied specifically in relation to war economy transformation and it is therefore difficult to summarise the current thinking surrounding its effectiveness in this regard. Some studies have considered the potential role of domestic legal reforms in regard to controlling and managing natural resources and post-conflict crime (Gavigan, 2009; Matthew and Hammill, 2007). However, whilst there is also an extensive literature on security sector reform (SSR) in general (Donais, 2005; Gbla, 2006; Hood, 2006; Vetschera and Damian, 2006) most of these studies are on the area of reform more generally and do not address the specific issues under scrutiny

here. These areas of reform will be more carefully explored in [Chapter 5](#).

Likewise, there has been limited analysis of the role of customs services in terms of the transformation of war economies. Much of the literature on this reform area addresses customs agencies' roles in terms of econometric or tax-related policies (Maskus and Rioja, 2007; Södersten and Reed, 1994), or outlines techniques which can be used to modernise customs agencies (de Wulf and Sokol, 2004; Dollar, Hallward-Driemeier and Mengistae, 2006; Hors, 2001). There are, however, a few studies which consider the role of customs services in dealing with trans-border crime such as smuggling (Junninen and Aromaa, 2000; Velkova and Georgievski, 2004; Winer, 2005) where it is argued that corruption within agencies and the perceived inability of the judiciary to prosecute those charged with customs offences are key reasons for the ineffectiveness of customs services in fighting illicit trade (Velkova and Georgievski, 2004). On a purely functional level, the amount of global trade further reduces the utility of customs services in physically detecting illicit trade related to conflict. Customs services simply do not have the capacity to physically inspect all goods crossing their border – 'only 3 percent of the nearly 9 million containers that enter the United States every year are checked' (Stares, 1996: 69 as quoted in Shelley, 1999). This points to the constant struggle or tensions between the facilitation of commerce and the facilitation of enforcement – often with the flow of commerce winning out (Andreas, 1999). Customs reform will be investigated in greater detail in [Chapter 7](#), given both its perceived importance, but relative lack of analysis regarding its effectiveness in transforming war economies.

One security reform, DDR has been given greater attention in terms of how it relates to war economy transformation (Cockayne, 2009; Fanthorpe and Maconachie, 2010; Rozema, 2008; Tamagnini and Kraftt, 2010). That there is more analysis on this aspect of reform is likely down to the belief that ex-combatants who profit from war economies are likely to continue to use violence or return to violence if their post-conflict salary is substantially lower. Similar to AL schemes discussed earlier, there has been a degree of optimism surrounding DDR, due in part to its focus on creating new opportunities as opposed to simply banning or destroying livelihood strategies. However, DDR suffers from many of the same operational problems associated with AL, including corruption, the ongoing superior profits presented by illicit activity, and limits to the funding available for the reintegration phase. These operational problems are compounded by the fact that DDR processes in general were not initially conceived of as a tool for dealing with complex criminality – thus even programmes that may appear successful in managing traditional combatants may have less success in terms of dealing with the complex networks that support illicit trade in conflict-affected areas. There are several reasons for this, including the fact that it is often only 'formal' combat-

ants who qualify for assistance, meaning that loosely grouped militias or community protection brigades are not included. This leaves many former war economy participants without assistance in terms of integrating into a new peace economy and thus continuing with economic strategies related to the conflict economy. The exclusion of criminal elements from DDR planning is also problematic – as seen in Haiti where the DDR process ignored the problem of gangs and other criminal actors (Cockayne, 2009). Rozema's (2008) study of criminality and an urban DDR programme is also particularly insightful in this regard. In assessing several of the limitations of the process in Colombia the author is quite clear in terms of a key underlying problem, namely that in regard to the localised political economy of violence 'the network contains many nodes – paramilitaries, drug traffickers, gangs – and with the demobilization of the paramilitaries, only part of the node has been unravelled' (Rozema, 2008: 449).

A much wider issue regarding the DDR approach in relation to transformation surrounds concerns that this strategy amounts to a 'buying of the peace' (Le Billon, 2003) – it does little to resolve the underlying issues or grievances which may have caused individuals to take up arms in the first place and in fact legitimises the logic of violence insofar as former belligerents appear to be granted an economic advantage in the post-conflict order, affirming the logic of war economies and entrenching unjust political, social and economic relationships. The focus on dealing with spoilers in DDR processes can marginalise more progressive structures and actors in society. A description of the DDR process in Tajikistan is illustrative of several of these issues. In this case, the state and the international community witnessed a degree of short-term success when demobilised soldiers were given control over important economic assets including private and commercial properties, cotton fields and previously state-owned assets, and a blind eye was turned to some of their assumed illicit activity such as their participation in the drug trade (Torjesen and MacFarlane, 2007). This approach to DDR has been credited with short- to medium-term stability in the country but questions remain over whether this 'bought peace' will hold in the long term, and it has arguably led to increased levels of criminality in Tajik society. Clearly, while the issue of potential peace spoilers in the form of ex-combatants must be addressed, the prominent place accorded to these actors, and the issues of sustainability and justice related to their sometimes privileged position in peace accords, needs to be more carefully examined.

At the global level, changes to international rule of law reforms have also been questioned in terms of their role in managing violent modes of economic accumulation. Effective international policing, investigation and intelligence is needed in order to trace and manage the international scope of war economies. However, a lack of cooperation between actors from different

countries remains a common theme in analyses of global efforts in this regard, with one assessment of such schemes noting that ‘information exchange remains largely bi-lateral, ad hoc and sectoral’ (Winer, 2005: 73; see also Winer and Roule, 2003). Evaluations of anti-money laundering (AML) regimes, likewise cite ‘unwillingness of the vast majority of countries to disclose detailed assessments’ as a major shortcoming (Arnone and Padoan, 2008: 382) with disagreements over jurisdiction and other procedural issues also limiting effectiveness in this policy area (Tsingou, 2010). Even when political will exists and cooperation between actors is forthcoming, institutions are handicapped by advances in technology and the skill of many actors involved in the world of illicit finance – the techniques for evasion often outpacing techniques for detection (Porteous, 2000). Reliance on informal banking channels, such as the hawala system (which allows individuals to transfer money without using ‘official’ financial institutions) may also render such investigative measures moot. And besides the practicality of monitoring transfers through such systems, attempts to include such informal money transfers in AML regimes are ethically problematic. Their inclusion in AML regimes, for example, is linked to unproven beliefs over their links to terrorism and they are counter-productive insofar as they drive legitimate business underground or damage innocent and small actors who are unable to meet the rising costs of compliance (Lindley, 2009; Tsingou, 2010). Blanket attempts to dismantle these informal systems also fail to recognise that money transferred in this way is often a lifeline in terms of humanitarianism and development (Lindley, 2009).

While the difficulties in gathering intelligence present serious hurdles to transforming the global facets of war economies, a lack of judicial tools at the global level is also problematic. The growth of the human rights discourse from the 1990s accompanied a willingness and substantial investment in terms of creating international legal mechanisms to deal with human rights abuses in conflict-affected states. However, in terms of transforming politico-economic aspects and legacies of conflict, the use of legal tools is less prominent. Schabas describes a serious gap within international law regarding the use of legal mechanisms to deal with economically motivated activities during conflict: ‘the liability of economic actors would not be for economic crimes, as these are essentially absent from the Rome Statute [which governs the ICC], save for the war crime of “pillaging and plunder”... The prosecutors in the ICTY and ICTR have shown little interest in pursuing economic actors’ (2005: 427–429). At present, international tribunals and law are not equipped to deal with the economic activities which may fuel or accompany conflict (Kopp, 2005). Though testimony was given in relation to the involvement of Liberia’s Charles Taylor in West Africa’s illicit diamond trade during his 2010 trial at the Special Court for Sierra Leone, his involve-

ment in this trade was not part of the criminal indictment itself and was included as a line of questioning in order to prove more well-established war crimes.

As it stands, international tribunals tend to prosecute for only the gravest and most shocking of war crimes, a category which at the moment does not include political-economic activities which accompany conflict. International law, while constantly expanding in terms of its institutions and what it seeks to legislate, has neither the operational capacity or *de facto* jurisdiction in many cases, which would be required to counter the political-economic facets of modern conflict. There are of course calls to make international law a more effective tool in this regard, by classifying serious economic crimes as war crimes (Eichlin, 2009/10; Schaber, 2011) or by allowing international legal bodies to prosecute these forms of conflict trade under anti-pillage statutes of the ICC (Lundberg, 2007/8), and some positive developments in terms of the use of international legal mechanisms to deal with political-economies of violence can be identified. Hybrid courts in both Bosnia and Kosovo have seen the international community placing attention on and committing resources to the prosecution of organised crime and corruption (Eichlin, 2009/10). This, along with the International Court of Justice ruling against Uganda in a civil suit regarding the plundering of resources in the DRC (Lundberg, 2007/8), offers evidence of a growing norm over the illegality of illicit resource trade in conflict zones.

However, in order for this norm to become more fully developed, individual countries would need to make an explicit decision to prosecute the illicit activities associated with war economies. Thus far, few countries appear to have the political will or resources to deliberately target and prosecute the activities of war entrepreneurs. There are of course some notable exceptions to this. Sanjivan Ruprah and Leonid Minin have faced prosecution in Europe, in part for their involvement in arms trading with Charles Taylor, while Gus Kowenhoven was prosecuted in Holland for violating UN arms sanctions (Atkinson, 2008: 31). The 2008 capture and arrest of famed arms dealer Viktor Bout in Bangkok is further evidence of functional international investigation and intelligence cooperation. It is worth noting though that all of these cases involve arms dealing, suggesting that cooperation and the political will to use international legal tools are more likely when more traditional security threats such as weapons are involved – effective cooperation for other conflict commodities such as timber and coltan appears less forthcoming.

Project assessment versus agenda analysis

The above discussion of the range of policies aimed at transformation illustrate how this body of reforms requires change in the political, economic and social spheres, positioning war economy transformation as an exceedingly diverse but also deeply intrusive project. The role of the DSI in some areas of reform is more obvious and overt – military responses and support by the USA via Plan Colombia illustrates an extreme example of the control exerted by powerful political and security actors, while the dominance of NGOs in the creation and implementation of the Kimberley protocol reveals the fundamental role that development actors also play in transformation projects. Analysis of the individual policies presented above, and summarised at the end of this chapter in [Table 2.1](#), while useful in presenting snapshots of the logic and effectiveness of these specific tools of transformation, provides only a perfunctory step in producing an overarching analytical framework which explains the political-economic transformation agenda comprehensively. Such an approach is necessary given the fact that despite the flaws of these projects being well documented, the same policies continue to be used across time and place.

There are of course some notable attempts to look at transformation more broadly. These studies, which engage in comparative analysis of crime control measures and peace operations offer several findings on which future work can build. For example, such research points to the fact that the public face of policies is often at odds with what is eventually operationalised, with Cockayne and Lupel noting that ‘the rhetoric of peace operations tends to stress “transformation”, but in practice tends to settle for containment’ (2009a: 158). Broader analyses also tend to focus on the problematic process of ‘criminalisation’ – noting the wider political motivations for classifying much of the political-economic activities associated with violence as ‘criminal’ and the impact of applying such labels (Andreas and Nadelmann, 2006; Cockayne and Lupel, 2009a; Friesendorf and Penska, 2008). Andreas and Nadelmann’s (2006) comprehensive historical review of international law enforcement regimes, whereby changes to the regime are assessed through liberal, realist and constructivist lenses, provides an excellent example of this mode of analysis. Their succinct and forthright assessment regarding what rests at the foundation of international enforcement regimes is worthy of note in terms of considering future investigations into the war economy transformation agenda. Through comparative historical analysis, they argue that

the internationalization of crime control is primarily the outcome of ambitious efforts by generations of Western power to export their domestically derived defi-

nitions of crime . . . some of the most prominent international policing campaigns continue to grow notwithstanding persistent failure and even counterproductive consequences, in part because they prop up prohibition norms and reaffirm collective moral condemnation. (Andreas and Nadelmann, 2006: vii–13)

Such a finding suggests and justifies the need to place powerful actors, such as those at the top of the DSI, at the centre of analyses. And while comparative insights from the above disciplines offer us sets of questions and avenues for further exploration, there remains a need for analytical approaches which deal more specifically with the transformation of war economies.

Similar calls for and progress towards such frameworks have emerged. Wennman (2007 and 2011) suggests a fundamental rethink on how the problems of conflict commodities are perceived and thus acted upon – arguing that the narrow focus on natural resources is particularly unhelpful and conflict financing should instead be perceived of as a fluid and complex set of economic strategies. At the same time, he argues that with the growth of concepts such as war economies or conflict commodities, resources have been conceptualised as a ‘problem’, perhaps distracting policy makers from thinking about ways in which resources and even illicit economic activity can be integrated more effectively into peacebuilding strategies. Andreas’s research on the Arizona market in Bosnia, a hub of illicit trade during and after the war, supports such reconceptualisations, noting that in Bosnia, ‘in the immediate postwar era, the ability to overcome ethnic divides was arguably nowhere more advanced than in the clandestine economy’ (2008: 133). Another collection of studies (Pugh, Cooper and Turner, 2011) also goes some way towards bringing together a range of studies with the aim of thinking more broadly about conflict-related trade and the policies aimed at its management. Noting that in terms of research on the transformation of war economies ‘the field remains remarkably under-theorised’ (Pugh, Cooper and Turner, 2011: 5), their work synthesises a range of case studies, policy options and conceptual debates related to peacebuilding with the aim of furthering our understanding of the political-economic aspects of war and peace more generally. This synthesis concludes that at the foundations of this aspect of security and development policy are ongoing asymmetries of power between peacebuilders and the societies being transformed.

The above findings, related to what can be deemed a war economy transformation agenda, act as a foundation for the remainder of this book. Concerns over the ways in which resources and illicit trade have come to be conceptualised, the politics and power imbalances between actors involved in this policy realm and the impact of these factors emerge as common lines of inquiry that will help further theorisation in this field. The following chapters will interrogate these issues of conceptualisation, politics, power and their impact on practice by exploring how the network of actors involved (the DSI)

Building a peace economy?

create and manoeuvre through the regimes tasked with transforming war economies. Examining how the above issues unfold in practice will offer not only insight into the shape and failures of political-economic transitions, but also provide frameworks through which future approaches and policies can be assessed and altered.

Table 2.1 Tools for war economy transformation: a project assessment approach

Response	Examples	Problems identified
Eradication/ destruction of commodity	Aerial eradication of coca plants in Colombia; physical eradication of poppy plants in Afghanistan	'Balloon effect'; reductions in supply but not demand increases payoff; impact on human health and environment; negative impact on livelihoods
Military responses	US financial and technical assistance to Colombian military for dealing with drug cartels and paramilitaries; use of private military company to clear diamond fields in Sierra Leone; international peacekeeping troops' <i>de facto</i> involvement when mandated to monitor borders	Accelerates 'balloon effect'; civilian casualties/human rights abuses; provokes violent response; external interference brings sovereignty and legitimacy concerns; militaries as participants in war economy; international troops lack mandate or capacity
Industry/ commodity certification and tracking	Kimberley Process	Voluntary with limited monitoring or enforcement; states lack capacity to implement; powerful states place limitations on process to protect own interests; loopholes; no redistribution of wealth
Resource governance	Privatisation; anti-corruption and transparency measures; Chad–Cameroon Pipeline Project	Voluntary/lack of enforcement; governments may still use profits to purchase arms; creates new commodities to fight over; rewards/legitimises violence and profits made through violence; buying peace a short-term solution; international actors have too much control – threat to sovereignty and accountability
Sanctions	UNSCR 2000/1306 against the trade of rough diamonds and UNSCR 1998/1173 to limit UNITA's actions in Angola	Humanitarian impact; political will/cooperation lacking; limited capacity to enforce; creates incentives for smuggling; may benefit one party to the conflict over another

War economy transformation: policy issues

Table 2.1 continued

Response	Examples	Problems identified
Naming and shaming	UN report on resource exploitation in the DRC; Fowler Report	Used in lieu of (stronger) sanctions; actors not concerned with reputational damage; power to name and shame rests with powerful actors
Alternative livelihood projects	Afghanistan and Colombia here drug farmers are encouraged to grow alternative crops or engage in other industries	Profit from illicit activities remains high; lack of access to credit/infrastructure; liberalisation makes developing new industries difficult; sequencing; corruption; limited funding
Corporate social responsibility	Companies voluntarily abide by their own set of standards or an external code such as the EITI or OECD guidelines; shareholder pressure/activism as seen with Talisman Oil; standards by public entities such as the EDC allow home government to set standards for companies operating abroad	Voluntary/lack of enforcement; free rider problem; does not address wider economic/social impact of resource exploitation; does not alter power imbalance between MNCs and local populations
Security sector reform (domestic/ within conflict-affected state)	Afghan National Police training to combat drug trade	Citizens do not trust institutions because of past and ongoing abuses; corruption/ institutions easily infiltrated; ineffective judiciary
Demobilisation, disarmament and reintegration	Livelihood programming specifically for ex-combatants/ diamond miners in Sierra Leone	Reintegration phase underfunded; identifying recipients; profits from illicit activity remain higher; sequencing; 'buying peace' unsustainable; rewards and legitimises those who used violence
Customs reform (domestic/ within conflict-affected state)	Customs service in Afghanistan trained to counter smuggling activities and detect financial irregularities	Vulnerable to corruption; balancing needs of commerce vs needs of enforcement; capacity to physically inspect; agents come from areas where familial/ community ties strong; ineffective judiciary
Judicial reform (domestic/ within conflict-affected state)	Complement activity of reformed security and customs services-prosecute those found by these institutions, e.g. Kosovo	Citizens do not trust institutions because of past and ongoing abuses; overlapping/ contradictory 'legal codes' and customs; laws manipulated by elites; corruption/ institutions easily infiltrated

Building a peace economy?

Table 2.1 continued

Response	Examples	Problems identified
International security and investigation	Use of FATF, Interpol, WCO to track movement of commodities and financial irregularities	Lack of cooperation and political will; questions over jurisdiction; technology and informal systems allow groups to easily evade detection
International justice and legal mechanisms in third party states	Possible future use of ICC for economic crimes; US Alien Tort Claims Act	Questions over jurisdiction; international legal codes do not include economic crimes; lack of will or capacity to prosecute domestically

*Explaining the dynamics of transformation:
the nature of the development-security
industry*

TAKING INTO account the common themes emerging from analyses of policies and agendas aimed at tackling the problem of war economies, it is clear that both the nature and outcomes of the transformation agenda are determined by a number of interdependent processes. These processes are determined by the interests and beliefs of powerful actors, in this case the network of actors that determine and implement policies – the DSI. These interests and beliefs are determined by the worldviews held by those within this network, the problematic ways in which they define and view key issues, and how these factors are then translated into policy. As such, in order to move away from a project-assessment approach and towards a framework that helps us to analyse the transformation agenda as a whole, one must simultaneously consider the ideological foundations and practices on which the DSI rests, the dominant conceptual lenses used in terms of how it approaches the problem of war economies and the operational features and trends which result from these ideological and conceptual tendencies. This chapter will explore the nature of the DSI along these three dimensions, assessing the ways in which the dominant features of this industry are known to impact upon peace, security and development interventions more generally. These characteristics of the DSI will in turn be used as a preliminary framework through which policies aimed at transforming war economies, including but not limited to those reviewed in forthcoming chapters, can be assessed in a holistic and structured manner.

Ideological projects and processes: the impact of liberalism

The development-security industry, both in terms of its response to war economies specifically and development and peacebuilding more generally, can be characterised as resting on distinctly liberal foundations. Liberal dominance in these fields has been accelerated and solidified since the end of the Cold War when the primary alternative collapsed, leaving a largely unipolar or 'uni-ideological' global arena. Guiding actors within the DSI have taken advantage of this new geopolitical reality and have moved the practices of development and security from beyond limited strategic aims (such as the rebuilding of Europe, or maintaining allies during the Cold War) to a more pervasive and intrusive project of installing a particular form of liberal peace across the globe. This mode of peace is founded on liberal beliefs, primarily the inherent value of individual freedom, open markets and democratic governance. From these basic tenets an array of approaches to development-security policy have materialised. In the economic sphere of programming, neo-liberalism, a distinct strand of liberal theory, has emerged as the dominant guiding principle. Defined as 'a theory of political economic practices proposing that human well-being can best be advanced by the maximization of entrepreneurial freedoms within an institutional framework characterized by private property rights, individual liberty, unencumbered markets, and free trade' (Harvey, 2007: 22), neo-liberalism has become a hegemonic discourse. It underpins global economic policy and forms the foundation of economic reforms imposed on developing and conflict-affected states by institutions such as the World Bank and International Monetary Fund. Beginning in the late 1970s, this ideological discourse was operationalised by the above institutions in what came to be known as the Washington Consensus. Based on neo-liberal principles, policies of fiscal discipline, liberalisation, deregulation and privatisation were prescribed to developing and developed nations alike (Krogstad, 2007). The failure of this consensus to substantively contribute to economic development and stability led to an adjustment of the consensus, with global financial actors coming to accept that markets did not function perfectly on their own. This new post-Washington Consensus (PWC) whilst underpinned by the core values of neo-liberalism, simultaneously called for an increased role for states and institutions (local, national and international) in planning and regulating economic policy (Krogstad, 2007; Öniş and Şenses, 2005). A recognition of the importance of local context also characterised this shift, in theory leading to increased flexibility that allowed for local actors to adjust policy based on the specific needs of their constituents (as illustrated in an increased use of nationally led Poverty Reduction Strategy Papers (PRSPs) by actors such as the IMF and World Bank) (Krogstad, 2007; Ruckert, 2006).

However, the move to a PWC does not represent a fundamental shift by international institutions away from core neo-liberal beliefs and as such, suggestions that there has been some kind of revolutionary change in regard to how international financial institutions work are somewhat overstated. Both approaches, for example, fail to deal with issues of equality including problems of land and income distribution (Öniş and Şenses, 2005; Ruckert, 2006; Sheppard and Leitner, 2010) and despite granting room for the state and institutions in the management of the economy, the PWC still lacks any meaningful understanding or integration of social and political dimensions (Kelly, 2008; Montiel, 2007). In this regard, the PWC can be characterised as ‘a new Trojan horse for embedding market-centred norms and practices’ (Carroll, 2009: 447). Whilst the PWC utilises different processes (i.e. state and international regulation and policy tools such as PRSPs as opposed to a purely free market approach), the ideology remains the same; it is simply embedded and imposed using alternative techniques.

Of course, it is not just economic policies that are guided by liberal ideals. Neo-liberal economic policy has come to be implemented alongside a series of complementary liberal political and social policies. Focused on issues such as good governance, individual human rights, democratic politics and strong, independent civil societies, these policies, alongside the above-mentioned economic reforms, constitute what has come to be known as the liberal peacebuilding consensus and form the foundation for the majority of interventions undertaken by the DSI. Of course, as with neo-liberal reform, one can identify variations within this wider project (Richmond, 2007), however, it is widely agreed that at the root of interventions into conflict-affected states are a series of liberal political and economic values to which political actors and citizens must comply (Cramer, 2003b; Pugh, Cooper and Turner, 2011). This peacebuilding consensus is based on a number of beliefs related to the pacifying effect of liberal structures. For example, as Cramer notes, economic aspects of the liberal peacebuilding consensus are largely based on the belief that capitalism and free markets ‘tie people up with the relatively benign business of money making, thus diverting them from the more nefarious activities of seeking power and making war’ (Cramer, 2003b: 152).

Similar assumptions regarding the role of political and social reforms can be found in one of the bedrocks of liberal international relations theory – the democratic peace hypothesis. A proposition that has been continuously reformulated and critiqued since Kant’s (1790) original articulation in his 1795 essay *Perpetual Peace* (for a good review see McDonald, 2009: 4–10), the hypothesis and its supporters both explicitly and implicitly extol the virtues of democratic processes and norms. Whilst admitting that there is a concomitant likelihood that liberal states are more likely to commit violence against non-liberal states, possibly leading to a form of liberal imperialism (Doyle, 2005)

there is an underlying promotion of liberal democratic values and systems by those who support the hypothesis. Simultaneous adherence to the range of liberal norms is still seen as inherently pacifying, with liberal actors only 'provoked' into violence when faced with illiberal and thus disruptive regimes. Concomitant beliefs in the power of civil society groups and NGOs to hold potentially violent regimes to account and help resolve social discord within society are also strong features within much of the liberal peace discourse (Cramer, 2003b). There is of course a vast literature critiquing the basic tenets and logic of the liberal peace (Cooper, 2005; Duffield, 2001; Mac Ginty and Richmond, 2007; Pugh, 2007; Richmond, 2008, 2010). These works challenge both the content of liberal reforms, pointing to inherent contradictions and logical flaws of these approaches, as well as the processes through which liberalism is imposed.

Despite these concerns, liberalism continues to underpin most of the policies initiated by the DSI, and on top of the inherent problems related to the *nature* of policies (discussed in greater detail below and throughout the remainder of this book), there are also concerns regarding the way in which international actors are going about the spreading of liberal peace. As Duffield notes: 'In the past, while development and security policy were clearly associated, compared to now the relationship was more opportunistic, geared to national interests and often covert. The current merger of development and security is much more inclusive, organic and transparent' (2001: 35). There is no longer a need to try and mask the political, opportunistic aims of DSI involvement in conflict-affected states as was often the case during the Cold War. However, Duffield's description of a more 'inclusive, organic and transparent' process should not necessarily be taken as a positive or neutral assessment of this new agenda as these new processes make use of problematic technologies. Indeed, analysis of security and development policies reveal that in order to create these new liberal societies, the DSI must engage in two seemingly paradoxical, but complementary processes – the depoliticisation of conflict and security environments and a politicisation of aid initiatives.

This first technology, depoliticisation, is central to a liberal approach, whereby actions and events are depoliticised in an attempt to normalise them (Edkins, 1999; Mouffe, 1993, 2005), to make them appear part of a non-contentious sphere of private and public life that therefore requires little if any scrutiny. This process reveals itself in several ways within the arena of security and development programming (Jaeger, 2007). For example, depoliticisation occurs when political causes and consequences of insecurity and conflict are pushed to the background, with economic and developmental issues becoming central both to the explanation of insecurity and thus to the solutions. Poverty in and of itself is treated as a cause of conflict, as opposed to more politically contentious issues of distribution of wealth, inequality and

power. At a more concrete level, depoliticisation also describes instances where projects are implemented as if there were peace, despite ongoing political and security issues. Ongoing violence is treated as an aberration, with incidents often portrayed as random anomalies committed by 'rogue' or 'extremist' elements – as opposed to acts motivated by those with ongoing grievances or other motivations. As aid is depoliticised, reconstruction and development continues as if such acts were unimportant, a minor distraction. Likewise, wider unresolved geopolitical disputes may be brushed aside with post-conflict programming being implemented regardless.

Depoliticisation is a useful political strategy for the DSI on several fronts. First, the removal of politics serves to legitimise the failure of actors to intervene politically or militarily. Portraying conflict as apolitical, or as primarily a development problem, allows actors to excuse themselves from actively engaging or working towards more political solutions (described in greater detail in forthcoming sections). Linked to this, as aid becomes the primary technology for conflict response, as opposed to more difficult or costly forms of political engagement, major actors are able to deflect blame for failed peacebuilding endeavours. While the guiding actors in the DSI set the agenda and call for aid to be used to solve political strife, it is the operational actors who come to be used as scapegoats should the mission fail (Aall, 2000). In effect international political elites are absolved from responsibility for continued violence, as poor project implementation by the operational arms of the DSI, including local actors and recipient populations, take the blame. The apolitical approach also provides a cover of neutrality for organisations who do not wish to be seen as taking sides in overtly political struggles. This is especially true in an era where accusations of neo-colonialism threaten the legitimacy of such interventions. For this reason, we can see the international community as not wanting to engage in the politics of the locale, and to at least have an appearance of not acting as part of a wider (or foreign) political project.

Acts of depoliticisation are not merely conceptual oversights or operational flaws but are actually essential to the creation of liberal peaces by the DSI. In other words, processes of depoliticising conflict and security are political strategies of the guiding actors in the DSI. Such a process is very much akin to Ferguson's (1994) notion of development as an anti-politics machine. Through these processes, actors attempt to subtract politics from the conflict equation in order to facilitate their own political agendas of spreading and creating liberalism in post-conflict states. Thus, acts of depoliticisation enable politicisation of peacebuilding policy, with the politicisation occurring as peacebuilding becomes a means by which the DSI can install a liberal peace in post-conflict zones. Of course, it should be noted that phrases such as 'political' or 'politicisation' need not be used pejoratively (de Zeeuw,

2001). Indeed, as will be seen in upcoming chapters the insertion of politics into peacebuilding projects and areas of reform is not only inevitable, but even desirable insofar as it leads to context-appropriate and sustainable modes of transformation. Where politicisation can become problematic, as discussed in forthcoming sections, is when the interests of powerful external actors override the goals of local conflict resolution and achieving a positive peace.

The depoliticising/politicising dynamic found within public life, both locally and in terms of international politics, is problematic on several fronts (Edkins, 1999; Kurki, 2011; Mouffe, 1993, 2005; Peterson, 2013; Rancière, 2010). At the most general of levels, a denying of the messy politics of the real world to further one's own goals gradually decreases our ability to manage such politics; depoliticisation leads to 'bewilderment in the face of [political] manifestations and to impotence in dealing with them' (Mouffe, 1993: 140). More specifically, however, the depoliticising-politicisation dynamic which is characteristic of the DSI's liberal peace project has at least four policy implications, some of which can be considered as general issues, and others which can be seen as specifically relating to the problem of war economies. First, as the liberal project is promoted, there is a concern that actors working in post-conflict contexts will become little more than tools of foreign policy for the world's most powerful political bodies and countries. Projects may be designed or implemented in order to maintain stability and thus prevent the spread of instability to intervening countries, or to protect ongoing political and financial investments. Evidence of such politicisation can arguably be found by considering aid levels, where contributions appear to coincide with the politics and goals of donors (Atmar and Goodhand, 2002; Macrae and Leader, 2001; Munslow and Brown, 1999) as well as the selectivity of interventions (Bradbury, 1998; Meron, 1995). This suggests a prioritising of international goals over local needs.

A decreasing focus on development in favour of security goals is also a concern as the blending of development and security is not a balanced merger. Development policy can easily become subordinate to security concerns (Klingebl, 2006) a possibility of increasing concern given the shift in security thinking resulting from the global war on terror (Duffield, 2006). Also, declining aid budgets have led to a situation where NGOs that used to engage in developmental work are now expected to be more relief oriented (Abiew, 2003) leading to a shift away from long-term to short-term programming (Seddon and Hussein, 2002). For example, EU funding for security and stability projects in the region was set to increase by 131 per cent from 2007–2013, while funds for development cooperation and economic cooperation were set to drop from 56 per cent of the budget to 49 per cent (Robinson, 2006: 83–84). What counts as official development aid is also allowing countries to shift their priorities from traditional development aims to

programming which supports security. Official development assistance guidelines now allow the management of security expenditure, enhancing civil society's role in the management of the security sector, security sector reform, small arms and light weapons programming, civilian activities for peacebuilding, conflict prevention and conflict resolution to count towards levels of official development assistance (Robinson, 2006: 86).

Further, there is a concern that in the pursuit of the idealised liberal project the DSI will allow local actors to capture the political and economic benefits of programming as a way of achieving ideological goals. In order to maintain stability, or to reward those who support the DSI in their aim of installing a liberal peace, local elites become the benefactors of post-conflict programming – sometimes at the expense of wider development goals or social reconciliation. In this sense, politicisation occurs as peacebuilding initiatives focus on appeasing actors who may spoil the desired liberal peace, marginalising more peaceful and progressive groups within society (Pankhurst, 1999). By focusing on violent powerful groups the non-powerful are ignored, confirming the rationality of and institutionalising the use of violence (Turton, 1997). As will be seen in upcoming chapters, this is an especially problematic impact in terms of the transformation of war economies where those involved in conflict trade have unjustly amassed a great deal of political power and wealth through corruption, illicit trade and violence.

Most concerning is that the liberal project is pursued via the use of hegemonic mechanisms, resulting in an 'agenda of control' (Cooper, 2003; Pugh and Cooper, 2004). These methods taken together relate to one of the strongest critiques against the (neo-) liberal ideological project, namely its autocratic underpinnings. As David Harvey finds, 'it is the profoundly antidemocratic nature of neoliberalism that should surely be the main focus of political struggle. Institutions with enormous leverage ... are outside any democratic control' (2007: 42). This anti-democratic power of the liberal project has been strengthened by the DSI's insistence on the link between poverty, crime and war. Kate Meagher has linked the liberal approach to conflict and the concern over illegal trans-border trade in her assessment of policy options utilised by the DSI:

Policy makers are now left with two major options: transborder trade can be suppressed and criminalised or it can be incorporated into the formal economy ... Neo liberal ideologies and international development institutions seem to be gravitating towards the criminalisation option. Close analysis suggests that this policy preference has more to do with the interests of Western powers regarding control and protection of their markets than with hard empirical evidence on levels of criminality. (2003: 71–72)

Whilst the criminalisation of these economies will be discussed in greater

detail later in this chapter, it is important to highlight here how the discourse surrounding them serves to strengthen the resolve for implementing liberal reforms. What is relevant at this point in the discussion is that the resulting control mechanisms are politically and economically motivated, as such techniques constitute a way of safeguarding the interests of western nations and powerful elites.

There are many examples of policies that could be classified as belonging to an agenda of control. The two most obvious examples in the case of war economy transformation are direct military intervention, such as UK intervention in Sierra Leone, and the destruction of a commodity such as the crop eradication programmes in Colombia and Afghanistan. More subtle forms of control would include externally led and monitored anti-corruption reforms. In effect, these are attempts at keeping a close check on the internal workings of sovereign nations. While policy documents often cite the need to increase levels of accountability to local peoples as justification for such programmes, accountability is often not downwards, but upwards with the aims, needs and requirement of donors at the forefront of national reforms. Besides this, there is also the more basic issue of effectiveness. The success of the policies related to this agenda is limited and unlikely to prove any more successful in the future, as the ability of groups and actors to evade control is pervasive (Jones and Roemer, 1989; Ballentine and Nitzschke, 2005). The above arguments are not meant to suggest turning a blind eye to illegal industries such as drugs and arms. Nor are they suggesting an abandonment of democratic reform and more effective and responsible security forces and judicial sectors. But the agenda of control remains problematic insofar as it 'gives priority to the rule of law rather than social justice' (Pugh and Cooper, 2004: 6); it values stability over justice or positive peace.

Intrinsically linked to the agenda of control is that the DSI agenda is predisposed towards normative western economic and political ideals. The development-security nexus portrays intervention as an altruistic activity which simultaneously bestows peace and wealth. This is a much more subtle form of control (Schuurman, 2000) but is part of the agenda of control nonetheless, based on the assumption that the West possesses knowledge of universal truths of what is good and what is perverse. The processes of defining the problem war economies and creating solutions for this problem are accompanied by these assumptions and result in the tendency of the DSI to rely on euro-centric norms and values which ignore the peculiarities of the growth and sustainability of war economy activity and presume, unquestionably, the superiority of western models to transform such activity.

Evidence of a system biased on western values and interests can be found by looking at the number of policies and concomitant resources directed at dealing with drug economies over arguably more destructive forms of conflict

trade such as timber, minerals including coltan, oil, tax evasion and money laundering. More subtle forms of western normative bias, however, may be found in two specific policy options utilised in war economy transformation. Through judicial sector reform, the western legal system is being imposed on a number of countries for whom such systems and values are to a certain extent foreign. These reforms are often based on western legal ideals as opposed to local or national ideals of law and justice. Secondly, the option of naming and shaming individuals and companies involved in conflict trade, by international actors, infers some form of legitimate moral position to make judgements on what is legitimate and illegitimate in today's global economy. The concomitant use of 'white lists', by which all companies that can ensure high standards of transparency become preferred operators within their industry (Winer, 2005), similarly evokes images of casting moral judgements by dividing those who meet the required western standards of operation from those who do not. As such, western actors are exalted over those who stray too far from the idealised liberal form.

As shown, liberalism is a political project that relies on a number of strategies which are in and of themselves damaging to the goals of peace and security programming and in turn, political-economic transformation. Through depoliticisation, the task of rebuilding war-affected states is portrayed as a largely apolitical, neutral and thus unobjectionable project. The wider political project of spreading a particular ideological project – namely liberalism – is made to disappear. And while these processes have been shown to be problematic in their own right, the impact of liberal ideals goes much further, also influencing the conceptualisation of war economies and the operational tools that are used to manage them.

Conceptualisations of conflict and recovery

The hegemony of liberal discourses shapes the ways in which war economies are conceived and thus influences the nature and choice of policies aimed at their management. Understanding the dominant conceptualisations of war economies and the issues associated with each of these offers further insight into the dilemma of transformation. Research findings presented in [Chapters 5 to 7](#) will show the diversity of actors' opinions regarding political economies of violence, and indeed examples of when individuals and organisations 'strayed' off the stereotypical liberal path are central to the conclusion of this book. Nonetheless, it is possible to identify the dominant understandings of conflict and recovery and the impact these have on political-economic programming.

As a starting point for this discussion, it is important to review the prevailing theories which have come to shape actors' understandings of origins of

war. Currently, conflict theory can be seen as having entered its own era of 'impasse', to borrow terminology from the development literature, as there exists no hegemonic conclusion regarding the causes of war. Analyses of political violence therefore utilise explanations from many bodies of conflict theory, leading to a layering of explanations regarding the motivation of actors who engage in violence. These explanations regarding causes of violent conflict offer insight into the competing ways in which actors within the DSI can choose to understand the role of commodities and profit in violent conflict, providing another lens through which we can analyse the processes chosen by actors in regard to war economy transformation.

Prior to the end of the Cold War, a militaristic understanding of security dominated conflict analysis. Often referred to as traditional or orthodox security, this school of thought is concerned with violence between states, with both the nature of threats and the responses to them being conceived of in military terms (Ayoob, 1991). This classical view is based largely on a realist paradigm which sees the international system as inherently anarchic and in which the nation-state remains as the primary unit of analysis. With the fall of communism and the emergence of a unipolar system, notions of security began to change. Initially, it was assumed that with the end of the super power struggle, the globe would witness a new era of peace – a 'New World Order'. However, this utopia failed to emerge, and paradoxically a 'new world disorder' revealed itself with conflict erupting across Asia, Africa and Eastern Europe (Keohane, 1995). It is in the wealth of diverse analysis that attempts to understand the causes and nature of these 'New Wars' (Kaldor, 2001) that the problem of war economies gains prominence.

In the early 1990s, several ideas which addressed the ethnic nature of these wars emerged as dominant explanatory tools. Under orthodox political analyses, people's identities and loyalties were seen as coalescing around the state. However, with the rise of intra-state conflict in the post-Cold War era, the primacy of national identities as an organising principle faded and ethnic identities became central to conflict analysis. Supporting such theories were wars in the former Yugoslavia and the Rwandan genocide. Based on Huntington-esque visions of a 'clash of civilisations' (Huntington, 1996), these theories are often closely attributed to the works of Robert Kaplan, whose works *Balkan Ghosts* (1993), *The Ends of the Earth* (1996) and *The Coming Anarchy* (2000) evoke images of chaotic wars between disgruntled and historically opposed societies. And while conceptualisations such as this of the role of ethnicity have played well in the media, these simplistic explanations of the role of ethnicity in violent conflict have been questioned in terms of their intellectual and methodological rigour (Duffield, 2001; Gilgan, 2001; Keen, 1997; Shaw, 1996; Turton, 1997). Stemming from such critiques, a more considered and theoretically grounded debate on the role of

ethnicity in modern conflict emerged, allowing socially constructed identities a key role in conflict analysis without falling into the traps of the 'new barbarism' and 'ancient hatreds' models (Gurr, 1993; Kaufmann, 2001). While focusing largely on the role of the construction of ethnic identities, these approaches to ethnicity began to address the relationship between violence and resources. Kaufmann's work on symbolic politics, for example, suggests that for conflict to occur, groups must also be presented with the *opportunity* to engage in conflict, and that this involves both adequate political space as well as physical resources (Kaufmann, 2001: 29–38). Likewise, Gurr's work on ethnic conflict suggests two broad motivations for ethnic groups engaging in conflict – relative deprivation and group mobilisation: 'the former contends that peoples' discontent about unjust deprivation is the primary motivation for political action, whereas the latter emphasizes leaders' calculated mobilization of group resources in response to changing political opportunities' (1993: 123–124). These two motivations are indicative of one of the key debates that then emerged in the field of conflict analysis with the former representing what has come to be referred to as grievance theory and the latter providing a foundation for an emerging body of work which suggests that greed, economic motivations and opportunities are central to understanding incidents of modern conflict. It is from this debate that war economies became central to the study of conflict.

Grievance explanations for civil wars are based largely on the idea that deprivation, in the economic, social or political spheres, provides the motivation for groups to rebel against actors whom they see as causing their deprivation (Davies, 1962; Gurr, 1970). Such explanations for violent conflict have proved influential in the policy arena, with the addressing of deprivations via peacebuilding and development initiatives being seen as a cure for ongoing conflict and as a preventative mechanism for future conflict. However, the causal relationship between grievances, deprivation and the outbreak of political violence came to be questioned by statistical analysis emerging from World Bank researchers (Collier, 1995, Collier and Hoeffler, 1999, 2001). These studies argue that grievances are not strongly correlated with instances of violent group conflict but that economic opportunities play a much more important role in both motivating and facilitating violence. This questioning of grievance-based theories has been a key factor in elevating war economies to the position of a principle explanatory factor of violent conflict. Crudely referred to as greed theory, this body of work places financial motivations and the role of economic opportunities in facilitating rebellion at the centre of causal explanations of violence (Collier, 1995, 2000a; Collier and Hoeffler, 1999, 2001; Collier, Hoeffler and Rohner, 2006; Lujala, Rød and Thieme, 2007; Ross, 2006).

These econocentric explanations of war resulted in much debate with

both the methodologies used and the implications of these approaches coming under attack. One of the strongest critiques against such theories is that they are reductionist and fail to incorporate historical and political context; they give little recognition to the fact that political violence is very much a dynamic process, with motivations and driving forces changing over time (Berdal, 2005; Cramer, 2003a; Luckham et al., 2001; Murshed and Tadjoeeddin, 2009). Further, these understandings of the causes of violence also deny or downplay the role of ideology or identity (Cramer, 2002). In this sense, one can see the obvious linkages between this conceptualisation of the conflict and conflict economies, and the preference for apolitical narratives which have been shown to suit the ideological agenda of the DSI.

Despite war economies being closely associated with the above debate, other approaches to conflict have also stressed the importance of these economies in conflict dynamics in ways which seek to address the critiques of economic-centric approaches, whilst also accepting the importance of economic factors. Research surrounding the concept of 'complex political emergencies' (CPEs) has been particularly useful in expanding conceptualisations of the role of economics in instances of political violence. While some take issue with the concept of 'emergency' contained within this work (Calhoun, 2004; Dillon and Reid, 2000; Edkins, 2000) the strength of the CPE approach is that it expands analyses beyond state borders and considers the wider regional and international factors which become part of otherwise 'internal' political struggles. There is less of a focus on relationships of cause and effect and a greater concern with wider structural forces which have a more indirect impact on political-economic dynamics by shaping, influencing (and perhaps confining) the choices available to actors. Ballentine's work (2003) offers an example of this approach, moving our thinking regarding war economies away from the notion that illicit economic opportunities either cause wars or are caused by war and towards a model which suggests that war economies feed into already existing political conflicts, impacting the duration, character and intensity of a war. In this sense, facets of war economies are seen as existing as part of a dynamic system – constituent parts of war economies both contribute to and are fuelled by insecurity and violence as well as other structural factors such as poverty, corruption and global market forces.

Competing analytical approaches to war economies

The above assessment over the dominant explanations on the causes of conflict and the position of economic factors within each of the debates suggests there are multiple lenses through which the DSI can interpret economic issues in relation to political violence. Two distinct conceptual

approaches to war economies emerge, each granting war economies a prominent yet different role in conflict. The first conceptualisation can be characterised as a rational choice (RC) model of war economies. Under this view, war economies stem directly from the decisions taken by 'war entrepreneurs' who are motivated by profit or power and who either take advantage of an already occurring war, or actually instigate conflict, with financial enrichment as the ultimate goal. Decisions to participate in such activity are based on a rational weighing of potential risks and payoffs. In this sense, war economies are the end result of a series of considerations and enabling factors and are an entity unto themselves. As presented in [Figure 3.1](#), this conceptualisation sees war economies as a distinct unit, a final culmination resulting from of a sequence of steps and choices taken by actors.

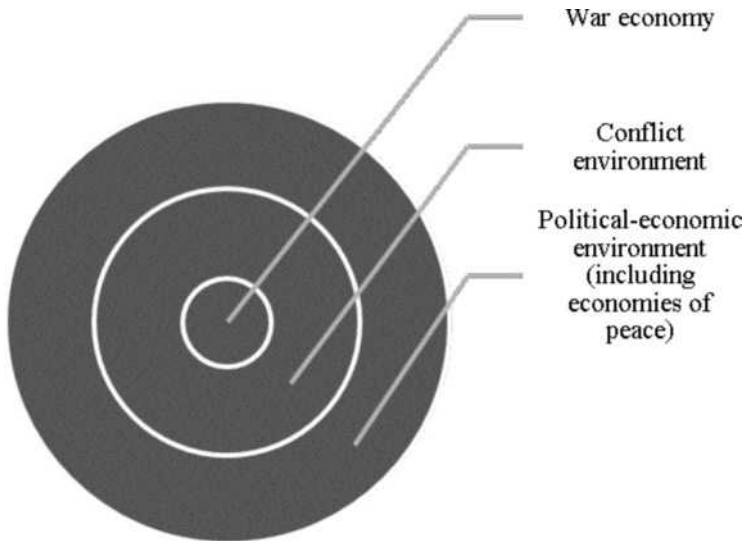
Figure 3.1 A rational choice (RC) model of war economies



Alternatively, war economies can be seen as a constituent part of a wider political-economic environment which provides fertile ground for the formation and continuance of these economies. With a focus on relational and structural forces, this model supports calls for an alternative 'radical political economy' approach to understanding the role of resources and other economic factors in political violence (Obi, 2010: 483). Unlike the RC model,

there is less of a focus on individuals' motivations, with state, regional and international actors and structures seen as playing a significant role in the conflict dynamic. What we see as a tangible war economy is actually an outgrowth of the status quo – war economy activity is not an aberration based on the rational calculations of actors, but rather an almost logical or even predictable outcome of a perfect storm of geopolitical, regional, national and local political, social and economic realities. Under this alternative conceptualisation, war economies are considered manifestations of wider political and economic structures (see [Figure 3.2](#)). In other words, war economies are also a characteristic or outcome of what can be referred to as national, regional or international peace economies. Under this conceptualisation, war economies are not a separate final state as seen in the RC approach. Rather, they are contained, encircled and encapsulated within wider political and economic structures.

Figure 3.2 A structural political-economy (SPE) model of war economies



Adopting a structural political-economy (SPE) perspective requires a consideration of a much wider range of motivations and impacts of war economies. Under this view, the war economy is not simply a dysfunctional set of activities which causes or prolongs political violence with the view to gain economically, but in fact may serve as a means by which numerous actors (both legitimate and illegitimate) seek to gain or maintain political power (Ajulu, 2001; Dietrich, 2000; MacLean, 2002). In addition, the SPE model requires one to reconceptualise actors' decisions to participate in war

economies – to think about motivation not simply in terms of a desire to accumulate wealth, but perhaps as an attempt to find a way of participating in today's competitive global economy (Cooper, 2003). In this sense, war economies can be seen as a means through which actors can provide for themselves when the state and 'legitimate' markets fail to do so (Chingano, 1996; Ifeka, 2001). Part of an ever-evolving global political-economic system, these economic practices represent both a reaction *and* alteration to the creation of a new global political economy (Obi, 2010; Raeymaekers, 2010). What is actually occurring is the creation of a new status quo, not simply the failure of or interruption to current systems.

While both conceptual lenses are available to members of the DSI, it is the RC approach to war economies that is believed to be most prevalent in responses to war economies, with the wider political-economic structures privileged by an SPE approach often being ignored in donor and aid policies (Brown, 1999; Cooper, 2002; Johnson et al., 2003). Obi goes as far as saying that such simplistic notions of causality, typified in much of the work on the resource curse, has become a hegemonic discourse (Obi, 2010). In fact, despite methodological and ethical concerns regarding much of the research related to the RC approach, it has retained a central place in academic and policy endeavours. Explaining this dominance, Mats Berdal notes, 'The most important factor behind the initial attraction of the greed thesis . . . was the statistical analysis and social-science methodology in which it was steeped, which had the effect of simplifying the complexity of conflicts confronting policy makers' (2005: 688–689; see also Cramer, 2002). Charles Cater concurs, noting that practitioners often place

the most explanatory weight on the rational decisions made by other elites and the readily identifiable factors assumed to influence these choices. Consequently, strategies for intervention by the UN and other actors have focused on a limited range of measures intended to influence the flow of natural resources and the decision-making calculus of elites, rather than more comprehensive approaches that tackle the macro level processes and structures that generate and sustain intrastate war. (2003: 40)

In an academic field and policy arena often overwhelmed by interdisciplinarity and complexity, the straightforward and logical framework offered by the RC approach is tempting. It is supported by theoretical statistical modelling and can be easily fused with qualitative evidence. Policy wise, it creates simple and thus attractive answers as it suggests that conflict can be prevented and contained through better resource management, monitoring and stricter financial controls. These tendencies within the aid world are representative of the growth of neo-classical economic theory and rational choice theory in the field of conflict and security studies more generally (Cramer, 2002), providing

evidence of a concrete link between ideology and the conceptual lenses which dominate peace and development programming.

The dominance of the RC approach to war economies is, however, highly problematic. As Cramer notes, rational choice approaches to conflict often fail to address the need for 'structural and relational change' (2002: 1850), mirroring critiques found within other studies of development programming in which it is determined that 'the development aid system still neglects most of the non-economic aspects of development in favour of a narrow economic-technical approach' (Uvin, 1999: 55; see also Uvin, 1998). The resulting technocratic responses emerging from an RC conceptualisation of the problem fits well within a liberal framework which, as noted, is characterised by its reliance on rational choice theories and technical solutions. Such preferences fit well with another core characteristic of liberal thought, namely a belief in the power of institutions to resolve all manner of social and political problems (Shahar, 2007). Although there exists a variety of institutional approaches and analyses (Fioretos, 2011; Grieco, 1988; Shahar, 2007) liberal institutionalism has become a dominant concept and tool to both explain and promote the idea that there can be cooperation (instead of conflict) between states in the geopolitical realm (Nuruzzaman, 2008). A belief in the pacifying nature of liberal institutions at the international level has trickled down to a belief that the right institutions (i.e. liberal models of democratic governance, civil society, judiciaries) can also build and promote peace at the national and local levels by constraining the narrow interests of political elites. This approach is perhaps most clearly conceptualised in Paris's (2004) 'institutionalisation before liberalisation' approach to post-conflict reconstruction. Under this school of thought, there remains a belief in the inherent effectiveness of liberal approaches, but there is also a reconsideration of the sequencing of reforms, with a belief that good institutions must be created in order for the virtues of liberalism to be realised.

Adopting a structural approach to understanding war economies

To be clear, arguing that there is an increasing technocratic element to aid is not synonymous with saying that the aid industry is apolitical. What is being suggested is that while the distribution of aid, and the motivation for providing aid, may be extremely political in nature, the processes through which aid is meant to be utilised have become highly bureaucratised and formulaic, focusing on creating superficial economic, political and social institutions and thus eliminating any potential for aid being used for real and substantial social and political change. Importantly, bringing politics back into the process does not equate to an imperialistic imposition of northern ideals and processes. As de Zeeuw argues,

a political focus for peace-building does not mean that the international community should promote or even prescribe certain political institutions. Instead it should try and identify 'those relationships, processes, mechanisms and institutions that hold the greatest promise for ongoing conflict resolution, which may not always look like those in Western states'. (Adapted from Cousens and Kumar, as quoted in de Zeeuw, 2001: 17)

Accepting the politics of peacebuilding requires aid agencies to be more aware of the power relations which led to conflict and sustained the war, and which continue to affect post-conflict power arrangements. Without denying the reality that individuals and groups do formulate decisions based on potential risks and payoffs, choices are also shaped and constrained by surrounding forces such as history, politics and socio-cultural dynamics. Therefore the adoption and integration of SPE analysis by the DSI is a fundamental requirement in the transformation of war economies. In order to address the wider political-economic issues related to war economy transformation as opposed to a narrowly defined RC model of war economies, at least four areas need to be considered by actors: the problematic characterisation of criminality in zones of conflict; the geographical scope of war economies; the temporal scope of war economies; and the functions of these forms of economic activity.

Accompanying a focus on economic agendas in war is an increased tendency to view war as criminal with many actors being relegated to the category of common criminal. Consider an evaluation of the situation in Northern Ireland where one commentator concludes that 'violence takes on more characteristics of gangsterism than of a revolutionary uprising' (Jennings, 1998: 294). In effect, as the criminalisation discourse permeates, fighting war has turned more and more into fighting crime. Moodie (2010) refers to such changes in the labelling of acts associated with violence as 'critical code switching'. Citing the case of El Salvador, where policy makers have been faced with ongoing and arguably increased violence and criminality since the signing of the peace accords, it is noted that

if El Salvador was to join the ranks of the modern, investment-grade nations, then traces of war and indeed 'politics' had to be erased. So attention turned to recategorizing acts of violence, to recoding them, in a way that established a sense of order and normativity. That sense of order was bolstered by a new discourse on technical mastery of criminal investigation, of science rather than politics. (2010: 55)

However, one should remain cautious of the criminalisation discourse for several reasons. While there is a close relationship between criminal activity and war economies, many reports are sensationalist and exaggerated (Dupont, 1999), with discussions of war economies being hijacked by a 'drugs and thugs' mentality (Cooper, 2002: 935). Second, the category of criminal is

not easily (or objectively) defined. While a legalistic definition would posit crime as any activity which breaks a formal legal code, criminality is not always defined in this way. Crime is a socially constructed concept. Defining what is criminal in war economies is made more difficult in that illicit facets of war economies are often closely linked to licit formal and informal economies. Grey, black, shadow, underground, illicit, illegal and informal economies, regardless of how you define them (Karp, 1994; Lindauer, 1989; Meagher, 2003; Portes, 1996) 'are closely intertwined; there are no clear boundaries between them . . . In this context concepts such as "licit" and "illicit" economy fall short' (Collinson et al., 2003: 5). At what point in the trading process does an illegally mined diamond cease to be illegal? At the point of leaving the country? At the point of sale to De Beers? Once purchased by a consumer in the United Kingdom? This is not to argue that no element of a war or of a war economy should be classified as criminal, but that the difficulty in defining crime should act as a first step in reconsidering the preconceived notion that war economies are necessarily criminal. Characterising activities as 'criminal' shapes and indeed limits the feasible responses to these activities.

Another problem with the current criminalisation discourse relates to the fact that in many cases, gangs survive based on acceptance within their own communities (Skaperdas and Syropoulos, 1997) and as such, cannot simply be moralised away via derogatory labelling. Such overt normativity via the labelling of acts as criminal effectively delegitimises conflict and conflict actors (Keen, 2002/03). In other words, one of the dangers of the discourse lies in the portrayal of conflict actors as morally inferior and void of political ambitions or status (Meron, 1995), which may result in morality and normative judgments replacing thorough political analysis (Douzinas, 2003). Further, portraying leaders as greedy 'justifies open-ended and repeated international intervention on behalf of populations' (Hughes and Pupavac, 2005: 882). Here we can see the link between the ideological and analytical planes, as it suits the liberal political project to define the problem as criminal and thus apolitical.

Alongside a reconsideration of the fundamental role that supposed criminality has come to play, undertaking an SPE approach to war economies also necessitates widening the geographical scope of analysis. It is not enough to simply examine the role of resources in terms of the confines of a localised and geographically bound conflict. One should consider the links between localised conflict-related trade and regional or international economies of peace. Many legitimate international actors benefit from illegitimate local activities related to violent conflict. These actors include some of the globe's most powerful actors including IFIs and multinational corporations. International companies often circumvent southern governments' authority, making agreements with faction leaders (Aning, 2003) – Shell, for example, is

known to have paid money directly to the Biafran Separatist administration (Fitzgerald, 2001). A large percentage of the profits from war economies are laundered or filtered through financial institutions in the developed world (Power, 2001; Quirk, 1997) and some of the world's most powerful tobacco companies have also been found to have knowingly contributed to cigarette smuggling, with trade routes including conflict zones (Titeca, Joosens and Raw, 2011). External actors are also known to benefit via the involvement of international private security companies such as Executive Outcomes (Harding, 1997; Howe, 1998; O'Brien, 1998). Governments of so-called 'peaceful states' also benefit from these forms of trade, shifting allegiances as need requires (Friman and Andreas, 1999: 10; Power, 2001).

Related to this is the issue of consumption of conflict goods. Where commodity sales form the basis of a war economy, consumption rests largely in the North. Consider the fact that 'timber stolen from communities at gun-point eventually emerges in European garden furniture stores under a "green" label' (Le Billon, 2000: 788). Similarly, the final destination of conflict diamonds is predominantly northern markets, and the consumption of drugs also occurs in the globe's most developed regions. In terms of the scope of involvement, global value chain analyses point to the fact that the majority of the value added occurs outside the conflict-affected state. For example, just 1 per cent of the profit from the Afghan opium economy remains in Afghanistan (Cooper, 2002: 941). This is not to deny that profits are made by those in the conflict-affected state, however, the above arguments provide support for a need to move away from conceptualising war economies as a detached system, resulting from the immediate motivations of individual actors and assembled around the immediate violence of conflict. Instead, these economies, and thus their transformation, need to be more widely considered as having a global reach.

Likewise, linkages need to be considered on a wider temporal plane; a clear understanding of the role and impact of war economies requires us to look both forwards and backwards in time and not simply focus on the immediate conflict era. Many of the activities that become classed as part of the war economy were occurring years or decades before the commencement of the conflict. Transforming a war economy therefore is not simply a matter of addressing structures, relationships and behaviours which emerged during the active conflict, but understanding the often centuries-long processes which led to and facilitate such forms of accumulation. Conversely, the activities which constitute a war economy generally continue into peacetime with their structures becoming entrenched in the political-economy of the locale, region and globe. A war economy's legacy can be felt in three arenas. First, there is a political legacy as central figures of a war economy utilise the financial assets gained to acquire and sustain political power in the post-

conflict phase. There is also a criminal legacy as ‘criminal capital becomes political capital’ (Andreas, 2004: 44) achieved largely through the continuance of alliances made during the war, a problem which is compounded by the immunity often granted to individuals in peace accords (Ballentine, 2004; Gouvnev, 2003). Finally, there is an obvious economic legacy. Past war economies may hinder peacetime development by destabilising the state, which limits foreign investment, and continued smuggling detracts money from the state by eroding the tax base.

Of course, there is a functional and political logic to framing war economies as temporally bound within the accepted time frame of the conflict. As Hughes and Pupavac argue, ‘framing historical events in the contingent understandings of relevant time and space puts particular actors in the frame, while others remain outside of it . . . The international and local political and economic context for the initial descent into violence is removed from the analysis’ (2005: 875). Defining the war economy in terms of activity that occurred during the conflict period is practical in terms of narrowing the actors and structures which need to be dealt with, but also politically feasible and expedient as intervening parties can be selective about the actors on whom they choose to focus. However if broader transformation is the aim, the historical foundations and post-conflict impacts of war economies are of equal analytical concern.

Finally, once the above connections have been traced, analyses can go even further, attempting to understand not only *what* the linkages are, but also *why* those linkages exist. This can be done by examining the functions that these economies fulfil. Without glorifying or romanticising war economies and their participants, one cannot deny the positive social functions which war economies and their participants sometimes serve. As Duffield notes, in its interaction with these criminal economies ‘networks of aid practice confront a far more serious foe – the reflexive and resistant modernity of *actual development*’ (Duffield, 2002a: 1054–1055, emphasis added). The ‘actual development’ resulting from war economies may take many forms and can in fact lead to local resistance to transformation policies which might be seen as threatening local livelihoods or quality of life. Policy makers need to consider how post-war programming might need to fill these gaps, if the war economy is to be transformed. For example, in some cases, the war economy and its participants serve a security function within an area. With the collapse of the state, or in weakened states, sub-state groups, including participants in war economies, often step in to provide valuable security functions (Goodhand, 2008; Musah, 2002; Skaperdas and Syropoulos, 1997). For example, organised criminal groups have been credited with saving Sarajevo when the city was under siege (Andreas, 2004, 2008). Likewise, war economies also fulfil certain socio-political functions.

While groups who participate in war economies are often seen as the antitheses of legitimate state governments, it has been suggested that in some cases gangs fulfil the role of primitive states (Baumol, 1997; Skaperdas and Syropoulos, 1997). For example, drug traffickers in Latin America have contributed to social welfare programmes, with infamous drug lords such as Pablo Escobar and Roberto Suarez funding education and leisure facilities, providing scholarships and refurbishing churches (Richani, 1997; Shelley, 1999: 36). Taking this argument one step further, one must also consider the work of Charles Tilly who has famously argued that 'war makes states' (1985) but who also argued that 'Banditry, piracy, gangland rivalry, policing and war making all belong on the same continuum' (Tilly, 1985: 170; see also Downey, Bonds and Clark, 2010). In this sense, what one might classify as a part of the war economy can also be considered as a historical element of the statebuilding process.

Besides providing opportunities for wealth accumulation to warlords, criminals and political elites, many civilians also benefit economically from these economies, revealing important economic functions of war economies. Participating in a war economy is often a survival strategy for non-combatants. Afghanistan is often cited as a prime example of this, where estimates suggest that over half a million people are economically dependent on the war economy (Goodhand, 2000: 92). As mentioned earlier, within war economies, one can often find active and efficient credit markets, with economic elites in these economies often providing small loans for local people (Richani, 1997). Remittances from abroad, while sometimes used to support armed rebellions, are also a key part of many people's livelihoods in times of conflict, suggesting that attempts to curb remittances to conflict zones in an effort to reduce the ability of groups to purchase arms, may also have dire economic consequences. The scale and thus impact of these economies is also important. In Colombia, activities related to the war economy are estimated to have accounted for 12.3 per cent of the country's GDP in 1995 (Richani, 1997: 60). Likewise, the opium industry in Afghanistan is thought to account for nearly 60 per cent of its GDP (UNODC, 2004). None of this is meant to suggest that the structures of the war economy be left in place. These economies are also based on violence, fear and extortion. The profits are highly unequal, with much of the profits being accrued by elites and actors outside the country. These economies also deny the state revenue which could be used for post-conflict programming and social spending – in just one year it is estimated that the Cambodian government lost nearly \$100 million due to illegal logging (Boyce, 2005: 294). Nevertheless, war economies do fulfil certain functions at a local, national and international level. These functions allow war economies to become deeply entrenched and therefore difficult to transform.

The ability to consider the above issues, and address war economies from an SPE approach is limited, however, by the ideological underpinnings of DSI interventions. Operational actors are constrained, at least in part, by ideology to view phenomena through a technocratic lens (such as the RC approach to war economies) and thus rely on technocratic or apolitical solutions: solutions which fail to take into consideration the fraught and ongoing political realities that will affect both the implementation and outcome of the policy. But alongside the ideological constraints, which operate largely at the level of agenda-setting (dominated by guiding actors), there are other hurdles which hinder operational actors from moving away from an RC model and integrate something more akin to an SPE approach. One convincing explanation can be found in what Bradbury (1998) refers to as 'functional ignorance'. In order to be able to function and survive, organisations must focus on the issues and problems which they feel can be solved, ignoring those that may complicate their work. In the case of transforming war economies and peace-building initiatives, it is perhaps also an issue of functional ignorance that leads to faulty conceptualisations and problematic procedures. Due to the complexity presented by a wider political-economy approach, actors fall back on more simplistic models in attempts to understand problems and create solutions. There is of course variety in the analytical models adopted by actors, with individuals and institutions often moving along a spectrum between the two extremes of rational choice versus structural approach. This reality will become more apparent as cases of reform are assessed in coming chapters. In these instances, understanding how and when the less hegemonic choices are deviated from will prove an important field of investigation.

Operationalising ideological and conceptual tendencies

The underlying ideological and conceptual foundations of transformation policy are eventually translated into concrete operating procedures of the DSI, and thus understanding the actual dilemmas and problems faced by policy makers and implementers on the ground remains an essential task in creating a holistic picture of processes of transformation. The tendency toward technocratic approaches, the realities of an agenda of control, preferences for western *cum* (neo-) liberal institutions and other factors discussed in previous sections have shaped the format of DSI and transformation policies in ways that preclude more effective interventions.

To begin, the DSI's need to label the 'other', to differentiate between itself and those whom it is trying to 'help', often blinds it to its own contributions to hostilities and thus to war economies (Anderson, 1999; Uvin 1998, 1999). Such contributions are at times overt, but at times less obvious. Examples of

the former include the involvement of UN troops in the smuggling economy during the Balkan wars (Andreas 2004: 38) and the payment of militias in Somalia for protection by NGOs (Ahmed and Green 1999: 121). In terms of less overt contributions to a conflict economy, one study has noted how general practices of aid can be problematic: 'British aid in the town of Prijedor had bolstered the economic and political power of local political bosses who had directed ethnic cleansing operations during the war . . . the hardliners in the Serb Republic "will laugh all the way to the banks we have reconstructed for them"' (Boyce, 2002a: 1030, referring to reports from Human Rights Watch, 1997 and Paul, 1997). Such forms of involvement are often portrayed as a necessary evil, a means to a greater end. The reality, though, is that with the DSI clearly impacting upon conflict dynamics it is not an objective third party and the ability of DSI institutions to be reflective of their own contribution to war economies and to self-reform is limited. Their role and financial interests in war economies themselves calls into question their central role in transformation.

Beyond the issues of the DSI being a contributor to political-economies of violence, operational procedures of the DSI also limit its potential to effectively transform war economies. Critiques of the ways in which DSI structures limit peacebuilding initiatives in general provide insight into some of the problems the DSI faces in transforming war economies specifically. First, the number of actors involved in this industry (encouraged by the free market approach) makes coordination immensely difficult. The problem of coordination is increased as security and development actors try to work together towards common goals. Differences in size, power, resources and mandates make coordination between the military and civilian institutions especially difficult. In the case of civil-military engagement, NGOs do not want to share information with the military, fearing their relationship with local civilian populations might be threatened (Aall, 2000). Likewise, the military are known to act in a 'hegemonic manner towards the NGOs, typified by the attitude: "only we understand the security situation"' (Abiew, 2003: 30). Differences in organisational culture also impede meaningful coordination as security institutions tend to have hierarchical, centralised command structures where the roles and responsibilities of actors are well defined. Development institutions tend to be more flexible in nature, with decentralised decision-making processes often based on consensus and shifting roles and responsibilities (Abiew, 2003). Instead of real coordination, based on high standards of performance, coordination often becomes little more than combining the wish lists of the various actors (Natsios, 1995).

A second problem, related to poor coordination, is the highly competitive nature of the aid industry. Groups in competition with each other are less likely to cooperate effectively, fearing the loss of their position in the industry

if tasks are shared. Taking on characteristics of other highly competitive industries, a growing number of organisations are vying for a finite amount of funds. Competition is partly responsible for creating a need for quick, observable results that can be easily quantified and presented to donors. Such pressure has led to a preference for short-term, quick-fix projects which means that in highly complex situations such as conflict and post-war environments, there is little time for serious conflict analysis (Collinson et al., 2003). The combined pressures of competition, demands for quick quantifiable results and the danger of working in conflict-affected environments also leads to agencies becoming extremely risk averse – not undertaking progressive, creative or unique programming (Christopolos, Mitchell and Liljelund, 2001; Goodhand, 2001; Montani and Majid, 2002). Associated with the above pressures and concerns is ‘approval disbarment culture’ (Boyce 2002a) whereby actors are forced to spend their budgets, regardless of views and opinions on the effectiveness of doing so, in order to ensure their budgets do not get cut in forthcoming years.

Also related to the way the DSI functions is a general lack of capacity which is linked to several associated problems. First, aid agencies are often required to follow trends in the industry (Pugh, 1998). Organisations therefore need to be able to adapt to whatever locales or causes donors choose to focus on. With the geographical and topical focus of the industry constantly in flux, it is impossible for many organisations, big or small, to be specialists on all things and in all places. This is further complicated by the prevalence of a contract culture (Schafer, 2002) and high levels of staff turnover (Schloms, 2003). Such factors limit any serious amount of institutional learning as the experience and knowledge gained through staff experiences are lost. NGOs are further disadvantaged in the new DSI as many of them lack the skills and analysis they need to engage in security issues (Goodhand and Lewer, 1999). Likewise, security actors may lack the necessary skills to engage in more developmental work. These problems, related to having to engage in areas which fall beyond the realm of an institution’s mandate, have been labelled as mission creep and can affect all organisations, even the large and well-resourced actors in the DSI. Of course none of the problems listed here are unknown to those working within the industry. However, despite this recognition, there appears little momentum for change, likely down to the fact that at the macro level (at both the ideological and conceptual level) the blueprint is correct and that there simply needs to be adjustment at the micro-policy level. Without fundamental structural challenges to the aid system, it is questionable whether the above operational challenges to transformation can be overcome.

Analysing processes of transformation

Policies aimed at transforming war economies are being impacted upon by several varied, yet interconnected forces. At the broadest of levels, the ideological foundations of the DSI have led to a preference for apolitical programming which is both a fundamental characteristic of liberalism but also a key strategy in masking the very political project of liberal peacebuilding. These technologies of liberalism have numerous impacts on the nature and quality of post-conflict programming generally and thus need to be considered in relation to attempts to build economies of peace in conflict-affected states. Further, ideological trends and inclinations within the DSI have in turn had a direct impact on the ways in which the problem of war economies have been conceptualised. Faced with two competing models for the existence and growth of war economies, the appetite and need for apolitical perspectives, the desire for quick, easy solutions and a concomitant reliance on liberal institutions has led to an unfortunate dominance of rational choice explanations for the existence of and solutions to war economies as opposed to the more holistic (though more complex) structural political economy model. These processes and beliefs, focused on apolitical, technocratic discourses and practices have shaped this industry in such a way that the basic operating procedures and protocols are ill-equipped to handle the complexity of issues such as war economy transformation.

Of course, it would be wrong to argue that *all* actors within the DSI adopt a purely RC model based on ideological tendencies and structural constraints. As alluded to earlier, whilst there appears to be a bias towards liberal *cum* rational choice understandings and thus solutions to the violence

Decision-makers are both empowered and constrained by the ideational categories they have inherited from within their own societies and through which they make sense of the world . . . the pre-existence of these ordering mechanisms does not strip the individual of autonomy; for, in recognizing and acting within these constraints, individuals are reproducing them and hence retain the possibility of changing them. (Dodge, 2010: 1271–1272)

Therefore, it is important to recognise as we move through forthcoming analyses that whilst ideologically liberal foundations tend to drive actors within the DSI towards a more RC-based approach, the aid arena is populated by a diverse set of actors and, more importantly, by individuals. This reality creates opportunities for deviations from the narrowly viewed liberal models. In the coming chapters, detailed analyses of the implementation of reforms aimed at transforming war economies are undertaken. Using the above debates regarding the ideological, conceptual and operational characteristics of the DSI as preliminary lenses, these case studies will explore the tangible

Building a peace economy?

practices and impacts of the liberal project on war economy transformation. In doing so, a clearer picture of the dominance of liberalism and the concomitant failure to transform economies will be exposed with a detailed framework of how to understand war economies and transformation policies presented in [Chapter 8](#). Within this framework, opportunities for deviating from the liberal model and potentially moving towards more positive modes of political-economic interaction will be highlighted.

Transforming a war economy: learning from the case of Kosovo

HAVING BUILT up a preliminary framework in the previous chapter through which war economies and transformation policies can be assessed, the case of Kosovo and transformation policies implemented by the DSI following the conflict there will be analysed, not simply to test the framework but to build and improve upon it. As a starting point, it is important to note that the conflict in Kosovo has primarily been analysed in relation to violence between its two main ethnic groups or the ethics and legality of the NATO intervention there in 1999. Unlike other civil wars, the economic dynamics of this conflict have received much less attention in terms of academic investigations into the political-economy of conflict. However, the same economic processes and relationships which in both academic and policy circles are cited as impacting more 'infamous' war economies, such as those in Sierra Leone and Afghanistan, have been well documented by aid practitioners and policy makers as having impacted upon the conflict and post-conflict dynamic in Kosovo.

Although less visible in terms of media coverage and popular conceptions of the causes and key characteristics of the political violence there, economic motivations, the trade of goods and services to fund the war and the ongoing impact of such economic issues in the post-conflict phase are indeed defining features of all of the Balkan conflicts which took place throughout the 1990s (Andreas, 2004; Gouvnev, 2003; Hislope, 2002; Korovilas, 2002; Pugh and Cooper, 2004). In these conflicts, rebel factions engaged in illicit cross-border trade in order to buy arms and continue their struggle, large profits were made by conflict entrepreneurs, remittances from the Diaspora were a defining feature and source of funding, the political and economic benefits of peace have been divided amongst former belligerents and there has been a continuance of these activities and relationships into the post-conflict phase. Of course, each war economy and the factors contributing to it need to be

contextualised. The particular political, social and economic dynamics influencing the nature and impact of each war economy needs to be considered not only in analytical terms but also in terms of creating policies to transform it.

Following a review of the war economy in Kosovo, analysis in [Chapters 5 to 7](#) will draw on the processes of intervention and post-conflict programming related to attempts to transform it. While a unique case in some regards, the examination of practices of aid and intervention in the area does have a wider applicability. Kosovo provides an excellent opportunity to study the transformation agenda in a broad and general sense as it has undergone rapid and extreme forms of intervention, with the DSI engaging in extensive programming in several relevant transformation policies. These reforms have been implemented with great speed and by a wide range of actors, allowing for comparative work that results in a more comprehensive analysis of transformation attempts. Further, Kosovo is an informative case due to the longevity of intervention by the DSI. Whilst this study does not cover the entirety of the intervention (focusing primarily on the era before Kosovo declared independence), it does explore processes of intervention that cover nearly a decade of reform. Further, aid praxis in Kosovo, whilst itself influenced by liberal peace blueprints, has also doubled as a laboratory for creating new techniques and reworking reform processes that have in turn influenced subsequent interventions, making it an essential case study for understanding ongoing and future transformation projects.

Finally, it is important to note that it is not the concrete *outcomes* of the reforms in Kosovo (which are indeed context-specific moving targets) which offer the most useful lessons regarding transformation programming, but rather the general *processes* of reform observed in a range of interventions. What is under scrutiny, and where the most utility in terms of understanding DSI interventions can be found, are the day-to-day mechanics of peacebuilding and statebuilding. Therefore, this work is not concerned with assessing the final effects of intervention (if that is even possible), but rather with the motivations and rationale that underpin policy decisions which affect the course of post-conflict economies. The relevant lessons come from understanding the varied trajectories of reform as opposed to any clear end state. In other words, the real value of exploring the case of Kosovo over several years of intervention, is that it provides an assessment of policy implementation as it was occurring, and not simply a post-facto assessment. An important finding that emerges from studying these active moments of reform is the heterogeneity of responses. Whilst faced with underlying principles, blueprints and a comparable set of circumstances, forthcoming analysis reveals that actors within the DSI do adopt a range of strategies when faced with similar situations – some of these fitting with the liberal peace discourse and others appearing to deviate from the expected template. The revelations of

conformity, diversity and even subversion discovered through an assessment of transformation policies in Kosovo will offer much in terms of understanding both the hurdles to and opportunities for effective transformation elsewhere.

The political economy of violence in Kosovo: evidence and intervention

The history of political violence in Kosovo has been well studied and scrutinised (Cviic, 2005; Djilas, 1998; Vickers, 1994, 1998). However, several notable events are relevant for understanding the outbreak of war in the territory in the 1990s, and the NATO intervention that followed. To begin, a series of decisions made by the Serbian parliament throughout the 1980s which sought to increase Serbian state control over Kosovo are often cited as key triggers to the outbreak of violence in the following decade. These decisions culminated in the territory's autonomous status being formally revoked in 1990. Such a shift was a major disruption to the status quo in Kosovo, which while formally part of Serbia had previously enjoyed a great deal of independence from the state. In 1963 it had been granted provincial status, similar to the province of Vojvodina in the north of Serbia, and by the 1970s enjoyed a status almost on a par with the other republics of Yugoslavia (Djilas, 1998). The 1969 Serbian parliament made constitutional changes granting Kosovo its own Supreme Court and policy-making powers as well as language and minority rights. The revocation of autonomous status was accompanied by the firing, *en masse*, of Albanians from civil service positions. In response, the Albanian community, which made up roughly 88 per cent of the population (Vickers, 1994: 40) organised a referendum in 1991, resulting in Kosovo declaring itself an independent and sovereign republic. Ibrahim Rugova of the Albanian Democratic League of Kosovo (LDK) was elected president. This referendum was not recognised by the Serbs, the Serbian state or other external actors. Under Rugova, Kosovo embarked on a non-violent campaign of peaceful resistance to Serb rule. A parallel financial system which collected a 3 per cent tax from Albanians abroad and within the country was used to fund a shadow administration which included the provision of health-care and education. This tax was collected mostly through voluntary contributions, although there is some evidence of coercion.

The territory operated in this way, with relatively low levels of physical violence, for the first half of the 1990s, although Serbian reprisals and arrests of Albanian political leaders were growing, along with increased violence against civilians. Nonetheless, Rugova's non-violence agenda prevailed until the middle of the decade at which point divisions within Kosovo Albanian society emerged and the peaceful facade rapidly disintegrated. Explanations regarding the causes of this disintegration are varied. One explanation surrounds the failure of the international community to address problems in

Kosovo during the Dayton accords which resolved the conflicts in Croatia and Bosnia (O'Neill, 2002). The failure to reward Kosovars for the non-violent approach, and the decision not to push for agreements on Kosovo with the Serb regime, led some in the territory to question the policy of non-violent resistance, strengthening more radical elements within the area, including elements committed to using violence to achieve political ends (Yannis, 2003). Further, the failure of Dayton to deal with the problem of Kosovo possibly emboldened Milosevic to pursue a policy of ethnic cleansing and repression in Kosovo (Hirsch, 1999).

The disintegration of Yugoslavia led to the Serbian government tightening its grip on what territory and resources it could control – this included Kosovo. In addition, the wars in the other parts of the former Yugoslavia led to increased immigration of Serbs to Kosovo which altered the demographic balance and increased social tensions (O'Neill, 2002). Changes in the political situation in the state of Albania also changed the political dynamic of Kosovo, modifying the opportunity structure in favour of those committed to using violence to achieve independence. In 1997 the Albanian state collapsed, and as Judah notes, 'in the ensuing chaos the government lost control, the army dissolved, the police ran away and arms depots were thrown open ... The significance of this was not lost on the Kosovans – guns and ammunition suddenly available for virtually nothing and no more central government in Tirana to prevent them smuggling as much as they could carry back to Kosovo' (2002: 128). An almost unlimited supply of cheap weapons became readily available to emerging armed groups in Kosovo. The armed groups buying weapons were the Kosovo Liberation Army (KLA) and the Armed Forces of the Republic of Kosovo (FARK) (Lani, 1999) though in the end it was the KLA that emerged as the dominant rebel group. Formed some time between 1992 and 1993, they were originally linked to the political movement the Kosovo People's Movement (KPM) who had a leftist ideology, though this diminished in importance with time (Lani, 1999). Support for the KLA continued to grow throughout the mid-1990s and by 1997 violence between the KLA and Serb forces had spread throughout the territory.

In October of 1998 an agreement brokered by the American diplomat Richard Holbrooke with Milosevic led to a ceasefire in Kosovo and the deployment of an unarmed Organization for Security and Co-operation in Europe (OSCE) monitoring delegation, the Kosovo Verification Mission (KVM). While there to monitor abuses by all parties to the conflict, including KLA reprisals against Serb forces and civilians, the mission's reports are telling, concluding that 'the violence perpetrated against Albanians was planned and organised at the highest levels of Serbian authority. The Serb army, police and paramilitaries were not rogue actors, "out of control" and carrying out their own personal vendettas' (O'Neill, 2002: 25). Evidence led to affirma-

tions that the Serbian state was acting in violation of UN Security Council Resolution 1199 which called for a halt to Serbian repression of civilians. As the cycle of attacks and reprisals worsened, the KVM was evacuated on 20 March 1999. Simultaneous but ultimately unsuccessful peace talks in the French town of Rambouillet failed to bring a peaceful resolution (Judah, 2002). The failure of the Rambouillet talks coupled with the damaging reports by the KVM led to the launch of a NATO air campaign against the Serbian regime. Beginning on 24 March 1999, NATO bombed targets both within Kosovo and Serbia proper. Russia, a traditional ally of Serbia, suspended its cooperation with NATO. On the ground, the KLA were accepted as ground troops (O'Neill, 2002) and cooperated with NATO troops along the Albanian border (ICG, 1999c; interview with international staff, 2006). The bombardment ended on 10 June after a negotiated withdrawal of Serbian forces from the territory. UN Security Council Resolution 1244 left a United Nations administration (the United Nations Mission in Kosovo – UNMIK) in control of Kosovo pending the resolution of final status. Over 42,000 NATO troops formed a peacekeeping force (KFOR). Serbia, *de jure*, retained its sovereignty over the territory and thus, technically, Kosovo remained part of the Serbian state.

The growth of Kosovo's war economy

Beginning with international economic interests in the region and then moving on to regional, state, group and individual economic interests, one can see how economic agendas, motivations and relationships have impacted the conflict in Kosovo, allowing one to speak of a Kosovan war economy. First, given the large investment by the international community in the previous Balkan conflicts, the Kosovo intervention can be seen as a means through which international actors were able to protect the financial and military gains already made in the region. A large civil war in Kosovo could have destabilised the region, negating many of the political and economic gains that had been made through other peacebuilding programmes. One also needs to consider the more contentious issue of oil. While it would be erroneous to suggest that the Kosovo conflict was primarily about oil, it would also be short-sighted to ignore the role of this commodity in the regional conflict dynamic. Fisher (2002) provides a detailed and balanced analysis of role of oil in the Kosovan and wider Balkan conflicts, finding that the need to protect western investments by ensuring a stable and safe route for Caspian oil westwards has been, and continues to be, a key concern for western policy makers. Further, the profits of large multinational and foreign companies should be recognised. As Gottstien argues, 'In all countries, but especially the highly industrialised ones, the military industry reaps the greatest profits from

war. The military-industrial complex plays a highly effective economic and political role in ensuring the persistence of war' (1999: 59).

Indeed, the stock prices of many large military manufacturing companies rapidly increased following the commencement of the Kosovo campaign (Talbot, 2000: 101) and in the post-conflict phase private military companies such as the American firm Military Professional Resources Inc. (MPRI) have also profited from conflict. This is not to say that NATO countries intervened purely to ensure a profit for private companies, nor is it to deny the tremendous cost of the campaign. What the above does point to is that whether about a specific commodity, oil for example, or a commitment to a wider reform agenda such as facilitating global trade, international economic concerns are clearly central to understanding international intervention in the territory. If analysis of a war economy involves understanding who profits from conflict and how, all of these issues become pertinent.

The same can be said in terms of understanding the economic interests of regional actors. Despite being one of the poorest regions of the former Yugoslavia, Kosovo contains some of the largest mineral deposits in the region including zinc, lignite and coal. The Trepça mining complex, located in the Serbian-dominated northern region of Kosovo, was estimated to be worth approximately \$5 billion at the end of the conflict (Talbot, 2000), a figure which rose to roughly \$14 billion in 2007 according to reports from Kosovo's Ministry of Energy and Mining and the Independent Commission for Mines and Minerals (ECIKS, 2007). Although a revival of the former mining industry to output levels seen before the war is unlikely, control over these resources has unquestionably affected the conflict dynamic (this will be discussed in greater detail in [Chapter 6](#)). Also at the regional level, sanctions against Yugoslavia by the international community in the early 1990s altered the political-economic dynamic of the conflict. These sanctions, and the effect they had on the availability of goods, led to inflation of 1000 per cent by 1993 (Gottstein, 1999: 60). Gas for heating and cooking became difficult to obtain, as did medical supplies. This meant that smuggling became an increasingly important and lucrative part of the regional economy, creating 'a profitable war economy for both the KLA and the Serbian government' (Yannis, 2003: 175). Smugglers were also being paid \$900 per adult to smuggle Kosovans to safety during the conflict (Cilluffo and Salmoiraghi, 1999: 22). These transnational trading and smuggling networks emerged in order to provide goods and services to the local population, the profits of which were at times converted into individual economic wealth, but were also used to build up and maintain power by political groups in both Serbia and Kosovo.

It is worth noting that while problematic in terms of contributing to the criminal economy, some smuggling served a valuable function insofar as it provided much-needed goods to conflict-affected communities. The

smuggling element of the war economy may have also served a positive security function. Some evaluations of the role of ethnicity in the war economy in Serbia and Kosovo suggest that smuggling had a stabilising effect. As one commentator proposes, 'ethnic unrest in Kosovo was partly contained in the early 1990s by the profits generated from sanctions busting and other underground economic activities, contributing to a Serbian-Albanian "*pax Mafiosi*" ... worsening economic conditions following the lifting of sanctions further exacerbated ethnic tensions' (Andreas, 2005 referring to Strazzari, 2003). Interviews conducted in the territory confirmed the cooperation between various ethnic groups in smuggling, with one respondent noting that crime is 'the only field where nobody has to insist for it to be multi-ethnic'.

Political-economic issues can also be understood as impacting the conflict at a micro level by looking at the motivations and opportunity structure of local groups and individuals. In the case of Kosovo, analysis at this level focuses on the ways in which the KLA was able to fund its armed struggle as opposed to looking at individual wealth accumulation (although there is evidence that many individuals were personally enriched during the Kosovo conflict). Funding for the conflict primarily came from two sources. First, there is convincing evidence of links between the criminal groups engaged in drug smuggling and the KLA. Approximately \$250 million from the heroin trade is alleged to have gone towards funding the armed resistance in Kosovo (Hislope, 2002: 38; Makarenko, 2004). Of course, historically, Kosovo rests in the middle of a drugs trading route that sees drug travel from Afghanistan, Pakistan and Turkey before making their way across the Balkans and into Western Europe (Stefavnova, 2004). The smuggling of drugs through this region cannot be seen simply as a function of the wars and the actions of the KLA.

Besides these illicit forms of funding, the war effort was also largely supported through donations from the Albanian Diaspora through the 'Homeland is Calling' fund. It is estimated that the KLA received approximately \$163 million through this network of contributions which collected money from across North America and Western Europe (Hislope, 2002: 38). While the 3 per cent tax was collected separately and went primarily to support the parallel Albanian governance systems, there is evidence that some of this money was diverted to fund FARK. But even this more licit form of conflict funding had links to criminal elements – two bank accounts were shut down by German authorities when it was discovered that known drug traffickers were making deposits; one of these accounts had in fact been opened by Bukoshi, the chairman of the LDK (Hislope, 2002). Of course, not all war economy analysis at this level relates to the funding of the KLA. During the 1990s there is evidence of Albanian extortion and protection rackets that demanded money for protecting Albanians from Serbs (Yannis, 2003),

Building a peace economy?

Table 4.1 Kosovo's war economy

Actors	Economic motivations or activities
International organisations (NATO/UN) and western governments	Protection of peacekeeping investments already made Installation of neo-liberal economic regimes
Western governments and MNCs, private military companies/private security companies	Ensuring safe route for oil from Caspian sea westwards Arms sales, military/security contracts
Serbia and Kosovo	Control over mineral deposits in Kosovo (Trepça mining complex)
Serbian officials, organised crime groups, informal traders, various foreign actors	Sanctions-busting: provision of oil, medical supplies, luxury goods for profit, and the consolidation of political power
KLA and Diaspora	'Homeland is Calling' fund to support KLA
KLA and organised crime groups	Drug smuggling, extortion/protection rackets, human smuggling for profit and to support armed uprising
Informal traders and citizens throughout region and internationally	Smuggling as a form of employment/livelihood strategy; 3% tax

tempering the portrayal of Kosovo's war economy participants as always or only concerned with supporting the cause of independence.

The war economy also needs to be understood not just in terms of wealth accumulation or as an avenue for acquiring arms, but alternatively in the way that it became part of a livelihood strategy for many Kosovans. Between 1989 and 1994 the GDP in Kosovo decreased by 50 per cent and unemployment reached 70 per cent in 1995 (Yannis, 2003: 173–174). Joining the KLA or participating in the war economy was, for some, a way of earning a living and providing for their family. However, it is important not to overemphasise profit or even income as a motivation for joining the KLA as political goals remained a strong factor for engaging in the conflict. As Yannis notes 'many, if not most, of the young volunteers were joining the KLA not for money but for the cause of independence. Indeed a significant number of KLA recruits returned from the Diaspora, leaving behind lucrative jobs and physical safety to take up arms for Kosovo' (2003: 177).

All of this requires one to problematise notions of economic motivations in violent conflict as they highlight the multiplicity of motivations which lead individuals and groups to take up arms. While economic opportunities clearly

impact upon the character of wars, such incentives co-exist and are often entwined with other motivating factors and drivers of violent conflict. Groups, and thus motivations, are not homogenous and may change over the course of a conflict. This being said, economic motivations as well as the economic opportunities presented by the war economy also proved highly influential in this conflict. The complexity and interaction of economic and political interests at multiple levels (summarised in [Table 4.1](#)) are clearly illustrative of both the need the utility of undertaking an SPE approach to analysing war economies.

The legacy of Kosovo's war economy

The above political-economic issues and concerns did not end with the cessation of hostilities and have continued to impact post-conflict Kosovo. These legacies of the war economy can be divided into three broad but inter-related categories: economic, criminal and security/political. The economic impact of continued illicit trading is relatively straightforward. Public revenues in 2001 were estimated to be at only 50 per cent of their potential with 80 per cent of the missing revenue being attributed to illegal activities (Yannis, 2003: 181). Looking at just one smuggled commodity is telling – the Kosovo central budget is deprived of an estimated \$18 million per year as a result of cigarette smuggling (Stefanova, 2004: 271). This limits funding available for post-conflict reconstruction programmes and public spending on health and education programmes. Another economic legacy can be seen in the area of privatisation, one of the key strategies for economic development in the territory. Many of the former KLA fighters and former political elite have become major players in the post-conflict privatisation of former socially owned enterprises (SOEs), using their position and influence to capture many of these businesses and the property on which they sit. It is also estimated that 80 per cent of 15,000 land transfers, from municipal to private hands, are either illegal or questionable (Stefanova, 2004: 272). This process and the impact of this capture will be further discussed in [Chapter 6](#), but it is worth noting that the privatising of SOEs in the territory has become a new arena of conflict in the post-war era as former KLA, criminal groups, political elite, Albanians and Serbs struggle over their control.

At the same time, remnants of the war economy are fulfilling a socio-economic function in the territory. Despite the negative impacts of organised crime (OC), this economy can also be seen as a vital source of income for citizens of various ethnicities, pointing to an overlap between a positive economic function and a negative criminal legacy of the war economy. A report conducted by Kosovan researchers concludes that 'high unemployment combined with corruption has created a fertile recruiting ground for

both militias and organised crime groups. Most people cannot survive economically without links to organised crime' (Nahzi, 2006: 25). Supporting this, a large-scale public consultation on security issues in Kosovo determined that economic issues, such as poverty and unemployment, were contributing to other security threats including organised crime (ISSR, 2006).

However, despite the socio-economic function served, the negative impacts of OC on the territory are obvious. Relationships based on extortion and fear continued in the immediate post-conflict phase with a campaign called 'Friends of the KPC' (the Kosovo Protection Corps is the demobilised KLA), collecting 'donations' from businesses of 300–3,000 DM per month per business (Yannis, 2003: 182). Some former KLA members continue to use fear, force and the power they gained as freedom fighters as means for profit. Despite the above concerns over extortion, however, the main criminal activity which is of concern is smuggling. Kosovan groups now handle double the levels of heroin they did before the 1999 war (Yannis, 2003: 182). Profits made from these activities both during and after the war have been laundered through the construction, travel/tourism industry and petrol stations. In relation to illegal cigarettes, interviews conducted with customs agents in the territory suggested that 10–15 per cent of cigarettes entered the territory illegally and that the problem appeared to be getting worse (182) – with one report suggesting that between 20 and 30 per cent of cigarettes in Kosovo were smuggled (BIRN Kosovo, 2006). Other finds, such as 130kg of gold in 2006 (UCS, 2006) and the discovery of an illegal drinks warehouse (UCS, 2007b) illustrate the diversity of illegal trade in the territory.

In terms of political and security legacies, there are again several interrelated concerns. One of the most obvious examples here is the Macedonian uprising in 2001. Actors linked to Kosovo's war economy were found to have helped organise and facilitate this rebellion (Hislope, 2002; Yannis, 2003). The Albanian National Army (a small force believed to be made up of primarily former KLA fighters) continued to cause problems in southern Serbia and inside Kosovo (OSCE, 2003c) and were rumoured to have links to the disarmed KLA (KPC and now KPF) as well as organised crime groups. In relation to political governance in the territory, at least two legacies of underground economic activity are relevant. In Serb-dominated areas such as North Mitrovica, Serbian parallel structures have emerged (OSCE, 2003a, 2006/7), with the Serbian state providing funding and income for healthcare, education, judicial bodies and security actors in these areas. While not linked directly to the more infamous side of Kosovo's war economy, these economic arrangements between Serbs living in Kosovo and the Serbian state are a direct result of the ongoing political conflict and have resulted in both international and Kosovan political bodies having limited control in terms of governing these areas. In Albanian areas, former KLA commanders quickly

filled local power vacuums (Yannis, 2001), creating *de facto* municipal administrations and collecting taxes from local residents and businesses. This is an extension of the war economy, with the same actors controlling the economic resources (and political power) as during the war. Most of these actors eventually joined the formal Provisional Institutions of Self-Government (PISG) system which would eventually form Kosovo's new independent government. Still, the funding of Kosovo's main political parties remains an issue. Funding is believed to come from 'the economic underworld of Kosovo, the wider region, and several European states ... These links risk subordinating political and economic decision making in Kosovo to the priorities of organised crime at the expense of the society at large' (Yannis, 2003: 188).

This points to an overlap or blending between political and criminal actors within Kosovo and suggests serious problems related to political corruption. The much talked-about links between organised crime and Kosovo's democratically elected government are perhaps of greatest concern when considering the legacy of the war economy in Kosovo. It should be noted that despite rumours, verifiable evidence linking organised crime to politics is lacking. There have been persistent reports of the involvement of former Prime Minister Ramush Haradinaj in the smuggling of cigarettes and petrol between western Kosovo and Montenegro though formal charges have not been laid (ICG, 2000b). During interviews conducted with senior international personnel in Kosovo, such connections were commonly alluded to, but never proved. One extreme view expressed by a senior UNMIK officer is that 'Kosovo is not ruled by politics. There are three families and the political actors are influenced by families' (I34). These three families are thought to be key players in organised crime. No documents were provided, nor were specific names given and it should be noted that other security agents based in the territory saw little connection between crime and politics in Kosovo (I10, I65). Nonetheless, such accusations and perceptions of political connections to the world of organised crime persist and continue to affect political development in Kosovo. In 2009 a self-confessed criminal, Nazim Bllaca, publicly accused senior members of Kosovo's government and security structures of being involved in organised crime, leading to a series of investigations of political actors and ongoing international and public distrust of Kosovo's leading political actors and institutions.

Although the effects of and opinions regarding the supposed crime-politics nexus are varied (and will be further discussed in forthcoming chapters), a few general issues regarding these legacies of the war economy are worth highlighting. A senior UN police officer suggests that the ramifications of organised crime are broad: 'Organised crime is a threat for the whole society. People see organised crime and think ... Why can't these people be prosecuted? This causes them to lose trust in state institutions' (I47). A document compiled by

Building a peace economy?

Table 4.2 The legacy of Kosovo's war economy

Sphere	Area of impact	Details
Economic	Public revenue	80 percent of budget losses attributed to illegal activity (Yannis, 2003: 181)
	Privatisation	KLA/former combatants purchasing SOEs
	Livelihood strategy	Fuels organised crime but provides a vital source of income for some segments of population
Criminal	Continued smuggling	Primarily high excise goods (oil/cigarettes)
	Entrenchment and growth of OC	Possible extortion/protection rackets, increased criminality in territory
Political/security	Contribution to ongoing insecurity	Involvement of OC in uprising in 2001 Macedonian conflict, and fringe armed groups in Kosovo
	Formation of <i>de facto</i> governing structures	Ex-combatants/war economy participants fill power vacuum in immediate post-conflict phase
		Parallel structures in Serbian areas make it difficult for UNMIK/PISG and newly independent government to govern
	Political corruption	Criminal groups influencing political parties

the OSCE and KPS adds to this, finding that 'organised crime has gained an increasingly prominent role in Kosovo . . . These illicit activities are affecting all levels of society as they challenge human rights protection, undermine democratisation processes, disrespect the rule of law and interfere with institution building, reform efforts and potential investment in Kosovo' (OSCE, KPSS and American Department of Justice, 2003). From these opinions, the need to address the relationship between crime and politics in the area is clear, though the processes through which this can and should happen will be problematised in forthcoming chapters. It is also worth noting that, arguably, there is at least one positive outcome of the criminal/political legacy Kosovo's war economy – the supposed links between organized crime groups and the KLA are partly responsible for renewed popularity of Rugova and the LDK (Judah, 2002). This was a positive outcome, not because the LDK can objectively be seen as a more positive force in Kosovo politics, but in that it restored

some balance within Kosovo, ensuring that post-war politics were not completely dominated by parties descending from the former KLA.

The above illustrates that the war economy in Kosovo has not been transformed and continues to be significant in the post-conflict phase having an impact on levels of crime, political corruption and economic development (as summarised in [Table 4.2](#)). These legacies hinder peacebuilding efforts and provide evidence that current attempts to transform political-economic relationships in the territory have been less than successful, a reality that requires a detailed assessment of the ways in which the political-economic transition of the country has been handled by the international community who were entrusted with the governing of the country from 1999 onwards.

Governing post-conflict Kosovo: the DSI and war economy transformation

Immediately following the conflict, the former KLA leadership formed a *de facto* administration, often competing with UNMIK civil administrators for control over parts of the territory. However, after negotiations with all political parties, a system referred to as the Provisional Institutions of Self Government (PISG) was created, resulting in a mechanism through which Kosovan actors could cooperate with the UNMIK administration in the running of the territory. In the immediate post-conflict phase, several parties came to dominate Kosovan politics – the Democratic League of Kosovo (LDK) (former President Rugova's party) the Democratic Party of Kosovo (PDK) (made up primarily of former KLA personnel) and the Alliance for the Future of Kosovo (AAK) (also closely associated with the former KLA). Initially, there was limited variance between the position of these parties on social, economic and political issues. Throughout the first decade of the twenty-first century, Kosovo Albanian politics was dominated by the issue of independence. But despite the unifying goal of independence, political rivalries between Albanian parties have remained strong and political violence between parties is common. Serbian participation in these structures varies greatly, with some boycotting all structures of UNMIK, the PISG during the years of UN trusteeship, and post-independence Kosovan institutions. Other minorities have set up their own parties, but their impact on Kosovan politics is limited due to their size.

At the end of the NATO airstrikes in 1999 and up until the declaration of independence by Kosovo in 2008, political, economic and security governance in Kosovo was managed by NATO and UN missions. While the UN did not sanction the NATO bombing, the alliance's peacekeeping force (KFOR) received its mandate from UNSC Resolution 1244 as well as a Military Technical Agreement signed with the former Yugoslavian regime. They cooperated closely with the civilian arm of the UN trusteeship, UNMIK, whose

mandate also came from UNSC Resolution 1244. The resolution had two basic tenets: first, a commitment to the territorial integrity of the Federal Republic of Yugoslavia and secondly the creation of substantial autonomy and self-administration for Kosovo (O'Neill, 2002). The first tenet largely ensured that Russia would not veto the resolution at the UN and confirmed Kosovo as legally remaining part of the Serbian state. A major barrier to achieving the latter aim of the resolution is that 'no one knew what the terms "substantial autonomy" and "meaningful self-administration" really meant' (O'Neill, 2002: 30). Resolution 1244 granted the UN administration executive control over all of Kosovo's governing institutions. All laws, programmes, political and economic agreements had to be approved by the Special Representative of the Secretary General (SRSG). Numerous international and local NGOs, as well as bi-lateral agencies and IFIs, supported the work of the UNMIK pillars. The UNMIK mission was largely dominated by European actors – the SRSG for example has without exception been European. However, the Americans, as the largest economic donor, have had a strong political influence in the territory and have largely been seen as the most influential in the police and justice sector.

At the beginning of the mission, the issue of independence was pushed to the background as the humanitarian and immediate reconstruction needs of the territory were met. However, as Kosovo's governing, judicial and security institutions became stronger and more independent, the neutral stance of some international actors over the issue of independence diminished, with some actors informally stating their preference for an independent Kosovo. Formal talks to attempt to deal with the issue of status began in 2005, led by UN Special Envoy Martti Ahtisaari. The talks suffered a number of setbacks with neither the Serb nor Albanian sides willing to deviate from their original positions on independence. Russia's threats to veto any UN Security Council resolution which would grant Kosovo supervised independence led to a cancellation of a vote on the issue at the UN. Negotiations were later taken over by the Contact Group (the USA, Britain, France, Germany, Italy and Russia). However the desire for a negotiated settlement was left unfulfilled with Kosovo's unilateral declaration of independence on 17 February 2008. Key states such as the USA, Britain, France and Germany recognised Kosovo's independence almost immediately, with Canada, Japan, Croatia, Montenegro and Macedonia following suit within months. As of 2013 many states have yet to recognise Kosovo and recognition at the UN and the EU is doubtful in the short to medium term due to the stance of states such as Russia and Spain. Nonetheless, Kosovo formally joined the IMF and World Bank in 2009, setting it on a clear path to statehood despite the contestations of many actors.

With the declaration of independence by Kosovo's elected government, UNMIK's role in the territory was greatly diminished and the power of

Resolution 1244 called into question. Technically, UNMIK's role and the authority of 1244 remained intact after independence – however, Kosovo's Albanian-dominated political bodies continually called on the UN to formally cease its mission, arguing that with the declaration of independence, Kosovan actors and institutions are no longer legally required to abide by Resolution 1244 (UNSC, 2009). Cooperation between what remains of UNMIK in the territory and Kosovo's political institutions exists primarily at the practical level, although in the Serbian-dominated areas of northern Kosovo, the UN has retained its relevance, acting as an arbitrator between the Serbian community and the new Kosovan institutions which the Serbs largely reject. The new EU law and justice mission (EULEX) took over many of the rule of law programmes once run by the UN, maintaining some executive powers such as the right to respond to security emergencies and to try cases within the judicial system. Their role has primarily been to monitor, advise and train Kosovo's police, judicial and customs services. It is expected that KFOR will not substantially reduce its troop numbers and will remain in the territory at least well into the second decade of the twenty-first century. Following independence, the International Civilian Office (ICO) now played a key role in terms of international influence. Consisting of actors from a range of countries, but seen by some as being heavily influenced by western European and American actors, this institution was largely supportive of Kosovo's independence and was focused on stabilising economic and political life in Kosovo. Given its favourable position on independence, it maintained a fairly cooperative relationship with the government of Kosovo.

Despite the breadth of actors involved in Kosovo's reconstruction and the wide range of programme areas over which the DSI has presided, there has never been a specific policy or programme to deal with the problem of Kosovo's war economy. As will be discussed in upcoming chapters, having been framed in terms of the 'ethnic conflict' discourse, issues of political-economy were not a priority in the immediate post-conflict phase in the same way that the problem of diamonds in Sierra Leone or poppy crops in Afghanistan have been. However, three key areas of reform are having an impact on the transformation of political-economic relationships in the territory, namely, rule of law reform (which addresses the criminal legacies of the war economy), the privatisation scheme (which can be seen both as a cause of and a response to the war and post-war economy) and finally, customs reform (which is at the forefront of dealing with the ongoing smuggling which affects not only Kosovo but other countries within the region). Each of the following chapters provides evidence of these three transformation programmes based on research conducted in Kosovo. Analysis of the implementation of these policies by the DSI reveals the general inability of dominant liberal technologies to fundamentally transform war economies,

Building a peace economy?

which begs for a reconsideration of their policies and approaches in relation to other political economies of violence. From the case of Kosovo's transformation, however, strong evidence is provided regarding potential avenues for altering or deviating from the liberal blueprint with the aim of working towards more effective positive transformation.

Strengthening the rule of law: managing the criminal facets of war economies

GIVEN THAT much of the activity surrounding war economies is considered to occur in the criminal realm, strengthening the rule of law (RoL) has come to be seen as central to the DSI's transformation agenda. In theory, effective investigation, capture and prosecution of criminal actors will help to dismantle ongoing links between illegal economic activities and political violence. Building up the RoL may also act as a deterrent to other actors; the perception of effective legal and security institutions may increase the perceived risk of being involved in these activities, thereby diminishing the incentive for individuals to become involved in criminal enterprise. Finally, improved RoL can also contribute to the wider goals of positive transformation insofar as it reduces levels of criminality within an area more generally, increasing the levels of personal security along with levels of transparency within society as a whole. In this sense, this reform area can further the goal of justice in the post-conflict phase, with the benefits of programming contributing to a more equitable society.

These justifications for the importance of RoL programming in the transformation agenda are strengthened by the fact that in some cases individuals working within RoL institutions are themselves active in modes of criminality that contribute to political economies of violence (Brand, 2002; Dziedzic et al., 2002; Heinemann-Grüder and Grebenschikov, 2006). Security agents, both local and international, are known to be either the direct beneficiaries of conflict-related trade, or complicit-facilitators who benefit from the corruption on which other war economy participants rely. Given the degree to which agents of security become enmeshed in war economies, particular attention needs to be paid to how these actors are themselves reformed.

Managing organised crime in Kosovo

Although rule of law programming involves a wide range of institutions, this chapter will specifically examine reforms to Kosovo's security services and judicial system with the aim of exploring the ways in which the criminal facets of Kosovo's war economy have been approached. The case of Kosovo provides an excellent case study for such an exploration as the problem of OC remains a central feature of both Kosovo's past war economy and its post-conflict legacy. The tumultuous history of Kosovo vis-à-vis its relationship with Serbia and the Yugoslav Federation resulted in many changes to RoL institutions within the territory which have in turn impacted the ability of these bodies to manage problems of criminality during the conflict itself and in the post-conflict phase. As with other sectors of Kosovan society, the judiciary enjoyed a fair amount of independence from the national government. In 1969, alterations to the Serbian constitution granted Kosovo its own Supreme Court, although Yugoslav legal codes continued to be used. On the security side, there was also a fair amount of freedom throughout the 1960s and early 1970s (Caygill, 2001; Vickers, 1994). Both of these trends were reversed with the revocation of autonomy in the late 1980s and as with other public services in Kosovo, ethnic Albanians became almost entirely absent from formal judicial and security structures. The police force and the judiciary in Kosovo became dominated ethnically and politically by Serbs and the Serbian government, leading ethnic Albanians to view these institutions as tools of oppression.

The NATO bombing in 1999 led to a nearly complete withdrawal of Serbian personnel from RoL institutions and many of the buildings that housed legal and security actors were left demolished by the fighting. NATO's peacekeeping force in Kosovo (KFOR) played an important, although at times controversial, role in the days following the conflict in terms of maintaining law and order, arresting and detaining individuals seen as a threat to security (O'Neill, 2002; OSCE, 2006c). As the security situation improved, KFOR's policy of detaining suspects gradually diminished to a point where it had very little interaction with judicial institutions, though it continues to play a role in the provision of security and has a fair amount of contact and cooperation with domestic security services. UNMIK's role in the realm of RoL programming, on the other hand, intensified. In terms of its role in the judiciary, UNMIK was quick to hire judges and prosecutors to staff a new judicial system in the immediate post-emergency phase. This process proved difficult for several reasons. Because nearly all ethnic Albanians had been dismissed from the judiciary in 1989, there were few applicants who had practised their profession during the previous ten-year period, leaving a serious skills gap. Recruiting qualified Serbian personnel was equally difficult. Most Serbian judicial staff fled Kosovo following the NATO strikes. Serb judges and lawyers

who stayed in the territory were unlikely to take up positions in the new judiciary, partly due to the fear of intimidation by ethnic Albanians, but also due to a perceived or real fear of being seen as traitors by their own ethnic group. Despite these challenges, UNMIK had hired over 300 judges and prosecutors by the end of December 1999.

Nonetheless, it soon became apparent that in many cases, the courts were operating neither efficiently nor impartially. Besides being understaffed and lacking infrastructure, ethnic bias by the now Albanian-dominated judiciary and intimidation of court staff became a serious threat to the process. In order to counter these problems, a pilot project which inserted international jurists into the Kosovan legal system was implemented in February 2000. Initially, the International Judges and Prosecutors Programme (IJPP) was utilised only in the ethnically divided municipality of Mitrovica. However, after its successes there, the programme was expanded to other regions of Kosovo. The programme provided a mechanism through which international jurists were able to take cases when it was felt that Kosovan staff were unable to effectively try a case due to either a real or perceived security threat or where their ability to try the case impartially was questionable (UNMIK 2000c, 2000d: Regulation 2000/6 and 2000/64). This programme was not a parallel system; international jurists worked within Kosovo's judiciary and were not part of the wider international justice programme at the International Criminal Tribunal for Yugoslavia (ICTY). Within the IJPP there were also Special Prosecutors Offices for serious crimes such as financial crimes which were set up specifically to deal with the criminal side of the post-war economy. With independence, the EU-led EULEX mission operates in Kosovo, monitoring and assisting in some criminal cases.

Alongside these judicial measures, the UN mission sought to strengthen the RoL by creating new security institutions. Two key domestic security institutions were established in the immediate post-conflict phase, the Kosovo Protection Corps (KPC) and the Kosovo Police Service (KPS). The KPC, largely seen as the successor to the KLA, was created as a largely unarmed civil protection force. The KPC was under the authority of the SRSG, but was monitored by an international team made up of senior military officials from NATO countries. Members of the KPC were not allowed to hold political office, although many senior politicians once held high positions within the KPC including the President of the PDK Hashim Thaçi, ex-PM Ramush Haradinaj, and ex-PM Agim Çeku. At times, nearly 70 per cent of KPC members were ex-KLA members (KPC, nd). In 2005 only 5 per cent of the active KPC came from minority groups and only 2 per cent from the Serbian community (ISSR, 2006: 102) and they have had very little presence in Serbian areas of the country. This is likely due to the fact that many within the Serbian community viewed the KPC as an offshoot of the KLA which committed atroc-

ities against Serbs. Following the declaration of independence, the KPC were again transformed into the Kosovo Security Force (KSF), but in terms of role, structure and ethnic makeup there were few changes. The transition from KLA to KPC and then to the KSF has not been unproblematic. Questions remain about actual levels of disarmament and they have also come under suspicion for supposed links to organised crime.

The second key domestic security institution is the Kosovo Police Service (KPS). In October 1999 the first class of KPS graduated from training school with 176 cadets (OSCE, 2005b). By September 2006, the KPS had grown to approximately 7,150 officers (ISSR, 2006). Data from 2005 revealed the ethnic makeup of the force was in line with pre-conflict demographics: 84 per cent Albanian, 10 per cent Serb and 6 per cent from other minority groups (OSCE, 2005b). Despite a representative number of Serbian officers, the KPS have always had difficulties operating in North Mitrovica. This again is partly a result of ongoing ethnic tensions and the perception of the makeup of the KPS. As part of the demobilisation agreement, 50 per cent of applicant places for the initial service were reserved for ex-KLA, though there was no guarantee that this would translate into an equivalent number making it into the police service. Nonetheless, statistics from 2001 show that 39 per cent of the police force were ex-KLA (UNMIK, 2001b). Working with international institutions, the KPS created an organised crime training programme. Part of this training involved coordination and cooperation with the regional bodies including the Organised Crime Training Network (OCTN), the Southeast European Cooperative Initiative (SECI) Centre for Combating Organised Crime and the Stability Pact Initiative Against Organised Crime (SPOC). While there are continued concerns about corruption and political interference in the police force, evaluations and opinions regarding the force remain, on the whole, positive, with survey data showing that the KPS was more trusted by the population than international police (ISSR, 2006).

The path of security sector reform was largely dominated by the UN Pillar for Police and Justice through which the UN Civilian Police Force (CIVPOL) was run. Within the international policing mission, special units were set up to manage organised crime. The Kosovo Organised Crime Bureau (KOCB) was set up in 2002, and in 2006 became the Department of Organised Crime (DOC). These departments were run by CIVPOL – however, many KPS officers worked alongside internationals. A specialised unit to deal with economic crimes, the Financial Investigation Unit (FIU) was created in 2003 (Wilson, 2006: 161). The Financial Intelligence Centre set up in 2004 also monitored economic transactions for criminal activity. Since 1999 KFOR has been responsible for monitoring Kosovo's borders, meaning they have been involved in dealing with the smuggling of goods across the border – within a few years of their mission, they also began working along the borders with the

KPS's border control units. The Multi-National Specialised Unit of KFOR also engages in information gathering and criminal intelligence on organised crime and is staffed in part by the Italian Carabinieri, known to have expertise in the area of organised and financial crime. In 2011 the task of managing Kosovo's borders became a contentious issue with the border crossings in the Serb-dominated north proving to be flashpoints in ongoing ethnic tensions. The Serbian population has continued to oppose the manning of these border points by independent Kosovan institutions and KFOR has at times been required to intervene between these new institutions and the Serb population.

Besides formal security institutions, there are several informal and parallel security bodies in Kosovo worthy of discussion. The Serbian Ministry of Interior as well as Serbian police and courts operate in Mitrovica North (OSCE, 2006/7). At the same time, some of the major Albanian political parties also established their own parallel security/intelligence bodies. Interviews with security officials in the territory suggest that the LDK, PDK the Reformist Party and ORA have their own security services. The purpose of these agencies is largely to spy on political opponents. These structures are not part of the formal security apparatus and are considered by some to be illegal.

The levels of success by legal and security actors in managing the criminal legacy of the war economy are debateable, and as will be shown there is a deep concern over the involvement of security actors themselves in this regard. Given the starting point of reform, which many refer to as 'ground zero', many staff working in the area of RoL reform have offered positive evaluations of UNMIK activities, pointing to the rapid establishment of key institutions and training programmes. However, many formal and informal evaluations portray Kosovo as a country unable to sever the links between crime, corruption and political violence. For example, an experienced legal observer working in the territory confided that 'even though I have been working with the criminal law for quite a while, I have to say that most of the serious crimes do not reach the courts in Kosovo . . . So even though everyone talks about them . . . it's very rare to have one of these high-profile criminal cases reach trial' (I39). In the eyes of Kosovars themselves, there is much concern regarding these bodies. A 2004 public opinion report revealed that only 18 per cent of the population agree strongly with the statement that all citizens are treated equally in the judicial system (NCSC/IFES, 2004: 38) and confidence levels in the courts decreased from 69 per cent to 60 per cent between 2002 and 2004 (NCSC/IFES, 2004: 33). The reasons given for this lack of confidence are diverse, although it is telling that 63 per cent of respondents consider criminal groups to be a source of corruption in the judicial system (NCSC/IFES, 2004: 52). These perceptions were also reflected in the Internal Security Sector Review (ISSR) where it was found that 'there were clear perceptions that those with a higher social or economic status are effectively

free to act at will' (ISSR, 2006: 19). This highlights a common perception that many of the most serious crimes, including organised crime related to political corruption, are not being addressed to the standard that either the DSI or Kosovo's citizens find acceptable. In order to understand why, despite quite a substantial investment in this reform area, there appears to be both real and perceived problems with this mode of transformation, a closer inspection of these programmes is required.

Rule of law as a tool of transformation or liberal control?

One of the cornerstones of liberalism, the rule of law is seen as essential in the development of prosperous, just and liberal societies (Peterson, 2010). Stable and impartial security services and judiciaries, based on democratic principles and a belief in universal human rights, are central to explanations regarding the pacific nature of liberal societies. However, while these liberal systems are often presented in this positive, peace-supporting light, other streams of analysis allude to a much more problematic side of this technology of liberalism. In reference to post-conflict programming generally, externally led RoL projects can be assessed as a tool in a wider liberal and hegemonic political process. Magalhães describes this as 'legal globalisation', suggesting that in countries undergoing transition, 'legal reform has been the result of a process of "high intensity globalisation" whose fundamental purpose is the expansion of a neo liberal consensus and the fostering of a new model of development based on the reliance of markets and the private sector that fits the hegemonic purpose of the core of the world system' (1999: 46). This is a problematic claim as it suggests that RoL reforms are being promoted not in the interest of providing fair and effective institutions of justice in transitioning states, but rather are a tool for furthering the liberal interests of the international community. Such a tactic goes hand in hand with the focus on criminality that accompanies an increased focus on political economies of violence. Indeed, legal globalisation and the growth of the war economies discourse are mutually reinforcing. The criminalisation-legalisation dynamic is a useful tool for the DSI insofar as it provides a moral justification for separating 'illiberal' leaders from their people (Kelsall, 2004). Portraying leaders as criminal as opposed to political actors justifies their removal and the insertion of leaders more palatable, or favourable to liberal goals and stability. In this sense, internationally led RoL measures can be seen as a tool which grants external powerful actors a great deal of control over states and regions recovering from conflict.

Despite the fact that no senior elected politicians have ever been charged with offences related to organised crime, discussions with international staff working under the RoL pillar in Kosovo were constantly punctuated with

Strengthening the rule of law

suggestions of clear, direct and dangerous links between politicians and organised crime. Consider the following illustrative quotations:

Albanian society is organised in clans, some totally devoted to illegal structures, racketeering and some in open business. They try to infiltrate all the organisations such as KPS and KPC and the government. They are powerful people and can get themselves elected. (I15)

Senior politicians, high-profile figures at the top of Kosovo society . . . have made themselves very quickly, multi-millionaires, but it's not clear how. There is no obvious business enterprise with which they're associated which could possibly make that much money. (I3)

Ramush [Haradinaj, the ex-Prime Minister] . . . He's pretty much known to have run organised crime in Peje. (I49)

These remarks are evidence of a pervasive characterisation of political activities in Kosovo being influenced by crime. Organised crime and its supporters are portrayed as constant enemies, who are attempting to 'pollute' the territory's governing institutions. As such, strong justifications for strengthening the security and legal tools against these actors emerge. These tools generally include the creation of specialised police units, prosecutorial offices and executive control by internationals over domestic institutions.

These tools are strengthened by other control techniques utilised by actors in the DSI under the rubric of RoL programming. For example, targeted prosecution of key individuals for the sake of stability became an accepted form of justice in Kosovo during the time of international administration. One international confirmed that former high-ranking KLA have been arrested for war crimes because there was not enough evidence to arrest them for OC (I18). This strategy was corroborated by another international working in the RoL sector:

in deciding which crimes to prosecute – there have been cases in which people who intelligence has suggested they were very strongly integrated in organised crime, happened to be also cases where there was evidence that they'd been involved in other crimes, such as war crimes . . . It's a well-known tactic to employ what people call the 'Al Capone' strategy of prosecuting cases which you have prioritised over other cases you could have prosecuted because not only to bring justice in that particular case, but also for the incidental benefit of being able to target people who happened to be high on your target list for organised crime activities. (I32)

Using the criminality discourse the DSI is able to target actors it wants to remove from public life in a clear attempt to control and shape the future political environs of states emerging from war.

Conversely, while targeting some individuals, the DSI in Kosovo has also

been accused of shielding others from prosecution. For political reasons, either a desire to maintain stability or reward political allies, some individuals have supposedly been able to avoid arrest and prosecution for atrocities committed. Examples of political leaders, ex-KLA and current KPC members avoiding prosecution when there appears to be substantial evidence against them was a common storyline in interviews (see also O'Neill, 2002). This is not to say that no individuals connected to political and military institutions within the territory will be prosecuted, but to suggest that certain individuals have been or are being tolerated to ensure a smooth transition. Of course, it is worth highlighting here the substantial amount of control granted to the DSI in Kosovo given its role as a trustee. Not all DSI missions allow for such obvious forms of targeting and shielding. Nonetheless, governments of other conflict-affected states undoubtedly face both political and economic pressures to engage in similar acts of targeting and shielding – witness the de-Baathification in Iraq and the pressure put on Serbia to assist in the capture of Mladić and Karadžić.

Paradoxically, the use of RoL institutions by the DSI to further its own political aims (through targeted prosecution, or the blocking of prosecutions discussed above) has violated two core values of the modern liberal legal tradition – independence and impartiality. In Kosovo, 'the separation of powers, a classical requirement for allowing a system of checks and balances, and therefore guaranteeing democratic governance, is entirely absent' (Brand, 2002: 471). UNMIK's substantial executive powers over judicial and security institutions for nearly a decade is a case in point. Under Regulation 1999/1 (1999b), UNMIK had the power to appoint and remove judicial staff based on its own assessments and judgements. One interviewee confirmed this as a problem, stating there was 'serious interference of the SRSB in the nomination of the members of management court, Kosovo's assembly was not happy with that ... the SRSB said, well, we still have executive powers ... when the SRSB goes, you're free to choose whatever you want' (I37). The OSCE, responsible for legal monitoring in Kosovo, has also raised concerns about levels of executive interference in judicial decision making (OSCE, 2006c: 64). This interference, and threats to judicial independence, is not only a concern in regard to local staff but also in relation to the IJPP. Because of the way in which international judges and prosecutors were hired, and the structures in which they worked, they were directly linked to the executive UN powers, as opposed to operating independently. While individuals within the IJPP have strongly resisted such political interference, the success of this resistance has been limited and an ongoing struggle between legal priorities and political aims continues.

The use of the criminalisation discourse to justify the mechanisms of control described above is, however, masked by another rhetorical tool. RoL

reforms, and security sector reforms in particular, are now often characterised as development issues, as opposed to security or politically motivated initiatives. The normative impetus and apparently altruistic motivation on which the development industry rests has granted it greater legitimacy to enact reform in areas so closely associated with a state's sovereignty. Despite this portrayal, these developmental reforms are used as both a carrot and a stick by international bodies as they aim to create liberal democracies in post-conflict or transitioning states. 'In Bosnia and Kosovo, regional integration activities and the drive for membership in NATO and the EU have probably been the single most important factors pushing change in the security sectors' (Law, 2006a: 121). Making appropriate changes to security institutions is rewarded with offers of or movement towards allowing developing states access to powerful global institutions and alliances. Conversely, failure in reforming RoL institutions is used as further justification for keeping developing states out of these same circles of power. Making the right movements toward the DSI's set standards in the realm of RoL is thus a key condition to membership in the liberal community of states. The question, of course, remains as to what the impact of this is in relation to political-economic transformation. Does the agenda of control, justified by the criminalisation and development rhetoric, have an impact on attempts to move post-conflict countries towards positive peace economies?

Manoeuvring the goals of justice, stability and accountability

As the DSI attempts to use RoL institutions to further its own aims, as described above, evidence of concerning trade-offs between the goals of stability, justice and accountability emerge. To begin, the *de facto* immunity that results from 'shielding' cooperative actors, or actors who need to be appeased to ensure short-term stability, often allows former warlords to become entrenched, consolidating the gains they made during conflict and to continue engaging in damaging economic activity. Nowhere are these problems more contentious and obvious than in processes of demobilisation, disarmament and reintegration (DDR). Within this facet of security sector reform decisions are made regarding whether those involved in destructive political economic relationships will be tolerated and rewarded or stopped and punished. The DSI's preference for stability over justice often leads to predictable results in this regard. In relation to the disarmament of the KLA, this becomes clear, with the following quotation regarding the formation of the KPC proving particularly telling: 'The purpose of KPC is double. One is to control people of former UCK [KLA] that could be dangerous to KFOR and to the population, and especially the criminality. And the second is to build a civil protection which would be useful for Kosovo' (I17). While the second aim

is encouraging, looking at what has had to be done to achieve the first goal, controlling former warlords, is problematic. It involves minimal changes to political-economic structures of power. For example, the structure of the KPC was disproportionately structured at the higher levels of command:

you have twelve generals which is very unusual for a 3,000-men [unit] ... a 3,000-men strong unit in [a western country], for example, would be commanded by one general and you would have about ten colonels. You have 300 colonels here. So, you know, we had, to put it short, we had warlords we had to deal with, they had to have positions where ... the rewards are as they used to be, so they were given general level positions. (I17)

In other words, Kosovo was given a security institution with an unsustainable structure based on the desire to appease warlords.

There is also concern over the international administration's response to informal security services in the territory. As noted, several of Kosovo's main political parties have set up their own security services, which carry out intelligence based on the desires of a party's leadership. These services act entirely outside of the legal and formal government institutions but were quietly tolerated by the international administration with one respondent arguing that this was simply a case of rewarding individuals and political parties for clearly illegal activity (I8). In these cases, individuals who would not or cannot be accepted in formal institutions are being allowed to consolidate and gain political and economic power through illegal activity. As such, political-economic relationships continue to be based on threat, force and illegality. For the sake of stability and a smooth transition the crimes and atrocities committed by security agents are either *de facto* or *de jure* brushed aside, allowing former participants in the war economy privileged status in new security institutions. This hinders the development of effective and fair institutions as it is not the most qualified that enter leadership roles, but rather the most politically and economically connected. The shielding of security actors in these numerous ways – allowing informal security institutions to operate and appeasing former warlords with positions in the KPC and the KPS, legitimises dysfunctional political-economic relationships and allows for the pollution of security apparatus in order to maintain stability. Agents of security are allowed by the DSI to become barriers to transformation.

The building up of structures which would allow for dysfunctional political-economic activity to be transformed in the long term are being traded off for short-term political goals. While the balance between these is undoubtedly difficult to manage, allowing impunity for the purposes of stability is problematic in terms of the precedent it sets. Considering the activities of the DSI in Kosovo itself and in bordering countries, for example, Kosovo's leaders and security actors have seen other nations granted EU status with levels of

organised crime equal to if not greater than that of Kosovo (I32). As such, domestic issues such as crime and corruption can remain unchallenged as there is limited incentive to engage in programmes that deal effectively with OC. The message communicated by guiding actors of the DSI is that the fundamental issue and desired end point is stability and physical security – issues such as positive war economy transformation are not required to be welcomed into the liberal community of states. The appearance of well-organised institutions are often privileged over substantive change, encouraging a baseline of security assessed quantitatively in terms of the size and potential capacity of force, and competence in providing basic stability. There is less of a focus on justice, on the types of substantive change that would be required for achieving wider goals of transformation. Tensions between justice and security, tensions not yet resolved by the DSI, emerge as fundamental barriers to transformation; the need for stability (which often requires maintaining dysfunctional political-economic structures) is deemed more important than justice (which would be required for positive transformation).

However, what one can also take from an analysis of RoL reform in Kosovo is that the struggle between justice and stability is not always won by the latter. There remain several problems with blanket accusations that the DSI facilitates impunity for the sake of stability. There have been instances where operational actors *have* chosen justice and transformation over stability. For example, in 2001, five KPC Generals were suspended from their duties because of their involvement in the 2001 uprising of Albanians in the Former Yugoslav Republic of Macedonia (FYRM) and organised crime (Özerdem, 2003: 94). Interviews with officials at the office of the KPCC also suggest that since then, accusations of misconduct by its members have been dealt with swiftly and severely. This points to the need for greater analysis of the dilemmas which the DSI is forced to consider over the long course of peace-building missions. In the case of Kosovo, at least at the beginning of the mission, the trade-off was clearly one of stability over transforming political-economic relationships. In the immediate post-conflict phase, dealing with those who achieved political and economic power through violence to consolidate their gains was outweighed by the need for stability. By some accounts this was a strategy that largely paid off. In the short to medium term, there was not a return to large-scale political violence.

It is important to highlight, however, that there have also been moments when operational actors felt able to take a risk and favour justice over stability. This suggests that the sequencing or timing of chosen transformation techniques may be of more importance than choosing between alternative strategies. More research needs to be conducted in regard to what might be called ‘policy moments’, whereby operational actors in the DSI are able to take risks, implementing policies which may counter the aims of the

guiding actors in the DSI. Specifically, in reference to preventing security actors from continuing with dysfunctional economic activity, operational actors could look for opportunities where the threat of instability might be outweighed by the need for justice. Mechanisms through which actors might be allowed to take advantage of such 'policy moments' would be a step forward in finding ways of creating transformative policy.

Apolitical analyses? Varied approaches to politics and crime

It is assumed that given the power of 'legal globalisation' and the 'war as crime' discourse, the work of operational actors has shifted towards fighting crime as opposed to dealing with more complex political issues. Concerns have emerged that legal tools are now being seen as 'magic wands' (Faundez, 2005: 568) – with the law replacing traditional, political diplomacy and agreements as a tool of resolution. Tim Kelsall (2004) finds evidence of this depoliticisation through his study of court transcripts of criminal proceedings in post-conflict Sierra Leone where the courts appeared to explicitly forbid any inclusion of political context in the hearing of war crimes cases. Of course, RoL reform is an area where we would expect there to be depoliticisation, and perhaps for good reason. As Donais (2005) argues, a key tenet of police reform is in fact to ensure that the police have been depoliticised – to ensure that the police are loyal to the state and its citizens regardless of what political party is in charge. However, creating an apolitical security and judicial structure should not equate to a denial of political context, as ignoring political realities may inhibit security sector reform in both the short and long term.

In relation to war economy transformation, then, are we seeing a problematic apolitical approach in relation to RoL programming? With the growth of the war as crime discourse has there been an overstating and oversimplifying of the links between crime, violence and politics that has in turn led to flawed apolitical policy choices? In the case of Kosovo, there are no clear answers to these questions, with perceptions of staff working in the field of RoL reform varying greatly and thus providing an excellent case through which to explore the multiple ways in which apolitical approaches are or are not problematic in terms of transformation.

Criminality and context: local political issues and transformation

Arguments that the rational-choice approach to understanding the political economy of conflict now dominate logically lead to assumptions that programming will be typically apolitical (as defined in [Chapter 3](#)), showing a lack of awareness and integration of local context vis-a-vis RoL programming. In other words, what one would expect to find in this reform area is that the

reform process is *intentionally* devoid of the political issues in order to facilitate a smooth transition to a liberal order. Further, given the rhetoric that law is meant to be blind to issues of politics, the possibility that reforms in this area will suffer from such apolitical or technocratic tendencies seems nearly certain. However, a careful analysis of the DSI's approach to RoL reform in Kosovo offers a more complex story.

Within the international policing mission, for example, there was a great deal of variance into how the crime-politics nexus has been conceptualised. Some actors did draw simple, direct lines between the two. One interviewee spoke of a former KLA Colonel who was at the same time a member of the mafia and has now risen within the ranks of Kosovo's political elite (I46). Others draw direct but more vaguely articulated links between unspecified criminal groups and specific organisations such as the KPS, KPC and formal governing structures. These understandings are associated with the more technocratic, rational choice forms of analysis which focus on the tangible and direct relationships between two actors and the benefits accrued by each party. When this is the dominant conceptualisation of the problem, a more technocratic response is privileged: more effective policing, investigations and prosecution. This is problematic on several fronts including the fact that the arrest and charging of individuals will do little to alter the entrenched relationships between crime and politics in the territory. In the case of Kosovo, such a strategy has proved largely ineffective as it has focused 'on institution-building rather than on trust-building among the communities' (Heinemann-Grüder and Grebenshikov, 2006: 54). Supporting such a perspective, one respondent spoke of the international communities' focus on quantities of police officers – 'right from the very beginning, I believe it was the Contact Group, basically said we want seven and a half thousand police officers on the street within two years. That obviously had a huge effect on the quality. They were concerned with numbers rather than quality' (I8).

Evidence of the preference for these more technocratic forms of programming are evidenced by other responses received when interviewees were asked about ways forward for security sector institutions. For example, one key figure in Kosovo's police reform argued that 'it's just a question of really becoming more professional in what it does and gaining greater levels of competency over investigation' (I8). A substantial number of replies centred around the provision of specific forms of training. While capacity-building is not without its merits, it overshadows an equally if not more relevant concern, namely oversight and the concomitant public accountability that accompanies such mechanisms. The need for oversight of security institutions in post-conflict states generally and Kosovo specifically is evidenced by the highly politicised environment in which reform is occurring and therefore the increased likelihood of political intrusion into the security sector. Both the

actual and perceived links between criminal and political interests in Kosovo would suggest an even greater need for a neutral oversight body which would be able to investigate and indict supposed corruption and abuse within security bodies. The amount of money spent on, and the attention given to, equipping, training and promoting the KPS from the very start of the mission is in stark contrast to the efforts and monies provided to ensure accountability – a police oversight system was only introduced in the spring of 2006 and according to those closely involved in the process, remained drastically underfunded.

Even more damaging is that the lack of oversight has helped create an environment where rumours of such relationships have created distrust of security institutions and political bodies – a perception which, once engrained, is difficult to change. Of course, there are some accountability structures built into these types of reforms, but in many cases such accountability tends to move upwards to international administrators who control the finances, the character of reform and the pass-key to international institutions and communities. The accountability that extends outwards to citizens is less developed. This leads to an environment in which the security apparatus is not trusted by citizens as fair arbiters between them and criminal elements in society.

However it is important to note that other policy makers working under the RoL pillar adopted something more akin to the SPE conceptualization discussed in [Chapter 3](#). For example, analyses emerging from one of the key European bodies working on organised crime, the Council of Europe Regional Police Programme (CARPO), acknowledges that criminal networks may serve as alternative social systems (CARPO, 2005). Many interviewees also noted how strong family ties, the clan system and tight-knit communities were key survival mechanisms during the war and perhaps even a response to periods of oppressive Serbian rule. They admitted that this has in turn created a culture, or history, of non-cooperation or non-observance of official state structures and a deep mistrust of the police. The question then becomes one of whether operational actors' engagement with an SPE approach has resulted in alternative or improved programming. Again, a varied story emerges.

Evidence of an SPE approach influencing DSI policy directly can be seen in the response of internal actors in Kosovo to the problem of which law to put into force following the cessation of NATO bombing in 1999. International administrators initially decided that the law as it existed on the day before the NATO bombardment would become the applicable law in the territory. In other words, the applicable law in Kosovo would be the law as practised by the Serbian-dominated judiciary in the ten years since the revocation of autonomy. A provision was added, stating that for a law to be valid it must not be discriminatory. There were at least two problems with this initial decision.

First, there was no legal guidance or criteria given for identifying which laws might be considered discriminatory (Strohmeyer, 2001a). Much more problematic, however, was that Albanian jurists rebelled against having to employ a set of laws they considered to be Serbian. 'Yugoslav criminal laws, in particular, were considered to have been one of the most potent tools of a decade-long policy of discrimination against and repression of the Kosovan Albanian population. The political representatives of the Kosovan Albanian community thus threatened to cease cooperating with the United Nations' (Strohmeyer, 2001a: 58–59).

UNMIK eventually conceded, bringing into force a new regulation, 1999/24 on the law applicable in Kosovo (UNMIK, 1999a) which declared that the applicable law would be any regulations promulgated by the SRSG and the law in force in Kosovo on 22 March 1989, in other words, the law prior to the revocation of autonomy. Consider the opinion of one international regarding this decision: 'are there advantages to applying the 1999 law? . . . Yes . . . why would one say, oh, let's go back to '89 . . . do I think it was logical that the judges decided to apply the '89 law? No. Not based on the law' (151). Here we see that an apolitical choice was initially made – as a matter of sound jurisprudence the 1999 law was chosen, an approach based on opinions of what was technically (legally) most appropriate. However, political debate and contestation led the international administrators to reconsider their approach, forcing them to alter reform in consideration of context. Despite legal arguments, nationalistic and ethnic sensitivities were eventually recognised by UNMIK. This example reveals a willingness of the international mission to integrate political realities into their decisions and an ability to negotiate with domestic political concerns. However, this also acted as a strong signal in terms of where the loyalties of the UN mission lay. In this case, 'Albanian law' was chosen over 'Serbian law'. It was one of the first gestures which would allow for a shift in the balance of power within the territory and within the region – a shift, which as will be further discussed, has facilitated the creation of an Albanian-dominated political-economic environment.

In the field of security sector reform, however, there is also evidence to suggest that political awareness of the above issues and problems related to the linkages between crime and broader societal processes *has not* translated into context-sensitive programming, suggesting that there are barriers for operational actors translating their analysis of situations into effective programming. Although there is a recognition of the importance of social and familial relationships, security sector reform focused primarily on the highly formalised institutions of security such as the KPS and KPC. Despite the prevalence of and effects on security and peacebuilding of informal Albanian security institutions, the UN administration has done very little to dismantle them or address how they might have been more effectively integrated into

Kosovan society. The strategy appears largely to ignore the problem in the hopes that over time, things will disappear, normalise or organically meld into a more state-centric formal system. Of course, strengthening the RoL, dealing with impunity and managing illicit *cum* informal mechanisms are not simple tasks. Still, in other instances, such as convincing various Albanian groups to sign up to the PISG and finding avenues for cooperation with Serb customs officers (see [Chapter 7](#)), dismantling informal mechanisms or overcoming substantial political barriers was possible through concerted negotiation.

Accounting for global and regional politics

In the case of domestic reforms, there is often an assumption that regional and global politics are of little concern. This is undoubtedly a flawed assumption, for as we see in Kosovo, RoL reforms were greatly impacted upon by wider external political sensibilities, primarily regional and global debates regarding the final status of the territory. Between 1999 and 2008, the reality of unresolved status delayed the formation of local institutions central to the maintenance of law and order. For example, due to Kosovo's unresolved status, a Kosovan Ministry of Justice was not set up until 2005/6. One senior UN official reflects on this, speaking of a

general sense that we had been imperilling the success of our project by allowing ourselves to sit on our hands for so long and not get to grips with fundamental questions. Suddenly in the aftermath of 2004 the international community decided that perhaps after all, it didn't impinge on sovereignty to have ministries of interiors and justice. But, I must say that when I arrived here, everyone seemed to have the opposite impression and it seemed to be considered that ministries of interior and justice were things that could only be created upon final status, and that meant that there was no ability to build up any sense of political accountability and responsibility for rule of law . . .

The overwhelming blockage was the whole thing of final status. It just complicated the whole concept of transition, and slowed down therefore the whole process of transition and rendered it less coherent, because it was much more difficult to try and design in this strange sort of vacuum . . . There's no question that trying to run a mandate where you've left the question of final status open, whether or not it was the right thing and whether anything could have been done at the time, I'm not going to judge, but it certainly made life very difficult in a number of respects. (I32)

The DSI's stance on this issue notably changed over time, with the essential institutions and codes needed to combat crime and corruption eventually being created as Serbia's claims of sovereignty over Kosovo came to be seen as a less contentious issue to guiding actors of the DSI. However, in Kosovo's formative years as a new state the DSI's inability, or unwillingness, to face up

to serious political challenges, limited the ability of actors to build up fair and effective RoL institutions. All of these delays in setting up these vital domestically run institutions has provided some actors with

a wonderful excuse to say everything is the fault of the internationals . . . but the fact is that we didn't [set up these institutions], because we felt we couldn't do anything about that, all we could do is train more and more Kosovo policemen and train Kosovo judges and so on . . . it slowed down the progress of the system, it made things like March 2004 easier, it put the government in a superb position to disclaim responsibility for anything that ever goes wrong, and it did. (I32)

The effect has been to limit the political space for the territory's politicians, which in turn has had serious repercussions on local political accountability. Limiting the capacity of Kosovo's RoL institutions until status was determined had the perverse effect of diluting the sense of political responsibilities within Kosovo's governing institutions and security institutions – a key factor in building progressive and sustainable institutions. This problem is perhaps clearest in attempts to deal with organised crime, an area in which internationals will maintain executive authority for as long as possible (first the IJPP and now EULEX). As such, as the problem of OC grows in the region, the fact that dealing with OC has remained, and will largely remain, under international control will only delay and inhibit Kosovan institutions' role in managing the problem.

This desire to maintain control is illustrated by a concern regarding co-operation between internationals and domestic actors, with one international investigator suggesting that 'at the moment, information is confidential, but what happens when Kosovars take over? . . . there is a fear from other countries of sharing information as they don't know whether things will remain confidential after things are transferred to Kosovars. Countries are therefore sceptical about giving information – it might not be kept secret in the future' (I28). Concerns about the ability of Kosovars to deal with OC and resistance to hand over information or control over the process is understandable given both the limited experience of the current Kosovan staff as well as the aforementioned links between crime and politics in the area. Nonetheless, this guarded approach to dealing with a key issue of transformation clearly illustrates a link between a failure to deal with an overarching political issue, namely status, and attempts to deal with a significant facet of Kosovo's political-economy. As a protectorate, Kosovo's institutions and its leaders were unable to fully participate in strategies and plans to deal with areas of its own transformation. Besides providing an excellent avenue for Kosovan actors to absolve themselves of responsibility in the short term, long-term consequences are delays to institution-building and relationships based on mistrust and suspicion with international and regional actors. All of this

limits the potential for long-term transformation as the institutions and relationships that need to be developed are being delayed and a dangerous status quo is usurping the need and motivation for more progressive and structural policies.

Of course, some will argue that this critique ignores the difficulty of dealing with the fraught geopolitical issues, such as final status, that the difficulties in resolving the overall political dispute have necessitated delays in the building up of local judicial and security structures. While final resolution of the Kosovo conflict was indeed difficult and complex, a lack of status did not appear to limit the creation of key institutions and bodies in other sectors (most notably the customs and privatisation agencies which will be discussed in forthcoming chapters) and thus this counter-argument does not hold. Key institutions arguably could have been created earlier in order to create a more effective, legitimate and accountable judiciary. In this sense, allowing the status issue to remain unresolved and in turn delaying the creation of legitimate and functioning legal systems allowed Kosovo to remain as a zone of uncertainty and instability – a fact which many actors manipulate for personal and political gain.

Taken as a whole, analysis regarding concerns of apolitical conceptualisations by those leading and implementing judicial reform, and the net effect of this on dealing with the criminal element of war economies, reveals a diverse and complex story. At times a clear preference for the apolitical discourses related to law and security do appear to dominate, with a negative impact in terms of effectively understanding and managing criminal legacies. In these instances, the DSI appears to lean towards a rational choice approach to crime insofar as it suits its need to have states appear as peaceful (with ongoing violence attributable to criminal as opposed to political forces) and in order to create stability (as opposed to justice). Perhaps this is the rather predictable side of the story. But what detailed analysis of practice reveals is somewhat less predictable, with examples of not insignificant occasions of SPE analyses, the creation of specific policies to make adjustments based on such analyses and often positive outcomes from these approaches also evidenced. However the flexibility to integrate the SPE approach in RoL reform appears to be limited by the wider political concerns of the DSI. When engaging in SPE is not a threat to the dominant rhetoric and approach of the international community, allowances are made, but such flexibility apparently applies only so long as the core beliefs and interests of the guiding actors are not threatened. In this sense the use of RoL reform as a tool of transformation is clearly limited by an apolitical approach, but strategies for countering or challenging this approach are possible, at least in a limited sense – a reality which will be returned to in forthcoming chapters.

The (mis)practices of internationally led rule of law reform

Several operational barriers within RoL reforms which impact upon war economy transformation can be identified. The first concerns the tendency for the DSI to follow trends in terms of which issues and problems receive the most attention and thus resources. This characteristic is problematic insofar as it often leads to the exclusion of key issues. In the case of Kosovo (a conflict portrayed almost entirely in terms of human rights atrocities and ethnic divisions) this resulted in dysfunctional political-economy relationships being overlooked in the early days of the intervention. Consider the following assessment on the setting of priorities in Kosovo by one police officer:

You look at the mission life, and what's a priority in mission life, and it's interesting, it all boils down to whoever is the commissioner of police or the SRSG, what their little personal thing in life is. And you can see what's important in the mission. Every few months, we have the catch phrase of the month . . . Returnees . . . that always comes and goes, that gets to be the big issue. Domestic violence, got to be a big issue for a while, so all the resources went towards domestic violence. Then human being trafficking got to be a big issue. Now we must have a strong environmentalist somewhere in the mix because now illegal woodcutting is becoming a big issue. (I84)

As another UNMIK official noted regarding their focus on organised crime, 'it took us far too long to do it. Far too long probably because it wasn't in people's mentality when the mission was initially set up. People didn't think of organised crime as a terribly important thing to attack. They thought very much in terms of war crimes . . . the focus was on returns . . . they didn't really think that organised crime was something that was particularly our job' (I32).

As a result, operational actors within the DSI were left without a suitable range of tools to help them manage organised crime. The trafficking and smuggling of persons was not made illegal until 2004 and Regulation 2005/16 (UNMIK, 2005d), a law managing immigration procedures, was not set up until over six years after the end of the war. Another example of an oversight in legislation has been the failure to create or promulgate a law regarding the handling of informants; neither was there an appropriate framework for utilising lawful methods of surveillance such as telephone interception. Both of these are generally seen as necessary measures for effectively addressing illicit activities. By not focusing on such problems from the beginning, many of them became entrenched and therefore much harder to transform. Arguably this concern is not always applicable. For example, in the case of the trade in opium, this has been a policy priority from the beginning. However, it appears that it is only in the most obvious and well-publicised

cases, where there is a tangible commodity that is easily identifiable as illicit and has global repercussions, that the issues seem to make it to the top of the priority list in the immediate post-conflict phase. This line of critique seems to contradict the discussion earlier in the chapter regarding the impact of the criminalisation discourse. However, the impact of the criminalisation discourse is a movement towards the targeting of groups and individuals, not the creation of a coherent, well-considered and properly funded strategy to deal with criminal elements specifically and strengthening RoL generally.

A second series of problems relates to human capacity and resources. In relation to the IJPP, serious concerns existed over the lack of training provided for international jurists. One such jurist advocated for at least a minimum of two weeks' training as opposed to 'just throwing them the code and within a day putting them into action' (I51). Another international succinctly described their entrance into the programme: 'arrived on Wednesday, sworn in on Friday . . . and I started my first war crimes case on Monday morning' (I48). The problem of staff and institutional capacity is directly related to the problem of mission creep which forces actors to engage in activities not envisioned in initial mandates. Again, the IJPP provides an example of this problem. As the programme expanded from Mitrovica to the rest of the territory, the need for higher numbers of international staff, and their substantive role in post-conflict justice, grew exponentially. As one international jurist explains: 'When we were introduced the goal was to provide neutrality . . . in the adjudication of interethnic crime. Then, after a year the goal changed and the goal was to respond to the maximum possible extent to also organised crime and eliminate the spoilers of the peace process' (I22). From its initial mandate of providing support in individual cases, the IJPP came to be seen as one of the most important tools in tackling serious societal issues such as organised and financial crime. The programme was not set up to take such a strong leading role in these cases and as the IJPP's mission and mandate crept into these wider societal problems, the resources and ability to meet these new goals did not materialise. A senior international jurist notes, 'if you target organised crime, you need much greater resources, you need a secure court building, you need much more resources for witness protection. You need a team of investigators and prosecutors that would be able to commit . . . for a long time' (I22).

A similar storyline is seen in regard to international policing. Since the 1990s UNCIVPOL missions have greatly increased in both size and scope to the point where mandates 'in many ways almost require a UNCIVPOL with superhuman abilities' (Månsson, 2001: 116 referring to Emery, 1997). This need for 'superhuman' international police officers is clearly evidenced in the case of Kosovo. Never before have international police officers had such wide-ranging responsibilities; being almost entirely responsible for fighting

organised crime in a foreign country was an unprecedented expectation. Yet a growth in expectations was again not matched by a growth in resources and capability. Simply put, neither UNMIK nor the actors through which they work are set up to manage these types of problems. The tasks being given to operational actors outstrip the capacity, experience and resources of such actors. Equipment for wire taps, unmarked police cars, money to pay informants – none of these are standard (or likely desirable) budget lines on UN or donor annual reports, yet fighting organised crime through the use of such processes was expected of ordinary CIVPOL officers.

Further, as one interviewee highlights, the entire concept of organised crime requires a lot of covert operations, which are disliked by the UN which is supposed to be an open and transparent organisation (I18). Serious questions emerge when development actors become involved in the undercover, covert and hidden activity that is required to deal with such problems, as it directly contravenes many of the democratic values which the DSI is trying to instil in recipient countries. A choice needs to be made on the part of development actors who are now engaging in areas of reform which involve combating illicit and illegal structures. Either they reconsider their role in engaging in such activities and choose not to do so, given the inherent contradictions of these tasks with their organisational culture, or they move forward and allow for or create the structures which are needed to engage in such work.

Also limiting an effective post-conflict justice programme is the diversity of staff in regard to nationality. Undoubtedly, there is strength in having a mixture of staff from different nations, but there is also evidence that diversity, if not properly managed, inhibits effective transformation. At a basic level, there can be disagreement and confusion over laws and processes as international jurists and security personnel come from different legal systems, and are not familiar with the laws which they are being expected to apply (Schröder, 2004/05). One international prosecutor admits that ‘because we also come from different countries, from different legal systems all over the world, to some degree we might not always be entirely consistent in what we do’ (I48). Of course, properly trained jurists should be able to interpret and apply a legal code regardless of the specificities of its legislation and procedure. However, this assumes a coherent and logical legal framework, procedures and training. A recurrent theme in many interviews was that of an unclear and confusing system of laws and procedures, one which affected local and international actors alike, inhibiting effective legal and security practices and the creation of sound jurisprudence on which to strengthen the RoL. There have been multiple sources of law in place within the territory in the ten years following the conflict – pre-89 Yugoslav laws, post-89 Yugoslav law, UNMIK regulations, directives and laws passed by the new Kosovo assembly,

directives and documents from new ministries and new criminal and criminal procedure codes, as well as the tradition of the Kanun (a traditional legal code used both historically and currently by some Albanian communities). The multiplicity of laws has created confusion amongst personnel, making it difficult for them to operate effectively. Consider the following assessment by an international lawyer: 'When I arrived on the ground we had three different criminal codes that were all internally inconsistent with each other' (I48). Another interviewee reflected that judges have been 'left alone in the maze of, in the mess of new legislation, of new approaches' (I37).

Likewise, the multinational structure of the international security forces has led to differences in procedure in different areas of Kosovo; within the police, cultural differences regarding the style of policing have led to KPS officers receiving different directives in the field. 'For example, you'd have a Russian running Gjilani, and he would run it as he would back in Russia . . . And then, up in Podujevo, you'd have somebody from Northern Ireland running it as they would back in Northern Ireland. Over in Prizren it was run by Germans, so they run it as they do back in Germany . . . The messages going through at every level to the KPS were totally confusing' (I3). Leaving behind sustainable institutions capable of dealing with entrenched and difficult structures such as organised crime requires a united and coherent approach, an approach which the multinational forces mitigate against. Besides issues of coordination, there is also the problem of distrust or competition between security actors. One concrete example of this in Kosovo is in recent attempts at conducting a thorough review of security concerns and security institutions in the territory. There were a number of reviews occurring simultaneously, one led by a British team, another by the Americans, all working without talking to each other (I46). Because of these issues a fragmented and disjointed security apparatus exists; both temporally and spatially, security apparatuses have operated unevenly, creating gaps which have limited the role security services might play in transformation.

Some of the problems associated with international staffing have been addressed. After the March 2004 riots, KFOR altered its *modus operandi* to diminish differences between national brigades. International security interventions (post-Kosovo) have adopted the system of 'lead nation' whereby one country takes responsibility for one aspect of security programming in an attempt to ensure coherence. The 'lead nation' method is currently being used in Afghanistan (Sedra, 2006) and the Solomon Islands (Peake and Brown, 2005). This approach was also eventually adopted in Kosovo, at least informally, with Germans being largely in control of the DOC.

Another of the many critiques harboured against the DSI is the negative impact of a contract culture which results in staff being in the field for short-periods of time, contributing to high levels of staff turnover. Many interviewees

mentioned the issue of short-term contracts (generally lasting from six to twelve months) when questioned regarding the barriers to successful reform in Kosovo. It should be noted at the outset that short-term contracts are not purely a function of the policies of international institutions. National governments and institutions are often unwilling to allow for or pay for their nationals to take up positions long term. Take for example the account of one international prosecutor: 'my government let me stay for two years and then they said they wanted me home and I said I can't because I'm in the middle of a terrorism trial, I want to finish it, and they said, fine, but you're going to have to give up your job [back home], so I had to quit' (I48).

The impact of forced or voluntary short-term commitments is threefold. First is the problem of recruitment. It is already difficult to get qualified judges and lawyers to leave their homes, families and jobs to come to a conflict-affected zone. Such difficulties are made worse by expecting individuals to take up a position knowing they may not be able to be effective. Secondly, the reality of short-term staffing has serious repercussions on the investigation and prosecution of cases, especially ones relating to serious offences such as organised crime and money laundering, areas in which there has been a heavy reliance on internationals. Elsewhere in the EU, an investigation related to organised crime will last approximately fourteen to eighteen months, even longer in especially complex cases. The hearings, trials and verdicts can then take another two and a half to three years to complete. The result of using short-term contracts is that investigations are interrupted and suffer setbacks as prosecutors leave positions. In some cases 'criminal procedures had to be initiated twice because an international judge involved returned home' (Schröder, 2004/05: 24). A lack of continuity in the process not only causes delays in the procedure, but leaves the process open to mistakes, miscommunication or oversights which inhibit effective investigation and prosecution. Finally, short-term contracts seriously limit a build-up of institutional memory. As one expert noted, solutions for complex, systemic and long-term problems should rest in the hand of institutions – however, because of the nature of the mission, responsibility often lies with individuals which means that in the region it changes quickly and frequently. An international jurist confirms and laments this problem, stating: 'people like me have ideas, but unfortunately the way the UN here is set up, I know of absolutely no effort to debrief those of us who have decided to say goodbye to the mission. I know of several colleagues who have left with anywhere from six months to nine months to two years of experience and no one has bothered to ask them, "Before you leave, would you mind telling us what you think?"' (I51).

This relates to another problem, directly related to the way in which the development-security industry functions – namely that it tends to favour

short-term programmes and projects which result in easily quantifiable and observable results. Although it is often proclaimed that it is engaged in building up long-term and sustainable structures, all of the above points to the inaccuracy of these claims. This is largely a function of a funding structure that requires donor governments to be able to justify spending to national constituencies and political structures. And while accountability to taxpayers is a reasonable consideration, it also has serious repercussions on programming and policy abroad. In the case of legal programming in Kosovo, consider a conversation with a member of the IJPP: 'the donors always have to produce proof that they, that the donation brought results, that's why they are so concerned about their own projects . . . So they like to see a Kosovo special prosecutions office as being conceived, funded and supported with the project . . . These are like sort of superficially created institutions . . . A much greater challenge is to support institutions that are meant to last and designed to last' (I22). The result of such funding mechanisms is piecemeal programming and an incoherent system. True, it creates solutions for specific problems. The creation of a special prosecutor's office for financial crime is indeed having a positive impact on that area. However, this strategy of single-issue funding leaves gaps in the system which allow for continued evasion by criminal elements. Narrowly defined projects may be palatable to national constituencies, but on the ground they result in risk-averse, blueprint policies as opposed to innovative and creative programming. The DSI in its current formulation does not always allow for flexibility or creativity in its approach, two characteristics which are needed for building new and stable institutions to respond to long-term problems.

While the above has addressed problems related to human capacity, the ability to run an effective judiciary is also hindered by a lack of physical and financial resources. In the case of judicial reform, the problem is one of an overloaded system – too many cases and not enough staff. The simple lack of adequate facilities in which to investigate cases and hold trials continues to hamper the system. The problem of overloaded courts is related to several more specific issues. First is the somewhat mundane but pertinent issue of translation. Translation from English to Albanian (or Serbian) and vice versa is problematic and expensive given debate over the translation of specific legal terms. There is also the problem of acquiring and holding onto qualified local staff. Compare the salaries of a judge to that of a driver for one of the international organisations and the problem of attracting top candidates becomes obvious. This is concisely summed up by a senior international working on law and security who agreed: 'If you can't pay a judge more than 450 euros a month in the Municipal Court or 600 in the Supreme Court, and if you can be a cleaner in the OSCE and earn 700 euros a month . . . [or] if you can earn more as a driver in UNMIK, than as a Supreme Court judge, we shouldn't be

surprised that we don't get the best judges' (I32). A Kosovan working in the legal sector admits that the quality of local judges is currently very low as some of the best trained lawyers will choose to practise as private defence lawyers because the salaries are so much greater than those in the public sector (I40).

The problem of financial resources should not, however, be seen as too strong a determining factor in the creation of institutions tasked with managing illegal activity. The post-conflict mission in Kosovo is one of the best-funded missions in recent history. While some have complained that the CIVPOL mission in Kosovo never reached its authorised strength, resources committed to reforming Kosovo's security apparatus massively outstrip resources committed elsewhere. At its peak, there were 20 military officers and 2.02 police officers per 1,000 inhabitants. Compare this situation to Haiti where the ratios were 4:1,000 in terms of military presence and 0.13:1,000 in terms of police presence, or Sierra Leone where the ratios are 3:1,000 and 0.02:1,000 respectively (Law, 2006a: 117 referring to Dobbins et al., 2003). Of course the amount of resources does not directly translate into success; in 2004 'the amount spent by the United States in Iraq was equal to that being spent in all 17 on-going UN operations combined, without any noticeable progress in rebuilding the country's security forces' (Law, 2006a: 117). Further, the amount being spent in Kosovo in general, and on its security institutions in particular, is outwardly deceptive. Funding for the KPS and its officers' salaries comes largely from the overstretched Kosovo Consolidated Budget and not from the large pot of donor money, limiting the funds available for increasing or even sustaining the levels of pay, capacity and training for the force. Furthermore, donor funding cannot be sustained over long periods of time, so as international funding of security apparatus decreases, financing the relatively large security structures which have been built up in Kosovo will prove increasingly difficult. The result is an environment which leaves the police service 'ripe for corruption ... look at when [police officers are] making 200 euros a month, they see these smugglers raking in thousands a day, and all of a sudden one of them offers them 1,000 euros to let a truckload of something come through, he's thinking "I'm feeding my family". That's why it's so important, they've got to try and get these wages up if they want to eliminate corruption' (I84). Other interviewees stressed the importance of increasing wages to prevent corruption in the police and other security services: a short-term need that is difficult to achieve given donor preferences.

Linked to decreased funding in Kosovo is the problem of the withdrawal of international actors, be it the UN in 2008/9 or the eventual withdrawal of EULEX. One interviewee suggested that the American desire to have Kosovo become independent and for this to come 'fast and furious', meant that anything that questioned whether Kosovo was actually ready for independ-

ence was viewed with great suspicion. A transfer to local authorities and bodies is a positive step forward in terms of re-establishing relationships of accountability between local institutions and Kosovars and will help limit the unhelpful blame game between Kosovars and internationals regarding policy failures. However, serious questions remain regarding the pace of the transition. Reports suggest that the control maintained by CIVPOL in the form of executive policing for such an extended period of time has severely limited the capacity of the KPS (ISSR, 2006). One interviewee reflected that ‘for too long, the internationals have been the managers. Now everyone is in “hurry up and get the hell out” mode’ (I41). This will have serious impacts on programmes and institutions in Kosovo, including those crucial to dealing with the issues of political-economy this research is considering. For example, at the time that the international community began considering its withdrawal from its role in investigating and prosecuting organised crime, local officers still did not have the required expertise or certification in forensics to testify in court. Even though basic training has increased and specialised training on issues related to organised crime are now available to the KPS, serious capacity-building has not occurred. In western European countries, for example, those who work on organised crime would have a training regime roughly as follows: ‘you would have two and a half years’ basic training, then if you did well . . . two to three years later you would have specialist training and then another two to three years of work, so nearly fifteen years’ worth of experience to work in OC. The police here only have 5–6 years’ practical work experience and twenty-one weeks of training. Most in the OC unit are intelligent and highly motivated, but have no investigation experience’ (I47). The rapid pace of reform is understandable given both the urgency in creating local institutions that may have greater legitimacy and allowing more time for advanced training and experience before an inevitable exit is required. However, the above suggests that the pace is often rather too rapid and a longer term, more coherent exit strategy is needed.

Assessing the role of rule of law in transformation

The progress made in terms of building physical institutions, creating new security protocols and legal codes and training domestic staff since the end of the conflict in Kosovo is considerable. As one officer recounted in 2005, ‘I got here two months after the war . . . my first job was to clean rooms out of a building to make a police station, and now there’s 275 KPS in there that are going to be running it themselves in three weeks’ (I84). Ordinary crime levels are low and ethnically motivated crime and has decreased. The court system is staffed with qualified and increasingly experienced and specialised jurists, and new EU compliant legal codes have set Kosovo on the path to attaining a

transparent and more efficient judicial system. However, transforming political-economic relationships that stemmed from or were consolidated during the war has proved more difficult.

Despite problems with the growth of the war-as-crime discourse, effective RoL structures *could* prove to be an effective tool of transformation – both in their ability to deal with criminal elements in the territory and also in terms of ensuring that security actors are no longer key agents or beneficiaries of dysfunctional political-economic relationships. While not a solution in and of itself, it is one facet of a set of policies that are needed to transform the dysfunctional political-economic relationships associated with conflict. If these institutions are used to deal with illegal and disruptive forces equitably and transparently for all citizens, they can serve as a useful tool in the positive transformation of war economies. However, because the DSI has at times chosen to use these institutions as means through which to further its own political aims, the effectiveness of reformed institutions in promoting long-term transformation is diminished. The use of law as a method of transformation becomes ineffective when it is utilised as a political tool by the DSI to install a liberal peace or simply promote stability. Both targeted prosecution and the shielding of individuals to achieve these goals allows for impunity and enables former war economy participants to continue in their trade. Such attempts to ‘buy the peace’ do little to alter political-economic relationships as those who benefited during the conflict through force of arms continue to use their positions of physical power to increase their political and economic power. This ongoing tension between justice and security has not, however, been ubiquitous as operational actors were, at times, willing to challenge the status quo, risking destabilising internal politics to bring former KLA/KPC to justice. However, this occurred rarely and in cases where allowing impunity may have led to new physical/military security concerns. So despite some progressive ‘policy moments’, the targeting and shielding of actors via security and judicial bodies, along with the liberties taken by the UN during the era of executive control, damaged the independence and impartiality of RoL institutions in the long term, threatening their potential in the future as an effective tool against corruption and organised crime.

Analytically, the growth of the ‘war as crime’ discourse is accompanied by concerns that strengthening the RoL may become seen as a ‘magic wand’ at the expense of transforming the historical, social or political facilitators of crime and political corruption. However, the above analysis of RoL programming reveals an interesting dynamic whereby some actors remained committed to an apolitical approach, enacting problematic policies as a result, whilst other operational actors undertook more complex and politically attuned analysis of the situation. The degree to which these latter actors were able to turn that analysis into contextually informed policy, however, was

quite varied – an issue which will be explored further in [Chapter 8](#). In analysing this, one needs to account for the personal agency of operational actors which allows them to challenge the apolitical approach that tends to define the liberal approach. This degree of agency appears to change over time. The willingness to challenge impunity as well as to create institutions that challenged Serbia's sovereignty was in flux and changed over the course of the mission, which suggests that a closer inspection of sequencing and timing of policies is required if the negative impacts of the criminality discourse and rational choice approach are to be challenged. Of course, for operational actors to make such concerted challenges to the dominant actors in the DSI would require a more well-equipped and organised practitioner community, which is prevented from emerging due to a number of basic flaws and characteristics of the DSI at the operational level.

Summarised in [Table 5.1](#), the findings of this chapter have revealed that in attempting to transform the criminal aspects of the war economy, including issues related to political corruption, one finds examples of times where the supposedly dominant approaches of the DSI are indeed present and impacting negatively on the goals of both negative and positive transformation. However, throughout this analysis, one also finds several examples of where politically nuanced approaches to strengthening the RoL have also been adopted as a way of addressing some of the political-economic relationships attributed to Kosovo's war economy. This suggests that the liberal blueprint established by the guiding actors of the DSI is either not as problematic as initially considered or is not always strictly adhered to, allowing for more innovative or effective approaches to emerge. Indeed, reviews of RoL programming, whilst often providing evidence of the problematic characteristics of liberal peacebuilding, also lead us to evidence that flexibility or creativity in policy making can be both encouraged and permitted. In the forthcoming chapters on privatisation and customs reform, more examples of such deviations from the liberal agenda will be highlighted, illustrating the need to understand the dominance of liberalism *alongside* the heterogeneity of actors within the DSI. Finding such as these, including reflections on why we witness such deviations, will lead to a revised framework for understanding the war economy transformation agenda in the concluding chapter.

Strengthening the rule of law

Table 5.1 DSI engagement with rule of law reform and the impacts on war economy transformation

Plane	Characteristic of DSI	Impact on transformation
Ideological	<p>Criminality discourse used as a tool to justify an agenda of control, which emphasises stability over justice, resulting in targeted prosecution of some actors, alongside the shielding of other actors.</p> <p>Political goals of this area of programming masked/ depoliticised by placing these reforms in more neutral field of development.</p>	<p>Impunity resulting from preference for stability allows some war economy participants, including those within the security sector, to remain unpunished and continue with their economic activity in post-conflict phase.</p> <p>Dependence on control mechanisms has negative impact on development of domestic institutions capable of dealing with negative political-economic structures in the long term.</p> <p>Conversely, 'policy moments' identified where operational actors were able to focus on local/justice-related needs over goal of stability.</p>
Conceptual	<p>Criminality discourse too simplistic (focused on RC model), overlooks political/ social/ economic contributions to crime (SPE model) potentially leading to the overuse of the security services or judiciary which do not adequately deal with socio-political issues.</p> <p>Depoliticisation of conflict which limits the effectiveness of reform by focusing on technocratic policies.</p>	<p>DSI has mixed record, with evidence of both RC and SPE analysis being undertaken and integrated into policy.</p> <p>In some cases lack of acceptance of SPE explanations of criminality and violence results in failure to address socio-economic and political structures, hindering the effectiveness and delaying the building up of effective and fair structures.</p> <p>Focus on efficiency over accountability allows for political capture and entrenchment of war economy participants and delays the building up of trust and accountability between RoL institutions and citizens.</p> <p>Geopolitical issues hinder ability of security actors to operate, leading to loopholes, limiting regional cooperation and delays in the building up of accountability.</p> <p>Integration of SPE approach is possible when it does not directly challenge norms and interests of guiding actor. Opportunities for integrating this approach may change over course of intervention.</p>

Building a peace economy?

Table 5.1 Continued

Plane	Characteristic of DSI	Impact on transformation
Operational	Operational limitations impact ability to deal with complex problems.	<p>Diminished capacity due to delayed attention to issues of political-economy; inadequate human capacity made worse by mission creep, staff diversity and contract culture; limited resources, DSI's preference for 'quick fix/observable results' as opposed to building up of long-term, sustainable structures.</p> <p>International bodies well funded in comparison to local structures. Limited resources/salary for local actors thought to increase corruption.</p> <p>Gains made could be lost due to poor exit strategies.</p> <p>Some issues of capacity and coordination being dealt with through lead nation approach.</p>

Privatisation: liberal reform and the creation of new conflict economies

PRIVATISATION AND related commodity governance schemes are meant to bring economic gains for individuals, groups and the state in a fair and neutral way, diminishing the possibility that economic resources will become a source of violent contestation. Ultimately, the transformation of war economies requires that assets, whether they be tangible (such as diamonds) or opportunities (in the form of business prospects), be transparently and justly governed. Whether that governance is in the form of privatisation or other resource management schemes such as those discussed in [Chapter 2](#), the logic is to extract the economic from the political to the degree that the economic benefits cannot be manipulated by elites or combatants for self-interested political or economic gain. The goal is to ensure that the struggle over resources occurs in the regulated and ‘peaceful’ private sphere and not the complex and self-interested political sphere. In theory, these reforms are meant to act as a way of wresting control from military or political elites over key resources which have been used by these actors to consolidate power in an undemocratic and violent manner (contributing to the goal of negative transformation) and to return these resources to private hands, leading to broad socio-economic development (thereby contributing to a wider form of positive transformation). In reality, and as with many policies, the outcome of privatisation is never so predictable and in some cases may actually contribute to the formation or consolidation of economic relationships which it actually sought to transform.

Post-conflict privatisation in Kosovo

While privatisation and resource governance schemes are perhaps most closely related to war economies dominated by the trade of primary commodi-

ties, such forms of governance are also deemed useful in transforming political economic relationships more generally. Any economic resource may be considered a target for such schemes, with the aim being to regulate whatever part of the economy conflict entrepreneurs and elites have attempted to control through fear, intimidation or violence. In the Balkans this control has often taken the form of manipulating the transformation of Socially Owned Enterprises (SOEs). So, while there is no single, physical commodity to be privatised in Kosovo, the privatisation of former SOEs has provided a new arena for war entrepreneurs and political elites to consolidate their economic and political power.

Privatisation in Kosovo has been complicated by the unique form of social ownership which emerged in the former Yugoslavia, making it difficult to make direct comparisons to other transformations. The 1974 constitution deemed that neither enterprises nor property in Yugoslavia would be owned by the state (Skof and Vukmir, 1993). Enterprises and assets were socially owned, as opposed to publicly owned, and were managed by employees through workers' organisations (Babić, 1998; Riinvest, 2007). Local municipalities appointed directors to the managing boards of enterprises, creating a strong link between *local political* and *local economic* institutions; managing economic interests was seen as one of the key responsibilities of municipal authorities (Riinvest, 2002). From the 1960s until the 1980s, SOEs played a key role in the socio-economic development of the region. Yugoslavia remained a 'regional industrial power and economic success . . . annual GDP growth averaged 6.1 percent, medical care was free, the literacy rate was of the order of 91 percent, and average life expectancy was 72 years' (Chossudovsky, 1997: 376 referring to World Bank, 1991). However, in the early 1980s a series of economic reforms coupled with high levels of debt due to extensive borrowing from foreign actors led to economic crisis in Yugoslavia. The IMF-imposed structural adjustment contributed to a drastic reduction in purchasing power, an increase in unemployment and heightened levels of poverty.

At the local level, enterprises found themselves poorly placed in the new liberalised economy. As the focus had always been on trading within the socialist block, they were not in a strong position to compete on the international stage (Estrin, 1994). Domestic trading was also hurt as the deregulation of the trade regime led to local markets being flooded with foreign goods (Chossudovsky, 1997). These economic factors and disintegration are considered by some to have been key contributors to the tension and eventual violence that led to Balkan conflicts in the 1990s (Brown, 1997; Liotta, 2002; Talbot 2000). Nonetheless, the government continued in its efforts to liberalise the economy, reducing state involvement in increasingly unproductive industries and appeasing IFIs by undertaking an extensive

privatisation process. A series of laws passed between 1988 and 1990, referred to as the Markovic laws, were meant to govern the process of privatisation in Yugoslavia. The process was stalled, however, by the outbreak of war in Yugoslavia's former republics. Following the wars, the newly independent states of the former Yugoslavia created and followed their own laws and processes for privatisation (Ristić, 2005). The Serbian state continued to administer the process of privatisation in Kosovo up until 1999 in what is now widely considered an illegitimate, if not illegal, manner. Many Kosovan SOEs were merged with Serbian companies and an estimated 130,000 Albanian workers were fired from their positions at SOEs (Rinvest, 2004).

In the first few years of the UN mission, the international administration avoided the question of privatisation, deciding instead to set up a Department for Trade and Industry (DTI) in charge of administering, commercialising and leasing SOEs. This approach did not attract investors or solve the more fundamental question of ownership (Eyre and Wittkowsky, 2002). In response, both the head of the UN's Pillar IV (the sector of the international mission responsible for reconstruction and economic development) and the DTI produced their own plans for privatisation. Both of these plans were rejected by the UN, largely on the grounds that they would have resulted in legal changes of ownership. Facilitating such changes was initially considered well outside the mandate of Resolution 1244 (Perritt, 2005). Some argue that this concern was misguided and that internationals misunderstood the nature of social ownership. Indeed, ownership in regard to SOEs appears as a blurred concept with various levels of government, society and individuals all having a legitimate stake in enterprises (Perritt, 2005). Who owned assets, and by the same token who was responsible for liabilities, was called into question. Of course, such debates also occurred in other parts of the former Yugoslavia, where SOEs were sold off despite potential interests being held by Yugoslavia. However, in these cases the issue of ownership and liabilities was dealt with in the *Agreement on Succession Issues* (2001) which did not cover the issue of privatisation in Kosovo, and unlike the other former Yugoslav republics, Kosovo technically remained part of the Serbian state.

Due to pressure from both domestic and international actors to privatise, UNMIK created the Kosovo Trust Agency (KTA) in 2002 (UNMIK, 2002c, 2003a, 2005a). As with law and security, privatisation was considered a reserved power; only the SRSG could grant authority to privatise SOEs in Kosovo. The KTA had two mandates: to supervise the management of publicly owned enterprises (POEs) and to privatise SOEs. POEs include the major public services including power, water, sewage and waste removal enterprises. These processes have had mediocre results by all accounts. Many POEs continue to operate at a loss, a burden shouldered by international donors in the early days of the mission (Moalla-Fetini et al., 2005). This obligation has

now been transferred to Kosovo's government. Furthermore, public service delivery is unreliable, with frequent water and power cuts. Kosovo's power provider (KEK) often finds itself at the top of Kosovo's most derided institutions (ISSR, 2006) because of its poor performance and rumours of corruption. Many of its problems are related to illegal use of the power supply and its inability to effectively collect payment for services. However, despite these problems, POEs perform a key socio-economic function as one of Kosovo's largest employers, at one stage providing employment for approximately 14,000 workers (KTA, ndb).

The KTA's second task was to undertake the privatisation of SOEs. Any enterprise listed as an SOE in 1989 was considered for tender. The first and most important part of the KTA's work was to determine the status of companies, to establish whether or not they were in fact an SOE before the 'illegal transformations' conducted by the Serbian regime. Legal services of the UNMIK mission made decisions based on KTA reports, a process which came to be seen as the most delicate part of the process. Estimates of the number of SOEs vary from 300 (Demekas, Herderschee and Jacobs, 2001) to around 500 (KTA, nda) and it has been suggested that 25–50 per cent of these are unlikely to become viable businesses (Demekas, Herderschee and Jacobs, 2001). Several years after the conflict, approximately 20,000 people remained actively employed by SOEs and 60,000 people remained on workers' lists (KTA, nda). In terms of non-employment economic contributions, SOEs account for approximately 90 per cent of Kosovo's industrial and mining base, 50 per cent of the territory's commercial and retail space and nearly 20 per cent of its agricultural and forestry areas (KTA, nda). While many SOEs are summarily dismissed as unproductive entities that will not impact upon Kosovo's economy, the above statistics show them to be a key economic resource in the territory.

Former employees of an SOE are entitled to 20 per cent of the proceeds of the sale of that enterprise. Workers' lists were reviewed and verified by the trade union and the KTA. The other 80 per cent of the sale proceeds were placed in a fund to address creditor claims against former SOEs. Enterprises had many debts to foreign creditors and it is estimated that the average liability per SOE was approximately 1 million DM (Riinvest, 2001). Both during and after the UNMIK mission any disputes arising from the process of privatisation in Kosovo have been dealt with by a Special Chamber within the judiciary which was created and governed by UNMIK Regulation 2002/13 and subsequently managed by EULEX (UNMIK, 2002d). It is made up of a panel of judges, with international judges holding a majority on any given panel. Claims could be made by individuals who felt they had been left off workers' lists due to discrimination. In every single case of privatisation, workers' lists were challenged in the chamber (EU, 2006c). The chamber was

also responsible for dealing with any creditor claims against former SOEs. It is stipulated, however, that the chamber could not provide any form of compensation which requires the rescission or nullification of a sale by the KTA. Thus, while actors have had recourse to compensation, there was no legal recourse for reversing a case of privatisation.

With the legal and procedural requirements in place, privatisation began on 14 July 2003 with the first wave of privatisation. The first two waves were completed with the final contracts for the third wave being verified and signed when the process came to a complete halt at the end of 2003. There are several competing narratives regarding the reasons for the freezing of the process. According to some, there was a fear by the KTA's international managers of being personally sued in international courts for the selling of Serbia's assets. Unlike other UN staff members and KFOR, internationals working for the KTA were not granted immunity for the work they were to complete as part of their mandate. This was not a simple oversight. The UN was keen to distance itself from the process and refused to grant KTA staff immunity (Knoll, 2005; Zaum, 2006). In addition, the concern was once again raised that privatisation did not fall within the parameters of Regulation 1244 and that the KTA was therefore engaging in illegal privatisation. Some enterprises had been transformed between 1989 and 1999 and it was not clear that all transformations between 1989 and 1999 were in fact illegal. There was also concern by members of the KTA regarding the integrity of the process and the background of some of the bidders, with concerns that enterprises were being bought up by military-political elite and criminal actors. The official version for the stalling of the process is that 'following the first two waves, the UN and the EU engaged in a review of the process' (I25).

Regardless of the reasons, the result of the sudden cessation led to a high degree of tension and ill will between the KTA, EU, UNMIK, UNHQ, PISG and the public, especially employees of SOEs. It also resulted in the dismissal of the managing director of the KTA, Marie Fucci, who had initially called for the process to be stopped. After a review of the law, and with some minor changes to procedure (Riinvest, 2004) privatisation under the KTA resumed mid-2005. From that time onwards, progress was swift: in April 2005 only two waves of privatisation had been completed, but, within the space of one year the fifteenth wave was launched. Statistics released in February 2007 show that 219 SOEs had been privatised (UNMIK, 2007b), and by April of 2007, the twenty-fifth wave of privatisation was launched. This pace continued following the takeover of the process by the Privatisation Agency of Kosovo (PAK) in 2008 – by autumn 2010 the forty-fifth wave of privatisation was advertised with the PAK announcing that 560 NewCos (the name given to former SOEs that have been prepared for privatisation) had been created (PAK, 2010). Many of what are referred to as Kosovo's 'crown jewels' have

been privatised, including the Ferronickel plant, the Peje brewery and the winery in Prizren.

There was a desire amongst the UN administration and the KTA for more Serbs to bid on SOEs and to help the KTA identify SOEs in Serbian areas that would be appropriate for privatisation (EU, 2006c). However, privatisation in Serbian-dominated areas of Kosovo has been considerably less successful as neither Serbia nor Serbs have been willing to participate in the process. This concerned many staff at the KTA given that SOEs not privatised by the end of the UN mission would be put under the control of a new Kosovan government, under which there were concerns that Serbian interests would not be as well protected (I13). In the end, following the declaration of independence, the KTA's assets and tasks were in fact handed over to the PAK. This new Kosovan agency, however, operates in an extremely complex politico-legal quagmire. Whilst the makeup of the management of the PAK suggests Kosovan institutions and actors control the agency (with the majority of board members being from Kosovo and a minority of the board made up of internationals), the DSI retains a great deal of control over their activities. For example, the ICO maintained a substantial degree of political and diplomatic power in the process, playing a formal role in the appointment of board members, and in confirming the role of the Special Chamber (also heavily influenced by internationals) in resolving disputes related to privatisation (ICO Decision, 2011). In practice, this means that the EULEX mission retains power in legal cases involving privatisation by both the KTA and the PAK, with international jurists sitting on appeals panels and passing legally binding judgements. This continued level of control by the international community, despite independence, has been put in place to ensure that ethnic bias and political interests do not drive the privatisation process, thereby ensuring the 'spirit' of the KTA remains in the post-independence phase. This control is seen by some as contravening Kosovo's independence, with one commentator arguing that 'Despite the new legal reality, the Special Chamber of the Supreme Court still considers the KTA regulations as the law in force and does not recognise the law passed by the Kosovo Assembly on PAK. In this sense the domestic law in Kosovo, the denial of PAK as a full legal entity . . . is a breach of procedural regulations . . . as well as a breach of constitutional rules' (Gashi, 2011: 1). Thus, in relation to the privatisation process, the shift from trusteeship to independence is a story characterised by continuity, not change, with internationals still attempting to maintain control over the process.

The case of the Trepça mining complex deserves special consideration. Located primarily in the northern region of Kosovo, with many of its key components near Mitrovica, Trepça also comprises factories in Serbia and Montenegro. In the 1980s approximately 20,000 people were employed by

Trepça (ECIKS, 2005b). It contained nearly 70 per cent of Yugoslav mineral wealth and was a principle source of exports, accounting for close to 25 per cent of the region's production (ECIKS, 2005b). Production dwindled and the mines were neglected during the 1990s due in part to the Yugoslav wars and the deteriorating economy. Immediately following the war, Trepça remained under international administration, the goals of which were to protect Trepça from creditor claims, restart production and employment at the mines and to prepare it for eventual privatisation (EU, 2006c). Of its nine mines, five are believed to hold significant resources including lead, zinc, copper, silver and gold (KTA/UNMIK, 2005). Some estimates have valued Trepça at \$5 billion (Talbot, 2000: 105). It remains a symbolic, economic and political point of struggle, with one commentator referring to it as Kosovo's Berlin Wall (ICG, 1999b). In the post-independence era, the Trepça complex remains a point of contention – with EULEX, the ICO, the Government of Kosovo, Trepça's management board and Serbian interests locked in negotiations aimed at not only reviving activities across the complex, but also ensuring this is done in a fair and transparent manner (Smith, 2009).

The centrality of the market: liberal peacebuilding and the push for privatisation

Since the end of the Cold War, developed and developing nations alike have undergone a deepening of privatisation, with this reform also being a central policy prescription in post-communist and post-socialist states. Indeed, privatisation has been a favoured tool of intervention in transitioning states as international organisations 'put aside their proposed ideological neutrality to adopt an overt neo liberal programme' (Bhatia, 2005: 206). Thus, while often portrayed as a neutral economic policy, privatisation is in fact an inherently political tool through which liberal peace is installed. As early as the Rambouillet conference which took place before the NATO-led war in Kosovo, the goal of transforming Kosovo into a free market economy was clear with Article 1 of the agreement specifically calling for privatisation (Talbot, 2000: 105). This desire to liberalise Kosovo's economy can thus be seen as part of the wider political project of liberalising former communist and socialist economies.

As Estrin notes, privatisation has ensured the 'irreversibility of the reform process' (1994: 18) as it has replaced a ruling class of authoritarian-communists with democratic-capitalists. Privatisation is a key tool in keeping communists, socialists and actors with leftist sympathies out of power and keeping regimes friendly to the developed liberal nations in control of transitioning states. Batt agrees with these assessments, concluding that economic policy in post-communist and socialist states is effectively a political strategy:

Its fundamental purposes are to redefine the state on the basis of liberal democratic principles, and thereby to secure the 'return to Europe', meaning an international realignment and reintegration into Western economic and security structures ... Post-communist governments embarking upon privatisation ... have only one consistent, effective and organised source of pressure in support of the policy: the international financial institutions backed by Western governments, which insist on the inclusion of privatisation as a condition for financial support and technical and economic assistance. (1994: 83–89)

Evidence from a wide variety of documents and agreements regarding economic reconstruction in Kosovo confirm the plan of bringing Kosovo into the global capitalist economy. Although the PISG was not able to negotiate formally with IFIs given the lack of statehood, the World Bank had several ongoing projects in Kosovo prior to Kosovo's declaration of independence. The IMF also assisted the pre-independence government in creating medium-term macro-economic strategies. Together with the SRSG, Kosovo's PISG signed a *Memorandum of Economic and Financial Policies* (2005). A statement of intentions regarding the running of Kosovo's economy and addressed to the international donor community, it reads as a series of promises that Kosovo will play by prescribed neo-liberal doctrine.

Statements made by the DSI regarding the running of some of Kosovo's POEs confirm internationals' desire to bring the running of the economy in line with free market principles. An IMF document derides plans by KEK, the public power provider, arguing that 'An ill conceived "social policy" of providing free electricity to the poor and to Serb enclaves is one of the root causes of the problems at KEK' (Moalla-Fetini et al., 2005: 42). In a similar vein, a KTA press release regarding the management of the railways states: 'Last year, the unions have acknowledged that the railways are overstaffed, but the only solution they offered was to maintain the entire staff and cut salaries by 52% for all workers. "This is the wrong, old communist way to do it. In this case the good workers are paying for those who do little or nothing", says Mr Rich [MD of UNMIK Railways]' (KTA, 2004c). Similar statements regarding plans to nationalise key enterprises were made by the head of the EU pillar in 2006 who said such a move would be interpreted as 'going back to communist times' (EU, 2006c: 6) These examples illustrate the desire that businesses should be run in line with modern capitalist ideals and that social provisions should not be built into the running of businesses, as they were under communist or socialist economies. Social provision is the role of political actors, not economic actors.

What is pertinent here is that that the push for privatisation is part of a wider set of goals which will complete and confirm the victory of capitalism and which is based on the liberal belief that such forms of economic reform will encourage global security through economic integration and interde-

pendence. In this sense, privatisation has little to do with transforming the local, violent political-economic relationships. More problematic in relation to promoting positive transformation, however, is the insistence by the DSI that the historical and cultural reliance of citizens on public or social enterprises for economic opportunities and protection must be discontinued. Efficiency and performance must now guide the running of enterprises. However, as Pugh notes, 'the removal of state from economy reinforces reliance of the poor on the shadow coping and survival economies' (Pugh, 2005b: 13). Removing social provisions through the liberalising of the economy and through forced employment cuts at POEs serves to push individuals and groups further into informal support networks, which as seen in Kosovo often involve illicit or illegal activities. In this sense, a privatisation process which discourages enterprises from contributing to social safety nets in order to ensure economic efficiency, only heightens the necessity and attractiveness of the informal, illicit and illegal.

Of course, the idea that privatisation is a process forced upon an unwilling population by powerful external actors is misleading. While some have suggested that Kosovo's leaders begrudgingly accepted the shift to a market economy in order to gain support for their quest for independence (Pugh, 2005a referring to Henders, 2003), support for liberalising the economy, and in turn for privatisation, is strong in Kosovo. Surveys conducted in Kosovo following the war found that only 10 per cent of surveyed enterprises opposed privatisation (Rinvest, 2001). In Peje municipality, the initial strategy of commercialising SOEs was opposed and local leaders argued *for* privatisation. Furthermore, Kosovan political institutions were highly opposed to the stalling of the process and strongly urged the SRSG to restart the process as soon as possible. That the process is locally accepted and desired is not unproblematic given the opportunity for the benefits of privatisation to be captured by individuals in ways that potentially consolidate the power and wealth gained by actors through violence. Reflecting on the post-conflict privatisation of SOEs in Bosnia, for example, Donais finds that 'What international advisors originally envisaged as an apolitical, rapid and orderly transfer of assets from public to private hands has become a corrupt, ethnicised and protracted struggle for power which has done little to stimulate economic growth or promote inter-ethnic reconciliation' (2002: 2). Other studies confirm the capturing of the fruits of privatisation by local political interests (Castel-Branco, Cramer and Hailu, 2003; Ristić, 2005).

Of course the economic motivations of local actors should by no means always be viewed pejoratively. Economic motivations may be based on perceived societal benefits – this acknowledges that attempts by local actors to acquire assets may stem from legitimate desires to restart economic production and progress in Kosovo. For example, Kosovan economic commentators and

supporters of privatisation have called for proceeds from sales to go directly into the Kosovo budget to aid in the territory's reconstruction and development. Also, the idea of personal enrichment needs to be questioned as it may be that capture of privatisation processes may not involve vast accumulation of wealth, but rather basic financial stability. For example, in the case of one enterprise where managers had been accused of stealing profits, the supposedly corrupt management in fact had the support of its workers, based largely on the fact that the management kept 500 people employed at higher than average wages in an enterprise that only required 250 employees (I71). Cases where the municipal courts have tried to compensate workers of former SOEs (KTA, 2006e) also show that there is a desire to use the sale of SOEs to provide a degree of financial security for individuals in Kosovo (EU, 2006d).

Still, in opposition to the altruistic motivations described above there is also evidence that *some* actors are motivated by the desire for personal economic and political gain and are willing to engage in corrupt, violent and criminal acts to further these aims. For example, at the Jugoterm SOE, the director was found to be diverting business orders to his own company (Eyre and Wittkowsky, 2002) – a strategy noted by Ristić (2005) who found that many SOEs were purchased in order to minimise competition for enterprises already owned by the purchaser. Privatisation in Kosovo has also become another battleground for ongoing political rivalries between Albanian parties and factions. Kosovo is largely divided between three major parties (the LDK, PDK and AAK). These actors have all attempted to capture the resources, and thus power, generated through the privatisation process. Evidence of attempts to capture the process is extensive. Government ministries try to influence the direction of the KTA, Special Chamber and POEs by appointing directors to management boards – although arguably, this had a limited impact during the period that internationals continued to constitute a majority on all panels and boards (Rinvest, 2007). Furthermore, despite its illegality, municipalities have continuously tried to appoint directors of their choosing to manage SOEs, and have at times expropriated SOEs' land and assets for their own use (KTA, 2006a, 2005f). Eyre and Wittowsky, both of whom worked for Pillar IV in Kosovo, provide several examples of cases where domestic political competition erupted within SOEs and POEs, in some instances involving intimidation and violence, noting that this is 'directly attributed to the change in the balance of power after the LDK had won most of the Municipalities, while many managements had been placed by or with the consent of [the KLA] (later PDK) dominated Provisional Government in 1999' (2002: 29). Holzner confirms this, determining that following the elections in 2000 'newly elected municipal governments started to remove all political opponents in the management of SOEs' (2003: 11). Referring to one case involving a rock quarry and dubious financial transactions

occurring amongst the companies and individuals involved, it is noted that 'UNMIK suspected that rivalries between major political parties in part accounted for the willingness of the municipality to tolerate this action, as the workers placed at economic disadvantage by the action were primarily in LDK controlled Pristina, while the benefits accrued to workers in PDK Gllgovc' (Eyre and Wittowsky, 2002: 27).

The privatisation schemes, whilst failing to transform political economies of violence, as shown above, have also at times led to new forms of violence in the form of threats and intimidation of individuals and institutions. Some interviewees connected to privatisation procedures would not characterise intimidation as a systemic problem, but admitted that evidence supports the conclusion that some attempts at transforming former SOEs have been hijacked by either criminal or politically biased interests. Several interviewees believed that bidders were being scared away by individuals with political or military backgrounds (I72, I5), or that people would simply not bid against ex-KLA (I71). In one case, a bidder admitted to the KTA that he knew no one would bid against him (I72). Another example was given where an ex-KLA member with no business experience was appointed by a municipality to run one of Kosovo's more prosperous SOEs (I71). It is widely believed that the management of this same SOE was stealing profits by claiming to sell less than they actually were (I71). Intimidation continues years into the privatisation process, with the postponement of a tender in December of 2006. In this case, the KTA clearly confirmed violent intimidation as the reason for withdrawing the tender stating: 'The decision to postpone the sale has been taken due to 1) the intimidation of a pre-registered bidder in an attempt to deter the potential investor from bidding in the public tender. 2) The assault on an archive clerk temporarily employed by the Liquidation Committee of the enterprise and his brother . . . and 3) the intimidation of a staff member of the KTA dealing with the public sale' (KTA, 2006f).

The KTA staff member in question was taken off the case for their own protection. Intimidation of KTA staff, or at least the fear of it, was also illustrated by the insistence of some interviewees that interviews with the author did not occur within KTA offices as they did not want any conversations to be heard by colleagues. There was a fear that both local and international staff might be leaking information of what is happening within the KTA. Besides intimidation and collusion, there is also a strong belief that laundered money is being used to buy businesses (I5). Evidence that the purchase of SOEs is being used as a way of laundering money stems from the incredibly high prices people are willing to pay for some SOEs (I71). SOEs bought with bank loans remain suspect as well, as laundered money is believed to have also infiltrated the banks (I5, I25).

In order to deal with some of the issues described above, several procedures were adopted by the KTA. First, the decision to have private, sealed bids, as opposed to an open public auction has been considered a key component in protecting the identities of bidders prior to the sale. Having both rounds of bidding on the same day is also thought to be a way of limiting intimidation between rounds of bidding. To prevent money laundering, money for purchases has to go through a cleared bank which is not on the Financial Action Task Force (FATF) black list. Background checks on bidders and their sources of funding is completed by international bodies. Individuals who have declared bankruptcy, have criminal records or are under investigation may not bid. The strategy of attempting to solve these problems through regulation and investigation techniques has continued in the post-independence era with both ICO and EULEX attempting to control the corrupt and criminal practices discussed above. However, the DSI has at times voiced its preference for a less invasive strategy, expressing its desire that political corruption or criminality will eventually morph into an environment in which in a cadre of 'good capitalists' (Donais, 2002: 6) emerge over time.

In sum, the role of ideological politics in this area of transformation policy is mixed. Although the governance of resources through policies such as privatisation remains as a key strategy in installing a liberal peace, both guiding and operational actors within the DSI initially took a very cautious approach to privatising in Kosovo. However, such cautiousness was not a function of a limited commitment to liberal ideology, but rather a fear of the legal and personal ramifications for operational staff. Once legal concerns were addressed, the commitment to free market ideologies and technologies of economic governance was revived and implemented at rapid pace. The renewed commitment to this cornerstone of neo-liberalism in Kosovo became wrapped up in attempts to appease domestic actors and ensure stability and cooperation from Kosovo's political elite. Concessions were made which in the end favoured certain actors over others, and has allowed for a problematic degree of political capture, or politicisation of the process. This has allowed former war economy participants to consolidate gains made during the conflict, and for these actors and new political elite to further their own interests, often through force and intimidation. While resource governance schemes may alter *who* is control of resources, there is little change in *how* resources are acquired, with power and force still characterising who is able to control key resources as opposed to processes based on equity and justice. Of course in all cases, cautious operational actors will try to minimise such capture and prevent the above scenarios from developing. However, the use of short-term control strategies is often ineffective and the long-term hope that actors will eventually 'fall in line' with the fundamental principles of neo-liberal economics is faulty, based more on desire than actual examples of such

changes in other transitioning states. Essentially, resource governance schemes put much faith in the theory of free market economics which in practice rarely produce the desired transformative effect.

Separating the economic and the political

Privatisation is itself an attempt to depoliticise economic life – the aim being to remove narrow political interests and allow free market forces to guide economic development. It is meant to be apolitical and is largely premised on the assumption that individuals will base their decisions on rational economic considerations. The wealth created by these rational economic choices will supposedly trickle down, leading to broad development based not on political affiliation but on market principles. That such beliefs are valid in relatively peaceful political environments is questionable. In politically unstable situations such beliefs are even more dubious, with empirical evidence challenging these fundamental assumptions. As one study on post-conflict privatisation in Mozambique concluded, ‘Privatisation is not a socially neutral, technical process of achieving Pareto optimality. It is unavoidably political; wealth and economic power is transferred between social groups through negotiation and conflict (sometimes violent)’ (Castel-Branco, Cramer and Hailu, 2003: 166). As seen in RoL reforms, there is a need to differentiate between the aim of depoliticising an institution and the need to consider the ways in which political factors influence that institution. What follows is a consideration of several political factors which affect economic governance schemes and a discussion of the degree to which these factors have or have not been integrated.

Consideration of local context – ongoing internal disputes

Several internal political problems have continually affected Kosovo’s privatisation process. At a very basic level, many of the documents required to determine the ownership and attributes of SOEs in Kosovo were destroyed, went missing or were taken to Serbia during the conflict and Serbia has largely been unwilling to provide requested documents to the KTA and PAK. This makes the task of determining the status of an SOE, along with what assets and liabilities it comes with, inherently difficult. A second and more entrenched set of problems relates to ongoing tensions between Serbs and Albanians *within* Kosovo over the past, present and future of SOEs. Many Serbs do not understand or accept the claim over the illegality of pre-1999 transformations. During the 1990s Serbs were told that Albanians had in fact quit their jobs in protest (and were not fired), and that those who did not quit were intimidated and threatened by militant Albanians (16). Therefore, there

is doubt and conflict over claims of past wrongs in the SOE sector. In the present era, there is again a problem of perception in that within Serbian communities, the UN, the KTA and PAK are seen as occupiers. For this reason, members of Serbian enclaves are unwilling or unable (due to pressures from Serbia) to fully participate in privatisation schemes. These problems are heightened by concerns over the future. Many Serbs have been worried that if they do help privatisation agencies identify SOEs which are appropriate for tender in Serbian areas, Albanians will bid on and buy these enterprises, pushing out Serb employees and managers and that this will lead to an 'Albanianisation' of Serbian areas (I5) – ethnic cleansing by privatisation. This fear is not unfounded given that due to the nature of the tendering process, which must be free, open and transparent, there is no way to prevent Albanians from buying these SOEs. Tender cannot be restricted along ethnic lines. In this way it is very clear that policy has not been altered in order to deal with the historical and current political problems in the territory as the real beliefs and fears of a range of local actors have not been integrated into this facet of economic policy.

Alongside the above examples, more blatant illustrations of KTA staff avoiding political issues in privatisation programming was found. When asked why, when it was supposedly common knowledge that the management of an SOE was stealing from the company, nothing was done, the response from one interviewee was simply 'it would be too political' (I71). Another informant in a different municipality admitted that if they went to their superior with a problem regarding privatisation that was political in nature they were told 'stop – let's just do our job and privatise' (I6). The mandate has been to complete privatisation, regardless of any internal political problems. As was seen in relation to security sector reform, while there appears to be an acceptance by some operational actors of the role ongoing political issues may play, this has not necessarily translated into policy that creates room or allowances for these political intricacies. Unlike some aspects of RoL reforms, discussed in [Chapter 5](#), there have not been identifiable 'policy moments' in which actors have been granted opportunities to allow for political context to influence policy. It appears that in the highly contentious area of privatisation, there is little if any opportunity to integrate politics into programming.

What is the effect of this on efforts to transform the political-economy of post-conflict Kosovo? First, the inability or unwillingness to deal with the perception, concerns and blocking of the privatisation in Serbian areas has entrenched a processes of informal and parallel privatisation by local strongmen and the Serbian government in the north. It is also creating fertile ground for future conflict, as it is putting in place political-economic relationships in the Albanian areas which are not seen as legitimate by citizens in

Serbian areas. By allowing the privatisation of SOEs before relations between the two ethnic groups were resolved, it has *de facto* prohibited minorities from bidding on enterprises in the country, ultimately favouring one ethnicity over another in terms of economic opportunities in the future. This is creating a system in Kosovo whereby economic power is being consolidated in the hands of one ethnic group. While privatisation was meant to depoliticise economic life, it is in fact laying the foundation for a future where economic dominance by one set of actors can be used as a political tool against a competing group, potentially creating a new form of conflict economy. Here, the political-economy of the conflict is being transformed, but not in a positive way. The privatisation process, in its attempts to right the wrongs of Serbian domination over Kosovan economic assets is creating a system whereby there will be Albanian domination over Kosovan economic assets.

The geopolitics of local privatisation

Just as conflicts between Albanian and Serb perceptions of privatisation within the territory have impacted the process, the unresolved conflicts between Serbia, Kosovo and the international community have also had significant repercussions on the transformation of political-economic relationships. While the UN has tried to present the process as a neutral economic reform, privatisation has been debated amongst commentators in terms of both its legality and political legitimacy. Referring to Kosovo, Perritt determines that 'enterprises were already privatised or transformed into private ownership [under the Serbian regime], then renationalised by the political trustee [UNMIK], and finally privatised through a process deriving its legal power from an ambiguous legal mandate to the trustee. Some claimants argue that the first privatisation was invalid. Other claimants argue that the first privatisation process was valid and the second invalid' (2005: 137).

None of the parties to the conflict appears satisfied with the outcome. Internationals have been accused by the Albanian side of giving too much weight to concerns of the Serbian state (Riinvest, 2004). Alternatively, there is pressure from Serbian companies with interests in Kosovan SOEs and the Serbian government itself to halt the privatisation process. The opinion held by Serbia is that Kosovo legally remains part of the state of Serbia and that any change in the ownership of socially owned property (past, present or future) falls distinctly within its sovereign rights. Interestingly, several interviewees working on privatisation supported this claim arguing that technically, the KTA were re-privatising companies that are part of the Republic of Serbia (I29, I16, I6). Alternatively, Albanians believe that due to changes to the 1974 constitution the Autonomous Provinces were granted the rights of social ownership over enterprises within their territory, meaning Kosovo

should have the right to privatise according to its own laws and procedures. It is this latter view that has been largely accepted by the international community. In fact, the DSI has allowed the desires of the Albanian majority to guide the process in many ways. In Kosovo, the eventual shape of laws and regulations regarding the privatisation process has furthered Albanian interests. Internationals in control of the privatisation process before it was stalled had wanted to transfer the liability of SOEs to the NewCos. This was opposed by Albanians who felt that much of the debt had been accumulated by the SOEs after the so-called illegal expulsions and transformations of the post-1989 era. Alongside debts owed to foreign creditors, it is estimated that Kosovo enterprises owe Serbia approximately \$1 billion (Pugh, 2004: 57). Those hoping to purchase SOEs were keen to limit the amount of liabilities that were transferred to the NewCos, partly to decrease their financial responsibilities to past creditors and thereby increase the value of their investment. The acceptance of limited liability being transferred to NewCos was therefore viewed as a victory by the Albanian majority.

The 'middle ground' privatisation which was finally decided upon (although to the Serbs, the scheme falls drastically to the Albanian side as opposed to the middle), was in keeping with the general approach of the UN and the DSI in Kosovo to not take sides and remain neutral. However, while attempting to appear neutral, international actions in the field of privatisation have inevitably favoured the Albanian cause, revealing a hidden or reluctant acquiescence. Regardless of the reasons for their actions, be they an attempt at diplomacy or evidence of risk aversion, trying to be even-handed and avoid fundamental political disagreements has created a privatisation scheme with which neither side is satisfied. The goals of the DSI have been to privatise in a way which allows for economic development in Kosovo, satisfies the call for justice by Albanians and does not infringe 'too much' on the sovereignty of Serbia. All this has been attempted while trying to avoid the larger issue of status. The effect of this is the creation and implementation of a privatisation scheme based on legal principles and jurisdictions not recognised as legitimate or fair by many Kosovans, some internationals, many Serbs and Serbia proper. According to some it has re-privatised already privatised enterprises and/or sold assets of a sovereign state against their will. To the opposing side, it has wrongly granted Serbia a stake in Kosovan economic interests. In this sense, it has legitimised (to all parties) the use of force, coercion and unchecked executive power as a means by which to appropriate economic resources for political gain. Just as the previous section pointed to the effect of creating a domestic political-economy which could provoke future conflict, disregarding wider political issues could similarly create dysfunctional regional political-economic relationships.

In all, economic governance schemes which attempt to draw a clear line

between politics and the economy create barriers to their own success. By working under the supposition that its work is economic and not political in character, the DSI attempts to shield itself with a false cloak of neutrality. Ignoring the politics that inevitably will come into play in all economic transactions, but specifically in economic transactions occurring in conflict-affected areas, is dangerous, as such 'neutrality' can inadvertently lead to new tensions and thus new conflict over economic resources. None of this is to argue that resource governance schemes are futile exercises. Indeed they are needed to root out many of the political-economic relationships linked to violence. However, what is illustrated by the case of Kosovo is the problem of attempting to introduce such contentious reforms before either local or geopolitical dilemmas have been addressed or incorporated into economic planning. If tensions and competition still rule the political sphere, it is a certainty that these same issues will reveal themselves in the economic sphere. Thus, the benefits of resource governance schemes become little more than another source of competition with political-economic reforms indeed being transformed, but not in a progressive sense.

The DSI as privatising agents: complicity and capacity

International actors, be they donor states, multi-lateral institutions or IFIs, are often considered to be neutral external observers or benevolent interveners. However, evidence shows that these same actors and the policies they implement are often deeply involved in the political-economic structures central to conflicts. This involvement is problematic in terms of transforming dysfunctional political-economic relationships on two fronts: first in terms of its impact on providing a model to local institutions and second in terms of its effect on increasing opportunities and motivation for corrupt practices. Therefore, one must address international actors' and their policies' *contributions* to war economies in order to fully assess the problem of transformation. As noted, one of the most substantial conflicts over economic resources has been, and continues to be, the Trepça mining complex. Temporally, Trepça has been the site of a struggle over resources that spans centuries. 'The Roman and Ottoman Empires fought to take control of silver mines in Kosovo and at a later stage the Serbian Middle Kingdom produced much of its coinage from silver mines at Artana/Novo Brdo' (KTA/UNMIK, 2005: 2). In the 1930s, Seltrust, a British company, helped create modern mining around Mitrovica and in turn, during the Second World War, allied forces used batteries produced at Trepça (KTA/UNMIK, 2005). In relation to the most recent conflict over Trepça, the revocation of autonomy at the end of the 1980s and the subsequent transfer of assets to Serbian interests also involves several international actors. Assets transferred to Serbia were in turn sold to

foreign actors including French, German and Italian firms. Many foreign firms continue to claim compensation for the privatisation of former SOEs in Kosovo, claiming they had invested in or purchased parts of these enterprises during the 1990s. It is estimated that over 90 foreign companies have claims for the Trepça complex (ECIKS, 2006a). That the DSI decided that a substantial proportion of the monies from the sale of SOEs would go towards paying creditor claims as opposed to being reinvested in infrastructure, business development and reconstruction is not surprising.

This raises further issues related to the DSI's involvement in political economic transformation. While many of the sales of SOEs are to domestic actors, there has been some foreign investment, a trend which the KTA, along with Pillar IV, were keen to see increase (KTA, nda; USAID, nd). In the early stages of post-conflict rebuilding, an international consortium of mining companies signed an agreement with UNMIK to rehabilitate the Trepça complex. The consortium was made up of TEC-Ingénierie of France, Boliden Contech of Sweden and Morrison Knudsen International, Inc of the USA. The hope was that the influx of financial and human capital from these foreign companies would help spark economic recovery in Kosovo. However, several years later, Trepça remained a site of struggle between Serbs and Albanians as well as Serbia and Kosovo. Negotiations will become more complex as the number of stakeholders increases through foreign investment. Encouraging international investment in a territory where the issues of property rights and rule of law remain in flux is problematic. In the short term it does hold the potential to rebuild elements of the economy which in turn provides much-needed employment and resources. However, besides the aforementioned complication of increasing potential stakeholders, encouraging foreign investment in the midst of instability further entices those willing to engage in corrupt practices by providing the possibility for even greater profits and thus power. Pushing for large influxes of foreign investment *before* corrupt and dysfunctional political-economic structures have been dealt with serves to widen and increase potential payoffs and thus potential abuses. None of this is meant to imply that foreign investment should be abolished, especially in cases where public service provision is at stake, as in the cases of POEs. However, international bodies and actors must be cognisant of the roles they play as well as the incentives they provide in domestic political-economies and reconsider the timing, sequencing and depth of such involvement.

At times, the role of external actors has been overtly damaging, contributing in very obvious ways to the dysfunctional political-economic relationships the KTA has sought to transform. The most infamous example of this is the case of a German director stealing from KEK (I72; Pugh, 2002). A Norwegian company, Norway Invest, involved with Kosovo's Post and Telecommunications POE (the PTK) was also involved in a case in which formal

charges of money laundering, abuse of official position and entering into a harmful contract were laid. This incident also saw international managers of the KTA being formally charged (UNMIK, 2006a). In such cases, international actors have clearly contributed to the corrupt and illegal practices which other actors, and in the case of the KTA staff charged, their colleagues, are seeking to eliminate. Likewise, as a result of the work of UNMIK and KFOR, many assets of SOEs (mainly equipment and machinery) have been destroyed by security operations or through the clearing of buildings for administrative purposes. Neither the UN nor KFOR has been held legally responsible for such damage. In these cases, potentially productive industries have been expropriated for the 'public good', but in ways not always seen as legitimate by the local population. The overall impact of the involvement of international actors in overtly criminal and destructive ways on the transformation of political-economic relationships in Kosovo relates to the problem of accountability. International actions vis-a-vis the fraud and criminal activity perpetuated and the expropriation of social or public property provides a poor model on which to base future governing practices. It has signalled that powerful actors are above the law, contradicting many of the values and practices they are attempting to instil in Kosovan institutions. This kind of activity suggests that actors with obvious financial interests in the economy should not be allowed to dictate transformation processes, especially when they are not subject to local laws, have the power to grant themselves immunity and award themselves majority status on panels making key decisions.

Despite their role in contributing to problematic political-economic processes, the DSI has generally positioned itself as the actor best placed to provide solutions. However, as with the previous areas of reform discussed in [Chapter 5](#), the practices of privatisation have proved difficult to perfect. Much of the problem in relation to this area of reform is that the actors involved generally do not have the requisite experience that would allow them to address the many difficulties of privatising in conflict zones that have been discussed thus far. This is again largely down to the problem of mission creep. As post-conflict missions become broader and deeper in scope, the DSI will inevitably be faced with programme areas and problems which its institutions have not yet encountered. An international mission privatising enterprises in a protectorate against the wishes of a sovereign state is one example of such an encounter. Yet despite bringing in expertise, inexperience in the field of privatisation has hampered the process. The problem of a lack of experience by international institutions in privatisation has been made more acute by a lack of legal guidance. As one interviewee notes, the problem is that in terms of international law, what the international community is doing in Kosovo is 'fresh ground' (I25).

A function of mission creep and the resultant lack of legal protocols was the stalling of the process which had serious repercussions on transformation. During this delay over what to do with assets, many SOEs fell into disrepair due to neglect, destruction or looting. The delay also allowed for an illegitimate entrenchment of individuals in SOEs. Some of these seizures were viewed positively – in the first few years following the war, there appeared a somewhat spontaneous and natural entrepreneurial and economic recovery as many enterprises appeared to re-open for business. However, such optimism was soon balanced by the fact that ‘commercialisation of assets did not happen in an orderly way. On the contrary, what evolved were all features of a “pirate” economy where assets of SOEs were stripped for short term benefit, and monies disappeared in an opaque way into both private pockets (at least some with dubious legitimacy and shady connections) and political party coffers’ (Eyre and Wittkowsky, 2002: 25) While the internationals delayed and debated questions regarding legal ownership, Kosovan actors were busy claiming and using the assets of these enterprises. Poor planning and insufficient experience thus allowed former war and political elites to capture economic assets.

Despite the slow and hesitant start to privatisation in Kosovo, since the process restarted in 2005, and as the UNMIK administration planned its exit from the territory, the pace of privatisation increased dramatically. One interviewee working within the KTA admitted that their mandate was to sell everything quickly (I72). The speed of privatisation is, however, problematic. Often the choice is between privatising carefully or privatising quickly (de la Dehesa, 1991: 11). If one considers that the privatisation process in Kosovo did not begin in earnest until mid-2005 and that it ended with the cessation of the UNMIK mandate at the beginning of 2008, the rapidity of the transformation is palpable. Changes in property rights in liberal developed nations emerge slowly over centuries (Brown, 1997; Iatridis, 1998); in Kosovo they have happened over a matter of years. The effect of such rapid transformations is twofold. First, the speed of the latest rounds of privatisation does not allow time for the financial and investigative checks which could help prevent the privatisation processes becoming a tool for money laundering, political corruption or intimidation. Secondly, the speed of the process and the focus on a quick exit calls into question the sustainability of the programme. In 2006 one interviewee noted that the PISG was already attempting to pass laws on social property that contradict Regulation 1244 and the authority of the SRSG (I58); at the municipal level, the courts were also trying to circumvent UNMIK’s authority and the decisions that have been made on social property (KTA, 2005f, 2006a, 2006e). It is for these reasons that we will likely witness ongoing control of the process by the likes of the ICO and EULEX.

Assessing the role of privatisation in transformation

When the SRSG Michael Steiner spoke to the KTA at the beginning of their mandate in 2002, he cautioned them: 'Your task will be aggravated by the fact that many of your decisions will take a toll now, while the benefits will accrue only in the future' (UNMIK, 2002a). Unfortunately, the future benefits of privatisation must also be called into question by the manner in which past and present privatisations have occurred. There *are* cases where privatisation has occurred in a legitimate manner and positive contributions are being made to Kosovo's economy. However, the enrichment of former war elites, current political elites and the Albanian majority in general through the privatisation scheme have also proved to be post-conflict realities. Both the international community as well as domestic actors have used the process to further their own aims in the territory, preventing the potential of privatisation to be used effectively – to positively transform economic relationships. With economic and resource governance as cornerstones of installing a liberal peace, the DSI has pushed ahead with the process despite recognition that it is allowing for elite capture and thus the entrenchment of a politico-military elite. Besides allowing for the consolidation of war economy gains, the social-welfare effects of privatisation in the territory push individuals further into the informal and illicit sectors of the economy. While some short-term control mechanisms have been put in place to prevent the above problems, the overarching strategy appears to be a reliance on the hope that in the long term a 'good capitalist class' will emerge, although the continued control mechanisms of the ICO and EULEX suggest that the DSI is not altogether prepared to risk that strategy.

The econometric approach of privatisation processes specifically, and resource governance schemes more generally, is extremely problematic. Pressing forward with these types of reform without due regard to the remaining tensions between antagonists, whether local or international, often results in programming through which economic resources continue to be used as a source of power, potentially setting the groundwork for future conflict economies. Without careful analysis of local politics and thoughtful consideration of the impact of supposedly neutral reforms such as resource governance and privatisation, reforms may become little more than a victors' peace that sets foundations for future war economies. The international community has not been blind to these problems, as the hesitant start and cancellation of the process shows. However, as has been seen in other programmes, an awareness of the problem has not translated into effective solutions. Although attempts were made to slow down the process in the early days of the mission, the concerns of staff were quickly brushed aside and the process restarted – there were few 'policy moments' whereby political context

was integrated. When the DSI realised that local political interests would be revived in the post-independence phase, there was no real alteration to its policy – just continued attempts to manage the process via executive authority and power. That there was little room for manoeuvre for operational actors in this field of reform, compared to what was witnessed in RoL reform, raises the question of whether the fact that these reforms fall closely under the more dogmatic doctrine of neo-liberal economies reduces the flexibility of actors to integrate political context to any real degree.

Of course, discussion of privatisation as a tool of more positive modes of transformation must include a discussion of the DSIs' contributions to these economies to begin with. The actors who often grant themselves the role of problem solvers are often central players in these dysfunctional relationships, as opposed to neutral observers. Both through individual cases of corruption as well as through foreign investment, international actors tasked with developing fair and lawful economic systems actually contribute to and provide motivation for the economic structures privatisation is seeking to dismantle. Alongside this, the agents of development are hindered by basic operational structures that in this case have impacted upon the success of privatisation. The inexperience of international bodies results in processes into which corruption, intimidation and political interference are able to infiltrate. Finally, the short time frame in which complete changes in the system of ownership and governance are expected to take place, alongside a quick exit strategy by international actors, diminishes chances of ensuring the sustainability of the process – although this problem has arguably been delayed with the decision of the ICO and EULEX to maintain a degree of control over the process. These issues, summarised in [Table 6.1](#), suggest that the use of privatisation and similar resource governance reforms to fundamentally transform conflict economies needs to be reconsidered, as in their current form they appear to offer little in terms of positive transformation, and might actually be contributing to the entrenchment or creation of political-economic relationships capable of fuelling future conflicts. Taken alongside findings from the previous chapter on rule of law programming as well as some of the distinctive (and in some instances differential) findings from the forthcoming chapter on customs service reform, these findings related to privatisation offer a clearer sense of both the failures of and opportunities for improving the wider war economy transformation agenda.

Privatisation

Table 6.1 DSI engagement with privatisation and the impacts on war economy transformation

Plane	Characteristic of DSI	Impact on transformation
Ideological	Privatisation a key strategy in installing a liberal peace, therefore processes often pushed through without consideration of long-term impact.	<p>Privatisation diminishes traditional role of enterprise in welfare provision, increasing reliance of individuals on illegal/informal economy.</p> <p>Privatisation allows for capture – former warlords/political elite consolidate gains.</p> <p>Operational actors try to limit capture through control strategies. However, long-term strategy appears to be hoping for ‘good capitalist class’ to emerge.</p>
Conceptual	Privatisation provides most clear example of apolitical approach in which political factors ignored.	<p>Use of force and violence to accumulate wealth continues and is legitimised. Allows for entrenchment of former warlords and political elite.</p> <p>Failing to integrate political realities (local/regional/global) creating new ‘conflict economy’. Control over productive industries a new site of struggle.</p>
Operational	<p>DSI contributes to past war economy and to legacies of war economy.</p> <p>Limited capacity/knowledge.</p>	<p>Contributions both specific (fraud, corruption) and general (increased opportunity/motivation for fraud and corruption through foreign direct investment); setting poor example by allowing appropriations.</p> <p>Mission creep results in poor capacity. Quick exit strategy does not allow time for proper investigation into bidders and calls long-term sustainability of transformations into question, although this problem delayed by control mechanisms put in place by DSI.</p>

*Customs reform: protecting borders,
confirming statehood and transforming
economies?*

AS THE TRANSFER of commodities across national borders is a primary feature of conflict-related trade, customs services, tasked with monitoring the movement of goods and people across borders, emerge as central institutions in the transformation of war economies. Not only do they deal directly with the problem of smuggling in their work at border crossings, but they are also involved in the investigation and tracking of trade irregularities which often indicate illegal trade, tax evasion and money laundering. These financial crimes are often part of the war/post-war economies that have been discussed throughout this book, given their links to smuggling and political corruption and that they are often committed by actors who are continuing with or consolidating political-economic gains made during the conflict. Further, as customs violations have become one of the most common forms of financial crime (Courakis, 2001; Sarvananthan, 2001; Velkova and Georgievski, 2004), addressing them is also essential in terms of achieving the wider, more positive modes of transformation discussed in [Chapter 1](#). This element of customs reform deals with the fact that economic and financial crimes rob governments of revenues needed to run state services, and in the case of post-conflict states, such crimes reduce the available budget needed for essential reconstruction projects. Furthermore, high levels of smuggling also make it more difficult for legitimate businesses to compete: paying the appropriate duties and taxes increases their costs, making them less competitive in relation to traders who have not paid the relevant charges. In states attempting to restart their economy, local business interests will be hurt by the unfair competition of smugglers, possibly discouraging much-needed local or foreign investment.

Thus, both in the physical inspection of goods crossing the border as well as in monitoring customs and excise revenues for evidence of corrupt and illegal practices, these agencies can contribute to the transformation of conflict economies. In their potential to both sever the links between the illicit forms of trade that support political violence and corruption and to contribute to a more equitable national economy, customs services can be seen as contributing to more peaceful and just political-economic environments. However, the primary role granted to reformed customs institutions is complicated by the past actions of many of these services. Potential abuses of power and involvement in war economies by customs agents has been well documented. Milosevic's capturing of customs revenue was central in allowing him to consolidate the economic and political power required to continue his violent campaigns in the region. Customs reform must therefore focus on at least three areas: addressing corruption within the service itself; decreasing potential avenues to bypass border controls through the physical protection of border crossing points; and finally, managing financial crime by importers and exporters.

Customs services in Kosovo

In the 1990s the Serbian customs service emerged as a key actor in the Balkan conflicts, playing a significant role in the regional war economy. Many actors in Serbia and across the region benefited economically from the conflicts through their connections to smuggling networks. Customs agents were central in these systems, and their political and economic connections can be traced to some of the region's most senior political figures. For example, the former head of Serbia's State Security Service, Mihajl Kertes, was appointed as the head of the Customs Service during Milosevic's rule (Hajdinjak, 2002) and many of Serbia's customs agents are known to have diverted large proportions of customs revenue to Milosevic's war chest – 'the Customs Service became the heart of the regime's clandestine financial structures. As the head of Serbia's Central Bank observed in 2001, the Customs Service "was Milosevic's primary source of cash, and it never ran dry"' (Andreas, 2005: 342).

The withdrawal of Serbian troops from Kosovo in 1999 included the cessation of work by Serbian customs officers along Kosovo's borders. The UN was quick to respond to these unmanned borders, with the UNMIK Customs Service (UCS) being one of the first institutions created following the end of the NATO campaign. The new service was operational by the end of July 1999 and within months the UCS was managing border crossings with Albania and Macedonia as well as at the airport in Pristina. Borders with Serbia and Montenegro were initially monitored by KFOR for security reasons, but the UCS began monitoring these points in 2001. Like other institutions in Kosovo,

the customs service was not simply reformed but created as a new institution. Many of the officers from the previous Serbian-dominated service had left the territory and Albanians had been notably absent from the old service, leaving little in terms of human or physical infrastructure. The idea of having an international customs service, similar to the international CIVPOL force, was considered at the start of the mission. However, it was instead decided to set up a local force which would be executively run by a small international management team. When the UCS first began operating along the Serbian border in 2001, international customs officers were used, leading to friction with the local community and their rapid removal with the help of KFOR (I55). Despite this brief use of international customs agents, the makeup of the UCS from 1999–2008 was distinctly ‘Kosovan’ in comparison to some of the other sectors of reform discussed in this book, with only a handful of internationals working within the institution. In 2005 there were approximately 600 employees, only three of whom were international. Like other institutions in the territory there has also been a strong focus on diversity. Statistics show the force to be made up of approximately 82 per cent Albanian and 12 per cent Serbian with the remaining percentage consisting of non-Serb minorities (UCS, 2005: 32). Nonetheless, it is important to note that the service was also run as a reserve power of the SRSG until the declaration of independence, meaning that responsibility for and decisions regarding its management rested in the hands of the international administration in the service’s formative years.

During these years, customs officers in Kosovo became armed, allowing them to deal with serious cases of criminality without always having to depend on the KPS or KFOR for security. The UCS also participated as an observer in several regional and international bodies including the Southeast European Cooperative Initiative Centre for Combating Transborder Crime and the World Customs Organization (WCO). It signed Memorandums of Understanding with all regional customs services, including Serbia. In April 2004, the new EU compliant Kosovo Customs Code was introduced (UNMIK, 2004d) and the Integrated Tariff of Kosovo (TARIK) introduced in 2007. A goods nomenclature and coding system based on a WCO harmonised scheme, also guides revenue collection procedures.

Following the declaration of independence in 2008 the UCS was replaced by a domestic institution, Kosovo Customs (KC). This agency is supplemented by the EULEX mission which has a specialised Customs Component. With several dozen international staff, this unit has largely been in charge of monitoring and advising the new KC service, although they do maintain some executive powers. These powers have allowed them on occasion to take control of certain situations when deemed necessary – this included their decision to take over the running of border crossing points in the Serbian-

dominated northern region of Kosovo in 2011. This decision was taken after violence at these crossings, which occurred when the Kosovan government attempted to remove ethnic Serbian police and customs guards whom they accused of not implementing the customs code. The violence had led to KFOR temporarily returning to its role of monitoring and securing border crossing points in the north.

Both the UN service and the new Kosovo service have had two primary roles – firstly revenue collection and secondly dealing with fraud and the smuggling of goods in and out of Kosovo. The service's role as a revenue collection agency must not be overlooked as customs collects approximately 69 per cent of Kosovo's budget from year to year (UCS, 2005: 8; Kosovo Customs, 2010). Initially, this role was threatened by other informal forms of tax collection. In the immediate post-conflict phase, the parallel structures created by Albanians led to a form of informal taxation in the territory which was not immediately dismantled, and revenue that should have gone into the Kosovo Consolidated Budget was lost. One interviewee suggested that 'at the main border crossing . . . [individuals were] . . . siphoning off large elements of the revenue into the underground wings, of what were now proscribed organisations, formerly the parallel institutions, that would have been a noble cause to support. So, the money wasn't going into the Kosovan budget' (I55). This interviewee estimated that approximately half of the revenue collected at border points in 1999 and 2000 found its way into parallel institutions and the individuals associated with those groups (I55). This activity seems to have ceased due in part to dismissals and the non-renewal of contracts of many original UNMIK customs staff, but also because of the increasing cooperation of the various political actors in Kosovo that agreed to cooperate with the UNMIK administration in the creation of the PISG.

Despite such successes, smuggling, customs fraud and corruption within the service remain ongoing concerns. Tackling these issues involves two processes – addressing internal corruption and fraud, and eliminating smuggling and customs fraud outside the service. In relation to the former issue, several tactics can be identified. In the early days of the mission, there was a realisation that the amount of taxes being collected on imports did not coincide with the amount of goods appearing in the province and the levels of traffic coming across the border. This led to suspicion of customs fraud and corruption. With executive powers in place, customs management 'simply refused to renew contracts for people who did not command [their] confidence' (I55). Such a strategy, it should be noted, is not novel. Similar disciplinary action in other customs services, often referred to as 'purges' (Hors, 2001) are a familiar strategy in managing fraud in these institutions. The success of this tactic is difficult to verify, although the same official notes that, 'it is highly illustrative that when we removed the whole of the shift, the

tax collection increased by 300 per cent within three weeks' (I55). Following this purge in Kosovo, strict hiring procedures were introduced and UCS customs agents were required to 'justify their lifestyles' (I55). Despite a few notable cases of corruption, including the arrest of the local head of the service in 2002, corruption does not appear to be systemic, though both the KC and EU remain vigilant as ongoing concerns regarding corruption remain. Further, and as addressed in upcoming sections, there are increasing concerns regarding the corruption in the north of Kosovo and in the post-independence phase, which led to the aforementioned violence at northern border points in 2011.

Smuggling is primarily dealt with through the law enforcement side of the UCS, which began to develop in 2001. The use of the FASTs (flexible anti-smuggling teams) has been central to this arm of both the UCS and KC. Units focused on auditing, risk management, intelligence and investigations have also continued to grow within the service. Tax policies have also been shaped in a way that would decrease incentives for smuggling, with the *Pristina Declaration* on the harmonisation of excise tax on tobacco and the signing of the Central European Free Trade Agreement. Another strategy in the fight against smuggling has taken a broader approach, attempting to change society's knowledge of and attitudes towards illicit trade and products. Media campaigns educating people about the dangers of illicit cigarettes as well as the role customs plays in collecting tax for the central budget and thus essential public services has also been central to Kosovo's customs programme.

The engagement of customs services with the structures and legacies of war economies in the above ways again provides several interesting insights into the role of the DSI in transformation. While there are similar stories to be told in terms of the dominance of ideology in programming, this particular case study reveals some interesting trends and heterogeneity in terms of the way politics and context have been integrated by some actors and how some of the operational issues that plague other reform areas have on occasion been avoided.

The primacy of state borders and modernity

Despite claims that state borders have become less relevant to global politics with a rise in both the numbers and power of non-state actors, the world of international development and security policy remains very much a state-centric enterprise. The DSI is both committed to and most comfortable working within a traditional state framework. As such, it maintains a strong interest in the recreation and solidification of state borders. Customs reform is a key mechanism through which this goal can be advanced as it allows

governments, both external and internal, to define and secure boundaries between states. In an increasingly complex international arena, populated by a diversity of actors, customs reform is seen as a way of ensuring the relevance of traditional and familiar forms of statehood. While these reforms are not always state led, they are focused on creating states and installing systems which manage said states in a manner which ultimately suits the wider liberal agenda. As Chaffin effectively argues,

As governments are restructured because of the ascendance of supranational bodies, transnational commerce, and national security threats, customs policies around the world emerge as key sites for the production of new criteria of statehood and new forms of sovereignty. Necessary to the state, these standards are neither developed nor controlled by national governments but involve the interventions of two international institutions: the World Trade Organization and the less well-known World Customs Organization. (2006: 243)

Customs reform in Kosovo appears as a prime example of Chaffin's description. Both the UN and new Kosovo service have been created and managed by representatives of foreign, supranational bodies, and the fulfilment of their duties in a modern, standardised fashion is a requirement for future sovereignty and admission to key international institutions.

These institutions also support the position of Megoran and his colleagues (2005) who suggest that border control mechanisms perform a theatrical role; UNMIK Customs and now Kosovo Customs have managed Kosovo's 'international borders', which are (or are not, depending on your political stance) *de jure* Serbia's international borders. They have also managed crossing points between Serbia and Kosovo *as if* they were international border crossings. In terms of performance value, this serves as a clear signal regarding Kosovo's status as an independent entity as the creation of a service which manages borders suggests some form of sovereignty. The performative value of border control can be seen in several conflicts, including Afghanistan where much has been made of securing the Afghan–Pakistan border; the ability of Afghan forces to do so without the assistance of NATO would widely be perceived as proof that Afghanistan was a state capable of existing independently. Chaffin (2006) takes these arguments further, arguing that territories are now able to 'purchase sovereignty' through the e-customs services and software packages. Kosovo's installation of the Trade Information Management System (TIMS), a software package that states can purchase to help manage their customs procedures, is illustrative of this. In the UCS era it was seen as bringing the customs service one step closer to being a fully functioning, modern customs service, one step closer to EU compliance and thus 'worthy' of becoming a sovereign state.

For the guiding actors of the DSI, the desire to homogenise customs

services around the world relates to customs' essential role in both economic and security goals which constitute a liberal peace. A modern customs agency ensures the smooth functioning of global capital. In this sense customs reform is part of the wider political project of global governance where 'Reforms of customs regulations, tax systems and the police are constantly being demanded by the global governance missionaries' (Hozic, 2006: 244). Customs is also seen as a way of preventing the spread of organised crime to Western Europe (Bruggman, 2001) and is further seen as another check against the threat of terrorism in the post-9/11 world (Chaflin, 2006; Heyman, 2004; Megoran, Raballand and Bouyjou, 2005; Walsh, 2006). However, customs assistance has not always had the desired effect and besides not bringing the expected economic benefits (Bartlett and Samardžija, 2000), the agenda of installing a modern customs agency based on neo-liberal economic assumptions could actually prove counter-productive in transforming the smuggling facet of Kosovo's political-economy.

The neo-liberal policies on which modern customs and trade policies are based could actually be a *cause* of the activities customs agencies are trying to eradicate. While a modern customs service is meant to cut down on trade barriers and facilitate trade, documents which prove the origin/value of goods, and other details such as health and safety requirements, are biased towards modern, advanced and established traders (Kaminski and de la Rocha, 2003; Pohit and Taneja, 2003). In relation to transformation, this has two effects. First, small traders, incapable of meeting the new standards, will seek ways to circumvent control. Second, as Heyman's research (2004) finds, new automated clearance systems often rely on the reputation of the shipper in question and favour elites who are in a position to build stronger relationships with customs brokers. This is in a sense a *de facto* system of white listing, allowing those with the economic, political and social capital to trade with greater ease than the less well connected. In the case of Kosovo, the IMF notes that despite the 0 per cent tariff on goods, high transport costs, difficulty in providing proper documentation and even getting the proper license plates has limited the ability of Kosovans to trade with the EU (Demekas, Herderschee and Jacobs, 2001). What we find is that it is mainly those who already have the resources and connections to formal trade channels that benefit from the internationals' modern customs service, many of these actors having gained this ability through connections built up through the war economy. Political-economic relationships have not been positively transformed in the sense that economic opportunities remain neither fair, nor transparent. Instead, the new modern customs regime solidifies and legitimises previous political-economic power imbalances. So, while the DSI benefits from increased control of trade, the benefits for small traders are limited and the barriers which induce them to smuggle remain. Those who have been able

to build up the required wealth and resources (in some cases through their participation in the war economy), however, are able to meet the requisite standards.

All of this activity and focus on the management of Kosovo's borders, its trade and thus its economy, points to a wider tendency within the international development-security mission. The attempts to control the movement of goods and people across this small territory illustrate 'increasing efforts by the United States, its allies and the international organisations it dominates to micromanage the world system' (Heyman, 2004: 322). Indeed, control of the borders not only makes a strong statement about the status of Kosovo as an independent entity, but is also a clear tool for the international community to monitor the movement of goods and people across all borders, preventing economic, political or social problems from arriving at their own borders. In this sense, customs services are not necessarily created in order to transform domestic political-economic relationships, but rather are created as a form of containment with the primary goal being to protect the economies and borders of powerful states. Moreover, the reform of customs services and processes often do little to alter the political-economic structures which force small-scale traders to circumvent customs controls and privileges those with the required wealth, power and connections to meet the demands of global regulations. This latter point again alludes to the willingness of guiding actors within the DSI to allow for a capturing of development programming in order to ensure stability and further their aims of a liberal peace.

The issue of capture, as with all areas of reform addressed thus far, is extremely important to address in regard to customs reform as it is in this area that the potential payoffs for illicit activity and corruption are quite high. As an executive power of the SRSG and with a team of international managers focused on maintaining political neutrality in the service, UNMIK Customs appeared to avoid systemic manipulation by Kosovo's main political actors. This is not to say that there have not been attempts by political interests to interfere in the running of the service. In one case, the head of the UCS removed several officers working at the Kosovo-Macedonia border crossing of Blace due to suspicion over their involvement of smuggling at the crossing point. This move resulted in a 40 per cent increase in collection at this particular crossing but also resulted in death threats against the head of the UCS, as well as pressure by Thaçi's PDK party to reinstate the officers (Hajdinjak, 2002: 36). At the beginning of the mission, there was also pressure from a politician to allow him to make decisions regarding the hiring and promotion of customs officers (I55). A strong stance was taken in both these cases by the UCS with the refusal to renew contracts of certain individuals and the introduction of transparent and strict hiring procedures which could not be politically manipulated.

However, there are concerns that once the DSI loosens its controls on the territory (both at the end of the UN mission and with the eventual withdrawal of the EULEX mission), the opportunity for politicising the customs service will be seized. Consider the following exchange in 2006 during the time the UN was working to extract itself from the running of the customs service:

Q: I'm interested in when you were saying that there was pressure on the customs agency to appoint people that the politicians wanted, how is it that you were able to resist that?

R: Because the powers in the customs legislation, made the Director General responsible . . .

Q: So the politicians still can't get their people into customs?

R: Who knows what will happen . . . If you look at the draft customs regulation, law, drafted by the PISG . . . it changes all that, it puts all that under ministerial control.

Q: And that's the draft regulation. Any idea when that might come into effect?

R: Never we hope . . . we've got all the main legislation and its EU compliant. The EU compliance and Kosovo Standards says 'a service free of political interference' so, legislation drafted in that way wouldn't be EU compliant. But, it didn't stop them. (I55)

Concern over a potential politicisation in the future was also raised by a Kosovan officer who expressed a desire for customs to remain an executive power for as long as possible (I82). This wish seems partially fulfilled given EULEX's ongoing executive powers. And while EULEX can do little to prevent any changes a future post-EULEX Kosovan government might make, the ever present 'carrot' of eventual EU membership may encourage compliance in the long term.

In sum, customs reform has emerged as a useful tool for the international community on several fronts. Because of the strong performative value of securing state borders, success in this area of reform serves as a convenient conditionality for post-conflict states being granted statehood or heightened levels of status within the global community of states. It is an essential facet of the control agenda that allows the DSI to recreate states in an image which facilitates the preferred modes of global economic transaction. However, in their quest for modern and well-policed borders the international community may actually be pushing marginalised groups further towards illicit activity, as it is often the most economically and politically well connected that are able to meet the standards of modern systems of border control. As such, illicit activity by one segment of the population may increase and the political economic elite, including those who consolidated their power through war economy participation, are again legitimised and rewarded as they are able to

manoeuvre and control the system. However, from the case of Kosovo we see that this latter problem, the capture by elites, has been controlled, at least to some degree and on some occasions (though this has come at the cost of ongoing control mechanisms by the DSI). Insofar as customs services have been successful in this, they have aided in transforming political-economic relationships in the territory and have laid the foundations for a future service which will not allow the customs service to become a tool for past or potential future war entrepreneurs. The sustainability of this development, however, has been called into question by the 2011 border crossing disputes and the reality that EULEX and KFOR have had to step in to prevent the border points becoming a new focal point of political violence.

Political, social and economic complexities: from understanding to practice

While depoliticising customs services is a necessity given the fact that the opportunity for political interests to capture revenue is high, ensuring a politically neutral customs agency does not necessitate detaching policy making from political context. Other studies have noted the importance of history, social linkages and politics in understanding informal and illicit trade (Frannicevic, 1999; Hozic, 2006; Pohit and Taneja, 2003), suggesting that any attempts to manage these forms of trade must also be cognisant of and address such links. However, Chaffin argues that reforms often 'reduce customs work to a common set of administrative and technical problems, rendering invisible historically and territorially situated interests and struggles within and between polities' (2006: 244). If Chaffin's observation is true, it would mean that political and social contexts are not being prioritised or integrated into reform processes and that instead, policy has primarily focused on the incentives which motivate individuals and groups to smuggle. In other words, policy would be based on a series of assumptions which underpin the rational choice (RC) approach detailed in [Chapter 3](#).

This approach carries with it several further assumptions and policy outcomes, the first being that high taxes and duties create an incentive to smuggle and engage in corruption – traders unable or unwilling to pay such fees engage in these activities in order to avoid charges which in turn exposes customs agents to vast and profitable opportunities for corruption (de Wulf and Sokol, 2004; Gatti, 2004). The logical solution is therefore to lower, harmonise or abolish tariffs. Under this perspective, price differentials on opposing sides of the borders are also believed to encourage smuggling (Junninen and Aromaa, 2000). For example, a higher excise on tobacco on one side of the border may encourage smuggling of tobacco products from an area where excise taxes are lower. The logical solution would again be to attempt to harmonise prices. Finally, the rational choice approaches also leads

to beliefs that complicated customs procedures encourage smuggling (Velkova and Georgievski, 2004). Here, the posited solution would be to make customs procedures as simple and non-bureaucratic as possible. All of these perspectives assume that reducing the payoff of smuggling will discourage people from taking risks and presume that those engaged in illegal activity will choose legal activities if given the chance or opportunity to engage in less risky activity. Opening up the economy to these individuals by breaking down trade barriers appears as a catch-all solution to the problem of illicit economies. This approach has clearly not worked in Kosovo or elsewhere. Given the failure of an RC approach, one must consider what an SPE approach to this would look like, both in analytical and operational terms. Again, the case of Kosovo illustrates some interesting uses and integration of a more nuanced analysis in the area of customs reform.

Consideration of history, society and the functions of informality

Many factors influence the formation and continuation of smuggling, tax evasion and related political corruption in the Balkans in general and Kosovo specifically. Politically, both their socialist past as well as recent conflicts have made countries in the region more susceptible to these forms of economic activity. Socialist economies themselves were 'rich in unofficial activities' (Frannicevic, 1999: 121) as individuals and groups sought to circumvent tight state controls and attain goods in short supply. In Kosovo, the shift from a socialist-authoritarian system to a democratic-capitalist system of trade and taxation must be also considered. This change was fraught with difficulties, as the culture, modes and levels of taxes vary greatly between the communist and capitalist system. Furthermore, similar to what was found in relation to citizens' trust in the judicial and security sectors, a lack of trust in authoritarian regimes has also created a historical aversion to paying taxes to the state (Ebril and Havrylshyn, 1999; Hors, 2001; Martinez-Vasquez and McNab, 1997; Torgler, 2003).

The problem of convincing both businesses and society in general to accept the processes of the new capitalist system was raised in several conversations with contacts in the territory. One Kosovan interviewee described the present situation as follows: 'what exists is left over from communism, with capitalism *existing nearby*' (I43, emphasis added), illustrating how the transition to and acceptance of the new system is in no way complete. The wars in Yugoslavia served to deepen and widen these tendencies as shortages of goods created a great demand for smuggled goods and instability provided an environment in which evasion of authorities was relatively unproblematic. Furthermore, geographically, the Balkans has always proved to be site of irregular trade. Its position between Europe and the Ottoman empire left it as

an economic and political zone of conquest between the two powers and competition between the empires left the region ripe for informal trade (Hozic, 2006). The modern Balkans retains many of the same characteristics: 'Multiple borders ... different taxation systems, numerous refugee and diasporic communities all create a set of relations both within the Balkans, and between the Balkans, Europe and Turkey which seem exceptionally conducive to informal and illicit (contraband) trade' (Hozic, 2006: 252). These historical, political and geographical factors have contributed to the reality of smuggling in post-conflict Kosovo. It is not simply the case that those engaged in smuggling have made singular decisions based on conceptions of risk and payoffs. These forms of activity are deeply embedded in the socio-economic history of the territory. They are indeed what Duffield (2002b) might call 'actual development': this type of economic activity may not fit with the form of liberal, legalistic trade which the DSI would prefer, but it has nonetheless become a very real and at times functional mode of development for actors in the region, an issue which is addressed below and which will also be returned to in the concluding chapter.

The contextual approach to understanding smuggling points to several different 'functions' of these economic activities. For example, crime and smuggling serve a *social function* insofar as they play a role in defining and differentiating between groups. As a Kosovan journalist who investigates and writes about organised crime in the region explained,

the phrase of 'criminal networks' is not used. They have links to relatives, or people close to their party who have a business ... it is not defined as organised crime, because they would say 'we're organised family, we're not an organised crime, we're an organised party' or things like that, so there's certainly no perception that this is a crime, and because it's so common, it suits everybody's discourse to refer to it not as crime. They only refer to it as crime if it's the opposite party. But it's never a crime, if it refers to their own side. (I50)

Criminality is a subjective category which actors often apply to others in an attempt to differentiate (often pejoratively) between them. The politics, values and norms of a society will impact upon who considers what activities illegal and can be considered intrinsic to identity formation. In the case of Kosovo, smuggling which supported the KLA has been considered by many to be a 'noble cause'. As in other parts of Yugoslavia, it helped to narrow the gap in military capabilities between a strong aggressor (Serbs) and weaker groups who found themselves under attack (Croats, Bosniacs, Albanians). For these reasons, some would not characterise this trade as criminal, illegitimate or immoral. Andreas's study on smuggling in the Balkans supports this stance, suggesting that such activity is not simply a survival strategy, but in some cases is viewed as a patriotic duty (2005: 343). In this way, one can see that

conflict economies often serve a *political function* insofar as they help either to physically equip forces combating what is viewed as an oppressive force, or serve a performative function: participation in a war economy as an act of defiance. And while it would be inaccurate to suggest that Kosovans are averse to paying tax (the voluntary contributions to the 3 per cent tax as well as the 'Homeland is Calling' fund provide ample evidence of the Albanian population's willingness to support public projects) or more accepting of criminality, there is a lack of compliance with new systems and rules that requires a more historically and politically grounded analysis.

The conflict also created a demand for goods and services which could not be acquired through the normal legitimate channels. As such, smuggling and untaxed informal trade has served a *socio-economic function*. During and immediately following the hostilities, many parts of Kosovo remained in almost total isolation, meaning that basic goods including food and hygiene products were not available. Serbian enclaves were especially vulnerable as getting humanitarian goods into those areas was particularly difficult for political and security reasons. In response, Serbian traders would travel to Serbia, purchase both basic and luxury goods, return to Kosovo and sell these products in the enclaves. The grey and black markets have flourished in part because small and medium sized enterprises were forced to find alternative channels through which to deal with the supply and demand of local populations. While the profits were high for such activity, it cannot be denied that these traders were indeed providing their communities with essential goods that could not be attained through formal channels.

In what ways has the UCS considered and integrated the above issues into its programming? Has it depoliticised its programming in the ways that critiques such as Chaffin's have suggested? In relation to the programming of the UCS one finds a mixed record. Approaches which mirror an RC perspective on smuggling and fraud are clearly used (for example using the TIMS technology and altering tax policies). However, an acceptance and integration of the SPE approach can also be found. In one case, a story was recounted regarding a local prosecutor who had allegedly ordered that seized goods be returned to a suspected smuggler. After being questioned, the prosecutor admitted that the man involved had saved his life during the conflict and thus he was, in a sense, repaying a favour. A customs official reflected on this case: 'you can't pontificate on the type of pressures that the locals have ... No human being is going to resist those pressures, unless he's prepared to separate himself from his community' (I35). Furthermore, some actors working within the area of customs reform accept that the history of socialism as well as Kosovans' tumultuous relationship with state officials under the Milosevic era have shaped society's view of customs and security officers. Regarding the growth of the intelligence unit in the UCS, another senior

customs officer conceded the fact that such units used to operate in secret under the old, repressive regime and thus had left a legacy of suspicion of official state intelligence operatives and that this has an ongoing impact on public cooperation with customs officers in the area (157). In direct response to these issues, the UCS made public relations a priority in its work, utilising the media for several high-profile campaigns, raising public awareness of the role of customs and the dangers and problems of illicit goods. In the case of customs reform, it appears that these contextual factors have been largely recognised and that while maintaining a zero tolerance policy on corruption within the service, attempting to gain compliance by those outside the customs service has been approached with an acute awareness of time and place. And while not perfect (problems with the customs service will be considered in upcoming sections), the political and historical awareness illustrated in some of the UCS's programming appears to have resulted in a more balanced, flexible and wider range of programming than simple interdiction, fining and prosecuting. It is interesting to compare the apparent ability of actors to integrate contextual issues in this area of reform as opposed to in the field of privatisation. While difficult to fully assess, it may be that as the integration of context in this customs reform programme did not threaten core neo-liberal values (such as the need for privatisation itself) but rather sought to integrate context in ways that would *further* the efficiency of trade and economic growth, such flexibility was permitted.

Ongoing political disputes: barriers and cooperation

The unresolved conflict within Kosovo between the two largest ethnic groups, Serbs and Albanians, has had a strong impact on the other areas of reform addressed in this book, with members of the DSI managing this ongoing conflict in various ways. In regard to customs reform, the ongoing tensions within the territory and their effect on transformation largely come into play in terms of the ability of the UCS to operate in the northern, Serbian-dominated region of Kosovo. Consider the following exchange in 2006 with a senior customs officer

Still the big problem is working in the area of the north. [It] is not so safe, we are not so comfortable send[ing] Albanian officers to work up there . . . all the stations, all the gates are staffed with Serbian officers . . . and we hear this from officers amongst those working up there, that there is a feeling that this is their last stand, [that they should] grab something, as much as they can because after independence obviously no one feels that they are going to be staying . . . they just simply feel that they don't belong to here and that they will not work for an independent Kosovo agency . . . Because it's called 'UNMIK' so far, OK, but if it becomes independent, they won't work for it . . . we had this restructuring within the service,

new units, of course you get new managers in higher posts, some of the officers who wanted to apply were under big pressure by some of their colleagues . . . because of this reason: 'Why? Why do you want to get promoted? Do you feel that you belong to this service? We're here only temporarily'. (I82)

The details from the above exchange provide valuable insight into effects of the ongoing ethnic problems in Kosovo. It appears that having a customs agency run under the banner of the UN allowed Serbs to participate, at least in a limited way. However, the tension between the two sides has never been substantially resolved, and has in turn led to serious ramifications as the UN began the passing over of competencies to the Kosovan-led customs service. As this occurred we saw the resurfacing of ethnic tensions, with Serbs not recognising the new KC service. As noted, when the government accused Serbian security and customs agents of not implementing customs controls, they attempted to 'retake' these crossings, resulting in violence and a renewal of international executive control mechanisms. In this case, there has been a regression in terms of peacebuilding and transformation, with what some might classify as a return to the 1999 status quo at the northern border.

In relation to this, we see that the issue of ethnicity not only affects the running of the customs service, but also the behaviours it is seeking to eradicate. Regarding smuggling in the north of the territory, one respondent observes: 'it stems really from the polarised political positions where UNMIK are the army of occupation. So it's quite all right to subvert. Within that general sort of civil disobedience situation, the racketeers are taking advantage and using it as a smokescreen' (I35). As noted earlier, during the conflict and its immediate aftermath, there was a certain degree of acceptance of otherwise illegal activity insofar as it contributed to the political objectives of the group, or provided a welfare/economic function. In the same way, in the post-conflict phase, the perception by some segments of society that UNMIK and the post-independence Kosovo institutions are occupiers has legitimated smuggling in some circles. Unresolved ethnic tensions are therefore having a twofold effect on the ability of customs agencies to transform political-economic relationships in the region. It is creating a problem with corruption and control within segments of the service and has created barriers to managing trade in Serbian-dominated regions as the minority population question the authority of the service itself. However, unlike the situation discussed in the previous section, where we saw that customs was able to employ a certain degree of flexibility and creativity in its programming when contextual issues were at play, dealing with ongoing ethnic tensions within the territory rests beyond the competencies of the customs services, leading to violence, an uneven ability to apply customs law and a return to externally led mechanisms of control.

The internal disputes between groups within the territory represent only one level of continued tension. Kosovo continues as a source of conflict between powerful liberal actors on the one hand and Serbia and its supporters on the other. Other research would suggest that this should be a major hindrance to effective border control – a study on smuggling in Kyrgyzstan has noted that the unresolved border disputes of Uzbekistan and Tajikistan has been central in facilitating the drugs trade in the area (Madi, 2004). One would similarly expect that there would be difficulties in cooperating with regional counterparts. However, a lack of status did not prevent the UCS from participating in regional or international customs regimes or from forming cooperative relationships with neighbouring countries. While there were tensions with the Serbian authorities in the first few years of the mission, cooperation with Serbian customs authorities normalised near the middle of the UNMIK era, and there appeared an open and functional exchange of information between the two services despite political disputes. Due to the financial and security implications involved, it has been suggested that ‘the level of the smuggling has actually led to increased cooperation with the authorities in Serbia’ (I35). In this case, despite the larger political issues at hand, customs officials were able to identify common goals with their Serbian and regional counterparts, creating functional and effective avenues for cooperation.

Of course, many of the initial contacts with relevant organisations and their representatives as well as resultant agreements were facilitated by internationals and on behalf of the UN mission causing concerns over the sustainability of such agreements. The point remains, however, that the UCS successfully manoeuvred the larger political issue of status in some instances. Unlike other areas of reform, it did not treat the wider conflict with the Serbian state as something which constrained it from acting (as was witnessed in the rule of law reforms where there was a refusal to set up certain ministries and codes). But it was also recognised that the conflict with Serbia and Serbia’s concerns could not be ignored (as witnessed in the privatisation process). This illustrates both an acceptance and integration of the wider political issue into policy, which at least in the short term allowed for increased ability in terms of dealing with the wider geographical facets of transformation.

Contributions and resolutions: the DSI’s problematic dual role

This chapter has up until now considered the role of the DSI in *transforming* political-economic relationships through an internationally managed customs service. However, it is important to also highlight the role which the DSI has played in the *creation* and *continuation* of illicit and illegal economic activity linked to conflicts. Although the role of the DSI in terms of the contributions of security actors and those involved in privatisation has been

explored in previous chapters, other examples which impact specifically on the illegal modes of cross-border trade faced by customs services specifically are worthy of further discussion. Examples of the DSI's contributions to the political-economy in Kosovo which have affected the operations of customs agencies range from the general to the specific. In general, the effects of the international sanctions against Yugoslavia need to be considered. The role of the international embargo against the Milosevic regime in the 1990s in the creation, enrichment and entrenchment of criminal activity and groups in the Balkans is well documented (Hajdinjak, 2002; Stanchev, 2004; Velkova and Georgievski, 2004). Insightful research by Andreas (2005) and Crawford and Klotz (1999) provides a taxonomy of the criminalising consequences of sanctions on several sectors of society. Detailing the impact of sanctions in both the sanctions and post-sanctions period, they uncover and describe the pervasive criminalising impact of sanctions across state institutions, the economy and civil society, both within states and across regions.

Sanctions, both during the period of conflict and in the post-conflict phase once sanctions are lifted, impact heavily on the political-economy of the locale and the region, encouraging individuals, groups and societies to engage in or accept illicit economic behaviour. Further, actors from several EU member states or allies are known to have openly flouted international sanctions including Greece (*The Economist*, 1998) the former Yugoslav Republic of Macedonia (*The Economist*, 1994a) and Bulgaria (Andreas, 2005). Oil from Croatia is believed to have crossed the front line (*The Economist*, 1992a) and banks in Cyprus allowed profits from sanctions-busting to be stored in offshore accounts (Andreas, 2005). In these two general ways, the creation and then busting of sanctions by international actors, we can see that the dynamic of the war economy in Kosovo has a wide geographical reach. While the current customs services can do nothing to change what occurred in the past, it is these services that must now address the legacies of such activity. Not only should these dilemmas be considered in future decisions regarding the application of sanctions, but they also suggest that the tendency to demonise groups in the Balkans, and specifically Kosovan Albanians, for their participation in smuggling needs to be redressed given the scale of involvement of supposedly 'reputable' external actors.

In terms of specific contributions, examining just one illicit commodity is illustrative. Three issues can be noted, all relating to cigarettes. The first involves one of the key international institutions tasked with ensuring security and building peace in the territory. At one point, an estimated 5–10 per cent of illegal cigarettes in Kosovo were believed to have entered the market via KFOR (UCS, 2005). Referred to as 'KFOR leakage', there were several ways in which these untaxed cigarettes entered the black market. In some cases, KFOR troops themselves were believed to be selling tobacco

products on the black market. In one case, customs officials found a valid import certificate accompanying an illicit shipment of tobacco destined for the black market. The certificate stated that the shipment contained food for KFOR troops. In this case, the contractor that was being used to supply goods to KFOR abused their position as a trusted supplier and attempted to use the KFOR exemption to smuggle cigarettes into the territory. These examples raise two points concerning the use of customs in transforming war economies. First, international agencies often call for a reduction in tax exemptions as a way to reduce customs fraud. In Kosovo (as in other international missions), goods destined for development or humanitarian purposes or personnel are, paradoxically, exempt. In granting itself such an exemption, the DSI has itself created an opportunity for would-be smugglers. Second, the above example calls into question the idea of using 'white lists' – allowing pre-screened importers, exporters and contractors to move through customs points with greater ease. If contractors for the most powerful military-security alliance in the world, NATO, are able and willing to manipulate the system in such a way, the use and effectiveness of white lists must be called into question. Research conducted in Uganda would also support a cautious approach regarding the effectiveness of white lists – audits there found that nearly 70 per cent of customs invoices are falsified, *including documents from reputable firms* (de Wulf, 2004: 121, emphasis added).

Other specific examples of international actors contributing to dysfunctional political-economic relationships involves private corporations, who are increasingly being seen as partners in international development and security policy. In 2000, the EU launched a lawsuit against two of the world's biggest tobacco producers – Phillip Morris and RJ Reynolds. Each of these companies is accused of knowingly exporting quantities of cigarettes to Montenegro that far outstrip domestic demand and have therefore been seen as being partly responsible for the smuggling of cigarettes throughout Europe (Hajdinjak, 2002: 41; Hozic, 2006: 251). Finally, the raising of excise taxes in developed nations, in this case the rise in excise tax on tobacco in the UK, is also considered as a factor in the increased rates of smuggling in Eastern Europe (van Duyn, 2003) as the payoff for those willing to take the risk of smuggling increases as foreign actors alter their own tax policy. These examples suggest the need to widen analyses of the geographical scope of war economies and their related structures. The customs services in Kosovo can do nothing to influence the importing and exporting strategies of MNCs such as big tobacco firms or the tax policies of foreign governments. Therefore, in order to support the customs services in their attempts to eradicate smuggling and cross-border crime, the DSI must contemplate the use of stronger measures against other supposedly legitimate foreign actors.

The practicalities of internationally led customs reform

A common set of operational problems affecting all areas of transformation has already been discussed in previous chapters, and while many of these same operational impediments are evidenced in Kosovo's customs reform process, several issues are worthy of further discussion. The first point for discussion is actually an illustration of policy success – as noted, the number of internationals in the UNMIK customs service has been relatively low compared to other programme areas considered in this research and there has been a high degree of continuity in terms of ex-patriot staff, with several international staff remaining for years rather than months. In addition, the international management was largely British. This is not meant to suggest that UK customs officers are necessarily superior to customs officers from other nations, but to suggest that the continuity offered by having a single nationality willing to make a long-term contribution likely led to some of the success within the agency.

While coordination with regional counterparts has been addressed in the previous section, another concern in large international missions, such as UNMIK, is coordination with other internal bodies working on similar issues. Transforming political-economic structures requires concerted and coordinated efforts by several institutions: the judiciary, security services, privatisation agencies and customs service all bear responsibility for dealing with smuggling, organised crime and related activities. The work of each of these institutions impacts upon the effectiveness of the others. A large barrier to dealing with the underground economy and smuggling in the territory, especially in the early years of the post-conflict era, was an ineffective judiciary and limited cooperation with the police. The judiciary was for several years either unable or unwilling to prosecute certain cases brought to it by the UCS and the initial laws regarding smuggling were often insufficient (though these were improved near the end of the UN mission by an EU compliant customs code). That these were not in place and implemented for several years contributed to a failure to manage political-economic crimes in the short term. In some cases, it appeared that prosecutors were even unaware that the UCS had the authority to bring criminal charges. Regardless of how successful customs is in investigating and tracking organised crime groups or other forms of economic crime, poor cooperation or coordination with the police and the judiciary could render many achievements of the customs agency worthless. The cultural, operational and attitudinal barriers between judicial, security and customs institutions need to be addressed in order to create synergistic and thus more effective relationships. Investing heavily in a customs agency whose successes could prove futile due to an under-investment or delay in the creation of a properly functioning judiciary

is problematic. This points to the need to ensure cohesive, balanced and properly sequenced programming in international missions in order to ensure that institutions complement each other's work as opposed to constraining it.

Calls for Kosovo's status to be determined by the end of 2007 forced the UN to begin preparations for its own departure, a process which was quickened following Kosovo's declaration of independence and the entrance of a less powerful EU mission. As noted in the previous two chapters, a quick end to the mission raised concerns about the sustainability of programmes as local institutions and actors were not given adequate training in key areas, or given time to 'stand on their own feet'. And while the departure of internationals from the UCS was less obvious in terms of the number of personnel, there are concerns that the transition may have been occurring too quickly. As one staff member admitted, 'the oversight mechanisms don't work ... We're building an investigative capacity, but again ... They just haven't got the flair for investigative work, we're chucking them in too far into the deep end. We're teaching them to swim by chucking them in at the deep end, we're not teaching them to swim properly' (I35). Another officer agreed, arguing: 'Things are going quickly and I think that they are going a bit quicker than they should ... Especially now ... with the establishing of these new units ... I think we need the international presence a bit more. They have experience on this' (I82). This quick exit strategy again points to the issue of sustainability. The DSI cannot and should not remain in Kosovo indefinitely. However, leaving institutions incomplete, in the dying months of the mission, is an ineffective manner in which to transform institutions. In order to create sustainable structures which have the full capacity to deal with smuggling and other related forms of fraud and crime, institutions require a smooth, coherent and stable plan with a rational and well-considered exit strategy. In the case of Kosovo's customs services, it appears this issue was recognised and managed with the EU transitioning in while the UN transitioned out. This does not necessarily solve the issue of sustainability, as the new EU contribution to KC is actually larger in terms of numbers of international staff than in the former UCS, although with a strong focus on mentoring and advising from the start of the EU Customs Component mission, there is potential for a longer term impact.

Assessing the role of customs reform in transformation

The use of customs reform as a tool of global governance, underpinned by neo-liberal attitudes to trade and modernity, has the potential to *increase* smuggling and illicit trade as smaller and informal traders are unable to meet the requisite standards put in place by the new customs and trade regimes. Related to this, those traders already in a position of power are advantaged by

these regimes. As many of these traders acquired their position in society through their engagement with the war economy, these policies of modernisation are justifying and legitimising such positions and consolidating the political-economy of conflict instead of transforming it. However, in terms of the customs service being used as a political tool, in the case of Kosovo the UN administration was somewhat successful in creating and maintaining a politically neutral customs service. Several examples illustrate, however, efforts by domestic actors to shape the customs service to their own ends and raise serious concerns over the independence of the service in a post-UNMIK phase. This threatens the long-term effectiveness of transformation in Kosovo and has led to ongoing control mechanisms by actors such as the ICO and EULEX. Still, it shows that preventing the capture of post-conflict reforms *is* possible, at least in the short term and in some instances. That this has occurred in the customs services is particularly telling, given that this is one of the reform areas where capture and corruption would be most likely and would be accompanied by quite high payoffs.

Incidents of smuggling, fraud and corruption with which the customs services must engage, however, are never simply an issue of risk and payoff and are rooted in both history and ongoing political tensions. The creation of an apolitical service that is still politically aware is a goal that all areas of post-conflict reform should seek to achieve but rarely do. What can be taken from the case study of customs reform in Kosovo is that flexibility and creativity in dealing with some issues from the past are possible. Achieving the same balance in terms of current political disputes often proves more difficult, but even in this regard there are contradictory conclusions. In the case studied here, while dealing with ongoing *internal* tensions (with ethnic Serbs in the north of Kosovo) has proved difficult for customs services, they have managed to manoeuvre the *external* political tensions (with the Serbian state, border guards and other regional actors) more effectively, increasing their ability to address the regional characteristics of the war economy and related post-conflict smuggling. It appears that the common ground of needing to fight criminality and smuggling provided a context in which the Serbian state, Kosovan government and international actors were able to put aside the wider political disputes and cooperate to a common end. This suggests, interestingly, that if the problem and legacies of war economies are effectively presented as a common threat to competing sides, they can actually facilitate good relations and negotiation – perhaps one of the few advantages to the war as crime discourse.

However, what has been missed in terms of policy responses is the addressing of the contributions of the DSI itself to war economies and their post-conflict legacies. The scale, both geographical and temporal, of the analysis of the political-economies of violence is extended by a discussion of

the role of the DSI and its policies in the creation and sustaining of dysfunctional political-economic structures such as smuggling. In this case, the overall criminalising effect of sanctions during the Balkan wars, along with the more specific activities of actors such as KFOR and large tobacco companies, lay outside the remit of the customs services. This suggests the need for a broader range of policies and calls into question the problem of the DSI itself setting the transformation agenda. Regarding the agenda as it currently stands, research on a range of generic criticisms harboured against the development-security programming reveal a mixed conclusion. In the case of the UCS, it appeared that some of the concerns were unfounded, namely in terms of critiques regarding international staff diversity and capacity, though the problem of coordination between institutions in large post-conflict missions, as well as the problems associated with rapid exit strategies, were still found to have a negative effect on customs operations, as was seen in other reform areas. The solution to this last problem has been temporarily resolved by a new robust mode of DSI intervention in the form of EULEX, but one must question whether further technologies of control are the most effective strategy in the long term. These findings, taken together with the conclusions of previous chapters, point to serious problems but also interesting opportunities in terms of the way the DSI is conceiving of and attempting to transform war economies in post-conflict settings. No single institution can be held responsible for failures to transform these economies and as the next chapter will show, comparison of these three central reform areas reveals both contradictions and common themes which provide both critiques of and possibilities for improvement in the field of war economy transformation.

Building a peace economy?

Table 7.1 DSI engagement with customs reform and the impacts on war economy transformation

Plane	Characteristic of DSI	Impact on transformation
Ideological	Customs reform as a key strategy in the installation of a liberal peace as it confirms traditional and desired forms of statehood which facilitates global trade and stability.	<p>A key element of the agenda of control, effective customs reform a carrot/stick but has not increased sustainable development.</p> <p>Requirements of new modern system favour the already powerful (<i>de facto</i> white listing). Those who cannot meet new standards pushed further towards informal/illegal methods.</p> <p>In Kosovo, limited evidence of capture but continued efforts by operational actors to limit this depends on short-term control mechanisms; serious concerns over long-term capture once missions end.</p>
Conceptual	<p>Rational choice approach sees actors engaging in cost-benefit analysis when making decisions on smuggling or committing fraud/corruption.</p> <p>This depoliticisation believed to result in technocratic policies focused on altering cost-benefit/risk ratios or increasing technological ability to detect illegal activity.</p>	<p>Evidence of RC approach, limits effectiveness of reform. Unresolved conflicts threaten the gains made in anti-smuggling and corruption initiatives.</p> <p>Kosovo case reveals some historical/political issues effectively integrated into policy.</p> <p>Possibility of creating common ground between conflicting parties via war economy/crime discourse.</p>
Operational	DSI actively contributes to political-economy of conflict.	<p>Sanctions/sanctions-busting increase criminality of economy. Many developed countries implicated.</p> <p>Foreign troops, MNCs and tax policy of other states also increase smuggling and incentives. Calls into questions white lists as well as tasking a local institution with transforming international political-economic relationships.</p>

Customs reform

Table 7.1 continued

Plane	Characteristic of DSI	Impact on transformation
	Operational limitations.	Staffing/coordination problems limited by lead nation approach, however, problems in coordination with security services and judiciary highlight need for better inter-institutional coordination and sequencing of priorities. Quick exit strategies may result in the loss of short-term gains as domestic actors lack investigative/managerial skills needed for long-term transformation.

The war economy transformation agenda: DSI approaches and behaviours

WAR ECONOMIES are resilient to small-scale, narrowly defined projects, their transformation requiring concerted and simultaneous engagement by and through a variety of actors, reforms and processes. This range of programmes, broadly referred to in this book as the transformation agenda, has been developed and is implemented by a diverse network of actors, the Development-Security Industry (DSI) who work at multiple levels in an attempt to not only sever links between economic opportunities and political violence, but also to create more just, transparent and equitable modes of political-economic relationships within conflict-affected societies. However, even when the DSI attempts to transform political-economic relationships using a multi-faceted approach, war economies remain resistant to change. The explanations for such resistance in a diversity of cases, from central Asia to the Balkans to Latin America, are not to be found in the minutiae of individual project evaluations but rather a more comprehensive analysis of the characteristics of the actors which engage in transformation. Such analyses, undertaken in the previous three chapters on reform processes, allow for the creation of a detailed and systematic framework through which the collision between the DSI's transformation agenda and war economies can be understood. Although drawing from a single case, the findings presented are applicable to other scenarios, as it is not in the final outcomes or specificities of reform in Kosovo that one finds the answers to the problems of transformation, but in understanding the processes and the everyday technologies of aid on which the reform agenda relies.

Building upon already existing understandings of how development and security institutions engage with complex social, economic and political dilemmas, the findings from previous chapters can be used to develop a

general approach to understanding the problem of war economy transformation, with the aim of improving responses to it. In order to understand the barriers and opportunities for building peace economies, one must address three interdependent processes. The limitations of war economy policy can be explained by examining the ideological foundations of the liberal peacebuilding project, conceptual lenses through which the problem is understood and the degree to which this is implemented in programming, as well as the operational characteristics of the DSI. By exploring these related characteristics of the aid industry, one finds that whilst the critiques of liberal peacebuilding do hold in many instances, and in ways which negatively impact upon the capacity of actors to positively transform economies, there is also a degree of heterogeneity in the response of operational actors.

In other words, some actors have manoeuvred within and around the typical liberal modes of intervention and attempted to integrate more context-specific, politically aware modes of programming with the aim contributing to the wider aims of positive transformation defined and described in [Chapter 1](#). Whilst imperfect, these examples showed that innovation and attention to social, political and economic justice *are* possible. This is not to say that the specific alternative paths taken in the case studies presented in [Chapters 5 to 7](#) should form a new model of engagement, but to highlight that progress can be made where there is negotiation with local actors, integration of a range of contextual issues is privileged and the goals of justice are more effectively balanced with those of stability and growth. These diverse responses, discussed and analysed in greater detail below, illustrate that individual agency and institutional flexibility are also important characteristics of the DSI and present opportunities on which to imagine alternative approaches to transformation.

Liberal ideology, processes and transformation

In ideological terms, politically liberal and economically neo-liberal foundations of the DSI have led to a strengthening and widening of the relationship between security actors and development agendas. This has resulted in a depoliticising of conflict analysis and programming as a (paradoxically) political strategy for installing a distinct form of liberal peace. Distancing institutions or policy reforms from political issues serves as strategy for appearing neutral and thus distancing actors within the DSI from accusations of neo-colonialism. While this depoliticisation is apparent in a range of programming, nowhere is its presence more felt than in the econometric areas of reform such as privatisation and fiscal programming (including the revenue collecting and tax policy arms within customs reform). These areas of programming remain heavily influenced by neo-liberal economic ideals, with

the promotion of private business, the severing of relationships between public goods and private economic interests and the facilitation of free trade across borders emerging as cornerstones of building liberal peace economies. In these ways, removing politics from the equation has become part of the wider hegemonic process of global governance, whereby actors seek to remove any element or notions of power relations from policies and programmes – the reality and struggle of the politics of the locale are masked as technocratic governance replaces political, social contestation (Craig and Porter, 2005).

This ideologically biased form of conflict programming, which focuses largely on bringing stability (or negative peace) as opposed to substantial transformation (positive peace) to post-conflict areas, is fundamentally a tool for creating liberal regimes in previously ‘illiberal’ parts of the world. At least four specific impacts of this approach on transformation programming have been exposed. First, the standard critique of the liberal peace in this regard is that local needs become secondary to global, or foreign political-economic goals. Creating or sustaining physical stability remains the primary aim of the DSI, with local conflict resolution or socio-economic justice pushed to the background. Evidence of this effect of liberal peacebuilding is mixed. At a broad level, such a critique is justified if one considers the DSI’s propensity for engaging in the shielding of some actors for the sake of stability and as such legitimising former war entrepreneurs. At the same time, the DSI has proved that it will go to great lengths to install some neo-liberal reforms such as privatisation, a process which has been pushed through despite serious concerns over legality, political impacts locally and regionally and potentially sowing the seeds for future conflict. Both of these processes limit positive transformation – with the former facilitating the growth of new conflict economies, and the latter creating structures which favour already powerful actors, while pushing others further towards the informal and illicit economies.

However, what was found in this research is that while there were indeed cases where the DSI favoured processes which promoted stability and the development of a free market economy (regardless of their negative impact on dysfunctional political-economic relationships) this did not necessarily come at the expense of, or preclude the ability of operational actors to engage in, types of programming which do not clearly fit the liberal blueprint. In some cases, operational actors sought out forms of intervention that attempted to engage in modes of transformation that encouraged the more progressive forms of change outlined earlier. There can be two simultaneous tracks of engagement, with the guiding actors of the DSI favouring policies of stability and liberal statebuilding, and operational actors seeking opportunities to resolve conflict and develop local capacity from the bottom up. So long as the

operational actors do not fundamentally disrupt the overall aims of guiding actors (as occurred when international KTA staff in Kosovo attempted to halt the privatisation process), there does appear to be *some* political space for operational actors to engage in more structural or politically focused programming (for example public information campaigns and the dismissal of senior KPC officers for involvement in OC). In relation to this specific comparison, one might consider the fact that the flexibility for more contextually based programming occurred in instances which would further the DSI's core goals of stability or in no way challenged the core goal of facilitating free trade. Compare this to the attempt to halt the privatisation process (a threat to a core neo-liberal strategy) and one wonders if flexibility for more nuanced programming is an option only when the policy either furthers or in no way challenges core ideological goals of the guiding actors.

Thus, while there are cases when international goals appear to override the need for local transformation, there are also examples where both aims may be simultaneously furthered. Although there remains a substantial power imbalance between guiding actors and operational actors which is detrimental to positive transformation, the scope, nature and application of this agenda is still very much in negotiation. Constantly in flux and inconsistent in its application, the dominance of the liberal agenda can be and is contested by domestic and international actors alike. Although the gains made by operational actors in this sense are limited in relation to the control of guiding actors and their goals, examples of challenges to dominant liberal ideals and processes serve as starting points for changing the system. While appearing as an overpowering process at the macro level, the liberal peace project has not completely overtaken policy at the micro level, and thus the ways and means by which this global discourse and set of policy prescriptions can be challenged must emerge as a key area of research.

This relates to the second supposed impact of the ideological biases of the DSI – that in order to achieve the goals of liberal peace, domestic or local actors are allowed to capture post-conflict programming. Effectively referred to as 'buying the peace' (Le Billon, 2003) this describes instances where the DSI allows those who they fear may spoil the peace (often former war entrepreneurs) to retain positions of power or remain unpunished. Such capture can take several forms. Former military actors may demand preferences in the hiring of personnel for new security institutions. Elites may try and capture the benefits of specific economic development programmes such as privatisation either to consolidate the wealth and power gained through their participation in the conflict, or simply as a way to launder the profits gained through illicit activity. Actors may also try and influence legal codes, customs codes, or other regulatory codes which would advantage their social group or political party. Criminal actors may attempt to capture development program-

ming in the same way, utilising the connections made with political actors during conflict. The supposed impact of this on war economy transformation is the legitimisation of war economy participation and wealth creation through violence, as well as the entrenchment of actors and relationships which should be eradicated or transformed.

While there is much evidence that in some cases actors within the DSI do turn a blind eye to this in order to ensure stability, there are also many examples of resistance to such capture. At least three responses can be identified. First, there is indeed a strategy of acceptance; in some cases international actors allow politicisation to occur for political reasons such as stability. Second, negotiation may be used to limit the degree to which political capture occurs. This often includes discussion over the number of ex-combatants that can apply to new security institutions or negotiation over the rules of privatisation or licensing agreements. The final strategy is denial, whereby international actors forbid certain forms of politicisation or capture. This may involve prohibiting military actors from engaging in party politics or maintaining executive authority over key areas of programming. In the case of Kosovo we see evidence of all three strategies and a movement between them. Consider, for example, the evolution in dealing with criminal elements within the KPC which has seen DSI actors move from a relative strategy of acceptance to one of denial as both the external and internal political environment was judged to be conducive to such a shift. Given these three policy choices when faced with the possibility of managing capture, actors need to consider both the costs and benefits of choosing one approach while also anticipating and seeking out opportunities to move from one strategy to another.

Third, and also in an attempt to ensure its goals are met, the DSI tends to introduce control mechanisms, utilising rhetoric regarding the altruism of its goals to impose profound control at the local level. In terms of long-term transformation, control mechanisms are deemed ineffective for several reasons. The structure of the agenda of control results in upward accountability, with domestic institutions being accountable to international actors as opposed to their own constituencies. This prevents the building up of necessary socio-political relationships which the international community is in fact trying to instil in post-conflict programming. This third ideological impact, providing justification for an agenda of control, at first seems to be well supported by the case of Kosovo. Ongoing executive control by UNMIK for the entirety of its mission over key areas of Kosovo's public sector, ongoing pressure by the ICO and renewed executive power by the new EULEX mission over Kosovo Customs provide evidence that the language of peacebuilding and reconstruction is allowing for and providing a degree of cover for invasive externally guided control mechanisms. We also see the use of the criminality discourse, a central theme in debates over war economies, in providing justi-

fication for such controls. Such (ab)use of the concept of criminality can be seen in the use of 'Al Capone' prosecutions which illustrate the targeting of specific individuals deemed unworthy of participating in post-conflict Kosovo's affairs.

Yet concerns over an agenda of control also need to be reformulated. While such critiques are rightly laden with negative connotations, they often do yield results which further the aims of transformation in the short term. As discussed in regard to the customs agency, it is the heavy-handed techniques associated with an agenda of control which are credited with keeping *some* political interests from interfering in the service and preventing corruption. The ICO's renewed role, and the Special Chamber's ongoing role in privatisation was a direct response to substantial concerns over what an independent Kosovan privatisation agency might do. These control mechanisms are an attempt to ensure that post-independence privatisation is not captured by elites, nor is it discriminatory against Serbs and other minority groups. Likewise, the IJPP, while imperfect, has resulted in the effective trial of cases which domestic institutions would have been unable or unwilling to try. In some cases, control mechanisms may be needed and even desired by local actors in order to deal with acute problems in the post-conflict phase. In these cases, finding ways for the domestic actors to decide which control mechanisms are necessary, and how they should be implemented, will further the legitimacy and accountability mechanisms and therefore the sustainability of reform. In line with this, the agenda of control needs to be further dissected into long-term policies of control (such as installing neo-liberal economic systems) and short-term policies of control (such as executive control over the judiciary, police and customs). These latter forms of control are often a necessity in terms of transforming war economies as they allow for objective or strong responses to be formulated. And while the sustainability of these controls has been questioned, they have also been required in the short term. Finding ways of phasing out these forms of control, while replacing them with sustainable internal structures, emerges as a further key area for future research.

Finally, the ideological foundations of DSI programming are seen as problematic insofar as they favour liberal ideals over other forms of economic, political or social organisation. Modern liberal preconceptions about how states and markets should and do operate are also seen as problematic for post-conflict programming. Reform projects which attempt to transform post-conflict economies place much emphasis on the creation of liberal models of statehood and concomitant state-citizen-market relationships. The positive value and benefits of these models and relationships are presented *a priori*. There are limited attempts to reflect on whether the neo-liberal economic development paradigm, and the concomitant liberal governance agenda, are

in any way deficient or dysfunctional and may in fact be *contributing* to the growth and sustainability of war economies. Related to this, the push for formality in areas such as customs reform may also push some actors further into the illicit and informal sectors as they are unwilling or unable to adapt to the new formal models imposed by the international community. There is also an ethical argument to be had related to the hypocrisy involved in some attempts by DSI actors to install such modes of governance. The DSI in fact uses techniques that contradict their own values and standards in order to bring post-conflict states and economies in line with the ideal liberal form of political-economy. They have broken their own guidance on judicial independence, democratic decision making and transparency. In this sense, transformation policies are in fact counterproductive to the aims of positive transformation insofar as they encourage political manipulation, create resistance to reforms and may push some actors further towards the informal and illicit sectors.

Of the four potential impacts of ideology on transformation, it is this final hypothetical that requires the least reassessment. While there was a general acceptance of the alternative and historically grounded manner in which Kosovo organises itself and operates, there appeared a general consensus that this would, and should, change with time, and that given the right tools it would 'convert' to liberal forms of political-economic and social organisation. Still, analysis should go deeper by examining the forms of liberal ideals which are *desired* by some segments of the population (for example, democratic over authoritarian policing) and therefore have a degree of legitimacy and thus are potentially sustainable, and forms of organisation which are *imposed* without local input (for example disallowing enterprises from fulfilling welfare functions) and thus result in limited compliance by local populations. A reform process should not be dismissed solely on the grounds that it is liberal. It should be judged in terms of its effectiveness in meeting locally identified needs and the degree to which it is seen as legitimate by the local population. It is when programmes find legitimacy from above, from external international agendas, that reforms need to be questioned and local or alternative modes of political and economic governance considered.

The ideological bias towards liberal ideals and institutions in post-conflict and transformation programming is strong – policies which form the foundation of liberal peace or which support its installation are often pushed through with little regard for local or long-term political-economic consequences. Yet the ideological force of liberalism is not all-encompassing, as initial critiques suggest. Its impact on the DSI's attempts to transform war economies, while destructive in the way it legitimises and even encourages dysfunctional political-economic relationships, and often justifies severe control mechanisms, is not homogenous. While evidence of all the assumed negative effects

of liberal ideology and processes on transformation were found in the case of Kosovo, both local actors and operational actors within the DSI have employed numerous strategies which attempt to renegotiate or usurp the constraints of guiding actors and liberal values of the DSI. While confirming the strength and negative outcomes of ideology in this regard, this research shows that the ideological impact is not static, it remains in flux, being continuously challenged and renegotiated, pointing to avenues for potentially challenging the direction of ideologically based policies and their impact on transformation.

Conceptualisations of war economies and the impact on practice

The failures of the transformation agenda can also be understood by addressing the ways in which the problem is conceptualised by the DSI and how its analysis does or does not impact policy. Development and security actors have two broad options when attempting to understand and address activity related to war economies and their legacy – a Rational Choice (RC) model and a Structural Political Economy (SPE) model. What is clear, given the preceding analysis of reform processes in Kosovo, is that most individual actors and institutions employ both strands of analysis in their conceptualisations of political-economies of violence. While this issue will be discussed in detail further on, it is first worth summarising what lessons can be taken from previous chapters in terms of *what* applying this latter, SPE, analysis entails.

The case of Kosovo has proved useful in terms of refining the questions which need to be asked in order to undertake an effective SPE analysis. The first set of questions requires actors to think more critically on the aforementioned issue of criminality which accompanies most if not all war economy programming. Dupont's (1999) assertion that the role of crime is often exaggerated or sensationalised was echoed in the varying opinions regarding the role of organised crime during both the war and post-conflict era in Kosovo. More research on the scale and nature of the problem is needed to make sure that the role of crime is neither under nor over stated, and to ensure that an adequate amount of resources are supplied for tackling the problem. Second, definitions of crime also need to be reconsidered in relation to local norms, values and social structures. Criminality is a subjective term, based partly on social and cultural perspectives but also on the legitimacy of those imposing rules regarding criminality. In some cases, effective investigation and prosecution techniques fail or face serious hurdles as an agreed upon, legitimate set of definitions and rules do not exist between the police and the policed (the way that acts of smuggling are criminalised by some, while seen as either a survival strategy or an act of political defiance by others is a case in point). Alongside this, the interdependence between licit and illicit economic activity

and actors needs to be highlighted in order to ensure all actors in and beneficiaries of illicit activity are considered in transformation.

It is also useful for actors involved in transformation to break down criminal activity into sub-categories as different forms of crime call for different strategies. Three relevant forms of crime which can be identified are politically integrated crime, regular crime and perceived crime. These are not sociological definitions of crime, but rather categories of crime encountered through research which each have their own distinct characteristics and effects. The first category would highlight links between criminal actors and political leaders. Within this first category of crime, at least two motivations can be identified. First, actors engage with criminals to achieve acute political goals. So for example, the KLA was not a 'criminal organisation' but interacted with criminal structures as a means through which to further its ideological struggle, with criminal groups benefiting economically. Second, political actors may engage in criminal activity or align themselves with a criminal group (which may overlap with other social networks) in order to consolidate political power in the post-conflict phase. This may take the form of money laundering (to legitimise profits made during the war), corruption in the granting of licenses or the privatisation scheme, or the facilitation of criminal activity through interference in the judicial, security or customs sectors. In this sense there is a blurring between political and criminal motivations, with criminals and politicians becoming entwined in mutually beneficial relationships. The second category, regular crime, refers to crime which has no direct links to the conflict, ongoing instability or political motivations. In these cases there is less political analysis to be done and actors would more usefully engage with the theories and practices found in criminology and sociology.

In relation to transformation, rather more attention needs to be paid to the third category, namely perceived crime, which relates to assumed but unproved connections between criminal elements, war economy participants and political elites. This category highlights the role of rumour and speculation of criminal activity and has an equally strong, if not stronger, impact on post-conflict programming. Rumours of political-criminal links provide a strong justification for continued control over key areas by international actors. Perceived crime may also provide justification for participation in illegal activities: if the elite are acquiring wealth through illegitimate means, why should the average citizen follow the rules? Thus, while rumours are effective in justifying serious control mechanisms, they are also counterproductive as the failure to either quash rumours, or actually prosecute (if the rumours are indeed true), creates an image of a crime-ridden, mafia-led state. While providing incentives for others to smuggle, this can also affect the ability of post-conflict states to develop and attract the foreign aid and invest-

ment required to rebuild. Furthermore, rumours of ongoing criminality allow for and create continued tensions between parties to the conflict, as sides continue to demonise each other through accusations of criminality. For example, the 2011 violence at northern border crossings has largely surrounded perceptions and rumours of Serbian officers and civilians being more involved in smuggling and customs fraud than their Albanian counterparts. In order to dismantle the problem of perceived criminality, two options exist. First, if the rumours are in fact true, individuals must be properly investigated and prosecuted. If in fact the allegations are rumours, and are nothing more, active steps must be taken to exonerate and publicise individuals' innocence.

A second strand of the SPE approach addresses the functionality of war economies. In many cases, attempts at transformation focus largely on the negative impact of activities associated with these economies including their role in the commencement of violence or in their role in allowing violence to continue. However, war economies, their participants and the profits accrued also serve positive functions. This results in certain actors and activities gaining a degree of legitimacy with local populations, making transformation or eradication policies especially difficult. The functions of war economies can be broken down into three categories. First, these economies and their participants may serve a security function with the emergence of some form of 'pax Mafioso' whereby opposing sides keep violence to a minimum in order to facilitate trade. Conflict entrepreneurs may also provide protection for local communities, especially when power vacuums emerge during periods of extreme upheaval or the collapse of formal state structures. Their presence and support for a particular group may also ensure one actor does not gain hegemony in an area; war economies, in some cases, may provide the capital to ensure (admittedly dysfunctional and undemocratic) balances of power.

Socio-political functions also need to be considered. The war economy, and its continuance in the post-conflict phase, may lead to modes of governance, creating informal or de facto governing structures including tax collection and the provision of social services. It might also form a fundamental part of patronage networks, allowing for a degree of political continuity or stability. At a higher level, the war economy may be contributing to the wider political goals of a society, such as a demand for independence. As Andreas (2005) notes, smuggling and other related activities have at times become seen as a patriotic duty. Of course ideally conflicts would be solved without violence. The international community could have possibly prevented the violence in Kosovo had they included the territory in the 1995 Dayton agreement. However, if the international community is unwilling or unable to help prevent conflict, there are serious moral hazards in dismantling struc-

tures that may disallow vital resources to an oppressed population. Transforming war economies may actually result in empowering one party of the conflict, as it deprives resources to the other side.

Finally, both the positive and negative economic functions of the war economy need to be considered. Participation in these economies is not simply an issue of greed, but a way in which marginalised individuals, groups, or even nations can insert themselves into the competitive global market. Engaging in these activities (both during and after the conflict) is a form of employment when other opportunities are lacking. These economies also provide goods and services that the formal and legitimate markets cannot. During the conflict all groups will be faced with a collapse of formal modes of economic exchange. International embargos and the practicalities of bringing goods into a region may lead to an even greater reliance on underground exchanges. It is smugglers who often provide basic goods during these times, leading to a form of legitimacy for such actions. Finally, in the post-conflict phase, activity often considered illegal or corrupt, such as capture of privatisation schemes, often provides a mechanism through which former war entrepreneurs can 'go legal', allowing actors to contribute to the economic reconstruction of their state in more just and legitimate manners.

All of these functions taken together remind us again of Tilly's (1985) 'war makes states' dictum which can be adjusted from the above discussion to the view that 'war economies also make states'. Under such a view, one might want to consider that war economies are part of a wider (and historically based) global political-economy, in which powerful developed states and their leaders have used similar methods to consolidate power. This again points to the need for transformation techniques to be sensitive to the positive functions of some 'illegitimate' activity. Approaches to some war economies have considered this – the Alternative Livelihoods programme in Afghanistan for example has assessed the economic function of the poppy industry and has been keen to ensure that farmers are provided with other means to support their families before crop eradication begins, but such foresight is not the norm.

Highlighting the functions of war economies both during and after the conflict is not a way of justifying illicit activity, nor a suggestion that it should be allowed to continue. As one interviewee aptly noted, defining something as a coping strategy, or pointing to its role in social or ethnic cohesion, may often be wrongly used to justify illegal or otherwise inappropriate activity (I49). What the concept of 'functions of war economies' has illustrated, however, is that when considering transformation techniques, one must consider the multiple roles that the war economy plays in society. Once these functions are identified, policy makers should then consider how they might be replaced effectively and fairly, and also whether allowing certain activities may be useful (at least in the short term).

The third strand of SPE analysis would involve addressing the broad geographical scope of these economies. Whilst addressing local political-economic relationships within a conflict zone is a necessary step, positive transformation requires us to consider a range of actors when constructing a strategy to prevent or transform war economies. The list of supposedly neutral or legitimate international actors in war economies is long, but several key actors are worth further discussion. International banks are often complicit in the transfer of money to conflict zones through accepting donations from the Diaspora. Profits from conflict trade are also stored in international banks in accounts set up by conflict entrepreneurs and their associates. Private companies and MNCs can be linked to a war economy in a multitude of ways. They may be in direct contact with armed groups (or their political representatives), providing payments to ensure their own security, or bribes in order to be allowed to continue conducting business. They may also be complicit in embezzlement or fraud. In other cases, they may knowingly flood a market with a product – dumping goods for their own benefit, and in turn contributing to increased smuggling as the domestic market is too small to sustain the deluge.

However, in less obvious ways, external actors are also part of local war economies. Foreign investment both before, during and after the conflict may alter the risk-payoff ratio for actors considering engaging in violence to capture resources. MNCs and businesses, by engaging in the sale and trade of commodities, also become nodes of war economies at various points in the value chain. Private security companies will profit both by being paid to help resolve a security situation and from possible kick-backs in the form of mineral exploitation contracts to sister companies, for example, in the post-conflict phase. Foreign governments may directly impact upon the war economy, as their policy of support for one side over the other alters the ability and opportunity costs for different parties to the conflict, either through the supply of arms, the purchasing of commodities (such as oil) or military intervention. Something as innocuous as a foreign state's domestic tax policies may also alter the incentive structure to smuggle, as the increased risk of circumventing policies also increases the potential payoff for actors. Furthermore, weakness or collapse in a foreign state can either allow foreign armies to become players in the war economy, or may create channels through which smuggling and other war economy activity can occur. Consumers in conflict-affected states, but equally consumers in 'peaceful' developed states who purchase the goods or services produced by war economies, also constitute a central node of the war economy.

War economies which lead to physical violence in one country or region, however, are not only impacted upon by external actors, but also have an impact upon actors in other geographical locations, with the illicit (and licit)

trade of goods, people and funds spreading criminal, security, political and economic concerns across continents. War economies may also link up with one another – witness, for example the connections between Afghanistan’s drug trade and the ongoing smuggling in the Balkans. The need for widening our geographical viewpoint is further highlighted by the impact that transformed war economies may have on other locations. The ‘balloon effect’ witnessed in many drug eradication programmes warns of the dangers of taking too narrow a geographical view in transformation projects as once transformed, or once control mechanisms are in place, activity may shift elsewhere in the region, leading to increased instability in neighbouring countries.

Finally, considering the temporal scope of a political-economy of conflict is vital. One needs to look both backwards and forwards in time to formulate a full picture of a war economy. Looking at historical factors will shed light on the factors which have led to a war economy in its present form. Factors to consider are the historical conflicts between groups over resources (both physical and financial), land (commercial, industrial, agricultural and domestic) and other economic goods such as access to employment opportunities or credit facilities. It is important to trace how, when and why these various resources were fought over, and also examine the responses by the groups who lost. For example, the loss of economic opportunities (predominantly employment in the public and social sectors) by Albanians in Kosovo led to the creation of parallel systems, a major reason for the intractability of illicit, informal and parallel activity in the region. Likewise, there is a need to look at the post-conflict impact, or continuance of the war economy, which often has an impact in the political, economic and criminal realms. Politically, many of those who rose to prominence as a result of their contribution to the conflict are the key actors in these post-war economy activities. They are considered to either be central political figures or have connections to such figures. In this sense, those who profited from the war economy during the conflict, continue to profit in the post-conflict phase. The economic relationships that were based on power, violence and threats during the conflict are thus left relatively unchanged, suggesting a high degree of continuity between the war economy and the post-war economy.

Analysing the war economy from a wider temporal lens is thus justified on several fronts. First, it provides insight into why many activities associated with war economies have become so entrenched and in some cases actively supported by the population. It further suggests that persistence is required in transformation as a short-term project which is due to be implemented over a number of years cannot easily transform structures and disputes that were created over the course of decades or even centuries. [Table 8.1](#) is a useful tool for actors who aim to engage in a more politically aware and structural

Table 8.1 An SPE framework for analysing war economies

Dimension	Factors to consider and questions to ask
Criminality	What is the scale of the problem? Obtain objective facts on levels of criminality. What are the alternative definitions of crime within a given locale? How do these compare and contrast with the approach of the DSI? What connections are there between crime and legal forms of economic activity? Can the crime be classified as 'politically integrated', 'perceived' or 'regular'?
Functions (negative and positive)	What are the effects on security? What actors are granted legitimacy through their involvement in the war economy? What socio-political functions are served? (Including basic needs such as provision of social services and higher needs such as political freedom.) What are the economic functions? (Including employment and the opportunity to 'go legal' in the post-conflict phase.) What will replace positive functions if the war economy is transformed?
Geographical scope	What is the impact of the war economy on other areas? What outside actors influence the war economy at the local level? (Banks, Diaspora, private security companies, foreign armies and governments, MNCs, foreign consumers.)
Temporal scope	What are the historical conflicts over resources in the area including non-commodity resources such as land and employment opportunities? How did the 'losing' side react to their losses? What are the ongoing political, economic and criminal effects of the war economy in the post-conflict phase?

approach to transformation. Asking and finding answers to the following questions provides a vital first step in moving DSI actors towards more favourable 'policies of engagement' discussed in the next section.

Translating conceptual approaches into policy

As argued previously, there are concerns that the ideological biases of development-security actors results in the adoption of apolitical lenses, as opposed to a lens akin to that of [Table 8.1](#), and that this in turn is a contributing factor to inability to effectively transform war economies. Returning to the evidence from Kosovo, this potential impact should be reassessed, as a concern over the dominance of apolitical, technocratic responses may be overstated. A fairer statement in terms of analytical lenses employed by the DSI, would be that

individuals and institutions employ both frameworks, creating and implementing policies that represent both modes of analysis. However, it is often the case that actors who utilise an SPE analysis are not always willing or able to turn this into context-sensitive programming. What is important to note is that in some instances, particularly in reforms related to more econometric issues such as privatisation and financial policy, conceptualisation and policy outcomes are more easily characterised as existing at the RC end of this scale, with neo-liberal economic doctrine arguably harder to challenge than some of the more political or social areas of programming. This is problematic insofar as integrating and operationalising policy based more on policies towards the SPE end of this analytical spectrum is deemed to be more effective for the goal of positive transformation, due to its capacity to draw attention to a wider range of features that are critical to the functioning and transformation of war economies.

The empirical research from the previous three chapters allows for a more nuanced approach to understanding the relationship between the choice of conceptual lens and the impact on DSI policy prescriptions. In terms of operational actors understanding and integrating the factors related to an SPE analysis, several outcomes can be identified. The first can be classified as policies of denial. In these cases, even when SPE issues are understood, policies are implemented as if there were no conflict, and therefore no political considerations need to be made (consider for example the pushing forward of the privatisation programme in Kosovo, despite claims by the Serbian state over SOEs and the questioning of the legality of the process by international staff themselves). The next category represents almost the complete opposite, and can be referred to as policy paralysis. In these cases, the political situation prevents actors from implementing reforms for fear of engaging in political issues. An example of such a policy is the unwillingness to set up border police or create appropriate ministries within the PISG.

Alternatively, evidence of political integration was found on two fronts. In these cases, an SPE analysis appears more influential in the creation and implementation of policy. The first can be conceptualised as policies of functionality, whereby actors were willing (and able) to negotiate or manoeuvre through the political minefield in order to allow their policy to function more efficiently, but without addressing or attempting to resolve the wider political issues. An example can be found in the UCS's ability to effectively negotiate coordination with regional counterparts. Unfortunately, these policies are often reliant on mechanisms of control – the decision to send EU customs guards to man border posts in the north may contribute to the ongoing ability to manage customs crossing points, but does not fundamentally address the ongoing tensions between the Serbian community and Kosovan government institutions. Secondly, there was evidence of policies of engagement whereby

contextual factors which hindered the project's success were addressed directly. Examples of this include the tackling of public perceptions and attitudes towards smuggling and illegal goods through public information campaigns by the UCS.

The question then becomes one of identifying the factors that allow or disallow for what can be called 'policy moments' – opportunities where politically grounded peacebuilding and transformation are possible, and actors are willing to take the risk of engaging in the difficult issues found through an SPE analysis. From occasions where DSI actors have implemented programming that would be reflective of an SPE reading, a preliminary analysis of factors which might allow the problem of choosing apolitical strategies to be overcome emerges. Some initial thoughts on what might facilitate such 'policy moments' are worth highlighting. Changes in domestic political context are one factor which can create the space to engage in more politically 'risky' programming. For example, suggestions that Kosovo's population was becoming increasingly frustrated over the criminal linkages between the former KLA and the post-conflict elite resulted in an environment which allowed the international community to take a stronger stance than they might have been able to in the immediate post-war phase, given the post-conflict euphoria which saw the KLA elevated to the status of heroes. Likewise, internal changes regarding the legitimacy of intervention may force the hand of DSI actors to engage with political questions previously considered off-limits. When local populations start to question the strategy of both domestic leaders and the DSI, actors may be forced (or finally enabled) to implement alternative policies. The end of the UNMIK mission perhaps offered a clear 'break' which may have created new spaces for institutions such as the ICO and EULEX to implement new policy choices.

Changes in external political context will again alter one's ability and willingness to engage in issues of politics. For example, the changing stance of the key powerful actors vis-a-vis the status of Kosovo allowed actors within UNMIK to push forward with key institutions such as the Ministry of Interior and Ministry of Justice. Finally, resource changes will also shape the degree to which international actors engage with politics, although their effect can be varied. A decrease in resources may force international actors to rely more heavily on local actors, increasing the possibility of engaging in or being influenced by contextual factors, but might also result in the DSI actors choosing more simplistic blueprint-type policies as fewer resources decrease the possibility of creating complex, creative or sustainable programming. Likewise, an increase in resources may come in the form of increasing the number of experts available, or the creation of special prosecutors' offices, potentially widening the scope for dealing with war economies more broadly. Increases in funding, however, could increase traditional, top-down mechanisms such as

increasing police presence. However, what changes in resourcing will almost always represent is a juncture at which the possibility of changing the nature of programming reveals itself. Being able to recognise and take advantage and shape these moments towards transformation becomes a key task for operational actors.

The impact of conceptual and analytical lenses on DSI efforts to transform war economies is clearly complex. There are instances where strict RC analyses result in policies that are in tune with the individualistic and econometric ideals which underpin this model. When this happens, technocratic solutions which fail to address complex deep-rooted problems ensue. Operational actors within the DSI, however, often undertake analyses which are more in tune with the SPE approach, but this only rarely results in the creation or implementation an SPE-guided policy which would fundamentally alter political-economic relationships in a way that furthers the aim of positive transformation. Despite being aware of the factors which constitute a critical political understanding, operational actors often find themselves unable to actively incorporate such factors into their programming. It appears that this occurs when problems appear insurmountable (either politically or functionally) or when incorporating and transforming complex political realities directly challenges core interests of guiding actors (such as ensuring basic physical stability and installing neo-liberal economic reforms). In other cases, an SPE analysis may lead to projects which effectively manoeuvre facets or barriers presented by an SPE approach, but these strategies still fail to fundamentally alter the political-economic relationships stemming from war economies. Only when operational actors are able to translate an SPE approach into politically grounded programming is there evidence of sustainable and positive transformation. These 'policy moments' which allow an SPE approach to be taken appear to be highly dependent on a number of internal and external political or economic factors.

Operational features of the DSI: limits to immediate progress

The problem of transformation can be analysed finally through an examination of concrete operational barriers that stem from the tangible ways in which the DSI engages in conflict-affected states. These hurdles are of course functions of both the ideological characteristics and conceptual biases found within the industry, but are nonetheless worthy of closer inspection given their obvious and often immediate impact on war economies. To begin, because of its contribution to conflict dynamics generally and war economies specifically, the role of the DSI in transforming these economies is called into question both functionally and ethically. Contributions by the DSI to conflict economies can be specific or general. DSI actors may become directly engaged

in criminal activity through, for example, the smuggling of cigarettes, frequenting brothels, bribery or fraud. In more general ways, the DSI may also increase incentives for illicit or illegal activity by increasing the demand for certain goods such as pirated DVDs, cigarettes, telephones and other luxury goods. Foreign investment, and the huge profits that accompany it, may also increase the incentive for actors to engage in corrupt business practices. The DSI can also increase the ability of actors to engage in such activity by providing the goods (e.g. cigarettes and arms) or the mechanisms (e.g. increased technology, banking facilities or marketplaces) through which such activity can flourish. Finally, the DSI might actually increase the need for war economies to operate as policies such as bombing campaigns and sanctions regimes force populations to seek alternative ways of acquiring goods and services.

While the potential role of external actors has already been discussed in terms of widening the geographical scope of analysis, the contributions of actors within the DSI is relevant in operational terms on several fronts. Policies of the DSI might actually contribute to the very economic relationships that they are attempting to transform, and thus actors need to be aware of when their own policies are hindering their own success. Further, such an examination is required given the paternalistic and normative posturing of internationals vis-a-vis conflict-affected countries in general. Derogatory labelling of conflict actors using terms such as 'warlord', 'criminal' or 'kleptocrat' is a moral judgement. And while some of these labels may at times be somewhat accurate, those casting judgements are perhaps not well placed to make such claims given their own contributions to these economies. Furthermore, it is unfair and unrealistic to expect domestic institutions and less powerful international operational actors to be responsible for the transformation of political-economic structures that have in part been created and sustained by powerful foreign actors. This is especially relevant when the ability to transform war economies becomes a condition for sovereignty or acceptance into international institutions and communities. In this sense, Kosovo's status has been somewhat unfairly linked to its ability to tackle behaviours and relationships for which the DSI is partly responsible.

The participation of DSI actors in the war economy is also important in terms of creating cultures of accountability. International institutions such as the UN and KFOR have granted themselves immunity. They have occupied and damaged many former SOEs in Kosovo, yet are not held responsible for this damage. This sets a poor example for future leaders as such actions suggest that the powerful are not accountable and can expropriate resources by claiming it is for the greater good. What this also alludes to is another possible reason for the DSI at times favouring an RC model over that of SPE insofar as it absolves them from responsibility. Accepting the latter would

force the DSI to alter its own operating procedures and would also require it to directly engage with powerful actors such as foreign governments and MNCs, a requirement which likely does not fit with the DSI's current agenda or mandate.

The second impact related to this dimension addresses basic operational problems of the DSI, of which several stand out as particularly influential in terms of transforming war economies. First, coordination across the mission and staffing diversity can be seen as having several impacts. In the judicial sector, having international jurists and legal monitors from a variety of backgrounds may result in disjointed legal codes and systems, making investigation and prosecution more difficult. Police training will likewise be fragmented, creating time, space and thus room to manoeuvre for criminal actors. The 'lead nation' concept is a possible option for combating such problems. Special prosecutors' offices for specific forms of crime such as customs fraud or financial crime are another way of increasing cohesiveness in dealing with particular forms of activity. One reason for poor cooperation and coordination, however, relates to the nature of the relationships between DSI actors which has in some cases been characterised by competitiveness and mistrust. Development actors may be unwilling to share information with security actors as it may threaten their relationship with local populations. Likewise, some security actors refuse to share information and intelligence with other actors. This again creates room for manoeuvre by groups who can take advantage of the competition between actors.

The problem of a contract culture within the DSI is also a fundamental barrier to transformation. Impacting on institutional memory, contract culture is problematic in that many agreements and arenas for cooperation to fight organised crime, collect intelligence or move towards greater judicial cooperation are strongly linked to an individual and their informal and personal relationships with professional counterparts. When individuals leave, these avenues of cooperation and coordination can disintegrate, and have been seen to do so. In the judicial sector the problem of short-term contracts is even more pronounced as it also affects the ability to recruit qualified staff and increases the difficulty of prosecution as prosecutors and judges leave in the middle of important trials. These factors inhibit the building up of sound jurisprudence. Thus, not only is the impact of contract culture felt immediately, but it has long-term repercussions as well. This relates to another problematic feature of the DSI – the following of trends. In Kosovo, a delay in dealing with issues of political-economy has allowed actors involved in these activities to become entrenched and for criminal organisations to solidify their positions and political linkages. Specifically in the judiciary and security sectors, a delay in recognising the impact of war economies may delay the creation of institutions or specific laws which are

needed to fight activities such as organised crime and smuggling. This suggests a need to re-think the sequencing and priority of programming options.

Due to the broadness of the peacebuilding agenda, the problem of mission creep has also become of great concern as institutions find themselves engaged in tasks which are neither part of their mandate nor compatible with institutional skills and resources. As issues of political-economy are incorporated into the overall peacebuilding agenda, already existing institutions are often tasked with transformation, increasing the scope and scale of their mandate beyond what was originally envisioned. There has been limited progress in enabling actors to fulfil expanded mandates. The UN and other major donors do not have, nor likely have they wanted to have, the funding mechanisms and the political support to supply money for items such as phone-tapping equipment, unmarked police cars for surveillance or money for paying informants. Peacebuilding missions are not set up to deal with these types of problems, and the required equipment and expertise is not part of the standard peacebuilding 'kit'. It is not clear that peacebuilding missions should be equipped in this way, but if they are to be tasked with the transformation of war economies, as they have been, these issues and lack of resources need to be addressed. The DSI needs to clearly address whether transformation is a task it should be engaged in, and if so what resources are realistically needed to engage in such a task. All of this can be related to concerns over the limited capacity of, and lack of resources available to, actors within the DSI. When mission creep sets in, the resources and skills needed to fully engage with new mandates is lacking. Often, institutions are not provided with the resources needed to complete their tasks. Poorly resourced police services, judiciaries and customs services will be unable to manage the criminal elements of war economies without proper resourcing. This includes funding for buildings, information technology, equipment, training and staff salaries.

Finally, the momentum felt at the beginning of missions often fades with time as new emergencies demand both the human and financial resources of donors, and public support in foreign constituencies dwindles. In some cases, the local population also becomes disillusioned by the actions of the DSI and inevitably foreign actors must disengage. Ideally, exit strategies would be well planned and gradual. However, as witnessed in Kosovo, exit strategies may also be forced, rushed and ill-planned – describing another operational impediment found in the DSI, quick exits and rushed timelines. In all areas of reform addressed in this research, there are concerns that the internationals are exiting too quickly – before local institutional capacity is in place to ensure a smooth transition and sustainable progression.

Overall, the DSI's direct involvement in war economies calls into question its willingness and/or right to engage in transformation, while serious opera-

tional limitations call into question its capacity to do so. Operational actors, heavily constrained by the structure and nature of the industry, appear to have neither the political clout (to deal with the way in which more powerful actors in the DSI contribute to the war economy) nor the operational capabilities (to engage with a problem which requires long-term planning, effective coordination across regions and sectors and high levels of human and physical resources). In order for war economies to be positively transformed, the behaviour of powerful DSI actors would need to be addressed while simultaneously providing operational actors with a more substantial and effective set of tools and procedures.

Building a peace economy: the limits of liberal peacebuilding

Dominant critiques of the current model of international development and security programming provide much insight into the problem of post-conflict political-economic transformation. However, such critiques tell only part of the story. In order to fully understand the ways in which the DSI engages with war economies and identify the barriers to creating both positive and negative peace economies, several additional factors, issues and questions must be addressed. These barriers, described above (and summarised below in [Table 8.2](#)), are a function of the dominant values and approaches of the Development-Security Industry, a complex network of actors which operates through the liberal peacebuilding agenda. By assessing the impact of this agenda on transformation policy, a comprehensive framework for understanding the difficulties of building economies based on sustainable, positive peace and justice emerges.

The framework presented here allows for a multi-layered analysis which finds that transformation is dependent on ideological constraints and tendencies and the ability to convert various conceptual lenses into practice, as well as structural and operational features of the DSI. Ideologically, the DSI is less concerned with positive transformation which would focus on changing relationships of power and dominance in post-conflict settings and more concerned with bringing physical stability and opening up markets to neo-liberal forces. Because of this ideological focus, there is a tendency to view war economies through a narrow model based on RC-type theories. Such analyses tend to ignore global linkages or facilitators in the growth and sustenance of these forms of economic accumulation. As such, an arbitrary disconnect between 'economies of war' and 'economies of peace' is created and only the immediate or more tangible facets of war economies are considered in need of transformation. The wider structures and issues considered by an SPE approach, though often acknowledged by operational actors, only occasionally influence policy to any degree. This is due in part to the ideological

foundation of the DSI but also in part to the great difficulty that operational actors have in dealing with such complex and deep-rooted issues. Thus, even when an SPE analysis is undertaken, operational actors within the DSI are often ill-placed to address such complexity and as a matter of practicality or functionality fall back into more simple models and practices. Dealing with the complexity of the issue is further hindered by the complicity of the DSI in the very structures they are trying to transform, as well as the *modus operandi* of institutions.

Various motivations and reasons for the choice of policies can be identified, highlighting the power relations and processes within the DSI that need to be addressed and re-negotiated in order to advance and improve responses to war economies. In this sense, the framework, provided in [Table 8.2](#), provides insight into when and under what circumstances operational actors might find themselves in a position to undertake more just and structural transformation. In order to move forward and implement more successful programming, DSI actors should consider a number of issues. First, opportunities for challenging ideologically biased programming which favour international goals over domestic goals should be sought. Actors should also attempt to anticipate how programming might be captured and seek ways to either prevent this from the outset, or to consider how they might transition to alternative strategies as local and international contexts are altered. DSI actors should also remain cognizant of alternative modes of political, economic and social organisation and attempt to integrate these into policy as opposed to relying on liberal blueprints.

Using frameworks such as the one presented in [Table 8.1](#), DSI actors should analyse war economies from an SPE perspective (as many actors already do) and then, more importantly, consider how they might operationalise the results of such an analysis in order to move towards policies of engagement – always being aware of ‘policy moments’ which might allow these more risky forms of policies to be implemented. Finally, the DSI as a whole needs to reconsider the use of strategies which themselves contribute to war economies and re-equip operational actors in such a way that allows them to deal with the complexity of political-economies of conflict. This may include addressing the availability of resources to operational actors – both financial and human – and reconsidering the timing or sequencing of policies so that projects both complement each other and are introduced based on a thorough assessment of the situation. Likewise, there should be a stronger focus on planning and executing exit strategies, especially in terms of finding ways to phase out control mechanisms.

What has been detailed throughout this work are a variety of relationships and processes, which when taken as a whole have been unsuccessful in fundamentally transforming economies of war into economies based on

sustainable peace and justice. While presenting general characteristics of the nature of the transformation agenda, what is striking and most promising are the moments in which policies, programmes and actors do *not* engage with war economies in the ways both scholars and practitioners would expect. Emerging as most encouraging from this research are examples of when actors both within and outside of the DSI transcended or escaped the boundaries set up by the dominant features of liberal peacebuilding and engaged in flexible, progressive and effective programming which furthered the ultimate goal of positive transformation. Moving away from basic goals of stability and economic growth, actors engaged in this progressive approach take the time to integrate and negotiate local and international contexts with the aim of promoting sustainable and just modes of peace.

As such, this work represents a useful step forward in creating a broader and more holistic approach to understanding international approaches to war economies. It provides a basis through which other programmes and transformation attempts can be analysed, a process which will allow for further refinement of the transformation dilemma. At the same time, through its inclusion of examples of when actors used their skill, knowledge and agency to implement progressive and flexible policies, the framework offered here both highlights the potential for effective transformation and provides a preliminary base for addressing the factors which allow for alternative policies to be identified and implemented. With political economic relationships having the ability to threaten international, state and human security, the need to transform war economies into economies of peace is great. The current liberal peacebuilding agenda, as formulated and implemented by the development-security industry, has proved ineffective in this task. However, neither this industry nor its ideologically based foundations have complete dominance over the transformation agenda and within these institutions, actors have revealed that they possess the ingenuity, creativity and willingness for contestation that is required to alter the dominant perceptions and reactions to war economies.

Table 8.2 A framework for analysing DSI engagement with war economies

Dimension	Nature of DSI and potential impact on transformation	Elaboration on types of engagement and impacts
Ideological	Local needs become secondary to global or foreign political-economic goals.	Strong evidence that ideological goals (stability and installing a liberal peace) pursued despite negative impacts on transformation. However, local and international needs do not necessarily conflict. Although guiding actors are able to overpower operational actors, operational actors do seek out opportunities and methods to challenge guiding actors.
	Political capture of programming by domestic elites allowed in order for above goals to be achieved.	Three strategies exist: <i>Acceptance</i> allows political capture, <i>negotiation</i> limits it and <i>denial</i> forbids it. DSI needs to balance costs and benefits of each and seek ways to manoeuvre between the three based on internal and external political environment.
	Justification for control mechanisms.	Sometimes needed, desired and beneficial. Two forms: <i>long-term control mechanisms</i> (should be avoided) and <i>short-term or holding mechanisms</i> (should be implemented and negotiated with local population with the aim of being phased out as early as possible).
	Favouring of normative, liberal economic and political ideals.	Widespread evidence of favouring of these forms of organisation, however, a difference between <i>imposed</i> and desired liberal reforms. The former should be avoided while responsibility for the latter should be transferred to local actors to ensure widespread support and legitimacy. Possibility of democratising or negotiating mechanism of control.
Conceptual	Technocratic and apolitical responses utilised instead of context-specific programmes.	RC model generally dominates nature of war economy programming leading to apolitical or technocratic policies which do not fit context and fail to address structural issues. This limits effectiveness of programmes in both the short and long term. Evidence that SPE analyses undertaken by operational actors but this has a varied impact on policy choices.

Table 8.2 Continued

Dimension	Nature of DSI and potential impact on transformation	Elaboration on types of engagement and impacts
Operational	<p>RC model chosen over SPE model of war economy results in narrowly defined goals and targets instead of changes to wider structures which support war economies.</p>	<p>Four policy responses were identified when a SPE analysis was undertaken: in these cases the socio-political history/context of the war economy/legacy were understood but incorporated (or not) into policy in a variety of ways.</p> <p><i>Policy paralysis</i>, whereby DSI actors fail to act due to what are seen as political obstacles.</p> <p><i>Policies of denial</i>, whereby policies are put in place despite political obstacles (both of these may lead to unsustainable policies, entrenchment of war entrepreneurs, creation of new conflicts and conflict commodities).</p> <p><i>Policies of functionality</i>, whereby DSI actors are able to manoeuvre or adapt to the political realities of the situation without transforming or changing the politics.</p> <p><i>Policies of engagement</i>, which refute the depoliticisation hypothesis and suggest the presence of 'policy moments' which allow for the possibility of structural transformation which takes into account factors of SPE approach.</p> <p>Policy moments which allow a change in strategy appear to be related to changes in the legitimacy of the intervention, changes to internal and external political environments and changes in resourcing.</p>
	<p>The DSI escapes responsibility from its contribution to the war economy, leaving only part of the war economy transformed.</p> <p>Capacity to deal with complex issues is hindered.</p>	<p>DSI contributions may be <i>specific</i> (direct involvement in criminal activity) or <i>general</i> (increasing the incentive, ability or need for local actors to engage with the war economy).</p> <p>Key problems identified in terms of war economy transformation include <i>coordination/staff diversity, competition/mistrust, contract culture, following trends, mission creep, human/physical resources, quick exits/rushed timelines</i>.</p>

APPENDIX

List of interviewees

Ref	Gender	Ethnicity/nationality	Sector
I3	M	International	Security
I4	M	Albanian	Customs
I5	M	Bosniac	Privatisation
I6	M	Serbian	Privatisation
I7	M	Serbian	Privatisation
I8	M	International	Security/Judiciary
I9	M	International	Security
I10	M	Albanian	Security
I11	F	Albanian	Security
I12	F	International	Security
I13	F	International	Privatisation
I15	M	International	Security
I16	M	Serbian	Privatisation
I17	M	International	Security
I18	M	International	Security
I19	M	International	Judiciary
I20	M	International	Judiciary
I22	F	International	Judiciary
I23	F	International	Security
I25	M	International	Privatisation
I27	F	Albanian	Security/Humanitarian
I28	M	International	Security
I29	M	International	Privatisation
I30	M	International	Security
I31	F	Albanian	Privatisation
I32	M	International	Security/Judiciary
I34	M	International	Security
I35	M	International	Customs
I37	F	International	Judiciary
I38	M	Albanian	Security
I39	M	International	Judiciary
I40	F	Albanian	Judiciary
I41	M	International	Security
I42	F	International	Judiciary
I43	F	Serbian	Customs/Humanitarian
I44	M	International	Judiciary

Appendix

I46	M	International	Security
I47	M	International	Security
I48	F	International	Judiciary
I49	F	International	Judiciary
I50	F	Albanian	Journalist
I51	M	International	Judiciary
I52	M	International	Privatisation
I53	F	Albanian	Economy/Humanitarian
I54	F	Albanian	Security/Humanitarian
I55	M	International	Customs
I57	M	Albanian	Customs
I59	F	Albanian	Judiciary
I60	M	International	Security
I62	M	Albanian	Economy
I63	M	International	Security
I64	M	Albanian	Economy
I65	M	International	Security
I66	M	International	Security
I69	M	Albanian	Local government
I70	M	Albanian	Economy
I71	M	International	Privatisation
I72	F	International	Privatisation
I73	M	Albanian	Economy/Privatisation
I81	M	Albanian	Economy
I82	M	Albanian	Customs
I83	M	Albanian	Ex-KLA
I84	M	International	Security
I85	F	International	Humanitarian
I86	M	Albanian	Local government
I87	F	International	Humanitarian
I88	M	Albanian	Local government
I89	M	Albanian	Local government
I90	M	Albanian	Local government
I91	M	International	Economy

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INDEX

- accountability 33, 50, 93–98, 101,
108–110, 133, 166–167, 179–80
see also democracy
- Afghanistan 16, 20–24, 31, 61, 63,
106, 143, 172, 174
- agency 3, 67, 112, 163, 184
see also liberal peacebuilding,
deviations from
- agenda approach 2, 15, 38–40, 43, 162,
182–186
need for 39
- agenda of control *see* control
- Albanian *see* ethnicity
- alternative livelihoods 19, 31–32, 172
- Angola 6, 14, 17, 18
- apolitical 96–102, 112, 175, 177
see also depoliticisation; technocratic
- Balkans 75, 148–149, 174
see also Yugoslavia, former
- balloon effect 24, 25, 174
see also drug eradication
- Bosnia 37, 39, 72, 93, 123
- Cambodia 4, 14, 16, 63
- capacity 26, 29, 37, 66, 104–105,
133–134, 181
- capture 49, 77, 123–126, 129,
134–135, 145–147, 158,
165–167, 172–173, 183
see also politicisation
- Chad-Cameroon Pipeline Project 18,
28–29
- civilian police 88, 104–105, 109–110
- CIVPOL *see* civilian police
- Colombia 15–16, 20, 24, 31, 35, 63
- communism 52
see also socialism
- competition 65–66, 106, 180
- conceptual approaches 51–64, 96–103,
127–131, 147–153, 169–178
- consumption 5, 60–61, 173
see also demand and supply
- contract culture 66, 106–107, 156, 180
- control 38, 49–50, 90–96, 101,
120–123, 134, 145–146, 152,
158, 166–168, 170, 176, 183
short term 126, 135, 167
see also liberal peacebuilding, as a
hegemonic project
- cooperation 35–36, 180
- coordination 65, 106, 156, 180
- coping strategies 123, 150, 169, 172
see also functions of war economies
- corporate social responsibility 20–21,
32–33
- corruption 17–19, 29, 34, 49, 54,
77–81, 85, 89, 109, 142, 147, 170
- crime 37–39
categories of 170–171
functions of *see* functions of war
economies
KLA involvement in 88, 91–94, 177
rumours of influence in Kosovo 79,
91, 96, 170
as a subjective category 149, 169
- crime-politics nexus 79, 97
- criminalisation discourse 50, 59–61,
91–92, 96–99, 104, 111, 158,
169–170
- link to liberal peacebuilding 49–50,
90

Index

- motivation and impact of 38–39, 59, 90, 149, 166–167
- criminal legacy of war economies 62, 77–80
- CSR *see* corporate social responsibility
- customs reform 21, 34, 138–161
as part of liberal peacebuilding agenda 142–145
- DDR *see* demobilisation, disarmament and reintegration
- demand and supply 24, 32, 148–150, 155, 179
see also consumption
- demobilisation, disarmament and reintegration 21, 34, 93
see also KPC
- democracy 11, 44–45, 49, 90, 93, 121–123, 148
see also accountability; legitimacy
- Democratic Republic of Congo 16, 17, 19, 27, 37
- depoliticisation 46–51, 54, 127–131, 147–153, 163
see also apolitical; technocratic
- development security industry 8–11
contributions to war economies 19, 26, 64–65, 73, 131–133, 136, 153–155, 173, 178–179
see also MNCs
- heterogeneity of 9, 13, 64, 67, 70–71, 96, 105–106, 142, 163, 169
see also liberal peacebuilding, deviations from; agency
see also merging of development and security
- diaspora *see* remittances
- DRC *see* Democratic Republic of Congo
- drug eradication 15–16, 23–25, 32, 50
- DSI *see* development-security industry
- duties *see* taxes
- economic legacy of war economies 62, 77–78
- ethnicity 52–53, 75, 120
Albanian-Serbian conflict 71–73, 83–89, 117–121, 127–129, 151–153
- EULEX *see* European Union Rule of Law Mission
- European Rule of Law Mission 83, 87, 101, 118, 120, 126, 134, 140, 146, 147, 158 166, 177
- European Union 143, 146
- exit strategies 109–110, 134–136, 157, 181–183
- FATF *see* Financial Action Task Force
- Financial Action Task Force 22, 126
- financial crime 87–89, 108, 138–139
see also money laundering
- financial resources 108–109, 177–178, 181
- foreign investment 48, 59, 62, 73, 80, 132, 173, 179
- functions of war economies 62–63, 74–75, 77–78, 149–150, 171–172
see also coping strategies
- funding *see* financial resources
- geographical scope of war economies 60–61, 148–149, 154–155, 173–174
- geopolitics 6, 44, 47, 56–58, 100–102, 129–131
- greed theory 53, 57, 172
- guiding actors 8–9, 44, 47, 100, 102, 112, 126, 143, 145, 164–165
- Haiti 35, 109
- history *see* temporal scope of war economies
- hypocrisy 30, 168, 179
- ICO *see* International Civilian Office
- ideological foundations 44–51, 90–96, 121–127, 142–147, 163–169, 182
- IJPP *see* International Judges and Prosecutors Programme
- IMF *see* International Monetary Fund
- impunity 94–95, 111–112
see also targeting and shielding
- independence, Kosovo 72, 76, 81–82, 120–123, 140–142, 151–152, 157–158, 171
see also status

Index

- International Civilian Office 83, 120, 126, 134, 158, 166–167, 177
- International Judges and Prosecutors Programme 87, 92, 101, 104, 108, 167
- international law and enforcement 23, 35–37
- International Monetary Fund 17, 44, 82, 116, 122
- Iraq 92, 109
- judicial reform 22, 33, 51, 85–114
- justice 33, 35, 50, 126, 163, 182–184
versus stability 50, 91–96, 102, 111, 163–164
see also transformation, positive
- KFOR *see* NATO
- Kimberley process 16, 26–27
- KLA *see* Kosovo Liberation Army
- Kosovo Liberation Army 72–81, 88, 91–92, 124–125, 149, 170, 177
see also KPC
- Kosovo Police Service 87–89, 98, 106, 109–110
- Kosovo Protection Corps 78, 87–88, 91–95, 165–166
see also KLA
- Kosovo Trust Agency 117–120, 125
see also privatisation
- KPC *see* Kosovo Protection Corps
- KPS *see* Kosovo Police Service
- KTA *see* Kosovo Trust Agency
- lead nation approach 106, 156, 180
- legitimacy 25–29, 47, 51, 63, 93, 102, 128–134, 149–150, 167–173, 172, 177
see also accountability; democracy
- liberal peacebuilding 44–51
defined 10–11
as a hegemonic project 49, 164, 168
see also control
- merging of development and security 48–49, 65, 93
see also development-security industry
- Mexico 16, 25
- military responses 16, 25–26, 50
see also NATO
- Milosevic 72, 139, 150, 154
- mission creep 66, 104–105, 133–134, 181
- MNCs *see* multi-national corporations
- money laundering 5, 22, 36, 51, 125–126, 133, 138, 170
- multi-national corporations 28, 32–33, 131–132
role in war economies 19, 28, 60–61, 73–74, 155, 173
- naming and shaming 19, 29–30, 51
see also white lists
- NATO 73–74, 81–83, 86–89, 93, 106, 119, 133, 139–141, 147, 154–155, 179
military campaign in Kosovo 73–74, 86
- neo-liberalism 17, 32, 44–45, 90, 116, 121–122, 126–127, 136, 144, 151, 157, 163–167, 176, 182
- operational actors 8–9, 47, 95, 98–99, 103, 111, 126, 128, 136, 164–165, 169, 176–178, 182–183
- operational features 64–66, 103–110, 131–134, 153–157, 178–182
- organised crime *see* crime;
criminalisation discourse
- parallel and informal structures 78, 89, 99, 128, 141, 174
- peacebuilding, defined 3
see also liberal peacebuilding
- peace economy, defined 5–8
links to war economies 56, 60, 182
- PISG *see* Provisional Institutions of Self Governance
- policies of denial 166, 176
- policies of engagement 175–176, 183
- policies of functionality 176, 183
- policy moments 95–96, 111, 128, 135–136, 178, 183
- policy paralysis 176
- political legacy of war economies 61, 78, 80

Index

- politicisation 46–51, 126, 146, 163, 166
see also capture
- positive peace economy *see* peace economy
- power 30, 33, 38–39, 165, 179, 183
- private military companies *see* private security companies
- private security companies 5, 16, 25–26, 61, 74, 173
- privatisation 17, 26–29, 115–137, 176
managing associated corruption and violence 126–127
as part of liberal peacebuilding agenda 121–123, 126, 135
see also socially owned enterprises
- project assessment approach 2, 23–42
limitations of 38
- Provisional Institutions of Self
Governance 79, 81, 100, 119, 122, 134, 141, 176
- rational choice model 55–58
adoption by DSI 57, 96–98, 102, 147–150, 169, 175–179, 182–183
critiques of 57–58, 97
links to liberalism 58, 97
- realism 11, 38, 52
- remittances 63, 69, 71, 75, 173
- Resolution 1244 73, 81–83, 117, 119, 134
- resource governance 17–18, 26–29
- risk aversion 66, 108, 130
- rule of law reform 21, 33–37, 85–114
as part of liberal peacebuilding agenda 90–96
- salaries 108–109, 122, 181
- sanctions 18–19, 29–30, 37, 74–75, 154, 179
- security sector reform 21, 33, 65, 85–114
- sequencing 32, 95, 112, 132, 166, 181, 183
- Serbia 71–75, 78, 81–82
role in customs reform 139–140, 153
role in privatisation 119, 127–130, 131
role in rule of law reform 86, 89, 92, 100
- Serbian *see* ethnicity
- Sierra Leone 5, 16, 17, 18, 22, 25, 27–28, 36, 96, 109
- smuggling 12, 29, 34, 61, 74–79, 138, 142, 144–152, 172
- socialism 116, 121–122, 148, 150
see also communism
- socially owned enterprises SOEs 116–125, 134
see also privatisation
- SOEs *see* socially owned enterprises
- sovereignty 25–26, 50, 93, 133, 143, 179
of Serbia 73, 100, 112, 129–130
see also legitimacy
- spoilers 21, 35, 49, 104, 165
- statebuilding 63, 172
see also functions of war economies
- status 130, 143–145, 157, 177, 179
impact of delayed resolution of 100–102, 153
see also independence
- structural political-economy model 55–64, 77, 169–175
adoption by DSI 58–64, 98–102, 128, 135–136, 148–153, 158, 169, 175–178, 182–183
analytical framework 175
- Tajikistan 35, 153
- targeting and shielding 37, 104–111, 91–94, 111, 166–167
see also impunity
- tariffs *see* taxes
- taxes 28, 30, 34, 62, 71, 75, 79, 138, 141–142, 147–148, 155, 163, 173
- technocratic 58, 64, 164
see also apolitical; depoliticisation
- temporal scope of war economies 61–62, 75, 131–132, 148–149, 174–175
- terrorism 22, 30, 36, 48, 144
- transformation 7–8, 15–23
negative impact of 24–25, 27, 29, 31, 36, 123, 128–131, 135, 144, 168
positive 31, 33, 85, 95, 115, 138, 164, 173, 176, 178, 182–184

Index

- see also* justice
 - success of 7, 15, 23–37, 83, 89, 111–112, 183
 - trends, policy 66, 103, 180
 - Trepça 74, 120–121, 131–132
 - turnover, staff *see* contract culture
- UCS *see* UNMIK Customs Service
- UNCIVPOL *see* civilian police
- UNMIK Customs Service 139–142, 176–177
 - see also* customs reform
- war as crime discourse *see* criminalisation discourse
- War on Drugs *see* drug eradication; military responses
- war economies 4–5, 54–58, 61–64, 76–77
 - defined 1, 4, 55–58
- war entrepreneurs 55, 69, 116, 147, 164–165, 171–173
- WB *see* World Bank
- white lists 51, 144, 155
 - see also* naming and shaming
- World Bank 17, 44, 82, 122
- Yugoslavia, former 71–74, 81, 116–117, 148–149, 154
 - see also* Balkans

