Booty Futures

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Michael L. Ross
UCLA Department of Political Science
mlross@polisci.ucla.edu

Abstract

Many of Africa's mineral-rich states have suffered from civil wars and state failure. I argue that one reason for these catastrophes is the ability of combatants to raise funds by selling what might be called "booty futures" – exploitation rights to natural resources that they hope to capture in battle. I argue that the sale of booty futures is an unusually dangerous form of finance, because it tends to favor the weaker party in a conflict – either a nascent insurgency, or a government on the verge of losing a civil war. It can hence contribute to both the onset and the duration of civil wars.

This paper describes the booty futures mechanism, and illustrates it with case studies of recent conflicts in Angola, Liberia, Sierra Leone, Congo-Brazzaville, the Democratic Republic of Congo, and the March 2004 attempted coup in Equatorial Guinea.

Introduction

Many of Africa's failed states – including Angola, Sierra Leone, Liberia, Congo-Brazzaville and the Democratic Republic of Congo (DRC) – have high levels of mineral wealth. Yet it is not obvious how mineral wealth might lead to violent conflict and state failure. In principal, mineral wealth should boost the revenues of the central government, and hence augment its ability to repress or buy off any challengers. Why then should natural resource wealth be linked – at least, in many African cases – to state failure?

In this paper I propose one possible answer: when groups wish to overthrow a resource-poor government, they face the normal fund-raising problems that constrain most rebel groups. But if they wish to overthrow a resource-rich government, they can raise funds by selling what might be called "booty futures" – future exploitation rights to natural resources owned by government they wish to overthrow.

Between 1989 and 2004, the sale of booty futures was a key source of start-up funds for rebel groups in at least five of Africa's resource-rich states [Table 1]. Without the booty futures market, these insurgencies (four of which led to full-blown civil wars) might not have begun. The sale of booty futures can also prolong ongoing civil wars. During four of Africa's recent civil wars, four governments tried to sell booty futures when they were on the verge of losing to the insurgents, to finance infusions of weapons and soldiers; in three of these cases they succeeded, thus lengthening conflicts that might have otherwise ended [Table 2].

Any type of finance for rebel movements, or strife-torn governments, can be dangerous. But the sale of booty futures is exceptionally harmful, for two reasons: first, it is a way for the *weaker* party in any conflict to raise money, which makes it intrinsically destabilizing; and second, it enables combatants to mortgage their country's future resource wealth, which deprives it of an important source of funds for post-conflict reconstruction.

The aim of this paper is modest. I do not suggest that booty futures are the only mechanism linking natural resources to civil wars and state failure, but one of several possible mechanisms. I do not try to test this claim, but rather, to use case studies to illustrate its plausibility.

The first section reviews alternative claims about the links between natural resources and civil wars. Section two describes the booty futures mechanism in greater detail and suggests why it might be especially worrisome. Section three illustrates the use of booty futures in the financing of conflicts in Angola, Liberia, Sierra Leone, the Democratic Republic of Congo, and the Congo Republic, and the financing of the March 2004 coup attempt in Equatorial Guinea. The fourth section concludes, and speculates that the emergence of an active booty futures market in Africa around 1989 may be one reason why so many resource-rich African states have failed.

1. Civil War and Natural Resources

Many cross-national studies show that civil wars are correlated with the presence of mineral wealth.[1] Collier and Hoeffler [1998, 2004] find that states that rely heavily on the export of natural resources face a much higher risk of civil war than resource-poor states. Fearon and Laitin [2003], who use a different data set, find that countries that export oil – but not other types of primary commodities – are more likely to undergo a civil war. A separate study by Fearon [2004] finds that the presence of "lootable" resources like drugs and diamonds tends to make existing civil wars last longer. Buhaug and Gates [2002] show that when mineral resources are present in a conflict zone, the conflict is likely to become more geographically extensive. Looking only at Africa, Buhaug and Rod [2005] show that conflicts are more likely to arise in sub-national regions that harbor oil wells.[2]

Yet scholars do not agree on the causal mechanism, or mechanisms, that link natural resources to civil war. Three arguments have gained prominence: a "weak states" hypothesis, a "separatist incentive" hypothesis, and a "looting" hypothesis.[3]

The first suggests that mineral wealth leads to civil war by making central governments weaker. Fearon and Laitin [2003, 87] suggest "Oil exports may be relevant not so much because they finance rebel groups but…because they mark relative state

[1] I use the term "mineral wealth" to include petroleum.
[2] For a review of studies of natural resource wealth and civil war, see Ross [2004b].
[3] There are many other contenders, though: see Le Billon [2001], Ross [2004b], and Humphreys [2005]. In general, these causal mechanisms are not mutually exclusive: some combination of them may be simultaneously true.

weakness at a given level of income." This argument is consistent with several studies of oil-rich authoritarian states that argue that when governments have access to abundant oil wealth, they fail to develop a bureaucracy that is effective at raising tax revenues, and by extension, is ineffective in other realms [Mahdavy 1970; Beblawi and Luciani 1987; Karl 1997].

The second claim suggests that mineral wealth leads to separatist conflict by giving resource-rich regions an economic incentive to become independent [Le Billon 2001, Collier and Hoeffler 2002, Ross 2003]. Collier and Hoeffler [2002] further suggest that popular expectations about the mineral wealth in insurgent regions are often mistaken, since people commonly exaggerate the value of the rents available for capture. This is consistent with the case of Aceh's independence movement in Indonesia, which has persistently made inflated claims about the value of the province's natural gas wealth [Ross 2005].

Finally, the "looting" hypothesis, which comes from the work of Collier and Hoeffler [1998, 2004], contends that insurgent groups are much like firms in an industry with high start-up costs: while it is difficult for them to raise start-up funds, once they become sufficiently large, they can become self-financing by taxing or extorting money from citizens under their direct control. Until they reach this critical size, however, they must find some outside source of funding to feed, clothe, and arm their soldiers.

Collier and Hoeffler argue that insurgents often raise start-up funds by looting and selling natural resources. The extraction of natural resources, they note, can produce unusually large profits (i.e., rents); mining projects are also tied to a specific location and cannot be moved. These characteristics make natural resource firms – particularly mineral firms – unusually susceptible to looting, or extortion, on a sustained basis. If rebels instead try to loot or extort money from manufacturing firms, the firms will move to a safer area, or be forced out of business. But mining firms cannot move, and they often earn enough money to pay off rebel groups and still earn a profit.

It is difficult to find case study evidence, however, that supports this argument. If Collier and Hoeffler are correct, we should observe rebel groups raising funds by selling natural resources, or extorting money from the resource sector, *before* a conflict has begun. If they only profit from resources after a war has begun, we cannot infer that resource predation helped start the war.[4] Yet nascent rebel groups generally lack the skill and capital to exploit most kinds of natural resources on their own, for example, by operating oil or gas fields, mines, or even timber concessions.

Certain natural resources – like diamonds and other types of precious stones – can sometimes be extracted from alluvial plains with little training or investment. Yet there are no known cases of rebel groups looting diamonds or other gemstones *before* initiating a civil war. Ross [2004b] examined thirteen civil wars in resource-dependent states between 1990 and 2000; he found nine cases in which rebel groups raised money from the extraction or sale of natural resources once the war was underway, but no cases in which they extracted or sold resources before the war began.[5] Rebels evidently find it hard to exploit natural resources in the beginning stages of a conflict; it only seems possible after they become powerful enough to hold and defend their own territory.

Do emerging rebel groups instead raise funds by extorting money from others in the resource industry? This, too, seems quite difficult. Resource companies are often large and protected by elaborate security arrangements – particularly in poor and unstable countries – either in collaboration with the host government, or by hiring private security firms. Some budding rebel movements have tried to extort money from resource firms and failed.[6] The Ross study found just one case (Sudan) in which a rebel group succeeded in extorting money from a firm linked to the resource sector, before the outbreak of hostilities; even in this case, the sums appeared to be small. It is evidently hard for insurgents to engage in large-scale extortion until they can hold their own territory, fend off government counteroffensives, and hence credibly threaten resource firms with violent retribution.

2. Booty Futures

[4] Of course, if rebels raise money from resource looting once a war has begun, it may lengthen the war or increase the casualty rate – which are equally worrisome, but distinct phenomena.

[5] The cases are Afghanistan, Angola, Burma, Cambodia, Colombia, the Congo Republic, the DRC 1997, the DRC 1998-2001, Indonesia, Liberia, Peru, Sierra Leone, and Sudan.

[6] See, for example, the case of the Acehnese independence movement in Indonesia, discussed in Sjamsuddin [1984]. It was unsuccessful.

My argument about booty futures might be seen as an amendment to the "looting" mechanism – one that supports its basic logic, but explains why we fail to observe rebel groups selling natural resources before conflicts begin. Nascent rebel groups may be unable to physically loot a country's natural resources; but the booty futures market allows them to raise start-up funds by trading the future right to exploit their nation's resources for financial backing.

If an aspiring rebel group has no money, but has some nonzero probability of capturing valuable resources in combat, it can sell off the future right to exploit the resources it hopes to capture, either to a foreign firm or a neighboring government. The rebels can then use this money to pay soldiers and buy arms, and thus gain the capacity to capture the promised resource. Since rebel groups in resource-poor countries do not have this option, they are less likely to finance their start-up costs, and less likely to launch a civil war.

It is important to distinguish the sale of booty futures from the more common sale of natural resources during wartime. The UN Security Council, the media, and NGOs have rightly called attention to the trade in "conflict diamonds," which have been sold by combatants in Angola, Sierra Leone, and the DRC to fund their war efforts. But the sale of booty futures is different: it is the sale or trade of *future* rights to natural resources that are not yet under the seller's control – resources that the seller hopes to capture in battle.

Since these transactions are for the sale of future exploitation rights, I refer to them as booty *futures*. They might be likened to the sale of other types of commodity futures. But while typically markets for commodity futures – like the Chicago Board of Trade – are formal, regulated, centralized at a single location, and have many buyers and sellers, the African market for booty futures is informal, often covert, has no fixed location, and includes a relatively small number of actors.

The market for booty futures is in some ways more dangerous than the standard market for conflict diamonds and other wartime commodities, since the booty futures market tends to benefit the weakest combatants. When a combatant in a civil war sells natural resources that are under their control, it indicates they are in a relatively strong military position, since they already control a valuable piece of territory. But if they must sell resource futures, it implies they are in a weak position, since they have not yet captured they resource whose value they hope to exploit. The sale of booty futures is a tool of the weak against the strong: it helps fund groups that are too poor, or too weak, to capture territory on their own, and might otherwise be forced to surrender. It hence tends to fund the initiation of civil wars that might otherwise never begin, or help lengthen wars that are on the verge of ending.

What makes the sale of booty futures dangerous is its self-fulfilling properties. If a rebel group is unable to sell the future right to exploit a resource, it might not have the funds it needs to capture the resource itself. Selling the future right to the resource makes its seizure possible. Without the futures market, the rebel offensive – and perhaps the conflict itself – would be less likely.

The trade in booty futures can not only help initiate conflicts, it can lengthen pre-existing conflicts. If either side in a civil war is near defeat, and it is fighting for control of resource-rich territory, it can try to sell off the future right to exploit the resources it hopes to capture or retain on the battlefield. Again, the sale of booty futures can have self-fulfilling properties: the sale of future rights enables an army to actually capture or hold the resource itself. Instead of being defeated or forced to the negotiating table, the army is able to continue fighting – thus lengthening the war.

The impact of the booty futures market can also be described more abstractly. Imagine that a state whose economy was based entirely on resource extraction was in the middle of a civil war between two armies of similar size and weaponry; assume that a financing advantage could be directly translated into a military advantage; and further assume that neither side had any foreign funding. Under these simplified conditions, the conflict should have the properties of a tipping game: the side that controlled 51 percent of the country's natural resources would have an insurmountable advantage, since even a small financial edge would give it the ability to capture an ever-larger fraction of the country's natural resources, which would in turn give it an even-larger financial advantage, and so on. But if the disadvantaged side can sell booty futures, it can offset the other side's financial advantage, and hence prolong the conflict.[7]

[7] I assume that strengthening the weaker side in a conflict will tend to lengthen the conflict. This is consistent with the findings on international conflicts in D. Scott Bennett and Alan C. Stam III "The Duration of Interstate Wars, 1816-1985," Vol. 90, No. 2 (June

In principle, combatants could sell futures for any type of war spoils, not just mineral resources. In practice, minerals appear to be the only commodities for which – according to available information on rebel finance – future exploitation rights have been sold. This is may be because minerals have two unusual qualities. First, they are almost always owned by the state; hence, rebel armies that hope to displace the state – and the firms that deal with these armies – believe they can legitimately buy and sell mineral rights. Agricultural commodities, by contrast, tend to be privately owned, and insurgent groups (and the companies they work with) may find it unattractive to expropriate them from local landowners.

Second, minerals can be exploited under conditions of instability and chaos, since they are often found in remote areas, geographically concentrated, and processed abroad. Agricultural commodities are harder to exploit during wartime, since they are less remote, geographically extensive, and often rely on the presence of a large labor force to harvest and process locally. Oil, for example, can be extracted from remote areas by a small numbers of workers and immediately shipped abroad for processing; this allows it to be isolated from combat. In cases where the oil is offshore – for example, in Angola, Equatorial Guinea, and the Congo Republic – it is pumped directly from sea-based platforms onto ships leaving for foreign ports, without touching the soil of the country at war. Cocoa beans, by contrast, must be harvested by hand, shelled, dried in the sun for two weeks, and processed before being exported – a much riskier procedure during a civil war. As a result, it is hard for firms to profit from agricultural commodities during wartime, but relatively easy to do so from the sale of minerals.

The sale of booty futures is not an entirely new phenomenon. In 1960, the Katanga rebellion in the Democratic Republic of Congo, led by Moïse Tshombe, was bankrolled by a Belgian mining firm, Union Minière du Haut Katanga; in exchange, the firm apparently sought future mineral rights [Gibbs 1991]. During Algeria's war of independence, the Italian oil company ENI reportedly supplied money and arms to the National Liberation Front (FLN) in exchange for future "considerations" [Le Billon

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1996), *American Political Science Review*, pp. 239-257. Note, however, that if the stronger side sells booty futures, it may shorten a conflict.

2004?]. Both of these cases can be considered booty futures trades, in which insurgent groups sold future mining rights to foreign firms, in order to raise money for their armies.

Still, the sale of booty futures has grown far more common since the late 1980s, alongside a new generation of African civil wars. One reason for this growth has been the withdrawal of foreign sponsorship for both insurgents and governments across Africa. In part, this was a result of the end of the Cold War, and superpower competition for the loyalty of African regimes; in part, it was due to changes in the policies of two governments, France and Libya, that had intervened extensively in many African conflicts; and in part, it was due to the collapse of apartheid in South Africa, and consequently, an end to South African support for its allies in southern Africa. These changes pushed both governments and rebel movements – for example, in Angola, the DRC, Liberia and Sierra Leone – to find other ways to fund their armies.

In Asia and Latin America, insurgent movements have also raised money through the sale of natural resources: in Afghanistan in the late 1990s, the Northern Alliance bankrolled itself by selling lapis lazuli; in Cambodia, the Khmer Rouge raised money by selling timber and rubies; in Burma, rebel armies on the eastern border sold jadeite and opium paste; and in Colombia, the FARC, and Peru, Sendero Luminoso, have financed their causes by selling cocaine [Ross 2004].

Yet only Africa has seen the development of a *futures* market for war booty. Why? There is no obvious answer. One reason may be simple path dependence: a precedent that was set in the 1960s became a model for subsequent rebel movements, governments, and financiers. Another reason may be that many African governments are relatively weak, and non-governmental actors – including tribal and village leaders, and regional warlords – are relatively strong. Over the last several decades, mining firms may have worked more closely with non-governmental actors in Africa than in other regions, where governments jealously guard their control over mineral rights [Reno 1995, 1998]. This may have smoothed the way for direct contracts – including booty futures contracts – between mining firms and aspiring rebel groups.

3. The Sale of Booty Futures: Six Cases

Since sales of booty futures are carried out in secrecy, and often entail informal arrangements, they are difficult to document. Still, there is good evidence that the sale of mineral futures played an important role in initiating or lengthening four recent civil wars in Africa: in the Congo Republic, Sierra Leone, Angola, and the Democratic Republic of Congo. It may have also occurred in a fifth case (Liberia), discussed below, although the evidence is less clear. In a sixth case (Equatorial Guinea) there is good evidence that booty futures were sold to finance a coup attempt, which was unsuccessful.

In most of these cases, combatants have engaged in both regular sales of natural resources – which have been better publicized – and the sale of both booty futures. In Sierra Leone and the DRC, the widespread availability of mineral wealth may have also contributed to the weakness of the central governments, even before the conflicts began. To make the case studies more complete, I mention each of these effects, while focusing on the sale of booty futures.

Congo Republic

The war in the Congo Republic (also known as Congo-Brazzaville) broke out in early June 1997. The first four months of the war cost 10,000 lives, displaced 800,000 people, and destroyed much of Brazzaville, the capital city. Following a brief lull, war erupted again the following year, until a cease-fire took hold in November 2000.

The war began when President Pascal Lissouba sent government forces to surround the private compound of his chief rival, Denis Sassou-Nguesso. Sassou was Congo's President from 1979 to 1992; he also hoped to be President once again, and was running in an upcoming election. Sassou had his own private militia, and the civil war was triggered when his militia clashed with government troops outside his compound.

Sassou's private militia was funded, in part, by the sale of future exploitation rights to the Congo's substantial oil reserves. On the eve of the conflict, Sassou received substantial assistance from a French oil company, Elf-Aquitaine (now TotalFinaelf).

Some reports suggest he received $150 million in cash; others state that Elf helped him purchase arms.[8]

Elf-Aquitaine had good commercial reasons for purchasing oil futures from Sassou. When Sassou was President between 1979 and 1992, he had been exceptionally close to both Elf and the French government; in turn, Elf had almost exclusive control of the Congo's oil industry. When Lissouba took over as President in 1992, the new President began to open the country's oil industry to other firms, including Occidental Petroleum, Exxon, Shell, and Chevron. Elf supported Sassou's bid to replace Lissouba in order to regain its dominant position in the Congolese oil industry.

Longtime observers of francophone Africa might wonder if Elf was really backing Sassou for commercial reasons, or – acting on behalf of the French government – for political reasons. Until 1994, Elf was a state-owned company, and worked closely with the French government to promote French political interests in Africa. But in 1994 it was privatized, and its new leadership adopted a more commercial approach to Elf's relations with foreign governments.[9] Although Elf's involvement in the Congo war has now been scrutinized in both the media and the French and Belgian courts, there is little to suggest that Elf's support for Sassou was on behalf of, or at the direction of, the French government.

Sassou was not the only one in the Congolese conflict who looked to the booty futures market. Once fighting erupted in June 1997, the incumbent President, Lissouba, desperately needed arms to put down the rebellion. In July 1997, Lissouba's government approached Jack Sigolet, who had long worked as Elf's financier at FIBA, a French bank. According to an interview that Sigolet later gave to a Belgian newspaper,

> In late July [1997], Congolese officials were already questioning me about the possibility of arranging pre-financing involving crude oil…If I remember correctly, they needed $50 million. My concern was to find out how many barrels they had available. They indicated that they had access to 10,000 barrels a day,

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[8] See Martine-Renée Galloy and Marc-Éric Gruénai, "Fighting for power in the Congo," *Le Monde diplomatique*, November 1997; "Angola aids Congo to corral Unita," Johannesburg Mail and Guardian, October 17, 1997.
[9] See, for example, Dominique Gallois, "Oil giant turns slick in Africa," *Le Monde*, November 7, 1997.

which could potentially later be increased to 15,000 in October. I prepared a conventional crude contract, not knowing who the buyer would be.[10]

Fortunately, Lissouba was unable to find anyone to purchase these futures: he was rapidly losing the war and was perhaps too risky to bet on. Had he succeeded, however, in selling $50 million in oil futures, the war may have been even longer and costlier than it was.[11]

Sierra Leone

The civil war in Sierra Leone began in 1991 and gradually subsided in 2001, following the 1999 Lomé peace agreement and the incarceration of Foday Sankoh, the leader of the Revolutionary United Front (RUF). The sale of booty futures helped finance RUF's initial incursion into Sierra Leone, and twice helped prolong the war by saving the government from defeat. Over its ten-year duration, the war produced between 20,000 and 50,000 deaths and displaced at least one-third of the country's population.

The Sierra Leone war was in part the result of the security problems that often accompany large deposits of easily-accessible alluvial diamonds.[12] The government had long had difficulty exercising its authority over the diamond fields, which was home to tens of thousands of unlicensed miners, plus a network of armed gangs, private armies and paramilitary forces that sold protection services to miners and traders.[13] Before the 1980's, however, the diamond fields had less political and economic importance for the government. From the 1930s to the 1960s, Sierra Leone had a robust, mineral-based economy that produced iron ore, gold, bauxite, and rutile (titanium oxide), in addition to

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[10] Alain Lallemand, "June 1997, Civil War: Lissouba Needs Weapons and Money," *Le Soir* (Brussels), July 7, 2001, p. 7.

[11] Shortly after he was removed from office, Lissouba sued Elf in French courts, accusing Elf of helping overthrow him. Paradoxically, he claimed that Elf offered him arms and money for his "war-chest." See "Ex-Congo President tells judge he was offered arms and money by Elf," Agence France Presse, December 19, 2001.

[12] Sierra Leone had both *kimberlite* diamonds, which are diamonds located deep underground and can only be extracted with heavy equipment, and *alluvial* diamonds, which are scattered in the soil of alluvial plains, and can be extracted by unskilled workers with little training or equipment.

[13] In fact, the mining area was the site of major protests as early as 1955. See Reno (1995) op. cit.; Paul Richards, *Fighting for the Rain Forest: War, Youth, and Resources in Sierra Leone*. Oxford: James Currey (1996).

diamonds. Most of these resources were mined by foreign firms or state-owned companies that provided the government with large revenues, and enormous patronage resources. But in the 1970s and early 1980's Sierra Leone's iron ore and kimberlite diamonds were worked out. The mining of alluvial diamonds by informal methods became, by default, the country's main source of non-agricultural wealth.

Even before the RUF invasion, Sierra Leone's dependence on alluvial diamonds was causing problems for the government: instead of generating revenues, the diamond fields were generating extraordinary levels of corruption – a entire "shadow state," according to one scholar [Reno 1995]. In 1988, on the eve of the civil war, official diamond exports were worth $22,000, while illicit diamond exports were worth perhaps $250 million [Reno 1998].

As long as the national economy was otherwise in good shape, the government was able to manage the corruption, warlords, and private armies that arose around alluvial diamond mining. But in the 1980s the country entered an economic crisis, due to the high price of imported oil, dropping commodity prices, the mining out of kimberlite diamond and iron ore deposits, and economically ruinous government policies. From 1975 to 1990, government revenues dropped from 14.5 percent to just 3.9 percent of GDP. Moreover, in 1985 the politically artful President, Siaka Stevens handed power over to his less adept successor, Joseph Momoh. One consequence was the deterioration of the central government's ability to manage security in the diamond-rich areas. Poor state control, and weak and corrupt state institutions, made it easier for RUF to succeed.

Sierra Leone's civil war commenced in March 1991 when a handful of fighters associated with RUF first crossed the border from Liberia. The Liberian leader, Charles Taylor, helped organize and support the invasion; indeed, soldiers from Taylor's army made up part of the RUF incursion.[14] Taylor apparently had several motivations, one of which was to gain access to Sierra Leone's diamond fields, which were less than 100 miles from the Liberian border.[15] The RUF leadership was well aware of the value of the

[14] United Nations Panel of Experts, "Report of the Panel of Experts Appointed Pursuant to Security Council Resolution 1306 (2000), Paragraph 19, in Relation to Sierra Leone," United Nations Security Council S/2000/1195, December 20, 2000.

[15] Taylor may have had at least three other motivations. One was to punish the Sierra Leone government – then headed by President Joseph Momoh – for sending troops to

diamond areas; RUF included a number of men who had been diamond miners themselves. The RUF leadership apparently agreed to give Taylor access to Sierra Leone's diamonds in exchange for Taylor's support for RUF's invasion.

This diamond futures-for-troops arrangement can be seen as a sale of booty futures. If Sierra Leone had no diamonds, or if RUF was unwilling to sell their exploitation rights, Taylor's active support of RUF would have been less likely. The RUF incursion was not funded by the sale of actual diamonds, but the promise of future sales.

Once the war began, alluvial diamonds provided RUF with a substantial income. According to a UN Panel of Experts, between 1991 and 1995, RUF diamond mining was done on a "sporadic and individual basis." During the mid-to-late 1990s, however, RUF focused more directly on diamond mining, producing between $25 million and $125 million in diamonds per year. Diamonds were the primary source of RUF's income, and according to the UN Panel, "internal RUF communications regularly refer to the importance of diamonds".[16]

At two separate junctures, the sale of booty futures – this time by the government – prolonged the war. In March 1995, RUF had taken control of the country's main diamond fields and advanced to within 20 miles of the capital. To stave off defeat, the government offered future mining rights to the Kono diamond fields – then in rebel hands – to Branch Energy, a South African company. In exchange, the government received the services of a South African mercenary firm, Executive Outcomes, which was closely linked to Branch Energy. The strategy proved highly successful for the government: by the end of 1995, Executive Outcomes had captured the Kono diamond fields, turned them over to Branch Energy to manage, and put RUF on the defensive. It was somewhat less

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participate in the peacekeeping operations in Liberia organized by ECOWAS (the Economic Community of West African States). A second was to gain control of the black market in the border areas, and a third may have been to expand his influence over the West African region beyond Liberia's borders. On the origins of RUF, and Taylor's motivations, see Ibrahim Abdullah, "Bush path to destruction: the origin and character of the Revolutionary United Front/Sierra Leone," *The Journal of Modern African Studies,* Vol. 36, No. 2 (1998), pp. 203-235; Richards, op. cit.; ibid.

[16] UN Panel of Experts 2000, op. cit.

successful for Executive Outcomes, which was never fully paid for its services by the cash-strapped government[Hirsch 2001].

The government also traded diamond futures for military support a second time, two years later, when it once again teetered on the edge of defeat. In May 1997, the government of President Ahmad Tejan Kabbah was overthrown by a group of junior military officers and was forced into exile. Over the next three months, Kabbah was approached by a series of businessmen who offered to purchase future diamond concessions; the proceeds, in turn, could finance a counteroffensive that would bring Kabbah back to power. One businessman was Rakesh Saxena, a banker from Thailand, who offered to buy $10 million in diamond futures. Another was Jean-Raymond Boulle, chief executive of American Mineral Fields, whose company made a similar transaction in The DRC several months earlier.

In December 1997, Kabbah decided to sell diamond futures to Saxena; he then used the proceeds to hire the services of Sandline, a London-based mercenary firm. Over the next three months, Sandline and Nigerian forces (who were operating under the authority of the Economic Community of West African States) launched a military offense that forced the junta from power. In March 1998, Kabbah returned to Freetown, the Sierra Leone capital, and was restored as President.[17]

Angola

The war in Angola began in the 1960s as a struggle against Portuguese colonial rule. Shortly after Angolan independence in 1975, it turned into a battle between the new government, which was backed by the Soviet Union and Cuba, and the rebel National Union for the Total Independence of Angola (UNITA), which was supported by the U.S. and South Africa. When outside powers withdrew their funding in the late 1980s and early 1990s, each side began to rely more heavily on the nation's natural resources – primarily oil and diamonds – to fund its armies. By the time UNITA and the government signed a cease fire in April 2002, at least 500,000 had been killed and one-third of the population was displaced.

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[17] Ibid.; Africa Confidential, "Chronology of Sierra Leone: How diamonds fuelled the conflict," from www.africa-confidential.com/special.htm. Downloaded August 15, 2001.

Since the early days of the war, the government's most important source of income has been oil; because almost all of it is offshore – and beyond the reach of UNITA – it has been relatively easy for the government to protect. Oil's importance to the government grew dramatically over the course of the conflict, due to three factors: a steady rise in the volume of oil exports, thanks to the discovery of new offshore reserves; the gradual collapse of Angola's land-based economy due to the war, which left the government with little else to tax; and in the early 1990s, the withdrawal of Soviet and Cuban support. By 1996, the oil industry provided the government with 89 percent of its total revenues, and accounted for 58 percent of Angolan GDP – despite the fact that the vast majority of the oil was produced offshore and immediately exported without touching Angolan soil.[18]

While Angola's oil remained in the government's hands throughout the war, control of its diamonds shifted back and forth. In the initial years of the conflict, most of the diamond areas were occupied by government forces, although UNITA at times held smaller diamond-producing areas in southern Angola.[19] In the mid-1980s, however, UNITA set up bases in the diamond-rich Lundas, in northeast Angola. At first it gained revenue by attacking mines and establishing protection rackets; later it began to act more like a government, controlling and taxing both mines and miners. As UNITA's diamond revenues grew, the government's diamond revenues dropped; after 1986, UNITA's diamond revenues exceeded the government's.[20]

In 1992-93, UNITA waged a brutal offensive that brought more than 70 percent of the country – including all of its diamond-rich areas, and the northern oil town of Soyo – under its control. Desperate to raise money to fund a counteroffensive, but cut off from its principal sources of revenue, the government turned to the sale of booty futures. In one deal, the government signed a contract with International Defence and Security (IDAS), a private military services company, hiring it to retake the diamond fields near

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[18] Global Witness, "A Crude Awakening," (2000), available at www.globalwitness.org.
[19] William Minter, *Apartheid's Contras: an inquiry into the roots of war in Angola and Mozambique*, (1994) London: Zed Books.
[20] Shawn H. McCormick, *The Angolan Economy: prospects for growth in a postwar environment*, (1994) Washington DC: Center for Strategic and International Studies; Philippe Le Billon, "Angola's Political Economy of War: the role of oil and diamonds 1975-2000," *African Affairs*, Vol. 100 (2001), pp. 55-80.

the border with Zäire; in exchange, the government offered IDAS a share of the contested diamonds.[21]

In another deal, the government sold DeBeers, the international diamond cartel, offshore diamond prospecting rights for $7 million. In a third contract, the government apparently sold seven years of oil futures; it then used the proceeds to purchase $3.5 billion in military equipment. It spent part of the proceeds to hire Executive Outcomes to train and advise government troops, at a cost of $135 million for the first two years. [22] Executive Outcomes also manned its own 'Special Units' that fought alongside government troops, and apparently played a major role in the recapture of Cafuno, which was the center of the diamond trade in the province of Lunda Norte.[23]

The government's sale of oil and diamond futures was militarily successful: by late 1994 UNITA had lost control of all of its significant urban and commercial footholds, and was forced back to the negotiating table. Yet thanks in part to the government's renewed strength, the war continued for another seven years.

The government's 1993-94 initiative – financed in part by booty futures – was a critical turning point. Although UNITA retained important diamond-producing areas, the organization became riddled with corruption: much of the weaponry it purchased in 1995-97 was simply resold to forces in Zaire, Zambia and Namibia.[24] And some of the weapons that UNITA purchased were used by its special diamond protection forces, instead of for combat.

Between 1996 and 1999 UNITA's diamond revenues dropped sharply – due to the loss of territory, the depletion of alluvial diamonds in the Cuango Valley, and (to a lesser extent) the imposition of U.N. sanctions. The loss of revenues left UNITA militarily weakened and crippled by fuel shortages. In 1999 and 2000 UNITA lost much of its remaining territory, following a series of highly-successful government attacks. UNITA

[21] Johan Peleman, "Mining for Serious Trouble: Jean-Raymond Roulle and his Corporate Empire Project," in Musah and Fayemi, op. cit., pp. 155-168.
[22] O'Brien, op. cit.
[23] Alex Vines, *Angola and Mozambique: The Aftermath of Conflict*, Conflict Studies No. 280 (London: Research Institute for the Study of Conflict and Terrorism, 1995).
[24] Human Rights Watch, Angola Unravels: the rise and fall of the Lusaka peace process, (1999) New York: Human Rights Watch.

and the government signed a cease-fire in April 2002, just months after its leader, Jonas Savimbi, was killed by government forces.

Democratic Republic of Congo

The war in the Democratic Republic of Congo (sometimes known as Congo-Kinshasa, formerly Zäire) is extraordinarily complex. The conflict drew in the troops of seven other African countries, who fought alongside perhaps a dozen Congolese armies and militias; it is sometimes called "Africa's first world war." The conflict has been closely linked to the exploitation of the country's vast mineral resources, which include diamonds, copper, cobalt, gold, and coltan.[25] In 2001, the Red Cross estimated that the war had led, directly and indirectly, to over two million deaths during the previous five years.

As in Sierra Leone, the DRC's reliance on alluvial diamonds prior to the civil war had weakened the government's territorial authority, and made it a more inviting target. The Congolese government's territorial powers were already weak, thanks to the nation's vast terrain, arbitrary boundaries, ethnic heterogeneity, dispersion of the population, and virtually nonexistent infrastructure. Mineral wealth made this problem worse, particularly after 1983, when the minerals sector began to shift from industrial mining (which strengthened the central government's territorial powers) to small-scale alluvial mining (which weakened these powers).

Until 1983, the Congo's minerals industry was based on large-scale industrial techniques that required substantial foreign investment, and a significant presence of foreign managers. These enterprises also entailed a significant role for the government, which could both regulate these investments (and the trade they generated) and collect taxes, royalties, and bribes from them. After the mid-1980s, however, this infrastructure gradually declined, and along with it, Congo's mineral exports, due to excessive corruption, instability, and looting by the army, and the government's failure to invest in the upkeep of mining equipment. The Cold War's end weakened the regime further, as

[25] Coltan (columbite-tantalite) is rich in tantalum, which is used in the manufacture of many high-tech products.

President Mobutu's Western allies – along with the World Bank – ended their support for his regime.

At the same time, small-scale mining of alluvial diamonds and coltan rose sharply. In 1983, the mining sector was liberalized, and alluvial diamond mining became legal. New diamond beds were discovered in northeastern Congo in the early 1990s, and alluvial diamond mining soared.

Unlike industrial mining, small-scale mining weakened the state's territorial powers: it required no foreign investment – in fact, it was typically carried out by small teams of workers with shovels and sifters; it could be done without the knowledge or approval of the central government, although it often required the approval of local officials; and the products it generated – diamonds, gold, and coltan – were usually smuggled out of the country, and hence produced little or no state revenue.

The shift from industrial mining to small-scale mining had two other important political consequences. The decline of major foreign investment projects almost certainly reduced Mobutu's patronage resources, which may have further weakened his government's ability to retain the loyalty of local officials and strongmen. And the rise of small-scale mining helped foster independent military units that were economically and politically autonomous from the government. Some units were organized by local strongmen, who sold protection to small-scale miners; sometimes miners themselves would organize their own self-defense units. In other cases, DRC military units were forced to become self-financing, and organized themselves around commerce in diamonds, gold, coffee, timber, cobalt, and arms. One general sold protection services to alluvial diamond miners in Kivu; another general used his unit to ship cobalt from the Shaba province to Zambia.[26]

By the early 1990s, these developments had helped produce an economy that was heavily dependent on the smuggling of minerals, and a state that had little influence over most of the country. According to Herman J. Cohen, former U.S. assistant secretary of state for Africa,

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[26] Janet MacGaffey, *The Real Economy of Zaire* (1991), Philadelphia: University of Pennsylvania Press; Reno 1998, op. cit.

> To say that Zaïre has a government today would be a gross exaggeration. A small group of military and civilian associates of President Mobutu, all from the same ethnic group, control the city of Kinshasa by virtue of the loyalty of the 5,000-man Presidential Guard known as the DSP. This same group also controls the Central Bank which provides both the foreign and local currency needed to keep the DSP loyal. While the ruling group has intelligence information about what is going on in the rest of Zaïre, there is no real government authority outside the capital city.

The war has had two discrete phases. The first ran from October 1996 to May 1997, when the government of President Mobutu Sese Seko was defeated by a rebel force named Alliance des Forces Démocratiques (AFDL), which was headed by Laurent-Desiré Kabila, and backed by the Rwandan and Ugandan armies. The second phase began in mid-1998, when Kabila had a falling out with his Rwandan and Ugandan allies. The latter two withdrew from the country, then in August 1998 re-entered to attack the Kabila government.

The sale of booty futures has played a key role in the conflict twice: in the first phase, aiding Kabila's victory over Mobutu, and in the second phase, saving the Kabila government from almost certain defeat.

In April 1997, the Rwandan and Ugandan armies had helped Kabila take over most of the eastern Congo, and to defeat the Hutu militia that was once the Rwandan army, but that was now living in exile in Congo. Despite this success, Kabila and the AFDL were still thousands of miles from the capital, Kinshasa, which is in the western part of the country. To raise the money he needed to take Kinshasa, Kabila and the ADFL sold booty futures to American Mineral Fields (AMF), a small US-based mining firm: in exchange for an undisclosed sum of cash (and apparently, the use of AMF's chartered Lear jet), AMF received a diamond-purchasing monopoly, and after the war, exploration rights to huge reserves of Congolese cobalt, zinc, and copper. When the deal was announced, the price of AMF stock on the Toronto Stock Exchange rose from $3 to

$7; when Kabila entered Kinshasa and took over the country several weeks later, it rose to $10.[27]

The war's second phase began when Kabila broke ranks with his erstwhile Rwandan and Ugandan allies. The latter two withdrew from the DRC, then in August 1998, the Rwandan army reentered the country to attack the government; it was soon joined by armies from Uganda and Burundi.

In September 1998, Rwandan troops were on the verge of entering the capital, Kinshasa, and removing the Kabila government; had they succeeded, the war might have ended several weeks after the second phase began. Instead, Kabila appealed to Zimbabwe for assistance; in exchange, he offered both current and future mineral rights. Kabila later purchased support from Angola, Namibia, China, and North Korea, compensating each of them with mining rights.[28]

According to an April 2001 report issued by the United Nations Security Council,

> The former Government of the Democratic Republic of Congo often used the potential of its vast resources in the Katanga and Kasai regions to secure the assistance of some allies or to cover some of the expenses that they might incur during their participation in the war. Among all of its allies, Zimbabwean companies and some decision makers have benefited the most from this scheme.[29]

Thanks to these arrangements, a variety of Zimbabwean companies were established to profit from the Congo's minerals sector, often through joint ventures with state-owned Congolese companies. Some of the Zimbabwe companies were partly owned by the Zimbabwe Defense Force; others were owned by individual Zimbabwean officers.[30]

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[27] Peleman, op. cit.

[28] The UN Panel of Experts found that Angola and Namibia were offered mining concessions "as a sign of gratitude rather than an incentive for their support" – unlike Kabila's arrangement with Zimbabwe, where the barter was more apparent.

[29] UN Panel of Experts, "Report of the Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of the Democratic Republic of Congo (S/2001/357)," United Nations Security Council, April 12, 2001, par. 157.

[30] Ibid; also see Chris Gordon, "Zimbabwe army seeks payback in Congo," Daily Mail and Guardian (Johannesburg), October 1, 1999. On the war in the DRC generally, see the International Crisis Group, *Scramble for the Congo: Anatomy of an Ugly War*, ICG Africa Report No. 26, December 20, 2000.

For Kabila, the strategy of trading future mining rights for military assistance was successful: Zimbabwe's President Robert Mugabe rushed 13,000 troops to the Congo and saved Kabila's government. The result, however, was a prolonged military stalemate that has drawn in troops from all over Central Africa, killed several million people, and resulted in the looting of Congo's resource base.

Kabila's opponents were also influenced by the DRC's mineral wealth. For the officers of the Ugandan army, personal profit was apparently a significant motive; in Rwanda, the government's actions reflected the belief – which was subsequently proved correct – that resource looting would help offset the cost to the government of the invasion, which might have otherwise been prohibitive. Rwanda's President Kagame called the DRC conflict a "self-financing war"; and once inside the DRC, the Rwandan army established well-disciplined procedures for extracting Congolese resources and using them to fund the military effort.[31]

Liberia

Liberia's civil war lasted from December 1989 to August 1996; perhaps 60-80,000 people died in the conflict. Although the main rebel group, Charles Taylor's National Patriotic Front of Liberia (NPFL), may have used booty futures to begin their movement, no unambiguous evidence is available. Once the conflict began, however, Liberia's natural resource wealth exacerbated the conflict by providing funding to the NPFL and other rebel armies, and by giving them an economic incentive to avoid a peace accord.

The conflict began on Christmas Eve 1989, when Taylor led 100 troops from the NPFL into Liberia from neighboring Côte D'Ivoire. Taylor was plainly determined to depose Liberia's President, Samuel Doe, and claim the presidency for himself; he was supported by the leaders of Côte D'Ivoire and Burkina Faso, and had earlier received training from the Libyan government.

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[31] Even in 2002, after the Rwandan, Ugandan, and Zimbabwean armies withdrew most of their troops from the DRC, their governments continued to profit from the country's natural resources – thanks to joint ventures and local militias they had left behind. See UN Panel of Experts, "Final report of the Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of the Democratic Republic of the Congo," Security Council S/2002/1146, October 16, 2002.

According to Ellis, just before the invasion Taylor met with businessmen who hoped to gain access to Liberia's iron ore and timber; Taylor reportedly received "sympathetic attention" from them. Ellis is uncertain, however, whether these businessmen actually helped finance Taylor's efforts.[32]

In July 1990, the NPFL reached the capital of Monrovia and appeared ready to overthrow the Doe government. Yet Taylor's forces were halted by a combination of foreign pressures and internal fissures. For the next six years the war bogged down and all parties turned to looting for both personal enrichment and to sustain their forces; a large fraction of the looting revenues came from natural resources, including diamonds, gold, iron ore, rubber, timber, marijuana, palm oil, coffee, and cocoa. Taylor earned about $75 million a year in the early 1990s from Liberia's mining, logging, and rubber sectors.[33]

Not all of the resource revenue went to the NPFL. Beginning in July 1990, the NPFL split into contending factions, some of which also split into factions; many of them were also funded by resource looting. Even ECOMOG, the Nigerian-dominated peacekeeping forces, engaged in looting, and the taxation of timber and rubber exports; at one point, Nigerian troops in the port city of Buchanan dismantled and exported equipment from the city's iron ore processing plant. The trade in lootable goods extended well beyond the country's natural resources; Reno notes it included "stolen autos, stockpiled iron ore, building materials, office equipment, and even street light poles and zinc roofing."[34]

Liberia's abundant resource wealth may have also made the war more difficult to end. Between June 1990 and August 1996 the parties signed fourteen peace accords, thirteen of which failed. There were many reasons for these failures, including economic competition among the factions, and a reluctance to end the profits of wartime looting. After signing the 1993 Cotonou Accord, for example, many of the rebel groups created

[32] Stephen Ellis, *The Mask of Anarchy: The Destruction of Liberia and the Religious Dimension of an African Civil War* (New York: New York University Press, 1999); Ellis, pers. comm.
[33] William Twaddell, "Foreign Support for Liberian Factions," Testimony before the International Relations Committee, U.S. House of Representatives, Washington D.C., June 26, 1996.
[34] Reno 1998, op. cit., p. 99.

new, nominally-independent surrogate groups that were not signatories, and so that they could carry on looting resources without formally violating the accord.[35] The war ended with elections in 1996, which were won by Taylor.

Equatorial Guinea

The oil-rich country of Equatorial Guinea has not had a civil war. But in March 2004 it was the subject of a coup attempt, which might have led to one. Newspaper accounts suggest the coup plotters raised money by selling booty futures to a large number of speculators.

Equatorial Guinea has been ruled by a strongman, Teodoro Obiang Nguema Mbasogo, since 1979. The country began exporting oil in 1993; by 2004 it was exporting about 350,000 barrels of oil a day, making it Africa's third largest oil exporter.

In March 2004, 70 mercenaries were arrested in Harare, Zimbabwe, as they prepared to board a plane; several days later, they were charged by the Zimbabwe government with conspiring to murder President Obiang. In Equatorial Guinea, 14 foreigners and five locals were arrested and charged with being an advance party for the coup.

Many observers were initially skeptical about these charges. Two years earlier, the Equatorial Guinea government jailed 68 people, including the main opposition leader, and charged them with preparing a coup; Amnesty International reported that many defendants showed signs of torture.

Yet over time, many details of the March 2004 events appeared in the media that supported the claim of a coup plot against Obiang. In November 2004, UK Home Secretary Jack Straw, responding to a parliamentary question, stated that the UK government had known about the plot in January 2004, two months before it commenced.[36] In January 2005, Sir Mark Thatcher – the son of the former British Prime

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[35] Ellis 1999; Abiodun Alao, John Mackinlay, and 'Funmi Olonisakin (1999), *Peacekeepers, Politicians, and Warlords: The Liberian Peace Process*. New York: United Nations University Press.

[36] See *Observer*, November 28, 2004, "How Much Did Straw Know and When Did He Know It?" by Antony Barnett, Martin Bright, and Patrick Smith.

Minister, Lady Margaret Thatcher – pled guilty to charges in South Africa that he helped finance the plot. Thatcher maintained he financed the plot unwittingly.[37]

The lead coup plotters were apparently Nick du Toit (in Equatorial Guinea) and Simon Mann (in Zimbabwe). Both were well-known as mercenaries and arms dealers in previous African conflicts. Mann was the founder of two companies, Executive Outcomes and Sandline International, which were involved in earlier booty futures ventures in Sierra Leone and Angola. Du Toit had been a member of South Africa's elite Special Task Forces.

The Equatorial Guinea plot would have allegedly installed an exiled opposition politician, Severo Moto, in Obiang's place. Some reports suggested the plan also included a coup against the government of Sao Tome, which also has large oil reserves.

According to a report in *Newsweek,* the coup plot cost $14 million [Hosenball and Masland 2004]. Reports in the British press suggested it was largely financed by British and South African investors, many whom transferred money through offshore accounts in the British Virgin Islands and Guernsey. In April 2005, a Guernsey court blocked the release of papers naming alleged backers of the coup. An article in the *Observer* suggests that investors expected to earn a large return, drawn from Equatorial Guinea's oil revenues [Barnett, Bright, and Smith 2004]. According to a November 17 2004 report on BBC News, the mercenaries were also expecting to earn large bonuses if the operation were successful.

Conclusion

The sale of booty futures is a money-raising strategy that tends to favor weak combatants in resource-rich states. They are worrisome because when funds flow to a weak rebel group, it can help initiate a civil war. When funds flow to either an insurgent group or a government during a civil war – if they are on the verge of defeat – it can prolong the war: instead of surrendering or moving to the negotiating table, the combatant can launch a counter-offensive.

The booty futures market can offer short-term benefits for a desperate combatant, but it produces long-term costs for the country as a whole. The benefits are self-evident: in

[37] See *BBC News*, February 18, 2005, "Thatcher quizzed about coup plot."

the incidents discussed above, the sale of booty futures four times helped fund the start-up costs of launching a rebellion or coup (in the Congo Republic, the DRC, Sierra Leone, Equatorial Guinea, and possibly Liberia), and helped save three governments from likely defeat (in Sierra Leone, Angola, and the DRC). The benefits these combatants received – in cash, arms, or military assistance – were paid out of future assets, and hence cost them nothing at the time. Moreover, the contracts were contingent on at least partial military success. When the firm that purchased the futures contract was linked to the firm that provided military services (as in Sierra Leone and Angola), it gave the company had a financial incentive to achieve battlefield success, since otherwise it might not be compensated.

But there are steep costs to the sale of contracts for future war booty – costs that are external to the army in question, and must be borne by the country as a whole. The most obvious cost is the war itself. In the five civil wars cases discussed here, some two and a half million people were killed; some of these deaths would have been averted if the sale of booty futures had not been possible.

Another cost is to the reconstruction effort. After the war is over, a resource-rich country might normally rely on its resource revenues to help fund the staggering costs of rebuilding the country. But if the leader has financed his victory by selling booty futures – as in the Congo Republic, Angola, and perhaps eventually the DRC – much of the peacetime revenues will already have been spent on arms. The reconstruction effort, in effect, will have been mortgaged.

Finally, even though a booty futures sale may help a desperate combatant avert defeat, it is not a good tool for achieving victory. When a combatant trades resource futures for the assistance of a private or foreign army (as in Sierra Leone, Angola, and the DRC), these hired armies typically fight hard to capture the mortgaged resource, but then make few subsequent efforts to defeat their employer's opponent. Once Executive Outcomes captured the diamond fields in Sierra Leone and Angola that were promised to its affiliate companies, it made little further progress on the battlefield. In the DRC, the Zimbabwean army first saved the Kabila government from defeat, then concentrated on exploiting the country's extraordinary mineral resources – doing relatively little to expel the Rwandan and Ugandan armies from Congolese territory, or vanquish Kabila's opponents. In fact, the value of the country's mineral resources made the Zimbabwean army reluctant to leave – delaying further any resolution of the conflict.

The market for booty futures, thus far, seems to be limited to Africa. This might help explain why Africa has been the site of a growing fraction of the world's civil wars. Between 1992 and 2001, the number of armed conflicts *outside* of Africa dropped by half. Yet the number of conflicts in Africa has changed little. As a result, there has been a sharp rise in the fraction of the world's armed conflicts that take place in Africa. In 1992, 27 percent of the world's conflicts occurred in Africa; by 2001, Africa's share had risen to 41 percent.[38]

Within Africa, armed conflicts have grown more severe. During the 1970's and 1980's, half of all intrastate conflicts in Africa could be classified as civil wars – that is, they generated at least one thousand battle-related deaths each year. In the 1990's, two-thirds of Africa's intrastate conflicts were civil wars. Africa had seven civil wars in the 1970's, eight in the 1980's, and fourteen in the 1990's.

There are certainly other reasons why Africa has grown more conflict-prone. Poverty tends to cause civil war, and Africa has exceptionally high poverty rates. Even though the end of the Cold War caused many insurgencies to lose their superpower sponsors, it also deprived many authoritarian governments of their superpower sponsors, making them newly vulnerable to rebel movements. In Angola, the Democratic Republic of Congo, Liberia, and Sudan, the U.S. and Soviet Union withdrew their support for corrupt autocrats, leading to the collapse of state structures and the outbreak or inflammation of civil wars [Herbst 1997]. In the late 1980s, the French government decided to encourage African democratization and refrain from supporting dictators; this

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38 These figures are based on data from Nils Petter Gleditsch, Håvard Strand, Mikael Eriksson, Margareta Sollenberg, and Peter Wallensteen, "Armed Conflict 1946-99: A New Dataset," *Journal of Peace Research* Vol. 38, No. 5 (2002), p. 615-637; and from Peter Wallensteen and Margareta Sollenberg, "Armed Conflict, 1989-2000," *Journal of Peace Research,* Vol. 38, No. 5 (2001), pp. 635-649.

Although different civil war data bases identify different numbers of conflicts, they show the same basic pattern; see Ibrahim Elbadawi and Nicholas Sambanis, "How Much War Will We See? Estimating the Prevalence of Civil War in 161 Countries, 1960-1999," *Journal of Conflict Resolution* Vol. 46, No. 2 (June 2002).

policy shift inadvertently led to a rise in the number of civil wars in the Francophone states [Fearon and Laitin 2003].

Since 1992, the United Nations Security Council has taken action against combatants in Cambodia, Liberia, Sierra Leone, Angola, and the DRC, that have sold natural resources to fund their war efforts. These initiatives were important steps towards choking off the finances of specific insurrections. The booty futures market, however, creates problems that cannot be solved by country-specific sanctions of this type. Sometimes the sanctions come too late: the sale of booty futures can help initiate a civil war, while the Security Council typically intervenes only after wars have been going on for many months or years. The sanctions may also be directed against the wrong party: they typically apply to rebel groups, not the government – but in four of the cases described above, the government at least tried to tap the booty futures market, when rebels were approaching victory. A blanket prohibition on the sale of future rights to war booty – and strict sanctions against any party that enters into such a contract, implicitly or explicitly – would be more desirable.

Table 1: Booty Futures Sales by Rebel Organizations

Country	Year	Group	Resource	Amount	Purchaser
Liberia	1989	Taylor/NPFL	?	?	?
Sierra Leone	1991	RUF	Diamonds	In kind	Charles Taylor
Dem Rep of Congo	1997	Kabila/AFDL	Diamonds, etc.	?	American Mineral Fields
Congo Republic	1997	Sassou	Oil	$150 m?	ELF-Aquitaine
Equatorial Guinea	2004	Moto?	Oil	$14 m?	Thatcher and others

Table 2: Booty Futures Sales by Governments

Country	Year	Resource	Amount	Purchaser
Angola	1992-93	Diamonds	>$7 million	IDAS, DeBeers
Angola*	1992-93	Oil	$3.5 billion?	DeBeers
Sierra Leone	1995	Diamonds	?	Branch Energy
Sierra Leone	1997	Diamonds	$10 million	Rakesh Saxena
Congo Republic	1997	Oil	$50 million	None found
Dem Rep of Congo	1998	Various	In kind assistance	Zimbabwe government

* The oil was under the Angolan government's control at the time of sale.