

The 'Political Economy of Conflicts': A Window of Opportunity for CFSP?

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Abstract

The European Union (EU) is frequently criticised for lacking substantive military capabilities and thus not being able to conduct an effective security policy. The objective of this article is to challenge the underlying assumptions of this critique in light of the features of contemporary security problems and the 'demands' they pose to effective security policy. Firstly, the article points towards some conceptual fallacies that these assumptions tend to be based on. Secondly, it presents an exemplary empirical exploration of the EU's emerging potential to address what has been termed the 'Political Economy of Conflicts'. Finally, the article suggests that the distinct characteristics of today's security challenges might indeed constitute a 'window of opportunity' for the EU's Common Foreign and Security Policy (CFSP) to further evolve as a prominent actor in world politics.

THE HISTORICAL RECORD OF THE EUROPEAN UNION'S (EU) COMMON FOREIGN AND Security Policy (CFSP) is mixed at best. On the one hand, after several drawbacks, there has been an increase in both substantive scope and institutional depth. Even with regard to geographical range, there are remarkable developments, such as the deployment of an EU mission to monitor the implementation of the recently arranged peace agreement in Aceh, Indonesia (Kirk 2005). On the other hand, many academics and practitioners still emphasise the general ineffectiveness of the EU (Shepherd 2003; Rummel 2003: 5; Gourlay 2004: 416-419; see also Manners 2002; Aldis and Herd 2004). The common explanation for the EU's alleged incompetence is primarily its lack of military capabilities and secondarily its insufficient institutional capacity. The EU is considered to have the potential to be successful with respect to 'soft power' issues but is – due to its embryonic military capabilities – incapable of conducting an effective security policy. Thus, scholars, who regard the EU as not being able to accomplish the raised prospects, have identified a 'capability-expectations gap' (Hill 1993; 1998).

This account implicitly rests upon a widespread 'actor-environment' understanding of the international system: The actors of global politics are primarily states, which are characterised by distinct properties, such as the monopoly of legitimate force and the disposability of military power. The environment of global politics is the anarchic international system. The corollary is that security problems are primarily associated with the interaction of clearly separated communities being organised in states. This 'methodological nationalism' (Beck 1997: 44-45) reversely suggests that inter-state war and military interventions represent the essential threats to peace and security.

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Hence, large parts of the political science literature implicitly infer a historically emerged 'evolutionary fit' between states, which possess sufficient military capabilities, and the anarchical international system (Tilly 1990). This assumption, in turn, suggests an 'evolutionary misfit' between the EU as an actor, which does not have substantial military capabilities at its disposal, and the security problems resulting from the global political system. Therefore, it comes as no surprise that both of the EU's stated deficiencies – its negligible military might and its inadequate institutional capacity – are exactly those that differentiate it most clearly from modern nation states. Even though rarely stated explicitly, this assumption forms the basis of many scholarly contributions to the EU's international role.

In contrast, this article proposes that the presumption is only plausible if inter-state war and military interventions were indeed today's central threats to peace and security. If one takes note of the relevant literature, however, one can see that it is not inter-state wars but other forms of violent conflicts, which are widely considered to be of utmost importance in the contemporary security environment. For example, in recent years, numerous scholars have identified so-called 'new wars' – intra-state wars differing from inter-state wars as well as from the classical civil wars of the Cold War period – as crucial security problem (see Kaldor 1999; Münkler 2005). In particular since the terrorist attacks of 11 September 2001, an increasing number of scholars refer to the dangers posed by transnational terrorism (e.g. Cronin, 2002/3). Finally, weak, failing and failed states are increasingly considered as a global security problem, since they do not only fail to provide security to its citizens but also 'export' insecurity (see Rotberg 2004). If we, accordingly, witness a transformation of threats to peace and security, some of the above-mentioned assumptions, which underpin the EU's supposed inability to qualify as an effective actor in global security politics, are worth to be challenged.

Hence, the article's objective is twofold. From a policy perspective, we explore the alleged impotence of the EU to pursue an effective security policy; and, from a conceptual point of view, we critically question the theoretical underpinnings of this claim. By briefly reviewing two distinct literature strands of the discipline, namely the debate on the EU's Common Foreign and Security Policy and – as an example for a contemporary security problem – on the 'Political Economy of Conflicts' (i.e. on of the most distinct feature of the 'new wars'), we arrive at a somewhat paradoxical conclusion. The analyses of the CFSP criticise the EU for not being a proper actor in an international system dominated by nation-states (see Hill, 1996). In contrast, the literature on the 'Political Economy of Conflicts' emphasises the limitations of both states as suitable actors and military capabilities as appropriate instruments to respond effectively to this facet of the changing security environment (see Sherman 2002; Heupel 2005). Therefore, it is argued in this paper that the stated transformations of the security environment might offer a 'window of opportunity' for the EU to evolve as an effective actor in global security politics. Indeed, there seems to be a certain 'fit' between the EU as an international institution which is developing effective political and economic policy instruments and the changing security environment - exemplified by the 'Political Economy of Conflicts'. In short, we may expect the EU to be increasingly able to supply what the contemporary security environment demands.

This basically functionalist argument unfolds in three steps. Firstly, there is a briefly review the literature on CFSP and the 'Political Economy of Conflicts' of the 'new wars'. It is demonstrated that, given the characteristics of today's security problems, military capabilities do not represent a conditio sine qua non for effective security policy. In particular, in the context of a comprehensive approach to security, their significance has decreased, whereas civilian means have gained in importance. Secondly, there is an empirical exploration of the extent to which the EU has so far utilised this 'window of opportunity', and which is apparently emerging from the proliferation of the 'Political Economy of Conflicts'. Finally, the conclusion summarises the main findings and briefly discusses the scope of the article's argument.



Why the Critique of the EU's Lack of Military Capabilities Misses the Point

CFSP: neither a 'single voice' nor 'sufficient military power'?

The debate on the (in-)effectiveness of European security policy centres on two supposed problems: the EU's weak institutional capacity and its lack of military capabilities.¹ Firstly, there has been a vivid discussion on the EU's institutional design or respectively its 'actorness' (e.g. Ginsberg 1999). Since the signing of the Amsterdam and Nice Treaties, however, and the concomitant progress of the institutional dimension,2 this strand of the critique has relatively lost in prominence. Secondly, many authors share the critical assessment that the lack of military capabilities represents the EU's main 'Achilles' Heel'. In order to qualify as a 'true actor' in the international system, coercive power is regarded indispensable for effective policy-making (Hill 1998: 24-29). This issue is framed less as choice or opportunity, but rather as a conditio sine qua non: Europe must project military power to achieve desired effects in global politics (Shepherd, 2003).

While Christopher Hill's 'capability-expectations gap' (1993, 1998) had originally been conceptualised along three dimensions (resources, instruments, cohesiveness), the subsequent debate has been increasingly confined to aspects of military power. This was mainly based on the preoccupation of wide parts of the discipline with the (obsolescence of the) concept of Europe as a 'civilian power'. There were numerous modifications and adjustments to the CFSP's actual development in the end of the 1990s, but the concept still represents the most wide-spread sui generis approach to the problematique and it has generated important empirical and normative insights (see Smith 2000; Stavridis 2001; Manners 2002).

Even though critically observed by most of the latter scholars, the EU has not only made progress in the institutional dimension, but also - at least to some degree - improved and enhanced its military capabilities. Since the British shift in St. Malo and the following Cologne and Helsinki European Councils, a European Rapid Reaction Force has been initiated. Moreover, new military units have been created within the Council bureaucracy and some EU missions have been quite successfully launched (Hill 2001: 319-20; Rummel 2003: 22-24). 'Operation Concordia' in Macedonia, for instance, suggests that the EU might indeed be capable of conducting small-scale military crisis operations in support of its CFSP objectives (Mace 2004: 487). Furthermore, the European Defence Agency has been established to support EU member states developing their military capabilities for crisis management operations. Finally, the European Security Strategy attempted to formulate a strategic vision of genuinely European objectives in world politics (European Security Strategy, 2003). Notwithstanding these developments, though, many commentators continue to point to the enduring weaknesses in the EU's capability dimension (Shepherd, 2003).

In contrast, we argue that this one-sided focus excludes alternative perspectives. Such exclusion is related to the historical emergence of the states system and the traditional narrow understanding of security. Firstly, it has been taxation and particularly the monopoly of force, which made the sovereign state prevail against competing social organisational forms such as city leagues (Spruyt 1994). Thus, both hierarchical organisation and military capabilities are associated with the nation-state's success in this 'struggle for the survival of

¹ The article focuses primarily on the EU's second-pillar, namely the Common Foreign and Security Policy (CFSP). We are aware of the fact that the European Security and Defence Policy has meanwhile developed, but the acquisition of military capabilities on behalf of the EU member states is not the focus of the paper. After all, it does not discuss whether the EU members are currently about to close the 'capabilitiesexpectations gap'. Instead, the primary focus is on the question whether 'military capabilities' represent, in fact, a conditio sine qua non to conduct effective security policy today. In other words, it is primarily about 'new' demands of the security environment and the potential 'supply' through existing instruments within CFSP.

² See for instance Qualified Majority Voting in implementation decisions, Mr. CFSP, 'Strategy and Policy Unit' in the Council, etc.

the fittest' (Tilly 1990). Secondly, during the Cold War political actors advanced an implicit equation of security with military capabilities. Parallel to this 'real-world' development, the International Relations sub-discipline of 'security studies' was increasingly dominated by approaches representing first and foremost 'strategic studies' (Walt 1991: 213-222). This tendency finally culminated in Kenneth Waltz's influential structural realism, which explains not only security politics but the whole domain of international politics via the 'distribution of military capabilities' (Waltz 1979). This article critically questions this one-sided perspective and aims to find ways to facilitate a re-conceptualisation of the problems under investigation. In fact, it means to contribute to overcoming the often-criticised 'methodological nationalism' of large parts of the literature.

Hence we first of all ask what purposes the EU's apparently required military means are supposed to achieve. In his meanwhile classical formulation, Robert Art distinguished four functions of military force: defence, deterrence, compellence, and 'swaggering' (Art 1992). According to the EU's ambitions, we can plausibly exclude deterrence and 'swaggering' as functions it aims to accomplish. While the latter has generally lost in importance (at least in the OECD world), deterrence might still be an end for nation-states and alliances, but not for the EU (European Security Strategy 2003). Thus, the disposability of military force could be particularly required with regard to, firstly, compellence³ and, secondly, (pre-emptive) defence. Indeed, this is what critics insist on: the EU's lack of military capabilities prevents it from achieving these purposes. Thus, we have to clarify whether the EU's contribution to supplying these two functions actually is that marginal or even non-existent. If this was the case, the criticisms might be justified. Yet, if not, we need to question some of the literature's premises.

So far, we have merely discussed the properties that institutions need to dispose of to *supply* certain policies and to qualify as an appropriate actor in international security policy. Below, we turn to the environment, in which these actors are embedded and confronted with certain security problems (i.e. *demand*). As an illustration of a contemporary security threat and the potential of the EU to respond to it, the article focuses on the 'Political Economy of Conflicts'.

Challenges posed by the 'Political Economy of Conflicts'

The term 'Political Economy of Conflicts' (hereafter, PEC) refers to two interconnected features associated with the 'new wars'. Since the late 1990s a debate on the transformation of warfare has emerged, triggered by scholars who argued that 'new wars' have gained in importance. The latter can be differentiated both from inter-state wars and from the classical civil wars of the Cold War period (see Kaldor 1999; Münkler 2002). The 'new wars' are characterised by the involvement of numerous private, internally fragmented actors, increased violence against civilians, criminal activities to fund warfare, and heightened significance of economic motives (Heupel 2005). The concept 'Political Economy of Conflicts' commonly refers to the two latter features, namely the so-called criminalisation of war economies and economisation of motives.

The article's selection of challenges posed by the emergence of the PEC as an example of a contemporary security problem is based on three reasons. Firstly, the European Security Strategy (2003) itself relates to features associated with the notion of the PEC – in particular the trafficking of natural resources as means to fund warfare – as a 'key threat' (European Security Strategy 2003). Secondly, while both the novelty and the empirical reality of the 'new wars' per se is contested (see Kalyvas 2001), many of the trends associated with the

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³ 'Compellence can come in three forms: (1) diplomatic use – the issuance of threats to use force against an adversary if it does not change its behavior, (2) demonstrative use – the exemplary and limited use of force, and (3) full-scale use, or war – the use of whatever amount of force it takes to get the adversary to change its behavior' (Art 2003a: 9). If we apply this concept to the EU's objectives, it becomes obvious that merely the first two forms are relevant.

concept of the PEC are widely acknowledged even by critics of the 'new wars' thesis (see Gantzel 2002). Finally, it has been demonstrated that instruments, which weaken the supply structures of warring parties, are particularly important when it comes to terminate warfare as they can create the conditions for comprehensive peace-building (Heupel 2005).

As mentioned above, the notion of PEC mainly corresponds to two interconnected phenomena. One the one hand, it relates to the criminalisation of war economies. With the end of the Cold War, the great powers, which had hitherto frequently supported aligned governments and rebel groups in the developing world, widely suspended their assistance. Hence, rebel groups that aimed at continuing warfare had to acquire alternative sources of income. In particular, they increasingly resorted to illicitly producing and trafficking natural resources and other commodities in cooperation with transnational criminal networks. This so-called shadow-trade provided rebel groups with the necessary proceeds to import – aided by criminal networks - arms, ammunition and other goods needed for warfare (Ross 2004). In Afghanistan and Tajikistan, for instance, various warlords obtained revenues from cultivating opium, processing opium to heroin and trading in opium and heroine, which they could use to finance private militias (International Crisis Group 2003: 12-13; Conrad 2001). In the Democratic Republic of Congo, various rebel groups generated income by illegally trading in diamonds, coltan, gold, copper and coffee (Paes 2004: 6-7). Finally, in Bosnia-Herzegovina and Macedonia clandestine trade in looted goods across front lines and borders has been instrumental in sustaining the parties involved in the conflicts (Andreas 2004).

On the other hand, PEC refers to the economisation of motives pursued by the warring parties. This means that ideological and identity-based motives are increasingly mixed and interfered with economic ones. Typically, economic motives play only a minor role in the outbreak and early stages of violent conflicts, but gain in significance, as soon as the conflict parties develop sources of income in the course of warfare (Nitzschke 2003: 4; Chojnacki/Eberwein 2000: 20). Certainly, the emergence and proliferation of economic motives does not imply that rebel groups do not aspire to topple governments any more. Rather, rebel groups, like for example Charles Taylor's NPLF4 in Liberia still aimed to assume political power since this provided better opportunities to generate profits. Ideological and identity-based war motives do not disappear but are to an increasing degree primarily applied as rhetoric means to mobilise supporters for an ultimately economically motivated conflict (Collier 2000: 92; Münkler 2005). The Cambodian Khmer Rouge, for example, had widely adhered to Maoist thinking during the Cold War, but since the 1990s predominantly strove for generating profits through the control of precious gemstone reserves and woodlands (Lechervy 1999). In Sierra Leone, the RUF5 rebel group justified its attempts to overthrow the government by referring to the corruption of the political, military and economic elites and the dire socio-economic situation of broad levels of the population, even though control of the country's rich diamond mines had increasingly become their primary motivation (Hirsch 2001: 150). Also the parties involved in the war in Bosnia-Herzegovina have at least partly been motivated by sustaining their contraband trade-based war economies (Kaldor 1999: 31-68).

In recent years, scholars and think tanks have increasingly dealt with the question of how to cope with the challenges posed by the 'Political Economy of Conflicts'. In particular, four distinct strategies are frequently conceived of as effective responses to the criminalisation of war economies and the economisation of motives. Firstly, the imposition and enforcement of so-called *smart sanctions* is considered to be supportive in terms of drying up shadow-trade war economies. Most notably, targeted sanctions against trade in natural resources as well as arms embargoes are frequently suggested (Cortright/Lopez 2000; 2002). Secondly, another recommended strategy is to establish and implement global or regional *certificate of origin regimes*. By obliging signatories to refrain from trading in specific resources (e.g. rough diamonds) not endowed with certificates of origin, such regimes aim at regulating trade in goods by actors which might use their revenues for funding warfare (Lunde/Taylor 2003).

⁴ National Patriotic Front of Liberia

⁵ Revolutionary United Front

Thirdly, another approach brought up by scholars is to support penal action reform in conflict-prone and conflict-torn countries. The development of respective legislation and strengthening the judicial and police services, it is argued, can help prevent rebel groups from engaging in illicit transactions with impunity and thus might deter rebel groups from building up shadow trade war economies (Sherman 2002). Finally, there are opportunities to promote *economic well-being* of the population in risk countries. It is pointed out that strategies targeted on disrupting shadow trade are by themselves not sufficient as they not refer the transformation of both supply structures and motives. Rather, the disruption of criminal war economies needs to be supplemented by strategies which focus on incentives for peaceful behaviour. Improvement of the socio-economic condition of the population in general and of former and potential combatants in particular is thus perceived as an indispensable element of a long-term response to the challenges posed by the PEC (Sherman 2002: 5; Ballentine/Nitzschke 2003: 455).⁶

In contrast, the use of military pressure is not regarded as a necessary component of a comprehensive strategy to respond to the challenges posed by the PEC. Admittedly, the experience of peace-building in Cambodia and Angola, for instance, suggests that military force to oust rebel groups from resource-rich territory has been highly supportive in weakening their shadow-trade war economies. However, these cases likewise suggest that military pressure has only proven effective in combination with the application of non-military instruments. Indeed, like other cases such as Somalia and Afghanistan they indicate that military pressure without additional application of civilian instruments aimed at tackling the threats posed by PEC has so far failed at bringing about stable peace (Heupel 2005; Dobbins 2006: 26).

The 'Political Economy of Conflicts': a window of opportunity for CFSP?

This review of the two distinct debates suggests a counter-intuitive result. On the one hand, the predominant part of the literature on the CFSP⁷ concludes that the EU is not a 'proper actor' since it is militarily not capable of shaping the contemporary environment. On the other hand, the debate on the 'Political Economy of Conflicts' draws two conclusions. Firstly, it is not military capabilities but rather non-military instruments that are essential for coping with the posed challenges. Thus, military capabilities do not seem to be the conditio sine qua non for an adequate response to this widely discussed facet of the contemporary security environment. Secondly, nation-states are not regarded to be the best suited actors to deal effectively with the delineated challenges. In contrast, given the strategies presented above, international organisations might be for various reasons better qualified to respond to the challenges posed by the PEC: Sanctions, for instance are likely to be evaded if imposed by one state alone. Certificate of origin regimes, to give another example, can only work if a group of states agrees upon and implements binding rules. Thus, even the former U.S. ambassador to NATO acknowledged this trend: "[I]ndeed, the EU has some unique advantages in dealing with situations in a holistic way - including political, civilian, nongovernmental organization, and economic instruments - that NATO cannot match" (Hunter 2002: 141; emphasis added). According to that, the highly institutionalised assembly of 27 member states within the EU context offers unique prospects.8

Based on these considerations, we presume that the proliferation of trends associated with the notion of the 'Political Economy of Conflicts' might constitute a window of opportunity for the EU to emerge as an effective actor in global security politics. Indeed, as an international organisation it should be able to make an important contribution to respond to the

⁶ For detailed case studies and a summary of how to curb shadow-trade war economies see Heupel 2005.

⁷ The 'civilian power' proponents represent an exception in this respect.

⁸ The author is aware of the fact that the EU is in security issues a collective, rather than a corporate actor (Scharpf 1997: 54/5). This suggests that the Union is – to a large extent – dependent on and guided by the preferences of its members. When this article, therefore, speaks of the EU as an actor, it refers, on the one hand, to the member states acting commonly through CFSP, and on the other hand, to the Commission acting primarily through its 'External Relations'.



criminalisation of war economies and the economisation of motives. This reasoning becomes even more plausible if we relate it back to the potential purposes of European military capabilities, namely compellence and (pre-emptive) defence. Does the EU really require military capabilities to achieve these two purposes? In other words, can the EU realise compellence and defence despite its embryonic military capabilities, or are military capabilities indispensable for these tasks?

Firstly, as far as *compellence* is concerned, military force is likely to remain crucial. Compelling groups to comply with an agreement and stop warfare is – at least to a certain extent – among the objectives of the EU when dealing with conflict-torn countries. Obviously, military capabilities are not obsolete when it comes to tackling these problems. The threat and use of military force can under certain circumstances also play a crucial role in coping with conflicts linked to the notion of the 'Political Economy of Conflicts'. In Sierra Leone, for example, it was the increasing effectiveness of smart sanctions to curb the shadow trade war economy of the RUF rebel group and military pressure by British special forces that strongly contributed to the termination of warfare (Heupel 2005). Furthermore, in the Democratic Republic of Congo, the EU military observer troop, which was stationed around Bunia in the Eastern part of the country, made at least some contribution to prevent some of the worst excesses of violence against civilians (Ulriksen *et al.* 2004). This means that military capabilities remain necessary for compellence. Therefore, we can expect the EU to be only partly effective in contexts in which (the threat of) force remains indispensable.9

Secondly, as far as defence is concerned, we argue that the EU has partly emerged and is likely to increasingly evolve as a central actor. Although military capabilities will remain useful to achieve effective defence on behalf of the member states, it refers today to a lesser degree to defending one's own territory than during the Cold War. Instead, defence has become more complex. This can also be considered through the conceptual lenses of Art's original conception of defence, which includes 'pre-emptive defence'. Since the 9/11 terrorist attacks, this notion particularly relates to the threat of transnational terrorism linked to fragile states. We argue that the four strategies delineated above, which are considered to be effective in dealing with the proliferation of the PEC, may actually contribute to pre-emptive defence against transnational terrorism operating from fragile states. In fact, terrorists frequently cooperate with rebel groups with respect to illicit trade in natural resources. It is well known, for instance, that al Qaeda financed itself by collaborating with the Taliban in Afghanistan in terms of trafficking opium (Rashid 2003: 21). Furthermore, also in Sierra Leone did al Qaeda cooperate with a rebel group, the RUF, and jointly traded in so-called 'conflict diamonds'. Before 9/11, al Qaeda even urged the RUF to enhance its diamond production and promised to pay higher prices, because it aimed to change cash against diamonds to dispose of liquid funds in the aftermath of the terrorist attacks (Campbell 2002: 187-194). This interrelationship between fragile states, terrorism and new security strategies is summarised well by one of the leading scholars on the 'failed states problematique':

In the wake of September 11, the threat of terrorism has given the problem of failed nation-states an immediacy and importance that *transcends its previous humanitarian dimension*. (...) Although the phenomenon of state failure is not new, it has become much more relevant and worrying than ever before. In less interconnected eras, state weakness could be isolated and kept distant. Failure had fewer implications for peace and security. Now, these states pose dangers not only to themselves and their neighbours but also to peoples around the globe. Preventing states from failing, and resuscitating those that do fail, are thus strategic and moral imperatives (Rotberg 2002: 127; emphasis added).

Accordingly, 'pre-emptive defence' against terrorists can hardly be achieved by military means alone, but rather by a mixture of economic and political 'carrots and sticks'. The aim

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⁹ However, one has to keep in mind that the empirical findings of several case studies on the threat and (demonstrative) use of force by the U.S. for humanitarian purposes clearly point to similar problems for the sole superpower to achieve its objectives – even in the presence of vast military capabilities. Indeed, scholars rather emphasise the critical role of escalatory fears and motivational asymmetries affecting success or failure of humanitarian interventions. The latter, in particular, is independent from the disposability of military capabilities (Art 2003b: 372-373).

must be to strengthen governance structures in fragile or even failed states.¹⁰ The EU members may apply the organisation's economic and 'social engineering' capacities to ameliorate the problems associated with the PEC in fragile states. Therefore, not those institutions, which can project military force, but rather those, which possess the civilian as well as economic instruments and a high degree of legitimacy, may be the more effective actors with regard to these contemporary security problems. In other words, some aspects of the changing security environment may 'demand' new kinds of 'supply' by the political actors because the use of force increasingly proves to be insufficient.

After having elaborated at a conceptual level that the changing security environment might offer some promising opportunities for the EU to establish itself as an effective actor, the question arises of which role the EU has played so far in the practice to address issues related to the 'Political Economy of Conflicts' of the 'new wars'.¹¹ While the literature review and the previous conceptual analysis opened up a *potential window of opportunity* for the EU, the following section *empirically explores* the Union's contribution with respect to the four strategies. That way, we aim at assessing whether there could be a certain 'fit' between the EU as an emerging actor in global security politics and the 'Political Economy of Conflicts' as one of the extensively changing aspects of the security environment. In short, is the EU about to step through this window?

The EU's Response to the 'Political Economy of Conflicts'

The subsequent sections explore how the EU member states responded through the Common Foreign Security Policy and the EU's External Relations towards the challenges associated with the 'political economy of conflicts'.

The EU and smart sanctions

The imposition and enforcement of smart sanctions – in particular of targeted sanctions against the trade in natural resources by specific actors as well as of arms embargoes – have been identified as being among the most effective responses to the challenges posed by the 'Political Economy of Conflicts'. In the past, smart sanctions have in many cases decisively contributed to weakening shadow-trade war economies of rebel groups and so helped ending protracted wars. In Angola and Sierra Leone, for instance, UN Security Council sanctions against the trade in illegally produced diamonds have severely impaired the UNITA¹² and RUF rebel groups which have predominantly relied on diamond trafficking for funding their military operations (Cortright and Lopez 2002).

¹⁰ Indeed, a widespread consensus emerged within the EU that a comprehensive approach to security must start abroad. Two measures seem particularly important in this context: The framework of the new Neighbourhood Policy involves cooperation combating terrorism. What is more, the European Community has provided significant assistance to support countries' efforts to implement the relevant UN Resolutions in their fight against terrorism (e.g. 'conditionality clauses'). See 'Conceptual Framework on the ESDP dimension of the fight against terrorism', available at:

http://register.consilium.eu.int/pdf/en/04/st14/st14797.en04.pdf, accessed 20 August 2005, and, *Note to the European Council* (16-17 June 2005). Submitted by the Presidency and the EU Counter-Terrorism Coordinator: Implementation of the Action Plan to combat terrorism, available at: http://ue.eu.int/uedocs/cmsUpload/newWEBre01.en05.pdf, accessed 20 August 2005.

¹¹ For a comprehensive overview covering the previous years from the perspective of the EU Commission, see, European Commission Conflict Prevention and Crisis Management Unit: 'Civilian instruments for EU crisis management', (Brussels: April 2003), available at: http://europe.eu.int/comm/external relations/cfsp/doc/cm03.pdf, accessed 10 April 2006. For a stronger focus on the EU Council activities, see, 'EU Programme for the Prevention of Violent Conflicts', (European Council, Gothenburg: 15-16 June 2001), cited from: Rutten (2002: 64-68), and subsequent 'Presidency Reports'.

¹² União Nacional para a Independência Total de Angola

In the context of its Common Foreign and Security Policy the EU frequently applies sanctions as a policy instrument (Kreutz 2005: 17-19). Not only does the EU make efforts to contribute to the execution of sanctions imposed by the UN Security Council but it also imposes and implements – frequently in tight cooperation with the U.S. – autonomous sanctions. In doing so, the EU concentrates on so-called smart sanctions (i.e. targeted trade, financial, diplomatic sanctions and flight bans) in order to hurt specific governments, their armies as well as rebel groups, but at the same time to affect the local population as little as possible. Taking the surge of shadow-trade war economies and its war-prolonging effects into account, the EU focuses on sanctions against trade in specific natural resources and arms embargoes, which are regarded as instrumental in curbing resource-based war economies.¹³

In relation to Liberia, for example, the EU promoted the implementation of the targeted sanctions, which had been imposed by the UN Security Council. During the war in Liberia in the 1990s and early 2000s various militias equipped and maintained their fighters by exchanging diamonds and timber with weapons, ammunition and other goods (Adebajo 2003). In order to stabilise the peace process in the aftermath of the abdication of President Charles Taylor and the establishment of a new government, the UN Security Council reinforced its targeted sanctions against Liberia in 2003. Responding to this initiative, the EU Council composed a regulation which provided for the implementation of the sanctions against Liberia. Amongst others, the EU Regulation prohibited the 'direct or indirect import into the Community of all round logs and timber products originating in Liberia'. In addition, it arranged for the implementation of the embargo against arms and related material against Liberia declared by the UN Security Council.¹⁴

The EU and certificate of origin regimes

Certificate of origin (CO) regimes are targeted on regulating the global trade in specific natural resources. They aim to do so by obliging signatories to exclusively trade in those resources, which are provided with a CO. So far a CO regime for the trade in rough diamonds, that is the Kimberley Process Certification Scheme (KPCS), has been established. Moreover, various actors have made efforts to advance the development of different CO regimes for the trade in timber. The EU has contributed to initiate and implement the KPCS and actively promotes the development of a CO regime regulating the trade in timber (Rummel 2003: 17-18/27; Brack 2005).

The Kimberley Process Certification Scheme (KPCS) binds its 50 signatory states and organisations to restrict themselves to trading in rough diamonds endowed with a CO guaranteeing their 'legal' production.¹⁵ From the early planning stage up to the signing of the agreement, the EU, represented by the European Commission, has supported and advanced the development of the KPSC. The final agreement was signed by the European Community (EC) on behalf of all EU member states. During the implementation phase, the EC established a system of certification as well as import and export controls for rough diamonds. Furthermore, the EC backs the set-up of instruments to strengthen the implementation of the agreed-upon stipulations of the KPCS. Currently, the European Community chairs or participates in several working groups established to upgrade

¹³ For information on the EU sanctions policy see: EU, External Relations, 'Common Foreign & Security Policy, Sanctions', available at: http://europa.eu.int/comm/external_relations/cfsp/sanctions/index.htm, accessed 20 March 2006. See also International Crisis Group (2005: 45-46).

¹⁴ Article 6 and 2, Council Regulation (EC) No 234/2004 of 10 February 2004 concerning certain restrictive measures in respect of Liberia and repealing Regulation (EC) No 1030/2003; Official Journal of the European Union, available at: http://europa.eu.int/eur-lex/pri/en/oj/dat/2004/l 040/l 04020040212en00010010.pdf, accessed 20 July 2005.

¹⁵ For information on the KPCS see http://www.kimberleyprocess.com:8080/site/, accessed 22 July 2005.



implementation of the KPCS. Moreover, the EC was in charge of the first review mission undertaken by the KPCS. ¹⁶

With regard to the regulation of the trade in timber, the EU is one of the driving forces, which seek to explore options to establish a CO regime in this field. In 2003, the Commission released an EU Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT), which arranges for Voluntary Partnership Agreements (VAP) between the EU and timber producing countries. States, which would enter into VAPs with the EU, would commit themselves to only import licensed roundwood and rough sawnwood into the EU. At the same time, the EU would pledge itself to help combat illegal logging in timber producing countries by providing support for capacity-building. In order to expand the scope of the FLEGT Action Plan beyond EU member states and their trading partners, the EU conducts consultations with crucial timber-consuming countries, such as the U.S. and Japan (Brack 2005).¹⁷

The EU and penal action reform

Penal action reform (i.e. legislation reform, reforms of the judicial and police services) is regarded to be another suitable strategy to respond to the challenges posed by the 'Political Economy of Conflicts'. For effective penal action enhances the risk of trafficking natural resources and, thus, possibly prevents rebel groups from building up shadow-trade war economies. During the last few years, the EU has attempted to upgrade its civilian capabilities needed to promote penal action reform in conflict-prone and conflict-torn countries. The EU member states have shown increasing preparedness to provide police officers and rule of law specialists for deployment in fragile states. Thus, up to now the EU has been able to dispatch several police and rule of law missions to different regions (International Crisis Group 2005: 30-31; Gourlay 2004: 413-416).

The first EU Police Mission (EUPM) was delegated to Bosnia-Herzegovina in 2003. During the war in Bosnia, various parties involved in the conflict had relied on contraband trade to fund military operations (Kaldor 1999: 31-68). After the termination of warfare in 1995, the legacy of the clandestine war economy undermined the consolidation of the peace-building process (Andreas 2004). To counteract this legacy and combat organised crime, the EU mandated EUPM to support the build-up of a professional law-enforcement system by monitoring and mentoring the local Bosnian police forces. Even though EUPM could not meet all raised expectations, it still contributed to the establishment of a de facto state-level police authority endowed with the competences to carry out investigations with regard to organised crime and other offences.¹⁸

The first EU Rule of Law Mission (EUJUST THEMIS) was sent to Georgia in 2004. Similar to the situation in Bosnia and Herzegovina, the legacy of the contraband war economy, which had helped to fund the war in the late 1980s and early 1990s, has destabilised the Georgian peace process. In secessionist Abkhazia, for instance, various groups still gain income from trafficking timber, scrap metals, drugs, fuel, foodstuffs and tobacco (Wennmann 2003). Due to the fact that Georgia is confronted with shortcomings in all dimensions of the rule of law, EUJUST THEMIS was mandated to support the local authorities in planning and

¹⁶ For an account of the EU contribution to the development and implementation of the KPCS see: EU, External Relations, 'The EU & the Kimberley Process (conflict diamonds)', available at: http://europa.eu.int/comm/external relations/kimb/intro/, accessed 20 July 2005. See also, Brack (2005).

¹⁷ For information on the EU Action Plan FLEGT see: EU, Development, 'The EU Action plan for FLEGT', available at: http://europa.eu.int/comm/development/body/theme/forest/initiative/index_en.htm, accessed 20 July 2005.

¹⁸ For information on EUPM see European Union Police Mission in Bosnia and Herzegovina, available at: http://ue.eu.int/cms3 fo/showPage.asp?id=585&lang=EN, accessed 20 July 2005. See also International Crisis Group (2005: 49-51) and Rummel (2003: 20).



implementing a comprehensive reform strategy for the improvement of the criminal justice system.¹⁹

In Afghanistan, to give a further example, militias, which finance themselves by controlling opium cultivation and trade in opium, heroin and other goods, seriously undermine the fragile peace process. Here, the EU and its member states strive for support of penal action reform, too. The EC, for instance, is the main contributor to the Law and Order Trust Fund of Afghanistan (LOFTA), which focuses on funding police salaries, training and non-lethal equipment. Italy and Germany took the lead in supporting justice and police sector reform. The UK, finally, has helped the Afghan authorities to frame a Counter-Narcotics Strategy and set up a Counter-Narcotics Police, mobile detection units and a Central Eradication Planning Cell.²⁰

The EU and promoting socio-economic well-being

Many scholars point out that an effective response to the 'Political Economy of Conflicts' must not only restrict itself to dry up the sources of income and to combat shadow-trade, but also has to promote socio-economic well-being of the population in conflict zones. It is argued that this reduces incentives and demands to build up shadow-trade war economies. Thus, development cooperation targeted on reducing poverty and social inequalities is considered to be a central element of a comprehensive response to the challenges posed by the spread of trends associated with the PEC.

The EU (and its member states) provides approximately half of the development assistance worldwide, thereby increasingly taking the interrelation between development, peace and security into account. The European Security Strategy, for instance, states that economic failure and poverty can under certain circumstances advance violent conflict (European Security Strategy 2003). Furthermore, the Cotonou Agreement, which determines the framework for development cooperation between the EU and the ACP (African, Caribbean, Pacific) states, emphasises that efforts to improve conflict prevention, conflict resolution and peace-building instruments constitute an integral part of development cooperation.²¹

In relation to Afghanistan, to give an example, the EU is one of the main donors of development assistance since the break-up of the Taliban rule in late 2001. At the first major donor conference after the regime change, the European Commission pledged to make available up to one billion Euro until the end of 2006. Thereby, the focus of EU development assistance to Afghanistan is the promotion of rural development, labour-intensive work schemes, food security and economic infrastructure.²² Special attention is given to efforts providing sustainable alternative livelihoods to farmers cultivating opium poppy. This is mainly realised via the 'generalised system of preferences', which is an important instrument for the EU to influence politics through trade.²³

¹⁹ For information on European Union Rule of Law Mission to Georgia EUJUST THEMIS see, http://ue.eu.int/uedocs/cmsUpload/Factsheet%20THEMIS%20041026.pdf, accessed 22 July 2005. See also International Crisis Group (2005: 30).

²⁰ European Commission, 'European Union in the World: External Relations, The EU's relation with Afghanistan', available at: http://europa.eu.int/comm/external relations/afghanistan/intro/, accessed 15 March 2006.

For an acknowledgement of the crucial EU contribution in Afghanistan, see also, Dobbins (2006: 26).

²¹ The Cotonou Agreement, Part 1, Article 11; available at:

http://europa.eu.int/comm/development/body/cotonou/agreement/agr06 en.htm, accessed 20 July 2005.

²² European Commission, External Relations Directorate General, 'Country Strategy Paper (CSP) Afghanistan 2003-2006', 11 February 2003, available at:

http://europa.eu.int/comm/external relations/afghanistan/csp/03 06.pdf, accessed 21 July 2005.

²³ EU Council Secretariat, 'Factsheet, The EU and Afghanistan', available at: http://ue.eu.int/uedocs/cmsUpload/050511 Afghanistan.pdf, accessed 21 July 2005.

With respect to Sierra Leone, where warfare could be brought to an end in 2001, the EU likewise aims at supporting peace consolidation via development cooperation. The promotion of sustainable economic development and poverty reduction is among the EU's highest priorities in its peace-building approach. Given the substantial number of former combatants and uprooted persons, an emphasis of EU development assistance to Sierra Leone is thereby providing funds for demobilisation, resettlement, rehabilitation and reintegration programs, which are deemed to advance reconciliation and long-term stability.²⁴

Finally, the promotion of the population's socio-economic well-being is a central pillar of the EU's crisis management and peace building strategy in Macedonia. In the wake of the eruption of violence in 2001 the EU disbursed emergency aid packages in order to facilitate the negotiation of the Ohrid Framework Agreement. In particular, the EU tried to bolster the implementation of the agreed-upon stipulations of the peace treaty by offering substantive financial assistance for infrastructure reconstruction and economic recovery. The framework of the Stabilisation and Association Process (SAP), which is to prepare Macedonia for acquiring candidate status for admission to the European Union, systematically provides economic and financial aid (Mace 2004; Bjoerkdahl 2005: 265). Thus, considering these illustrations, the EU has significantly changed its development policies towards instable regions. Its nature is not primarily economic anymore. The issue of long-term conflict prevention and short-term crisis management (e.g. via the Commission's Rapid Reaction Mechanism, established in 2001)²⁵ has drastically gained in prominence in order to address the root causes of violent conflict (Faria 2004).

In sum, this brief empirical exploration suggests that the EU actually has the potential to make a significant contribution to tackle the challenges posed by the 'Political Economy of Conflicts' of the 'new wars'. It was pointed out that the EU has already developed some effective strategies and instruments. For sure, the EU has not always been successful in reaching the desired outcomes. Nevertheless, it has adopted and – at least in part successfully implemented – smart sanctions to prevent rebel groups from trading natural resources against arms and other goods. It actively supports the development of certificate of origin regimes for the trade in conflict resources. Moreover, the EU has enhanced its civilian capabilities instrumental for the improvement of penal action reform in instable countries. Finally, it has focused on using development assistance as a means to deter potential or actual spoilers from establishing shadow-trade war economies.

Conclusion and Prospects

This article's point of departure has been the widespread assumption that nation states and not international institutions like the EU with minor military capabilities were the *only* effective actors in global security politics. The study has critically questioned this assertion by making two observations. Firstly, *despite its genuine lack of military capabilities*, the EU has a certain potential to play a crucial role in dealing with the trends associated with the 'Political Economy of Conflicts'. Above all, the EU's economic but also its other civilian instruments are capable to make a valuable contribution to conflict prevention and peace building in

²⁴ European Commission, 'Development > Countries > Sierra Leone', available at: http://europa.eu.int/comm/development/body/country/country/home_en.cfm?cid=sl&status=new, accessed 21 July 2005.

²⁵ For the Rapid Reaction Mechanism see, Council Regulation (EC) No. 381/2001, (Brussels: 26 February 2001), available at: http://europa.eu.int/comm/external_relations/cpcm/rrm/index.htm, accessed 12 May 2005. For the more long-term instruments see, European Commission Conflict Prevention and Crisis Management Unit: 'Civilian instruments for EU crisis management', (Brussels: April 2003), available at: http://europe.eu.int/comm/external_relations/cfsp/doc/cm03.pdf, accessed 10 April 2006. For a stronger focus on EU Council activities, see, 'EU Programme for the Prevention of Violent Conflicts', (European Council, Gothenburg: 15-16 June 2001), cited from: Rutten (2002: 64-68), and subsequent 'Presidency Reports'.



countries such diverse as Liberia, Sierra Leone, Bosnia-Herzegovina, Macedonia, Georgia, and Afghanistan.

Secondly, due to its quality as a (unique) international institution, the EU's CFSP appears principally well equipped with respect to curbing shadow-trade war economies and responding to the proliferation of economic motives underlying warfare. The abovementioned smart sanctions against Liberia, for instance, could not have been adopted by states alone. The Kimberley Process Certification Scheme as well as the FLEGT Process to regulate the trade in rough diamonds and timber would miss the point were they developed uni- or bilaterally. Likewise the police and rule of law missions to Bosnia-Herzegovina and Georgia would surely lack capacity as well as legitimacy were they undertaken not by the EU but by single states. Furthermore, the EU even has several comparative advantages vis-à-vis other international institutions. On the one hand, the militarily potent NATO might be suitable to enforce, but not to initiate economic or smart sanctions. On the other hand, the UN Security Council can only impose sanctions in situations regarded as a 'threat to international peace', which often represents a considerable hurdle. Kreutz (2005: 15; emphasis added) argues, 'UN sanctions can still mainly be used as a response rather than a preventive action. The EU (...) can choose to impose sanctions in pursuit of a wider array of objectives'.²⁶ Thus, our exploration can provide some empirical backing in support of the claims of those who - such as Andrew Moravcsik - argue that Europe's achievements through non-military means contribute significantly to global security (Moravcsik 2002).

Yet two clarifications are to be made. Firstly, our findings do certainly not imply that military capabilities are generally meaningless instruments in the contemporary security environment – especially in cases of desired compellence. Obviously, they remain crucial for tackling *some* of today's security challenges. The threat and use of military force can also under certain circumstances play a pivotal role when it comes to coping with conflicts linked to the notion of the 'Political Economy of Conflicts'. In Sierra Leone, for example, it was the increasing effectiveness of smart sanctions to curb the shadow-trade war economy of the RUF rebel group and military pressure by British Special Forces which notably facilitated the termination of warfare (Heupel 2005).

However, it is essential to acknowledge that compellence in general and coercive diplomacy in particular constitute extremely difficult endeavours. Even the most formidable military actor, namely the U.S., has often failed in this respect. Robert Art (2003b: 387), for instance, notes: 'Coercive diplomacy is difficult to execute successfully, succeeding in only one-third of [twenty-two examined] cases and failing in almost half'. This has even wider implications for defendants of an exclusive 'capabilities perspective' on CFSP: Firstly, military superiority is no guarantee for success (Art 2003b: 406-408); secondly, positive inducements are a powerful tool (Art 2003b: 393-397); and finally, the conditions that facilitate but do not guarantee success in coercive activities are largely independent from pure military force (Art 2003b: 371-374). These findings suggest that the EU ought to focus on a different approach because it is not likely to ever fulfil these highly demanding prerequisites (see Solana 2004). From a conceptual view, this means the often taken-for-granted cause-effect relationship between military power and outcomes has to be replaced by a more differentiated perspective. After all, the effectiveness of military capabilities is dependent on the specifics of the security problem an actor faces: not always 'fits one size all'.

Secondly, these findings certainly do not imply that the EU's approach towards the four explored policies does not encounter any problems. Indeed, the article has also pointed to deficiencies. With respect to the enforcement of smart sanctions, for example, the EU – like every other institution – has definitely difficulties in pressurising sanction busters to comply. In particular the EU's fragmented institutional structure seems to undermine the

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²⁶ Kreutz (2005: 40) points out: 'On some occasions, such as in Iraq and Yugoslavia in the early 1990s, the EU imposed sanctions just days or months before the UN did, but generally it can be argued that EU sanctions have been imposed when UN action had been prevented or limited'. For an account arguing that NATO misses such civilian instruments see, Hunter (2002: 86, n.35); Dobbins (2006: 26).

effectiveness of its sanctions policy (Kreutz 2005: 6). Besides, the Kimberley Process Certification Scheme, whose development was strongly supported by the EU, did not entirely stop illicit trade in rough diamonds but rather entailed a decrease in prices for illicit diamonds (Collier *et al.* 2004: 264). Moreover, neither with regard to penal action reform nor with regard to the promotion of socio-economic well-being in conflict regions has the EU completely reached the ambitious goals it had set itself. Thus, one has to acknowledge that both the EU's often insufficient institutional capacities and a lack of political will among the member states certainly weaken European attempts of responding to the trends associated with PEC. Nonetheless, the EU's approach has resulted into some positive outcome and the EU definitely has the potential to develop more effective strategies.

Despite these caveats, the strategies and instruments devised by the EU constitute an important component of international efforts to deal with the challenges posed by the 'Political Economy of Conflicts'. Indeed, the PEC actually appear to represent a window of opportunity for the EU to gain greater influence in international security politics: On the one hand, the empirical exploration suggests that the EU can directly affect a mitigation of the trends associated with the PEC. Its efforts contribute – at least to some degree – to the security of the people in conflict-torn regions and also increase the EU's reputation in the global arena. Secondly, the conceptual analysis points to an indirect effect of these policies and so broadens the scope of our argument. In fact, the EU indirectly also contributes to a more comprehensive 'pre-emptive defence' against the threats and risks posed by, for instance, transnational terrorism. In doing so, it indirectly provides security also for the European demos (and states) since 'pre-emptive defence' cannot primarily be achieved by military interventions, but is rather linked to non-military instruments in fragile states.²⁷ Thus, it is precisely with respect to those domains that commonly acting through the CFSP seems more effective and thus more suitable than unilaterally conducted policies.

To sum it up, this article differentiates itself from large parts of the literature in that it was less concerned with the alleged weaknesses of the European Union. Instead, its point of departure was, firstly, the security problems the EU is expected to mitigate and, secondly, the EU's potential to actually meet such expectations. We have pointed out that the transformation of the security environment and the resulting new demands suggest a certain 'evolutionary fit' of the EU to respond effectively to the posed challenges. In this way, we have presented a distinct perspective towards a vivid but so far biased debate. In terms of 'policy recommendations', this suggests that the EU should not predominantly focus on strengthening its military capabilities and refrain from trying to emulate states in areas in which it is not likely to succeed. Just as a good tennis trainer directs her player not to focus exclusively on her weaknesses but rather to steadily improve her strengths, the EU should take up to improve the non-military strategies and instruments it already disposes of – supplemented by a small, but capable Rapid Reaction Force.

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²⁷ A related development can also be observed in the U.S., even though military measures enjoy priority: "Postconflict reconstruction' has become the foreign policy issue *du jour* in Washington. Multiple think-tank studies, a new State Department office, and no fewer than ten proposed congressional bills all tackle the subject.[...] The foreign policy architecture of the United States was created for the threats of the twentieth century – enemies whose danger lay in their strength. Today, however, the gravest danger to the nation lies in the weakness of other countries – the kind of weakness that has allowed opium production to skyrocket in Afghanistan, the small arms trade to flourish throughout Central Asia, and al Qaeda to exploit Somalia and Pakistan as staging grounds for attacks' (Eizenstat *et al.* 2005: 134). Compared to the U.S. and other states, the EU's main advantage in this context seems that it does not have to initiate major institutional changes. It can build 'foreign policy architecture' more or less from scratch, which is normally a much easier endeavour than to change resilient institutions.



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