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***Pervasive Illicit Small Arms Availability:  
A Global Threat***

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# I. Analysis

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## 1. *The scope of the problem*

Illicit small arms availability has become a global threat to the sovereignty of states at macro- and micro levels. The massive stock of small arms accumulated during the Cold War has turned into a dangerous time bomb which the international community so far appears incapable of controlling. State borders provide little protection from its effects. The stocking of small arms during the Cold War greatly exceeded military requirements. Among the reasons being that military planning was shrouded in secrecy and parliamentary supervision generally weak and that continuous demand irrespective of realistic requirements tended to enhance the prestige of the armed forces. Three observations support this contention. When the National People's Army of the GDR was taken over by the Federal Armed Forces of the FRG in the process unification, it came as a big shock that the military stores contained in many categories of arms and ammunition several times the volumes western intelligence had estimated before the end of the Cold War. Secondly, it was estimated that the number of automatic guns looted in Albania when the pyramid schemes collapsed in 1996 amounted to ten or more pieces for every Albanian soldier. Finally, even before the end of the Cold War the American CIA was able to acquire more or less secretly more than one million Russian Kalashnikovs plus ammunition to feed the supply logistics of the mujahedin in Afghanistan and their Pakistani intermediaries. There were many nations at hand willing to sell large quantities of Kalashnikovs. Apparently they could afford these sales without endangering their national security, as their arsenals were bulging with surplus at the time.

The full impact of the unbound small arms arsenals will only be felt in the years to come

because of the enormous magnitude of the volumes circulating already beyond effective controls. The heritage of the lavish American supply to the mujahedin in Afghanistan is but one element of the masses of small arms floating freely across black market networks (Kartha 1999). In decaying state structures of transition countries corrupt state agents have been opening the floodgates to supply solvent customers on the black market out of the backdoors of the arsenals. Therefore, present levels of disturbances, violence and systematic violations of human rights are but the harbinger of emerging societal fragmentation in ever wider parts of the world enabled and reinforced by the pervasive availability of illicit small arms.

However, illicit small arms availability is neither an independent variable in the social matrix nor the root cause of social fragmentation. It is rather a dependent variable looming wherever certain social conditions prevail. It regularly mutates into an active virus in the context of elevated levels of social fragmentation which translates into a widespread weakening of the state. The ensuing security vacuum, in turn, constitutes a dynamic pull factor of further illicit small arms flows. Different social layers which can not afford the services of the private security industry seek to protect themselves through the mostly illegal acquisition of firearms of all kind (Cilliers&Mason 1999).

The formal and informal privatisation of security are indicators of a general trend towards violence and the threat thereof becoming a dominant factor in the regulation of social relations. Organised crime and local gangs penetrate economic transactions and weaken the rule of law (Gamba 1997). As a result a dynamic process of internal rearmament takes root in an increasing number of states. Their societies are burdened with intensifying levels of violence and their economies with escalating transaction costs. A projection of present socio-economic trends in many regions suggests that widespread disruptive consequences of the pervasive availability of illicit arms are to be ex-

pected (International Federation 1997), if the international community fails to find a fast track to effectively decommission the surplus stocks in danger to end up in illegal circulation. In addition, it is necessary to create a potent international body tasked with vigorous intervention in black markets aiming at drying them up.

Presently various entities within the United Nations, intergovernmental bodies at regional levels and a myriad of non-governmental organisations have taken steps to deal with the issue and started to combat illicit trade and availability of small arms (OSCE 1999; Laurance 1996; IANSA 1998; Rana 1995; International Committee 1999; Bulletin 1999; UNIDIR 1999; Boutwell et al. 1995; Singh 1995; Stiftung Wissenschaft 1998; Commission of the Churches 1998; United Nations 1998a). Unfortunately the widespread political attention and the number of institutions involved does not yet correlate with measurable positive changes in the field of controlling illicit small arms availability. The endurance of this unrelenting situation can be attributed to at least three underlying factors. Firstly, the knowledge available in the public domain of how small arms are illegally circulated is still rudimentary. It is therefore difficult to implement customised countermeasures and act in international co-ordination. Secondly, most initiatives address the problem from the supply side only. The dynamics of the demand side often involve politically sensitive issues like disputes over the recognition of controversial governments or economic interests which stifles the chances of co-ordinated countermeasures. Thirdly, small arms are often dealt with in the tradition of the arms control debate during the Cold War which fails to recognise the different dynamics of the international proliferation and intra-societal diffusion of illicit small arms (Lock 1997). The proposal to add small arms to the UN register of arms falls into this category whereas dealing with the problem in the context of the forthcoming UN Convention on Transnational Organised Crime seems more likely to produce effective proposals.

However, more comprehensive approaches are required to address the disastrous fall-out of the global networks through which small arms float illegally. Innovative concepts are needed to respond to the largely intra-societal dynamics of the pervasive low-level destructive violence associated with illicit small arms. The fact that the instrumental dimension of this violence is about social inclusion and exclusion gives it a latent potential to escalate into civil war, which has become the dominant form of current armed conflicts whose victims are predominantly civilians.

## *2. Structural determinants of the general security crisis*

An outline of major features of the current global context allows to identify some mutual roots of the diverse forms of violence related to small arms. The diverse processes summarised as globalisation are reinforcing inequality. The present course of development is marked by continued polarisation of income, both between nations (internationally) as well as within nations (intra-societal). As a result social segregation dominates the changes in the social topography of societies all over the world. Most visibly formerly public spaces are increasingly being converted into privatised and socially selective malls. But spatial segregation of social classes and other identity formations are pervasive. In what sociologists have dubbed “global cities”, i.e. the forerunners of globalisation and modernisation social segregation manifests itself in extremely developed forms (Wilson 1997).

Except for some positive deviations in a few well-off countries the regular economy is marked throughout the world by increasing levels of unemployment. As a result informal economic activities increasingly become the backbone of societal reproduction. This evolution is not restricted to developing nations and countries in transition. Particularly affected are the new entrants to the segment of

the economically active population. Unemployment rates for the age group 14-24 years of 50 % are prevalent in many countries.

Profound crises of the state finances and a general disposition to curtail state functions following the logic of the neo-liberal paradigm reinforce each other and deprive the state of the capacity to effectively deliver security to its citizens. As a result privatisation of security is a pervasive trend. The private security industry has turned into a vibrant economic sector whose labour force already exceeds the police forces in most countries. A few globally operating companies dominate this countercyclical sector which seems "crisis-proof". It is apparently not any longer the "raison d'être" of the state to guarantee the security of its citizens. Instead security and particularly protection from violence, being a fundamental human right, are in the process of becoming a traded commodity. The adage "My home is my (proactively protected) castle" is only now, in the post-modern age, developing its full meaning. Those who can not afford protected castles and the proactive commodification of their security are forced to organise their self-defence outside the legal parameters. As a result we are observing the evolution of private security into a mutually reinforcing system of multi-polar societal "rearmament" cascading down the social ladder: It fosters an informal militianisation of the entire society which starts at the lower end of the social pyramid (Lock 1998c).

The underlying structure of these trends is the restlessly globalising economic system, in which the nation-state increasingly takes a backseat. A closer look at the global economy reveals that it is actually composed of at least three distinct operational spaces, the regular, the informal and the criminal economies. Asymmetrical interaction between these three spheres is a constitutive element of their respective existence. The criminal sector is by definition a parasitic sphere which prospers through infiltration, extortion and violent coercion in the other spheres, while unequal exchange characterises the ex-

changes between the regular economy and the informal economy (Lock 1998a).

The main characteristic of the regular economy is the rule of law at its core. Taxes are generally paid, though the level of effective taxation is generally declining. The unremitting competition to attract inward investment has led to lower tax rates and excessive tax exemptions, above all in special economic zones like the famous "maquiladora" border industries in Mexico. Most importantly though, the meagre growth rates of the regular economies do not keep pace with the increase of the economically active population seeking an entrance to this space.

Quantitatively the oceans of informal economies dominate the global economy. ILO estimates that almost 60 % of the economically active population in Latin America falls into the informal sector (ILO 1999). The rule of law applies often only marginally. Its rules reflect asymmetrical power structures. Its dominant actors often resort to violence for arbitration. Informal economies are globally the fastest growing economic space in terms of participants. By definition the informal sector hardly pays taxes, value added taxes being an exception, when individuals (rarely) interact as consumers with the regular economy. Often welfare levels generated in the informal sector hardly exceed the most basic subsistence, but the sector contributes to the welfare in the regular economy mainly through interaction in form of cheap services of all kind. Another part of its produce is siphoned off into the coffers of criminal actors who impose their terms wherever the rule of law is not effectively supported by the state and people do not have the means to protect themselves.

In the globally organised criminal economy by definition the rule of law does not apply. There is ample evidence that the criminal economy is the fastest growing space in the global economy in terms of turnover and profits. The criminal economy constitutes a parasitic link between the spaces of the regular and the informal sectors of the econ-

omy (United Nations 1998b). Conservative estimates presented at an IMF- and EBRD-sponsored seminar put the global gross criminal product (GCP) at 1000 billion US \$ (Reinicke 1998), this compares with a GNP for sub-Saharan Africa of 330 billion US \$, of which the RSA alone accounts for more than one third.

At the level of nation-states these three spheres of the global economy interact in different proportions reflecting the relative strength of the state. But in spite of enormous differences in the respective configuration of the economies at the level of nation-states, one destabilising structural variable has emerged almost universally during the nineties; it is a particularly gloomy feature, namely unacceptably high rates of youth unemployment. This pervasive feature seems to confirm the existence of interdependent patterns in the global economy, no economy can extricate itself from under the prevailing machination of the global economy. The incapacity of most economies to integrate the younger generations into the regular labour market, as they reach the age of normal entry, provides a teeming yeast to the illegal and criminal economic circuits and an unlimited reserve army for intra-state armed conflicts. The exclusion of the current generation aiming to enter the pool of the economically active population from the traditional intergenerational continuity of economic roles is particularly acute in many third world countries. Due to the unrelenting processes of economic modernisation the traditional succession of professional roles is replaced by migration towards the urban spheres which can not cope with the onslaught of masses of unqualified labour. Most embarrassingly in many failing states the levels of the average education are falling, in some cases dramatically. This intergenerational decline of educational levels is being further acerbated by the age composition in many developing countries whose population under the age of 18 constitutes 50 % or more of the total, as is the case for sub-Saharan Africa.

But developed countries are affected as well. The constant migration of jobs throughout the global market place towards ever cheaper locations of production tends to reduce job offers for less qualified labour in many advanced countries as well. Certain vulnerable groups like minorities and above all young people with less than average educational records tend to become excluded from the regular economy and provide a reserve army easily attracted by the jobs the criminal sector of the economy is offering (Martinez 1998). This is by no means restricted to drug trafficking. The heavily biased sociological composition of the prison population and its steady growth clearly reflect the specific pattern of exclusion in each country (Stern 1998).

Radical modernisation in most Third World and transition economies in the course of the current globalisation is often embedded in a general economic crisis and hence declining employment. These economies have nevertheless urgently to find the means and strategies to overcome the tense and expanding intergenerational economic divide, lest societal violence will prevail. Illicit small arms availability empowers the malignant forces of societal polarisation and confrontation. In the absence of other chances to develop self-respect, the ownership of an illegal firearm provides idle young males with a surrogate for an accepted role in society (Richards 1996). Thus, the combination of the independent variable (large numbers of idle young males) and the dependent variable (copious availability of illicit small arms) converge into a terrifying time bomb, the international community appears unable to diffuse for the time being, possibly because the dangers have not yet been clearly identified. In such contexts amorphous forms of emerging violence are permanently in danger to take on an ideological guise and eventually escalate into intra-state armed conflicts along the lines of perceived identities and envisioned exclusion. Often such conflicts turn into protracted wars because in the absence of viable economic perspectives war fighting becomes a surrogate mode of pro-

duction for many actors. Contrary to conventional interstate wars the civilian population is the foremost target which explains the streams of refugees and internally displaced persons as well as the elevated percentage of civilian victims in current armed conflicts (International Committee 1999; UNHCR 1997).

### *3. The dynamics of privatisation of security*

The privatisation of security advances from two ends. At the one end there is the top-down privatisation of security. Here the state gradually retreats as the sole agency to guarantee the security of its citizens and delegates the pursuit of the monopoly of legitimate violence to private agencies. At the other end there is the bottom-up privatisation of security. Here individuals either lose trust in the state and take up their own precautions or are effectively abandoned by the existing state agencies. The process embarks with measures of passive protection of the habitat and leads eventually to privately policed proactive segregation. Normally it starts at the top of the social pyramid, where people can afford considerable investments and the employment of security personnel. But at the bottom criminal protection gangs may take root in parallel as social fragmentation produces no-go areas for the police. What starts as an apparently legitimate reaction to perceived insecurity produces a reactive social dynamic. The visible organisation of private security is self-promoting because it induces feelings of insecurity outside the parameters of its service. The commodification of security is contagious. All social layers begin to organise their respective self-defence because efficient security at one end means concentration of criminal energy at the opposite end. The cascading of private security down the social ladder enlarges existing social cleavages and hardens social fragmentation.

But neither the top-down nor the bottom-up privatisation of security necessarily infringe

the rule of law as long as the state is strong and capable of regulating the private security sector. However, in the context of a weak or failing state or pointed social fragmentation, which is clearly a dominant characteristic of the present decade in many parts of the world, privatisation of security turns into an unbound process in which ultimately criminal violence arbitrates social conflicts. In this evolution illicit availability of small arms comes into play because it empowers the competing coercive forces outside the rule of law. As a force multiplier illicit small arms accelerate the confrontational, through asymmetrical security strategies of different social groups. The massive “target hardening” and “self-ghettoisation” with the help of extensive private vigilance offer protection against criminal perpetrators by means of social segregation. But as a result all criminal energy is then directed towards social groups with little capacity to defend themselves. As a sad consequence a situation emerges where life at the bottom of the social hierarchy turns into a “criminal hell” where protection and coercion can not any longer be meaningfully distinguished. The precarious security situation in large parts of Colombia, the “favelas” surrounding the megapolis in Brazil (Cano 1997) as well as apartheid settlements like Soweto display such features (Gun Free South Africa 1999).

Unfortunately the political and financial status of many states is such that the security personnel either serves the economic interests of the nomenclatura in command or they depend on corruption and sell their services in the market to the best paying customer. Their official salary is often ridiculous, but the position remains an asset which can be monetised in the informal or the criminal spheres of the economy. Corruption, moonlighting, mostly as private security agents but also as criminal actors amount to an informal privatisation of the security function of the state. The pervasive availability of small arms converts the situation in failing states into an internal action-reaction rearmament involving incumbent rulers who control the state and diffuse social groups which accentuate

their identity in the process (Lock 1998c). The automatic guns involved are such a terrifying force multiplier that even children can participate in terrorising and eventually paralysing the basic functioning of the society.

In the course of this escalating scenario of “radically privatised” security the economy is burdened with increasing transaction costs related to security which eventually lead to a downward spiralling economic condition. International business consultancies have already developed a scale to gauge the costs; it is called GAD (Gray Area Dynamics) and runs from 0 to 100 percent. At the very upper end of this scale armed violence begins to constitute a mode of (re)production for those who fight their exclusion from the circle of economic reproduction. The core group of such actors are young males who have little chances to become a productive member of the society under the prevailing circumstances. The attraction for young males to establish themselves by displaying violence is reinforced by the fact that the culturally conveyed gender superiority is not any longer corroborated by their roles in the economy and reserved male workplaces. Instead young males are driven to assert their masculinity in participating in the production of violence (Lutz & Nonini 1999).

Finally, in the context of failed states economic actors sometimes draft paramilitary forces or foreign security services offering military capacities aiming to isolate their economic interests from the general turmoil and to continue their profitable trade. Illegally supplied arms and foreign personnel with a dubious status are regularly involved. The existence of vibrant criminal networks in the global economy and militarily qualified surplus labour enable this particular form of complete privatisation of security, even against the outspoken will of the international community (Cilliers & Mason 1999; Musah 1999; Reno 1998).

However, before becoming too despondent over present trends, it should be recognised that the ideal-type security order with the

state fully commanding the monopoly of legitimate coercion, which usually serves as a benchmark for judging specific situations, existed, if ever, only at the end of the post-WWII boom in social-democratic states in Europe. And even there major changes of the security order are looming (Trotha 1995). This should not come as a surprise as the three spheres of economic circulation operate globally and affect even the most well-to-do nations. This coincides with a strong polarisation of incomes and the ensuing spatial segregation of society.

#### *4. The current dynamics of illegal proliferation and intra-societal diffusion of small arms*

The current snowballing of problems associated with the widespread illicit availability of small arms is among others related to the end of the Cold War. During the Cold War legal and illegal proliferation of small arms were both pervasive, but, contrary to the present pattern of proliferation, these transfers were legitimated by one or the other side of the ideological confrontation. When non-governmental actors were supplied, as was often the case, this meant under-cover operations, for which extensive networks were put in place to allow for deniability. But at the time all of the recipients of either clandestine or open military support claimed to keep control of or to take over a given territorial state and deny access to the opposite camp (Mathiak 1995). The volumes of weaponry at the disposal of fighting parties bore no relation with the economic capacity of the respective territory, Afghanistan, Angola and Nicaragua being among the most conspicuous cases of externally generated civil wars. With the approach of the end of bi-polar military competition the competing streams of military supplies stopped. Most of these supplies had been non-requested transfers, at least with hindsight because the military credits had to be forgiven.

In a parallel process international creditors began to put pressure on highly indebted countries to consolidate their financial balance sheets. As a result legal military transfers plummeted for lack of purchasing power and soft credits and did not recover even in regions plagued by wars, Turkey and recently Eritrea and Ethiopia being an exception.

In the field of small arms, however, a dynamic illegal market emerged during the present decade accompanied by soft government-to-government transactions of surplus weapons and ammunition. The following sections highlight firstly what can be described as a supply side push due to the post-Cold-War military downsizing and the faltering institutional cohesion of armed forces particularly in transition countries and secondly the economics of the demand side.

#### *4a) Supply side push:*

The Cold War allowed for the stocking of arms beyond realistic requirements, even in the maximalist context of scenarios of the time. The political paranoia produced among others secret arms caches throughout Europe. Some of them were so secret that their bureaucratic records were lost. So, Europe lives not only with hidden uxos (unexploded ammunition) from WW II, but it has to contend with unexpected finds of small arms caches hidden during the height of the Cold War. While these caches are only an exotic example of the heritage of the Cold War, bulging stores of ammunition and automatic weapons that were scattered for strategic reasons over the entire state territory marked the situation in most NATO and WTO (Warsaw Treaty Organisation) countries.

Most western countries immediately engaged in word-wide surplus sales as well as donations initiating in this way a process which has been labelled "cascading" towards the lower end of the international hierarchy. With respect to leakages into black market circulation this process meant a transfer from

relatively safe storage towards sometimes less protected, politically fragile environments. There is no evidence that WTO countries other than the former GDR acted similarly fast at the governmental level. Instead those countries attempted to foster the export of weapons which continued to be produced by the oversized arms industry which had lost their domestic markets due to financial constraints. Only a small number of customers were attracted by weaponry of Soviet design, even at the offered dumping prices. It took Russia almost eight years to establish a separate agency for export marketing of surplus weapons (Pierre&Trenin 1997).

The dramatic downsizing of military budgets in all former WTO-countries had immediate destabilising effects on the entire military organisation. The headlines were full of reports on shady deals. The central European states overcame this destabilisation relatively fast, but throughout the former Soviet Union the military institution has continued to fall apart, corruption is rife and central control is virtually lost. In Russia the once unified Red Army had to compete for funds with several other powerful armed bodies and additionally lost qualified personnel to the expanding private security industry, booming within as well as outside the rule of law. In the established Soviet tradition that stealing from the state involves no moral wrongdoing, military property transmuted into a commodity which was appropriated and illegally marketed if a solvent customer could be identified.

It started with the retreat of the Red Army from Germany and continues unmitigatedly to date, the plundering of state arsenals and the illegal sale both within the former Soviet Union as well as to international black markets. Large quantities of ammunition and small arms in possession of the Western Group stationed in Germany never returned to Russia, instead they found their way to the battlefields of the Bosnian war. In the case of small arms many reports on black market sources refer to the Ukraine and Bulgaria (Human Rights Watch 1999), but this may

only reflect the logistical sophistication black marketers from these countries have developed. The continued atrophy of the former Soviet military complex guarantees for the time being that the arsenals can be tapped upon demand provided sufficient cash is at hand. And most importantly the immense stores of weaponry hoarded in Soviet times are not exhausted and will fuel black markets unless the armed forces are radically downsized and reformed (Thurbiville 1996).

Since for the time being the respective governments neither have the inclination nor the resources to destroy the vast surplus stocks, black marketers will continue to benefit from this lucrative playing field where the wares globally in demand can easily be secured. Small arms have a low visibility which facilitates concealed logistics. Therefore they are more difficult to police than major weapons. As mass produced commodities their source is often difficult to trace.

However, it is often overlooked that illicit small arms are flowing both directions, in and out of the former Soviet Union. The weapons of choice of the organised crime in Russia and elsewhere are sophisticated models mostly procured on the largely uncontrolled private market in the United States. The logic of committing crimes with such "luxury" weapons lies with the reduced traceability of these imported weapons which diminishes the risks of the perpetrator to be detected. This example draws attention to the fact that regulatory deficits are not restricted to countries in transformation or otherwise particularly weak states (Gonchar&Lock 1994).

Permeable arsenals which are targeted by arms traffickers exist in many more countries where the state fails to properly pay its personnel or functions as a corrupt corporation only. Furthermore Latin American countries, above all Mexico, are permanently inquiring with the U.S. Federal Bureau of Alcohol, Tobacco and Firearms about small arms identified in armed conflict, individual murder cases and other crimes, because they have

originated in the United States and were illegally imported (Tokatlian&Ramirez 1995). The numbers involved have five digits which indicates the interrelatedness of distant regulatory spheres when it comes to the sources of the international black market of small arms. The regulatory order of the internal American market has unacceptable global ramifications as does the disorder in the former Soviet Union. Of course the list of countries whose regulatory deficiencies in the field of small arms radiate internationally is long. But it can not be explored in full detail in the context of this overview which merely attempts to highlight the need of simultaneous co-ordinated international action and unilateral steps to curb the sometimes rampant illicit availability of small arms.

#### *4b) Demand side economics:*

Societal violence, crime, organised crime, armed conflicts, intra-state wars, and even some international wars are no longer discrete events. A profound paradigmatic change of the concept of war has taken root. If conflict resolution is to succeed, the new paradigm of armed conflicts must be taken into account. With the transformation of the character of wars their causes and the logic for their continuation are also changing.

After the Cold War armed conflicts are more directly constrained by the economic resources the fighting parties can mobilise locally. Therefore a proper understanding of the underlying economics of on-going wars is a precondition to design efficient sanctions and other interventions intended to end the fighting and the often ensuing low-intensity violence. In the context of current civil wars the roles of politician, war commander, monopoly trader and organised crime leader blend gradually. Radical ideologies manipulating often spurious identities serve as a cynical cover of shrewd personal, mostly economic interests of such leaders and their entourages. Yet the ideological grip they hold over the population in war zones as well as among refugees on the basis of constructed

identities endows them with effective negotiating power vis-à-vis the international community. As a result war criminals become a party of peace deals and can carve out a safe position for themselves in the post-conflict setting. Understanding these often complex power equations is indispensable for peace negotiators.

With the end of the Cold War non-requited transfers in support of fighting parties in internal wars are rarely available, diaspora contributions fuelling conflicts “at home” being an exception (Angoustures&Pascal 1996). The required resources to sustain internal wars must now be collected and accumulated locally, often by force and blackmail. It follows that almost by definition fighting parties turn into complex economic conglomerates, often commanded by wealthy traders turned warlords. Above all the non-state parties in conflict must generate foreign currency to pay in cash for their military resupply on the black market. Every automatic gun, every round of ammunition fired into the air by a child soldier embodies an economic circulation involving commodity exchanges with international markets, at least in all countries where the arms are not manufactured domestically. It also presupposes the generation of a corresponding economic surplus and the directed use of the surplus to illegally import arms. Since the eventual placement of the surplus in mostly oversupplied global markets of raw materials requires in many cases illegal transactions, the marketed surplus fetches only heavily discounted prices. In other words the illegal resupply of arms is costly, even if the actual c.i.f. prices for the weaponry are low due to the present oversupply.

Illegal transactions are a common denominator of “war economies”. Global networks of criminal traders facilitate access to illegal markets. On a global scale illegal economic activities appear to witness higher growth rates than the regular economy. These “markets”, however, are characterised by high risk premiums and violence. They serve as resupply stores and as force multipliers for

warring parties and create a class of war profiteers, both inside and outside the conflict zone. Given this array of interested parties “war economies” tend to become stable patterns which is reflected in a continuously longer duration of civil wars (Keen 1998). They tend to become a “mode of production” for the dominant actors. But this weird mode of production regularly implies destruction for large segments of the economy as looting and blackmailing are among the preferred strategies of surplus generation. Chechnya comes to mind in this context. Internally displaced persons and refugees are almost a natural product of this “destructive mode of production”. Individual survival strategies in such deteriorating circumstances often face the alternative either to join the looting “war fighting” actors or to face starvation and expulsion.

Empirical studies have so far identified several major sources which sustain warring parties in on-going armed conflicts and therefore fuel the demand for small arms on the black market (Jean&Rufin 1996; de Waal 1997; Duffield 1998). Firstly, illegal export of minerals and raw materials by means of a reckless exploitation of the local biosphere. Tropical wood, gems, diamonds, ivory and minerals lead the list of products which enter the global market through questionable channels in support of “war economies”. Secondly, drug production and trafficking are regularly an important element in “war economies”. Afghanistan is a scarcely veiled case of a “drug economy” and Colombia another. The world atlas of drugs shows that international trafficking routes take advantage of the control vacuum in weak states and countries involved in low-level violence and armed conflict, Thirdly, the appropriation and misuse of humanitarian aid seems to be pervasive in the environment of many armed conflicts (Anderson 1999). Though there is no easy solution to overcome this dilemma for international aid agencies, it is obvious that the competition among private agencies whose vested interest is to provide humanitarian aid play into the hands of warlords who manage to appropriate hu-

humanitarian aid to foster their ends. The best documented case is Sudan, where bandits and fighting factions create hunger in order to attract humanitarian aid which is appropriated or taxed when it arrives (de Waal 1997). Fourthly, international embargoes sometimes strengthen the position of the local warlord by creating a profitable black market controlled by him and his cronies while it impoverishes the majority of the population. They then have the choice of either filling their Swiss bank accounts or stepping up the war fighting. Fifthly, in some cases the different diaspora communities volunteer to finance the war back home. But often they face extortion by clandestine criminal gangs which collect "war taxes". The Tamil Tigers from Sri Lanka are reported to have perfected this source of income by drafting asylum seekers who are being milked once they have arrived in Canada or Norway for example. Flourishing industries of kidnapping and protection rackets in turn may herald an escalation towards armed conflict over the control of different turfs. This has always a potential of developing antagonistic identities which if ruthlessly exploited may lead to low-intensity warfare, as a militarisation (Marchal 1997) of the entire society sets in as a reaction.

This description of resources tapped and mobilised by "war economies" is far from complete, but it allows the prediction that, without shoring up the regular economy from permanent criminal infiltration with illegally traded commodities, the sheer volume of effective demand for small arms on the black market will continue to render existing controls ineffective. The reason being that the present level of demand offers sufficient rewards to mobilise criminal actors who are disposed and capable of outsmarting existing control regimes. This pattern is reinforced by the existence of many weak states whose control regimes are not properly administered.

However, it is important to recognise that the underlying logic of every illegal economic activity aims at legalising the proceeds which

requires safe entry points into the legal economic circulation (Reno 1998). This indispensable exchange between illegal black market activities and the regular commodity and monetary circulation makes "war economies" vulnerable to well-targeted interventions by the international community. In other words the lack of efficient controls of criminal economic activities and the frequent collusion of sovereign states (not only of tax havens) are the fertile ground where "war economies" are grafted into the global market.

A recent change of policy by DeBeers points the way to go. After twenty years of collusion with Savimbi's UNITA by tacitly marketing its diamonds, DeBeers which controls the diamond markets through a cartel agreed in fall 1999 not to purchase any longer diamonds originating from UNITA (Mallet 1999). It was public pressure by non-governmental organisations which finally forced DeBeers to take this step and to comply with a mandatory UN-regulation.

Without real resolve to combat the criminal economic circulation little progress is to be expected in constraining parties involved in armed conflicts and in luring them to consider a non-violent conflict resolution. In particular, it should at last be taken into account that most traditional international embargoes have reinforced the income concentration and the criminal control of the embargoed economies in the hands of the incumbent rulers who were the target of the embargo. An ill-conceived embargo has the potential to initiate a self-reproducing pattern where the power of a criminalised elite profits from the continuation of the fighting as well as the embargo (Keen 1998). Milosevic and the nomenklatura of his regime apparently became addicted to this condition.

While the killings and human suffering in on-going wars appear to be absolutely irrational from an outside perspective, it may be hypothesised that apart from the material rewards from looting etc. joining the fighting can be at a certain stage an advantageous

survival strategy as nine out of ten victims in current internal wars are civilians. This would explain the military dynamics in obviously desperate situations and that forced recruitment is less pervasive than is reported in the media. This pattern also foreshadows serious problems in post-conflict times. It is important to anticipate that conceivable post-conflict scenarios are likely to have many losers, to whom an end of the fighting appeared undesirable. Once ended without comprehensive proactive outside support fighting is likely to be resumed as an income generating activity or alternatively criminal elements maintain a tight grip on the economy and stifle any dynamic market-oriented development (World Bank 1999). The present post-conflict situation in El Salvador highlights this danger. Many economic transactions are not controlled by the market, instead they are regulated by violence or the threat thereof. As a result today in El Salvador more people are being killed annually with firearms than during the civil war.

This short synopsis of the economics prevailing in most current armed conflicts suggests that the term civil war is not any longer appropriate (Kaldor 1999). Firstly, the fighting parties do not any longer necessarily aspire to take over state and reconstruct it; secondly, their organisation and ethics resemble criminal gangs more than anything else. The combination of these features explains as to why in more and more cases the vast majority of the population opposes the internal armed confrontation, but has no leverage on the fighting groups.

##### *5. Comprehensive measures to reduce illicit small arms availability*

In the light of the ease of illegal supply and the economic forces creating effective demand for small arms at different levels, it is urgent to take internationally co-ordinated, energetic measures to curb the illicit flows of small arms. But unfortunately the complexity

of the issue and the different settings throughout the world do not prepare for a fast consensus on measures to take at the international level nor is it likely that such a consensus allows for dynamic actions to curb illicit flows of small arms. National “gun” cultures and the presently prevailing political conditions among nation-states are simply too diverse for the creation of the well-targeted regime. Therefore measures taken without further delay at local, national and regional levels must serve as precursors for an eventual set of international conventions. Any delay of instituting national measures while waiting for international harmonisation will cause additional harm impossible to repair at later stages. Unilateral initiatives also serve as important role models, which will help to draw hesitant governments into a world-wide coalition focusing on the elimination of illicit small arms availability. It is important that presently safe countries do not mistakenly take their status for granted, because in times of globalisation no economy is immune against producing social fragmentation, “inner cities”, “bidonvilles”, “no go areas for the police” and other pull factors. The three economic spheres are spreading like fog around the globe and the criminal economy has inevitably penetrated orderly, developed societies as well. Drug trafficking is often offering an initial leverage for the criminal sector to expand into otherwise well regulated economies.

No single measure will provide an encompassing solution, but an array of improved controls and proactive measures will eventually curb the proliferation and diffusion of small arms. If the industrialised countries fail to understand the dynamics of this problem, they will be confronted with pervasive armed violence in many states which puts the very existence of these states in danger and successively the global economy as well. Against this background selective, often disparate measures designed to reduce the illicit availability of small arms and their malignant role in fostering societal fragmentation will be discussed in the second section. It does not enumerate the various proposals

presently discussed in the on-going small arms debate, mostly related to tightening export controls, this presentation seeks instead to complement this discussion with partially innovative measures to curb illicit small arms availability.

## II. Proposals

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### *1. Gathering information on black markets*

Black market networks appear to be able to deliver small arms, if necessary in large quantity, whenever and where ever effective demand articulates itself. Proactive intervention to halt illegal flows across borders by custom services and police forces is presently not feasible because too little is known about these networks, their warehouses, the operation of their financial settlements and, not least, their collaborators within governmental agencies around the world. While the intelligence agencies of certain states ought to have a fair understanding of the black market, because some of these actors were used as proxies during the Cold War to perform deniable supplies, this information is not shared internationally with control agencies nor is it available in the public domain. Thus, improving the control of small arms trade requires reliable information on the basis of world-wide field observation and data collection.

Surprisingly up to now no institution collects continuously data on the illicit proliferation of small arms. There is urgent need to create an independent source of information in this field. Stockholm International Peace Research Institute (abbr. SIPRI) (SIPRI 1999) and Observatoire géopolitique des drogues, Paris (abbr. OGD) (Observatoire 1995; idem 1996) are excellent role models for an efficient institutional form to collect reliable information on the illicit proliferation and societal diffu-

sion of small arms. SIPRI in the field of major arms transfers and OGD in the case of drug trade have proven that a modest, but targeted research effort unfettered by political intervention can highlight sensitive transactions, the actors themselves are not disclosing, simply by systematically screening open sources. After 20 years the United Nations finally assimilated the investigative work of SIPRI and instituted its own register of transfers of major weapons. A similar initiative within the United Nations in the field of drugs will probably take a few more years. In the case of small arms this process has not even been started.

It is to be hoped that a smaller country like the Netherlands, Belgium or Switzerland will fill this obvious gap in the landscape of research in the near future and support an independent research facility serving as a global small arms observatory. At present preparatory steps are being taken in Switzerland to publish a yearbook on small arms issues and in Belgium to set up a small documentation centre on black market flows. But given the dimension of the problem these initiatives need to be strengthened and supplemented by complementary work in the field.

### *2. Improving information gathering*

An important element to enlighten our knowledge about the illegal flows of small arms is comprehensive and reliable information from the places where they are being used in armed conflict and crime. From journalists to humanitarian aid workers there are many yet untapped, potential sources of much improved information, provided these observers are qualified to report in correct detail what weapons they observe during conflicts. One way of qualifying them would be the widespread availability of a concise small arms and ammunition identification booklet. It would allow them among others to tell the difference between an Uzi, Galil,

Kalashnikov, G-3 or FN without looking for a label and thus better the quality of press as well as institutional reporting. If collected such data will help to simulate the black market dynamics.

Since humanitarian organisations are severely obstructed in their work as a result of the almost effortless availability of small arms in many conflict zones, it should be in their interest to improve the information on black market networks which supply regions of conflict with arms and ammunition. Anticipating the creation of a global small arms observatory humanitarian organisations should sponsor the production and global distribution of a simple small arms identification booklet. The necessary knowledge can easily be transferred from the military into the civilian domain. Jane's Infantry Weapons or Ezell: Small Arms Today could serve as a source. It would certainly improve the quality of reporting on armed conflicts and societal violence and cumulatively provide information which will eventually allow the reconstruction of illicit flows of small arms as a precondition to targeted intervention as opposed to the impossibility of perfecting existing trade controls.

### *3.Improving the control of legal transfers*

Improved policing of illicit transactions is the most obvious step to take, in order to curb the black market. All present international, mostly regional initiatives pledge to improve the standards of controls. But this may not prove to be sufficient to curb the illicit transfers. In some cases governments do not have the infrastructure necessary to effectively control the transactions originating on their territory. An efficient and internationally coordinated plan of action must include a broad range of measures. Some important measures, however, which are geared towards structural improvements produce substantial results only in medium and long term. Other steps could be taken instantly to discourage fraudulent exports.

All attempts to improve controls must depart from the hypothesis that virtually all small arms enter circulation as a legal commodity, but it is during their often several decades long life cycle that a significant percentage transmutes into the illegal sphere. Targeted controls presuppose sound hypotheses concerning the most likely points of leakage into illicit circulation.

#### *3a) The case for a transaction deposit*

An important source of illegal flows is the falsification of export licenses or export consignments never reaching their documented destination. Some traditional exporters of small arms like the Czech Republic simply do not have the diplomatic network which is indispensable to corroborate suspicious export applications. In order to facilitate an adequate control of licensed exports without burdening the tax payer with the costs which might outweigh the economic value of the transaction, the introduction of a transaction deposit might considerably improve the effectiveness of governmental controls. In order to avoid the creation of competitive disadvantages for smaller producing countries less capable of certifying the correct execution of export transactions, all arms exporting countries should agree to charge an export deposit for licensed small arms exports. An efficient first step could be the introduction of this instrument by the European Union. This would provide the EU with the leverage to oblige all entry candidates to follow suit. Given the fact that particularly in the field of small arms some of the applying nations are among the big suppliers throughout the world, such a step is likely to significantly reduce the present level of "leakage".

Export control bureaucracies and custom services are regularly confronted with fraudulent documentation which are not easy to detect. It is not known how often licensed arms exports are converted into an illicit commodity during the transaction and end up in wrong hands. The increasing number

of cases of attempted fraud may reflect improved scrutiny of the controlling institutions, but it is also possible that fraud is generally on the increase.

Major weapon systems have a certain visibility which makes an eventual detection of a fraudulent transaction likely. This condition does not pertain to small arms, ammunition and spare parts, the case of smaller arms is different. For a variety of reasons SIPRI (SIPRI 1999; Lock 1993) never attempted to cover small arms in its transfer registers. Firstly data were difficult to come by, secondly, in the context of the military confrontation between West and East the issue was not given high priority, and thirdly, it was argued that small arms would constitute a certain proportion of the trade in major arms and could thus be assessed *ceteris paribus*. While the latter has certainly not been the case given the fact that most internal wars are predominantly fought with small arms and generate demand for a specific range of infantry weapons, it remains a sad reality that even today very little is known about the trade in small arms in general (Naylor 1995).

Additionally since the mid-eighties the enduring economic and financial crisis throughout large parts of the Third World has weakened governmental bureaucracies in a significant number of smaller countries to such an extent that it has apparently become easy to corrupt them and obtain forged documents which facilitate consignments of small arms to illegal destinations. Black market traders are thus able to generate perfectly looking documents even without exploiting the sophistication of modern computers and copy machines. In short, false destinations seem to be internationally on sale, moreover the number of ports where customs offices are inexpensive to bribe are apparently numerous facilitating convenient re-routing of shipments to an illegal destination.

But a similar observation points to some of the smaller transition countries where the capacities of the export control administration are limited. The administration does neither have the personnel nor the logistical

means to thoroughly check the applications for export licenses and to supervise the correct execution of the respective shipments. The smaller transition countries in Central and Eastern Europe have typically considerable manufacturing capacities in the field of small arms, which makes them an attractive target for black market actors (Human Rights Watch 1999; Saferworld 1999).

The known cases of fraud using a third country as an *entrepôt* suggest that a certain class of countries is emerging where the agreed rules of international relations do not apply any longer. Several fraudulent transactions were reported in the literature in which Paraguay has been implicated. This must have serious implications for the procedures of surveying arms transfers at the international level. These countries must be identified by consultative procedures among exporting countries. At the same time all suppliers have to institute measures which make sure that the controlling body in the exporting country maintains an efficient leverage of intervention throughout the entire transaction. Presently hardly any sanctions are at hand to effectively sanction the fraudulent re-routing of an export consignment if the mishandling occurs beyond the territorial borders of the exporting country and the exporting company can not be directly implicated. Virtually no leverage exists to undo the illegal delivery.

Given the continued pressure from the demand side and the plentiful existence of traders who dispose of the criminal energy to enact fraudulent transfers, governmental controls must be considerably intensified lest illicit transactions will spread further. However, some supplier countries do not have the resources required to effectively tighten controls. More generally, it is difficult to justify that the taxpayer should shoulder the considerable costs which accrue from the indispensable control procedures. The trade of this commodity reflects above all the legitimate entrepreneurial interest of the arms manufacturer or trading company to make a profit. The transaction costs should be fully

part of the entrepreneurial cost calculation and be reimbursed to the government. However, the black sheep among the exporters are responsible for the escalation of the costs of the control system. Charging exporters with a standard fee would punish the law-abiding exporters. Making a transaction deposit compulsory for every licensed transaction instead would allow for an automatic punishment if the transaction is not carried out as stipulated in the license. In addition, the interest earned during the deposit period would help to cover the costs of controlling arms exports.

Making a substantive transaction deposit compulsory for every licensed transaction would give the government a financial leverage to enforce a correct execution. A transaction deposit of 25 or 50 % of the value of the respective contract would serve as a powerful economic disincentive to all contracting parties to engage in fraudulent transactions. Because the deposit will only be returned after an independent source certifies the full and correct execution of the licensed export, a careful scrutiny of potential customers lies in the self-interest of the exporting company. Even under the worst-case assumption that a ruthless exporter counts on losing the deposit in his calculation, the weapons would arrive at the black market at least 50 % more expensive than the going market rate, leaving the government with additional resources to further improve controls.

The introduction of a transaction deposit allows governments to act unilaterally and shift the burden of proof to the exporting party. It is conceivable to consider deposit rates which decrease with the visibility of the respective weaponry, dispensing major weapon systems from any deposit. The lower the visibility the more important substantial deposits would be, because it is this end of the illicit arms trade which relates to ongoing wars, societal violence and fragmentation of states.

### *3b) Obligatory certification\**

Another strategy to make sure that licensed exports are being carried out according to the application would be to prescribe the execution of the transaction in detail. While dubious customers have a tendency to pay in cash, which is, of course, most welcome to the exporting company, it is conceivable to outline obligatory steps, each licensed transaction has to comply with. A letter of credit with a bank in the recipient country should be made obligatory, additionally the certification of the declared destination should be included in the conditions of the letter of credit, ensuring that the payment is only released after the consignment is confirmed to have arrived at the stated destination.

Such a stipulation would bring into play the existing private certification sector. The certification would be possible in most relevant countries, because the industry is represented in more than 140 countries. The estimated costs of certification per consignment would amount to roughly 500 to 700 US \$. If made obligatory in the context of the EU for example the prescribed procedure would not discriminate against any supplier. Given that Europe is a large supplier in this field and that many legitimate customers have strong interests not to change the calibre and other standards, it is realistic to assume that the customers will carry the burden of the additional costs, particularly since this measure would be taken in the best mutual interest of states combating the scourge of illicit small arms availability.

## *4. Avoiding the misuse of legal small arms*

As mentioned already, virtually all mass-produced small arms are manufactured and traded in abundance by existing laws. However, at some point of their respective, long life-cycles large quantities of small arms pass

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\* I am indebted to Ouliana Kolbina who investigated the certification industry and to Mr. Müller from the Association of Exporters in Hamburg for an extensive interview on the feasibility of export controls.

into the sphere of illegal circulation and misuse. Present levels of illicit small arms availability is the cumulative result of a large variety of schemes which permanently re-supply the illegal circulation of small arms and ammunition. The various critical points during the life-cycle of a weapon must be addressed with specific control mechanisms and measures of general prevention. A generally underestimated source of illegal circulation is the legal private ownership of firearms in countries with little restrictions attached to private gun ownership. Regulative schemes used in other fields provide an orientation how firearms and ammunition can be safeguarded from entering illicit circulation and misuse and how liability can be regulated.

#### *4a) Liability of gun ownership*

In the following the case for an obligatory third party liability insurance will be established. The transformation of legally possessed firearms (manufacturers, traders, armed forces, law enforcement bodies, and private licensees) into instruments of crime, violence and internal warfare takes many routes. It is an obvious truth that the criminal energy in this process is not restricted to the demand side. Greed, extra profit and passive corruption, covert support and interference (mainly by governments), fraud and negligence are among the facilitating factors at the supply end, while criminal energy and corruption are the main tools at the demand side. By no means all facilitating factors are punishable, nor are the sentences always commensurate with respect to the often appalling consequences of the ensuing criminal offences and violations of human rights. Generally the original owners are never held liable on the basis of their negligence or active participation for the damages the respective firearms provoke during the illicit phase of their life cycle. With respect to the actual perpetrators claims of victims are often of no avail because only in rare occasions sufficient assets can be forfeited, while the

original owners under present laws are not liable.

Therefore the liability of legitimate owners of small arms, in case their weapons enter for whatever reasons into illicit circulation and are eventually identified to be implicated in damages of various kind urgently requires greater attention. As a first step it is proposed to introduce a compulsory third party liability insurance for every small arms item produced or traded irrespective of the status of the ultimate legitimate owner. The logic of this proposal draws among others upon the regulation of car ownership in many countries as well as on already existing international conventions regulating and securing the liability in the case of international risks like transport of oil and fissile materials at sea. In the latter cases the international community perceived the need to react to emerging large-scale dangers and established an obligatory third party liability coverage.

Given the recognition that the indiscriminate diffusion of small arms puts the existence of entire states into danger, causes human suffering and enormous economic damages almost everywhere, the situation is ripe for the international community to agree on joint measures to reverse present trends. This would lend support to countries presently most affected by the scourge of illicit arms availability. A convention on the liability of owners of small arms for engendered damages would be one such measure.

Cars and a guns are both commodities which are at risk to cause major damages to third parties, particularly when misused. The damaging act itself may be perpetrated by a third person following a theft or just by accident. A car owner is obligated to take out a third party liability insurance, because the state rightly wants to protect the victimised third parties. Damages are covered irrespective of the financial capability of either the owner or the actual perpetrator. The regulation gives priority to the victim. It also protects the tax payer from being shouldered with the bill as a debtor of last resort.

It is striking that in the case of firearms third parties are not protected in a similar manner against accidentally or intentionally caused damages when misused. Absolutely no liability protecting third parties takes effect, in case a firearm is stolen. This is a serious lacuna which should be corrected, particularly since the general taxpayer is usually charged with the costs provoked by the misuse of firearms, alternatively victims are left without compensation. The changes required can be initiated unilaterally at the national level. They should, however, rapidly expand into an international convention, because illicit circulation of firearms operates across borders. But the introduction of an obligatory insurance will effect the situation only in the long term. Additionally the international community has urgently to find ways of coping with the heritage of millions of small arms already circulating illicitly and not covered by any insurance.

When discussing third party liability it is important to take into account that no institution or person entitled to possess firearms is aloof from the risk of theft and eventual misuse of its inventory. This applies to the armed forces as well as to the police, where the custody of firearms is not always as tight as one would expect. The need to introduce the concept of liability is best illustrated by the enormous damages caused by the huge stock of small arms recklessly left behind by the US-forces at the end of the Vietnam war. These weapons were marketed off-shore by the exhausted Vietnamese government, entered the web of global illicit circulation and surfaced in the hands of insurgents and criminals all over the world engendering untold suffering and enormous destruction. It would offer an interesting exercise for insurance mathematicians to calculate the rate that they would had to have charged the US-army for each American gun left behind in Vietnam to cover the (economic) risk of their illegitimate use off the former Vietnamese battlefield.

#### *4b) Marking of weapons is a prerequisite to enact additional safeguards*

Every firearm carries the potential of creating havoc, when misused. This risk must be translated into costs which are to be born by the legitimate holder. In order to implement this logic, every firearm is to be produced with an unique undeletable mark (number) to allow for tracing of the original legitimate owner. The most feasible moments in a life-cycle of a firearm for collecting an insurance fee to cover potential and statistically predictable damages are the first legitimate sale after the production itself and every legitimate trade transaction thereafter.

It seems evident that the private insurance industry would collect a considerable fee against a policy covering all possible liabilities, taking into account the long life-cycles and the enormous damage any firearm can cause. The principle to charge the owner of small arms with the costs of potential liabilities would considerably increase the costs of gun ownership. It would make the true societal costs of gun possession finally transparent. It might also reduce the effective demand for firearms as life-cycle costs increase because this commodity is likely to be price sensitive. Finally, a healthy pressure to improve the safekeeping of firearms would come from the insurance industry trying to protect its stakes. Technological innovation, like efficient personalised trigger locks, would rapidly enter the market because such firearms would in the end allow legitimate gun owners to economise the insurance premium. The market mechanism would foster innovation in the field of safeguarding and neutralise the passionate resistance of gun lobbies against tightening controls.

As a first step it would be important to establish the principle of compulsory third party liability insurance to be levied on the ownership of guns. It must apply to the military and the police alike, because arms stolen from their stock are as likely to become the means of destructive acts as any other firearm. From innovations like personalised

trigger locks the security of police officers would significantly benefit as they would be not any longer in danger of being threatened or killed with their own weapons. Different insurance rates according to risk classification are conceivable, but this is a technicality which the insurance industry will easily solve once this obligatory insurance is being introduced and the different risks evaluated by the industry. Such a regulation can be introduced unilaterally, but the nature of illicit circulation and international diffusion of small arms strongly suggests to pursue in parallel the implementation of an international convention. For example, a sniper gun stolen from the stores of the FBI might end up in some remote country and be used in terrorist activities. Thus, such a risk insurance would have eventually to be operated as an international trust fund charged to regulate cross-border liabilities. Enormous sums can be involved when small arms not legitimately possessed see action in violent conflict and civil wars. But it is time to make transparent the true costs of small arms which slip into black market circulation and to induce in this way better controls.

The proposal to enact a compulsory insurance clearly embraces market mechanisms to achieve its ends and considers this an appropriate complement to tighter government regulation of firearm ownership and trade. It is likely to provoke an outcry from the gun lobby and also from the armed forces and the police. However, the latter must understand that risk coverage is a reasonable principle. For the government it would basically be a zero sum game, it does not cause additional expenditures, because uninsured damages are in most cases paid for by the taxpayer in any case. Once the problem is handled as normal insurance business it will look less threatening to legitimate owners of firearms, because the increased costs will correspond to their specific risk classification which they can influence by adopting safeguards.

But the important aspect of the proposed move is the translation of the risk small arms embody into monetary terms, thus making

the costs of “gun cultures” transparent. The increase in effective prices would discourage overstocking at all levels and possibly reduce the demand for new production as excessive stocks will be marketed first. It also ends the effective subsidisation of gun ownership. Presently the taxpayer shoulders the damages ensuing in case of theft and misuse. With an obligatory insurance the gun owner would finally pay for the eventual damages, his individual choice to carry a firearm purporting to enhance his personal security entails.

Of course, this short exposition can only provide a stimulus for a debate of how compulsory third party liability insurance for small arms can contribute to improving the safety standards, and reduce illegal circulation. Small arms are a dangerous commodity, but lack the normal treatment of dangerous commodities. Otherwise long since some obligatory insurance regime would have been introduced as in the case of car ownership. But as the problems are becoming more pressing and costly every day, it should finally be possible to tackle them more vigorously, in this case from the economic end and call for an end of the effective subsidisation of privately owned small arms. However, innovative approaches to old problems always need a long breath and must work towards winning wide political support.

##### *5. An ammunition tax: the case for a demeritonal tax*

Many observers would agree that the supply of ammunition is a key factor in most ongoing armed conflicts. In many conflicts the warring parties are absolutely dependent on the efficiency of the logistics black marketers are able to offer. This reliance on the black market to supply the fighting forces introduces an economic dimension into the political equation which determines the level of fighting and possibly the eventual disposition to seek a political solution of the conflict. Moreover, as discussed in the first section, in

some protracted conflicts fighting has virtually developed into a “mode of production”, there the calculation of the “fighters” should be particularly sensitive to the prices of their “inputs”, not least because illicit trade networks operate on a cash basis in convertible currencies.

In general, however, prices are low, quite often below the cost of manufacture as huge stocks of surplus are being cascaded internationally in a chain reaction which increased the likelihood of leaks filtering into black markets. In contrast to the creation of new jobs in the regular economy being virtually unaffordable in the context of war-torn economies, the economic threshold of turning armed violence into a profitable business is rather low due to the pervasive availability of cheap small arms.

The long shelf-life of most small arms suggests to additionally explore the control of ammunition supplies as a means to effectively reduce the availability of operational small arms at least in medium term. The definitive consumption when used promises an impact on the availability through improved controls and significant increases in prices.

Against this background it is proposed to lobby governments to levy a significant (consumer) tax on all ammunition fitting small arms used in armed conflicts. Such a tax would be absolutely consistent with the historical evolution of taxes and their legitimacy. An important element in the evolution of taxes are levies on demeritorial goods, like alcohol and tobacco. A tax on ammunition would follow in this tradition where the state acts on the basis of a consensus that a certain commodity has negative external effects and affects the common welfare. The current international discussion indicates that this consensus is rapidly maturing with respect to small arms. The conversion of this consensus into a consumer tax of ammunition is however unfortunately not yet on the political agenda.

A tax on ammunition would be a non-fiscal tax aiming at changing consumption patterns

and the behaviour of the consumers. Small arms have become an increasingly important public health issue, therefore they require a health-oriented steering of consumption patterns. In changing the relative price of this commodity the government explicitly intends to discriminate against the potential (mis)use of this commodity. To make an impact a rate between 100% and 200% should be considered, in order to truly discriminate against the unnecessary use and overstocking of ammunition. Being a mass produced commodity with only a limited number of producers an ammunition tax should be collected at the source.

The tariff must be levied for all ammunition produced. This is perfectly acceptable because the tax is financially neutral for the government as a legitimate customer. The higher prices its agencies have to pay are fully balanced by tax income. All private users of small arms would have to pay a premium for their hobby or for the privilege of presumed self-defence with a firearm. This is perfectly justified given the risks of inevitable health-hazards due to the danger of illegitimate use of privately owned firearms in case of theft and other ensuing negative external effects.

With respect to international trade in cases of certified deliveries to legitimate governmental recipients the consumer tax would have to be relinquished. In all other cases of export the tax would be levied at the source. The additional tax income would help to cover the social costs of the misuse of firearms which are presently shouldered by the general tax payer. Given the fact that a tax levied indiscriminately at the source would be collected from foreign customers as well, a large part of the tax income should be dedicated to an international trust fund charged with coping with the disastrous consequences of reckless proliferation of small arms in the past.

There are, of course, also arguments against such a consumer tax. At the principle level neo-liberal economists argue that any con-

sumer tax infringes the liberty of the consumer, but this tax intervention must be weighed against the negative externalities of the diffusion of small arms. "If we don't, others will do" (sell and export cheap, duty-free ammunition), this standard argument against national initiatives, will be advanced by the different lobbies associated with the ammunition business. This argument is not valid as can easily be understood, when applied to the cultivation of marijuana and other drugs, in order to create additional jobs for farmers. It will certainly be argued as well that the stocks already in black market circulation will earn windfall profits as a result of the institution of such a tax. This will inevitably be so, before black market stocks will begin to be crowded out. It should also be taken into consideration that the introduction of an ammunition tax will provide an environment for black market activities if neighbouring states do not co-ordinate their tax policies. The mutual history of the United States and Canada provides a number of negative examples when different tax policies created black markets and huge profits for cross-border smuggling<sup>1</sup>.

But these hurdles are not insurmountable. The history of demeritorial taxing (Tipke 1993) shows a surprising convergence between different cultures and continents. Ammunition seems to fulfil the properties needed to justify an internationally co-ordinated promotion of a tax. The most important factor bringing the international community in line to a process of strictly applying a hefty consumer tax on ammunition is the emerging consensus on the dangers of small arms diffusion and the commonly felt need to counteract this tendency.

From a security perspective the control of ammunition and its taxing is by far more efficient at the source than at the level of the ultimate consumer. It also allows for a rigorous accountability of those legitimate international transactions which would not be

subject to taxation. Higher prices for ammunition lower the chances of unlawful appropriation of ammunition, because all actors will be less inclined to overstock ammunition and the final demand is likely to display some elasticity to prices as well. Finally, if the major international suppliers (G-8 and NATO member states among others) could agree on a concerted tax on ammunition, they would easily be able to muster sufficient pressure to bring most other suppliers to conform to such an international tax regime as happened with other demeritorial taxes in history.

### *5. Instituting a recycling deposit for all firearms*

Increasingly states intervene in markets and put up regulations to make sure that environmentally hazardous commodities are being properly recycled to avoid lasting negative effects if left as waste. Thus, car manufacturers will eventually be forced to recycle their cars at the end of their useful life. The costs of recycling will already be charged with the sales price. To minimise the risk of illicit firearm possession and black market activities small arms should also come under an obligatory recycling regime aiming at eliminating a potential source of illicit transactions (For a study on the destruction of small arms see: De Clerq 1999).

All small arms items are particularly sensitive commodities which constitute a potential danger if the decommissioning does not lead to the destruction and recycling of the components. To insure a proper recycling of firearms and decommissioned ammunition, a recycling deposit should be charged with the sale of firearms and ammunition. The deposit must be a consequential sum, in order to make it attractive for everybody to return any weapon found or not any longer needed and receive the deposit in cash. The deposit should be calculated out of two components, the costs of decommissioning and recycling and the reward to make it attractive to return

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<sup>1</sup> I am indebted to David De Clerq who drew my attention to this aspect.

weapons. If further investigations of ammunition supplies confirm that illicit refilling of empty cases constitutes a problem, a deposit should be levied on ammunition as well, in order to secure the safe return of the cases to the legal sphere. Aluminium soft drink tins, also a mass produced item, carry such a deposit in Denmark.

Such a compulsory deposit would have a double effect. It would elevate the economic threshold to acquire firearms, but it would also contribute to reduce the average life cycle of the existing stock of weapons and hence the availability to enter illicit circulation in general. The incentive to decommission weapons and be rewarded by a refund is likely to forestall the accidental appropriation and entry of many firearms into illicit circulation. If old stocks of ammunition can be converted into cash, they are also less likely to end up in the cross-border black markets.

A recycling deposit operates not unlike a buy-back program, but its costs are borne by the legitimate or tolerated owners of firearms and it is made a permanent feature. Given the large existing stock which was acquired without the payment of a deposit, the start capital would have to be advanced by the government during the initial phase, while the program would become self-financing after a certain period. Compared to the potential security gains the initial investment required is modest.

### *7. Dual standardisation of calibres for all small arms*

An important measure to improve the control of the illegal proliferation and diffusion of small arms would be internationally agreed standards for calibres of small arms which strictly distinguish between weapons designed to serve the military and in law enforcement and weapons designed for sport, hunting and legal private ownership. One could define new calibres, for example 4 mm

and 8 mm, as the exclusive standard for all non-state actors who legitimately own a firearm, while 5.56 mm, 7,62 mm and 9 mm would be reserved for the military and the police. Countries with restrictive ownership laws could serve as precursors of what should be developed into an international regime. In a period of less than ten years compulsory changes of the calibres of weapons in private possession could be implemented.

Such a set of norms would facilitate in the long run much improved controls. It should be acceptable to all nations because it does not directly interfere with national regulations of private ownership of guns. At the same time it would be an important step towards the marking of ammunition proposed by the UN-expert group on ammunition (Report 1999) as ammunition for official use and private consumption would be unequivocally identifiable. The private and the official weapon markets would be absolutely separated making it virtually impossible to substitute illegal supplies from one sphere with wares from the other sphere. The diffusion of arms and ammunition from official use to illegal non-state ownership and illicit circulation would become instantly transparent.

Liberal sales regulations with respect to private acquisition of firearms and ammunition would not any longer lead to illegal exports of ammunition to feed international black market networks which will be flooded with automatic weapons of the presently prevailing calibres for many years to come. It would become inherently more difficult to procure ammunition for illegally possessed automatic weapons as their possession is globally restricted to the military and the police. In a transition period of ten years it should be feasible to achieve a complete separation of the two markets through a strict regime of dual standardisation.

Once such a set of manufacturing norms is in place, it will become easier to exert international pressure against ammunition manufacturers supplying international black markets with non-private calibres. It may even be

possible to win the consent of arms manufacturers for such a regime because the introduction of such dual-standardisation would mean additional business as many privately owned arms would have to be refurbished to comply with the new regime or replaced. Measured against the damages caused by the illicit availability of small arms an eventual compensation for affected private gun owners would not be costly.

#### *8. International trust fund for the destruction of surplus stocks of small arms*

Large surplus stocks of small arms originating from uncontrolled accumulation of reserves during the Cold War remain a source of illegal circulation which requires co-ordinated international action. The cascading of surplus weapons from the arsenals of industrial countries to the inventory of the armed forces of less wealthy nations was started in the early nineties. Unfortunately the weaponry and the volumes involved were often not commensurate with legitimate needs of the recipient armed forces. Sometimes the suppliers were merely interested in economising on recycling costs. As a result these weapons ended up in the arms depots with diminished safety against leakage into illicit global circulation. More importantly, however, the profound economic crisis in most transition countries and in a significant number of developing countries has weakened the public services, including the military to such an extent that the safety of the arms depots is no longer guaranteed. In such precarious circumstances an orderly recycling of surplus arms is not feasible.

Measured against the enormous economic damages and human suffering caused by the global illicit small arms availability investing in an international trust fund for the destruction of surplus stocks of small arms will produce high rates of return in form of foregone damages. It is for this reason that the formation of an international trust fund for the de-

struction of surplus stocks of small arms, possibly under the auspices of the United Nations, should receive priority on the agenda of the General Assembly.

Since many individuals and non-governmental organisations would be sympathetic to the creation of such a trust fund, one might conceive this fund as a foundation open to governmental as well as individual contributions. It would be perfectly plausible for concerned citizens around the world to contribute to the destruction of small arms by purchasing “disarmament shares or certificates”, if a credible foundation can be created for this purpose. Such an initiative would raise the visibility of this issue. Provided sufficient funds can be assembled the trust fund would actively pursue a strategy of identifying critical surplus stock and offer its services which in certain cases might involve in addition to destruction and recycling a compensation for the lost (black) market value of the weapons, in order to make it attractive to governments to contract the trust fund for surplus reduction.

With the Kosovo experience in mind where the looted arsenals of Albania surfaced, NATO should resolutely act and clear the arsenals of all states aspiring membership or other forms of association. NATO’s leverage to enact a reduction of existing arsenals to reasonable levels in former Warsaw Pact member states must be used resolutely and fast as it is well established that presently black markets are supplied from within this region. On the basis of NATO’s expanded agenda such a program could be offered globally as it is likely to reduce the probability of future humanitarian missions in the context of internal armed conflicts. NATO would act in its best self-interest, but apparently political pressure on the organisation is still lacking.

### *9. Active market intervention in illegal trading*

The case for massive intervention in the illegal circulation of small arms is highlighted by the situation in certain border regions where arms trafficking is concentrated. Armed violence, organised criminality and protracted civil wars are often a reflection of economic activities which are not based on a set of rules of law. In the context of intra-state armed conflicts armed predatory acts and extortion often turn into an independent mode of production. It is therefore reasonable to assume that the different violent actors in their capacity as “*homines oeconomici*” are sensitive to the costs of their tools of production. Thus, prices charged in black market transactions influence the actual demand and hence the societal diffusion of small arms. If the argument that the illegal circulation of small arms is marked by price elasticity holds, then massive market intervention aiming at elevating prices would significantly contribute to the reduction of illegal circulation and societal diffusion of small arms.

Black market intervention requires financial resources and a trustworthy institution under the authority of regional organisations like the OAS or OAU and possibly national agencies, in India<sup>2</sup> for example. The ECOWAS initiative is probably the politically most advanced agreement at the regional level to control small arms. With strong financial and institutional backing from the EU in the context of the Lomé III agreement the feasibility of aggressive black market intervention could be tested in this region which is still infested with large quantities of free-floating small arms. Such a programme which is not restricted to traditional buy-back schemes at

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<sup>2</sup> Tara Kartha’s ‘Tools of Terror; Light Weapons and India’s Security’ (New Delhi 1999) describes in detail a scenario on the sub-continent which clearly endorses an active market intervention.

the end of civil wars is expected to tackle the problem of illicit small arms availability by pricing small arms and ammunition out of reach to potential black market customers.

The implementation of such a scheme has to take many hurdles. It is often argued that it is not possible for an accountable agency to act on the black market. It must be stressed, however, that throughout the Cold War the intelligence networks of major powers purchased particularly small arms on the black market, in order to avail themselves with stocks of “deniability” to support their proxies. The design of the agency is also a sensitive issue, but given the damages caused by the illegal diffusion of small arms the organisational hurdles should not be insurmountable. Among others one can certainly borrow from the experience in international co-operation to combat the illicit trade of drugs.

While international programs for mine clearing are widely accepted and receive considerable support, the idea of a follow-up initiative focusing on clearing illicit small arms has not yet taken root. Like mine clearing small arms “clearing” has important humanitarian and economic dimensions. For regions where protracted intra-state conflicts have produced elaborate networks of black market supplies specialising in small arms and the complementary illegal channels for the export of marketable products, like gems, diamonds, tropical wood and diverted humanitarian aid commodities are well entrenched, the availability of a Rapid Intervention Fund (RIF) administered by the United Nations would be helpful. Governments would be eligible to receive funds in support of active intervention in the black market and to take measures controlling the illegal economy. The same would apply to countries where an early warning of an emerging conflict has been given.

But the supply of organised crime might also be directly targeted in some cases. In southern Africa the border towns in Angola are believed to operate huge black markets where the organised crime in South Africa is

believed to procure its weapons from stocks spilling over from the protracted civil war. A few million dollars invested in mopping up the arms bazaars in the border region would make a considerable contribution to containing the sprawling violence in South Africa (Chachiua 1999; Nkiwane et al. 1999). A similar situation is reported from the border region in Paraguay where the Brazilian and Argentinian crime scenes procure their weaponry (Gasparini Alves&Cipollone 1998).

The financial volumes required for such a rapid intervention fund are modest if compared with the costs of conflict and post-conflict reconstruction. However, the rate of return measured in added global economic development should be high and therefore it might be adequate to involve the World Bank in the provision of the required funds.

### *10. Reversing cultures of violence*

Reducing the attractiveness of illegally possessing small arms is foremost a process of reconstructing mutual confidence at the local level. It calls for a consensus of putting the state back into the driving seat along the road towards improved security. The different measures proposed to improve the control of firearms and to reinforce the supply side controls are only the start of an extensive political discourse over the mutual acceptance of different identities needed before any legal action can bear fruit. The ensuing discussions about appropriate legal measures will already be part of the cultural and political changes required to convert declaratory policies of governments into effective measures of improved control and restraint among the population. Bringing the diffusion of firearms under control is not merely a legal act, it requires to overcome the latent gun culture whose "virus" is more firmly established in some societies than in others. Unfortunately the propagation of the gun culture is presently well entrenched in the global electronic media. Some non-governmental organisa-

tions like the US-based National Rifle Association strategically sponsor the gun culture. This "virus" does not recognise national borders and often operates as a precursor of the global network of illicit arms trade. It has been reported that the hero of the Rambo movie is perceived as a role model among young Africans in war-torn societies (Richards 1996).

The case for restrictions on advertisement for small arms is one small element in a campaign to neutralise gun cultures. The aggressive visibility of advertisements for military weapons in all kind of print media is but one example of many accepted practices which contradict the declared intention of many governments to fight the diffusion of small arms, including weaponry of military design. Advertisements for military weapons<sup>3</sup> in print media are particularly suspect, since the readers in most countries are legally not entitled to purchase the products advertised. Since procurement officers are certainly not appropriately addressed by scenic advertisements praising the performance of automatic guns and military ammunition in a wide range of journals, it is pertinent to question the purpose of such advertisements.

To secure contracts in the legitimate procurement market sending extensive documentation, offering at competitive prices or bribing the right person would seem much more efficient and indeed practised strategies to win contracts. So, what is the logic behind the advertisements for sniper guns, automatic weapons etc.? Is it merely to entice the appetite of prospective customers, fanatics who are addicted to weapons, so that they would place their orders on the black market which eventually translates indirectly into higher demand in the legal market where the advertising manufacturer has its stakes? Or is it about cultivating a political climate where the focus is on military solutions of political

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<sup>3</sup> For a detailed analysis of advertisements for military weapons see: Peter Lock, Rüstungswerbung; Der Boom gegen die Krise der Rüstungsindustrie. Militärpolitik Dokumentation No.41/42, Frankfurt 1985.

conflicts which guarantees business as usual for the arms industry?

The fact that in general media aggressive publicity for weapons which nobody is entitled to possess, except for the armed forces and law enforcement agencies, is tolerated world-wide, is no longer acceptable. It appears to reflect a prevalence of a permissive political climate with respect to the diffusion of small arms. Just as advertisement for medicine, smoking, and drinking came under regulation in many countries, advertisement for weaponry individuals are under no circumstances authorised to possess legally should be restricted to the absolute minimum required for rational procurement procedures.

Displaying ammunition as if it were lipsticks in the window of an up-market perfumery attempts to impart ammunition with an esthetical aura and to obfuscate the inherently dangerous character of the commodity. Given the legal antecedents of restricting advertisements for certain other products, the chances to challenge the public relations practice of the international small arms industry look promising. The aim must be to curb the indiscriminate propagation of firearms at minimum of those legally restricted to military use only. Earlier parliamentary initiatives in the FRG<sup>4</sup> to prohibit advertisements for military weapons in general print media should be reactivated and provide a model for an initiative within the European Union.

Children and minors around the world are exposed to the products of the dominant American entertainment industry. Armed violence is a pivotal feature in these products where product placing is a major element of the business. Thus, firearm manufacturers compete for placing their violent gadgets as long and as often as possible in movies of all

kind. The minimum regulation required would be a code of conduct aiming at reducing the open propagation of armed violence and a prohibition of product placing related to small arms. This form of publicity is particularly hideous, because the profit motive of the movie producers requires as many scenes as possible where posh guns can be displayed, so that the respective manufacturers pay a considerable fee.

### *11. Conclusion*

The illegal proliferation and diffusion of small arms are a case for sharing the responsibility between industrialised and developing countries. They are structurally embedded in the present stage of the global order. The huge disposable quantities are a heritage of the previous Cold War period, but the pull factors are mainly of the making of the crude imperfections of present economic order (Lock 1999b). Most small arms and ammunition illegally circulating around the globe were legally produced in industrialised countries. At some stage these weapons were separated from the chain of legal custody. Straight theft is only a negligible source of illicit availability. The transfer into illegal ownership is either associated with a barter deal or a cash transaction. In either case an economic exchange between the regular economy and criminal spheres is a precondition of effective flows. Thus, the recipient party of the illegal trade must control some economic activity linked to international (global) markets which generates the indispensable cash in a convertible currency or allows for barter deals with low visibility. In every case, therefore, the economics of the black market for arms can be targeted from the demand side through tightening the controls of illegal economic transactions and targeted economic embargoes. Only if the current initiatives to curb the illicit trade of small arms supplement their supply-side strategies with regulatory measures barring illegal commodities from entering the regular

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<sup>4</sup> In 1985 the Social Democratic Party proposed to insert a paragraph into the Law to Control Military Weaponry (Kriegswaffenkontrollgesetz) banning the advertisement for military weapons in general print media.

commodity market will these initiative achieve the desired effect.

This is because on-going armed conflicts, even in remote impoverished regions, are never isolated events. To the contrary, their dynamics and logistics depend on their continued participation in the global economy, though often through the backdoor of criminal sectors. Without the oxygen of economic interaction with the global economy armed conflicts would suffocate or at least transform into rather low levels of violence. This message has not yet arrived at the centre stage of the debate on small arms.

Tackling the small arms availability in on-going wars requires an understanding of the underlying economics (Keen 1998) which would allow targeted and internationally coordinated action to close the revenue generating backdoors of the global economy through which criminal brokers organise logistical life lines for the fighting parties. More generally, illicit small arms availability and the growth of the global GCP (gross criminal product) seem to be closely linked, not only in cases of armed conflict as increasing levels of armed violence in fragmented societies in Latin America (Lock 1998a) and Africa (Lock 1999a) testify.

It must be repeated that the awareness of far-reaching consequences of tolerating criminal economic activities for the diffusion of armed violence is still underdeveloped. From an economic perspective all armed conflicts are woven into the global economic web. In some cases it might be necessary to sharpen the legal instruments<sup>5</sup>, in order to stem the arms supply of on-going wars. But there is no denying that all armed conflicts are economically at our doorsteps and the spoils form part of our consumption pattern which makes them our common responsibility.

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<sup>5</sup> While some would argue that closing loopholes is impossible, the crippling record of the American embargo against Cuba suggests that a lot can be achieved provided the necessary political will exists.

Approaching illicit small arms availability from as many angles as possible contributes to the creation of political awareness of this complex situation which is required to mobilise unilateral and multilateral measures designed to reverse the fatal course of societal militarisation. It is at the fringes of the present order where the implosion of statehood vis-à-vis a self-arming society is most visible, but elements of this process are pervasive.

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