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AFRICAN WEAK STATES AND COMMERCIAL ALLIANCES

WILLIAM RENO

ABSTRACT

Conventional analyses of Africa's 'failed states' conclude that patronage networks fragment as state resources decline. As payoffs from rulers decline, once-loyal strongmen become warlords, attacking centralized authority. This article examines how rulers of weak states actually manage increasingly threatening patronage networks. The cases of Angola and Sierra Leone show how rulers use more reliable foreign mining firms and foreign private (mercenary) armies to marginalize threatening strongmen. At home, militarizing commerce denies its benefits to enterprising strongmen. Rulers then receive creditor financial support for their offensives against elements of their old patronage network and insurgencies, seeming to battle corruption and inefficiency. Rulers discover that they can use foreign firms to collect revenue, defend territory and conduct diplomacy with other states and multilateral agencies more reliably then domestic bureaucrats or strongmen whose political authority may threaten their own. This new political alliance increases the economic viability of some weak states. Paradoxically, the destruction of conventional state institutions eases the hard pressed ruler's efforts to recruit aid from global society and manage the demands of competition in global markets.

Our company's goal in Sierra Leone—as it was in Angola—is to give support to a country moving towards democracy. No one can dispute that we have been a stabilizing factor in Africa.[1]

. . . Paris would not support chaos over stability. The British seemed to prefer stability as well. U.S. Ambassador Smith Hempstone's relentless three-year drive for multiparty democracy in Kenya had British diplomats irate over its 'naivety'.[2]

The post cold war crisis for weak states' rulers

THIS ARTICLE SHOWS HOW after the end of the Cold War, rulers of weak states find new ways to preserve their regimes as external support dwindles. Jackson noted that during the Cold War many 'quasi-state' rulers depended upon foreign aid, loans, diplomatic and military support

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1. Eeban Barlow, Executive Outcomes Executive Director, in Jim Hooper, 'Sierra Leone—the War Continues', *Jane's Intelligence Review*, **8,** 1 (1996), p. 45. Much of the information in this article was acquired through confidential interviews and field visits.
2. Marguerite Michaels, 'Retreat from Africa', *Foreign Affairs*, 72 (1993), p. 95.

to protect their regimes from strongmen inside state boundaries. He observed that aid from Cold War patrons helped many rulers of weak states manage domestic threats such as ethnic rivalries inherited from the colonial era, and powerful local strongmen.[3] Migdal points out that these internal threats to regime security complicated attempts to build strong bureaucracies capable of collecting revenue and imposing central control. Weak states' rulers instead deliberately sabotaged their own bureaucracies, parcelling out state office to local allies to deny them as power-bases to potential rivals.[4] In turn, support from external patrons helped rulers weather the economic and administrative inefficiencies that this patron-client politics generated.

Superpower rivals lost much of their interest in weak states with the end of the Cold War. Aid comes with more conditions attached, including demands to make bureaucracies more efficient and promote political and economic liberalization. From the perspective of rulers facing internal rivals, these policies at first appear to create political and economic platforms from which strongmen will challenge vulnerable regimes. External demands for reform and new conditions for aid—almost matching Sierra Leone's and Liberia's domestic revenues in the 1980s, and twice Angola's[5]—leave rulers of these states struggling to survive amidst rapidly changing conditions. The collapse of central authority of Liberia in 1990, Somalia in 1991 (and former Yugoslavia in 1992) demonstrate the consequences of failure to manage these new terms for foreign aid as enterprising strongmen find new opportunities to challenge rulers.[6]

But in fact, most hard-pressed regimes re-work other ties to outsiders, especially Cold War clandestine commercial ties, to manage and manipulate the latters' demands, rather than succumbing to the 'failed state' paradigm. Seemingly minor aspects of old Cold War relationships re-emerge as integral components of new alliances between rulers of weak states and both state and non-state global actors. Rulers use new alliances with foreigners to discipline some strongmen in a domestic hierarchy of authority and exclude other groups altogether. Rulers in Angola, Sierra Leone, and other states with regimes once dependent upon support from Cold War patrons, re-work old ties to gain access to new resources and manipulate apparently harsher demands from outsiders who still assist weak state regimes. These strategies make even more unlikely that a weak state regime will opt for state building strategies that

3. Robert Jackson, *Quasi-states* (Cambridge University Press, New York, 1990).
4. Joel Migdal, *Strong Societies and Weak States* (Princeton University Press, Princeton, 1988).
5. World Bank, *World Debt Tables* [various issues], (World Bank, Washington, D.C.).
6. Mohammed Ayoob, *The Third World Security Predicament: State making, regional conflict and the international system* (Lynne Rienner, Boulder, 1995).

rely upon strong bureaucracies serving popular needs in exchange for popular support.

Rulers of some weak states use creditor demands to privatize state agencies and liberalize markets as excuses to hire foreign firms that field mercenaries. These foreign soldiers serve the joint interests of foreign firms and weak states' rulers to control resources and deny them to independent strongmen. These strategies satisfy demands from creditors that prescribe severe cutbacks in state agencies out of a frustration with the corruption and economic inefficiency of the old Cold War politics which were based upon expensive domestic patron-client networks.

Furthermore, weak states' rulers cultivate tacit arrangements with aid agencies that accept this new political alliance of vulnerable regimes and outsiders. Aid agencies often prefer this stability to disorder that occurs in 'failed' states that are overwhelmed by warfare between local strongmen. Some officials in other states accept these arrangements, preferring to deal with rulers who claim the mantle of globally recognized state sovereignty, rather than trying to organize relations with competing strongmen or abjuring influence altogether. Thus outsiders have an interest in preserving the sovereign form of weak states and subsequently in supporting foreign firms and mercenaries that take over conventional state functions. This strategy protects strong state governments from financial burdens, domestic political divisions and international criticism that would accompany direct intervention in seemingly marginal areas of the globe.

These new arrangements transform inefficient patron-client politics into trans-national alliances that generate profits in global markets. This development, along with tacit acceptance from strong state officials, aid organizations and creditors, illustrates how strong states and global agencies designed to support the role of state authority in global affairs end up protecting political units that increasingly stray from conventional notions of state sovereignty. Paradoxically, the influence and interests of strong states, creditors and private firms permit weak state rulers to abjure the internally risky, but historically more effective strategy of maximizing authority with bureaucracies capable of mobilizing populations while imposing uniform central authority. These developments belie notions that strong states show rulers of other states the best way to maximize economic and political power.[7]

The following pages show that rulers of weak states find unexpected autonomy to fashion novel solutions to serious internal security threats with resources that the post Cold War international political economy provides. I then show how post-apartheid changes in South Africa

7. Hedley Bull, *The Expansion of International Society* (Oxford University Press, New York, 1984).

support new firms that are adept at doing business in difficult places. The cases of Sierra Leone and Angola then provide illustrations of the operation of these new political alliances.

Creditor encouragement to militarize commerce

Creditors note that corruption and economic mismanagement chase foreign investors away from Africa. The continent accounted for 1·4 percent of world trade in 1994, down from three percent in the early 1960s. Foreign firms invested a mere $830 million annually from 1990 to 1995, compared to $38 billion in China in 1995.[8] Excepting South Africa and Gabon, the continent cannot tap private bond markets. Proponents of reform also point to Africa's disastrous decline in exports. Providing 17 percent of global agricultural exports in 1970, the continent's global market share declined to eight percent in 1990.[9] This economic and strategic marginalization ensures that creditors continue to play a large role in weak states' affairs. Debtors elsewhere will note any evidence of creditor disengagement from Africa that seems to signal an abandonment of loans. If World Bank officials unilaterally discounted Liberia's $4 billion debt (valued at four cents on the dollar in commercial markets) or Somalia's nearly $3 billion debt (no commercial value), politicians in Russia or Brazil might stress their greater importance to the global political economy and press to re-negotiate terms of their nearly $200 billion in collective loans. But African weak states' rulers still need to attract foreign private investment as creditors prescribe, if simply to provide economic opportunities for clients to generate foreign exchange while continuing to make loan payments. Creditors use this leverage to impose conditions for new loans and aid. As the former president of Tanzania, Julius Nyerere noted, 'When we reject IMF conditions we hear the threatening whisper: "Without accepting our conditions . . . you will get no other money".'[10]

Despite changes in creditors' conditions for loans—reducing formal state roles in economies and politics—African economies have not significantly revived. Failure to comply is not the main culprit. Government spending in Africa, for example, declined 25 percent by 1993 from highs reached in 1981, despite high population growth and popular clamour for services that accompanied political liberalization in the 1990s. Privatization of state-owned firms has continued apace with World Bank reform programmes since the 1980s. Thirty governments have significantly changed mining codes since 1987.[11] Yet these changes have failed to attract large amounts of foreign investment or radically reverse economic decline.

8. World Bank, *World Debt Tables, 1996* (World Bank, Washington, D.C., 1996), p. 17.
9. Michael Barrett-Brown and Pauline Tiffen, *Short Changed: Africa and world trade* (Pluto Press with the Transnational Institute, Boulder, 1992), statistical appendix.
10. Peter Beinart, 'Out of Africa', *New Republic*, 26 December 1994, p. 18.
11. *Mail and Guardian* [Johannesburg], 9 February 1996.

Recent World Bank analyses attribute policy failure to persistent patron-client networks that hobble even the most reform-minded African rulers.[12] Conventional privatization often fails, for example, when old state run enterprises fall into the hands of old clients and close associates of the ruler. Bureaucrats still face pressures to manipulate financial markets and give preferential access to credit to these 'private' enterprises in politician hands. This further discourages the emergence of a truly autonomous private sector.[13] Remaining state-run enterprises such as utilities that provide inputs for former state-run firms continue to face demands for credit from political elites who now own former state enterprises, generating more debt. Even reform-minded rulers find it difficult to force these strongmen to pay their bills to the state.

Creditors suspect that political liberalization reinforces this political grid-lock, since even committed reformers face pressures to hand out resources to head off electoral challenges from among entrenched elites and to sway voters. President Rawlings of Ghana, for example, raised civil service salaries 80 percent and loosened credit to state run and privatized enterprises before a 1992 election that outsiders pressured him to hold.[14] Paradoxically, creditors became hostage to ruler vulnerabilities that they had a hand in creating. One way to manage this situation is to force regimes to adopt more efficient administrative practices. But this can threaten reform as a whole since administrative reform can give rival politicians a base from which to organize popular challenges to harsh economic austerity programmes or to the regime itself. Nor can state officials be expected to police and prosecute their own private use of state office for personal profit.

Creditors thus become increasingly tied to the survival of weak states' rulers against the threatening power of old Cold War patronage networks. The weak state ruler can exploit his internal vulnerability, presenting himself as most worthy of outside support against his anti-reform rivals lodged in the state bureaucracy. Creditors share with compliant weak states' rulers an interest in measuring reform policies against a ruler's ability to triumph over unruly local strongmen. Both parties agree on the need to insulate rulers from organized interests in society. As the World Bank's Chief of the Africa Capacity Building Division put it: 'It is becoming clear that the first order of business is to

12. Interview, multilateral creditor official, 6 April 1996; World Bank, 'Mali Public Expenditure Review', Report No. 13086, 1 June 1995.
13. World Bank, *Adjustment in Africa* (Oxford University Press, New York, 1994), pp. 112–3.
14. World Bank, Africa Regional Office, *Ghana 2000 and Beyond: Setting the stage for accelerated growth* (World Bank, Washington, D.C, 1993); Robert Armstrong, *Ghana Country Assistance Review* (World Bank, Washington, D.C, 1996).

restore stability over an increasingly fragmented political and administrative environment'.[15]

World Bank officials increasingly prescribe direct attacks on Cold War patronage networks that they hold responsible for policy failure. Radical privatization and deep cuts in state employment, they argue, subjects state agents to the discipline of the market. Private enterprise will undermine inefficient patron-client cliques, as resources shift from state control to the private economy. Modelled on reforms in Côte d'Ivoire, this strategy prescribes privatizing every state service possible to foreign investors. The hope is that transferring services to foreign firms will eliminate the political influence of Cold War era strongmen and their patrons. Ivoirian reformers have sold off electricity, roads, gas and water services, placing these assets beyond the reach of local political cliques. Corrupt state officials now face bosses whose primary concern is generating profits rather than placating threatening rivals or their followers with privileged access to state assets. Greater efficiency is expected to boost the quality and raise the availability of services and infrastructure in high popular demand, hopefully generating goodwill toward continuing reforms. In principle, this insulates reform-minded rulers from the wrath of disgruntled former clients and supports a new base of property holders whose interests rulers protect in return for revenues and political support.[16]

Assigning customary state services to private firms leaves reformers free to slash civil service employment. This translates into massive lay-offs of many who held jobs as rewards for political loyalty. Over the last decade in Ghana, about 50,000, or one in thirty adults active in the formal economy, have been laid off.[17] World Bank officials successfully pressed for the elimination of a third, or 16,000 members, of Sierra Leone's civil service.[18] One third of Uganda's civil service faced the same fate after 1989.[19] Zaire's civil service is slated to shrink by 550,000, down to the 60,000 that World Bank officials consider to be essential.[20] World Bank officials go farther to recommend that Zaire's state budget be abolished. They propose that an independent agency with private

15. Mamadou Dia, 'Indigenous Management Practices: Lessons for Africa's Management in the '90s', in Ismael Serageldin and June Taboroff, eds., *Culture and Development in Africa* (World Bank, Washington, D.C, 1994), p. 171.
16. World Bank, *World Development Report 1994* (Oxford University Press, New York, 1994), pp. 44–7; World Bank, 'Côte d'Ivoire Private Sector Assessment', Report No. 14112, 1995: Gregory Ingram and Christine Kessides, *Finance and Development*, **31** (1994), p. 18.
17. Robert Armstrong, *Ghana Country*, p. 14.
18. John Karimu, *Government Budget and Economic and Financial Policies for the Fiscal Year, 1995/96* (Government Printer, Freetown, 1995), p. 11.
19. Charles Harvey, 'Constraints on Sustained Recovery from Economic Disaster in Africa' in Charles Harvey, ed., *Constraints on the Success of Structural Adjustment Programmes in Africa* (Macmillan, London, 1996), p. 137.
20. *Lettre du Continent* [Paris], 22 December 1994; *Le Soft* [Kinshasa], 20 Nov 1995.

business representation manage budget operations with an eye toward financing development projects and social services.[21]

Weak states' rulers share the benefits with creditors of dismantling state bureaucracies and now inviable patron-client networks that grew around them. As a junior creditor official averred, 'The corrupt officials are our problem here. We have to kill off the bureaucracy to shake them out. Then we can talk about building bureaucratic capacity.'[22] Foreign firms that stand in for corrupt state officials to perform conventional state functions strengthen weak states' rulers' political control and help achieve creditor goals. Though employing fewer workers, foreign firms pay workers higher salaries, which produces a more disciplined and reliable work force. Relative freedom to fire inefficient, corrupt or politically active workers reduces chances that political rivals will hijack these organizations to build independent power-bases. Ideally, the demise of hopelessly corrupt bureaucracies and political insulation from former state employees permits reformers to move ahead with pro-market reforms that will attract more foreign investors and popular support.

The cases below strongly suggest that creditors regard this strategy as their best chance to collect payments on loans, reaching $223 billion in 1995, about double that owed a decade earlier.[23] Creditor desperation to maintain a facade that all pay their debts is apparent in their treatment of states like Somalia, which 'performs' in a programme that rewards a lack of policy. Somalia, like Sierra Leone and Liberia, is included in an IMF Rights Accumulation Programme in which the absence of 'anti-reform' measures entitles the debtor to cancellation of small amounts of principal. More importantly, the programme supports an accounting illusion that debts are being collected, even if some principal is written off.

Reliable payments from foreign firms that collect revenues on behalf of debtor states helps creditors to claim more convincingly that debts are being paid. Cooperative regimes benefit from kinder treatment under creditor-managed debt relief schemes. Sierra Leone's rulers, for example, saw a 20 percent reduction of their foreign debt in 1994 and 1995 Paris Club negotiations.[24] Excused from acknowledging bad loans, creditors like the World Bank and the African Development Bank maintain excellent credit ratings. Apparent good management of debt also helps creditors convince powerful member states to contribute new capital for loans to much bigger clients like Russia. Given these coinciding concerns of creditors and weak states' rulers, we can now see how a new kind of foreign firm gains prominence in weak state politics.

21. *Africa Economic Digest*, 7 December 1994, p. 11.
22. Interview, Washington, D.C., 8 June 1996.
23. World Bank, *1996 Debt Tables*, vol 1, p. 17.
24. Bank of Sierra Leone, *BSL Bulletin* (BSL Printer, Freetown, April 1995), pp. 68–9.

Foreign firms and the privatization of violence

The end of the Cold War and creditor policies play a large role in new South African investment in Africa. While fifty percent of British firms investing in Africa have retreated from the continent in the last decade, South African firms posted a five-fold increase in investments from 1991 to 1995, albeit from a low base once global sanctions against the defunct apartheid regime were lifted.[25] Nor is South African capital marginal to overall investment in Africa; it is involved in about a third of 1995 sub-Saharan private foreign investment.[26] But new relations between South African firms and host regimes go beyond that of potential suitor and eager investor. Part of South Africa's business advantage lies in apartheid era ties between South African firms and African politicians. Some firms were in fact components of South Africa's security establishment. They developed clandestine relations with African politicians to conceal commerce that contravened existing sanctions against trade with South Africa. African politicians helped South African firms by acting as intermediaries for trade with other firms and governments. Weak states' rulers in places like Zaire and Sierra Leone used firms tied to South Africa's security establishment to edge out threatening local politicians and to exploit local resources. The covert nature of these ties also forced South African firms to accept barter deals, by-passing foreign exchange shortages that limited African contacts with other firms. Vulnerable rulers mortgaged natural resources to these firms, allowing firms to directly extract resources in territory often controlled by rival politicians. Some South African firms provided political services, such as procuring weapons, to cement relations with vulnerable regimes.

The emphasis on privatization in weak states' economic reform programmes reinforces and helps re-work ties between old partners. South African firms that previously helped vulnerable rulers with spare parts, cash and weaponry are likely to show the flexibility necessary to wrest enterprises out of the hands of disgruntled clients. From a weak state ruler's perspective, it is better to have important state assets fall into the hands of reliable foreigners than to see them removed from his control entirely. Even worse, purchasers could appear from among his political rivals, using ill-gotten gains from past corruption to buy their way into the reformed economy.[27] For example, the numerous African politicians who are partners in private South African air cargo firms that knit together new enterprises illuminate old political ties to rulers who personally benefited from clandestine trade with the apartheid regime. This shows how

25. *Africa Economic Digest*, 28 August 1995, pp. 10–1.
26. *Mail and Guardian*, 9 February 1996.
27. Note similarities to Russia: Stephen Handelman, *Comrade Criminal: The Mafiya in Russia* (Yale University Press, New Haven, 1995).

previously minor trans-national elements of the old patrimonial system in Africa are adapted to new conditions that demand commercial viability.

These African partnerships benefit South African firms that would not otherwise be globally competitive nor command great market share. 'Southern Africa is [Johannesburg's] *Lebensraum*', explains a South African businessman. 'South African firms want to conquer it before anyone else does and before they themselves move in to more competitive markets.'[28] A South African mining executive refers to South Africa's 'Near Abroad'. He likens South African business ties to African states to Russia's claims of special privilege in relations with former Soviet republics.[29] The fact that South African firms are not especially globally competitive, nor have the global investment options of many non-African firms forces South African business executives to focus their efforts closer to home. This special relationship with weak states' rulers helps South African firms act as intermediaries for other private investors. Some South African businessmen comment how 'we know the Africans'. They mean that they recognise and deal with the informal political demands that win contracts or make for a successful bid for a privatized enterprise in a weak state. This harmony of interests with weak state rulers in early stages of reform enables politically astute firms to actually profit from weak state political instability that deters most investors.

Recent pressures from South Africa's own creditors to privatize state owned firms in utilities and manufacturing encourages these firms to expand into neighbouring African states. The end of direct government financial and political support for old state owned firms entices them to build upon old clandestine ties to weather the competitive pressures of the global economy. State owned utilities and infrastructure in South Africa differed radically from state run firms in weak states. The strategy of the apartheid government in the 1980s required that state owned firms serve a national interest in defending the white minority from popular challenges and international sanctions, while also contributing to national wealth. In contrast, weak state rulers built inefficient state owned firms with Cold War patronage to provide payouts to political clients at state expense. Thus privatized South African firms are more adept at pursuing an independent interest based upon profit and long-term competitiveness to a degree unparalleled in Africa.[30]

A significant group of new private firms emerge out of the old security establishment, which is being selectively dismantled, now that the task of

28. *Economist*, 12 August 1995, p. 17.
29. Interview with Durban mining executive, 29 March 1996.
30. William Minter, *Apartheid's Contras* (Witwatersrand University Press, Johannesburg, 1994) pp. 37–9; Robert Price, *The Apartheid State in Crisis* (Oxford University Press, New York, 1991), pp. 85–97.

defending apartheid is over. Engineering, arms, transportation and military service [mercenary] firms that began as front operations to avoid sanctions or were created with state support to conceal security activities must now become commercially viable. Similar to the Beijing regime's acceptance of the Peoples Liberation Army's forays into private enterprise, some among South Africa's current rulers tacitly encourage state security services to contribute to national wealth through private effort.[31] For example, Armscor, once a state owned arms supplier designed to contravene sanctions, has spun off numerous private firms seeking to trade their wares in global markets.

Facing competition from abroad and pressure to privatize at home and from creditors, Armscor created Denel, a private firm in 1992. Denel sold arms valued at $127·5 million abroad in 1992. By 1995, Denel grossed $415 million from arms sales. The firm sells armoured personnel carriers to United Nations forces in former Yugoslavia and elsewhere. Anxious to boost exports, it has also used Armscor's old apartheid era ties to sell weapons to Lebanese factions and the Rwandan government up to 1994.[32] Other apartheid era connections serve Denel well. The firm's Rooivalk helicopter, for example, copies the versatile and easily maintained Soviet Mi-8 design, but incorporates it into a more reliable craft. Recognizing commercial advantages of this old Cold War strategy, Armscor executive Andr Buys says 'We can maintain and upgrade Soviet equipment, possibly in cooperation with Russia, and we are looking at this business'.[33] South African knowledge of Soviet weapons has led to collaboration between former Soviet technicians, pilots, weaponry and South African security firms in Sierra Leone and Angola.

Some in the South African government, even though it is under control of foes of the old apartheid era establishment, support northward moves by these investors. Vice President Thabo Mbeki urges South African energy conglomerates, including state owned firms in the process of privatization, to 'support South African's position in the world'.[34] Eskom, an electricity conglomerate slated for privatization, for example, presses for a regional electricity grid centred on South Africa.[35] An improved 'global position' for South African business also promotes security at home. The Mandela government acknowledges that stable neighbours with growing economies are less likely to send massive waves of refugees to South Africa. South African officials had to deal with the presence of 300,000 illegal residents in

31. Barry Naughton, *Growing Out of the Plan* (Cambridge University Press, New York, 1995).
32. Government of South Africa, 'Commission of Inquiry into Alleged Arms Transactions Between Armscor and One Eli Wazan and Other Related Matters' [Cameron Commission] 15 June 1995.
33. *Defense News*, April 1994.
34. *Economist*, 12 August 1995, p. 18.
35. *Daily Telegraph* [London], 5 May 1995.

1994.[36] Underlining the seriousness of the problem, South African officials remilitarized national borders and reactivated an electric fence along the Mozambique border.

Private enterprise, including firms once attached to the security establishment, can help employ the half of black South Africans without work, addressing a key political demand from those who put the current government in power.[37] Meanwhile, massive cutbacks before the 1994 election eliminated about 90,000, or about half of all defence-related jobs amidst official promises to integrate 20,000 African National Congress fighters and 10,000 Pan African Congress fighters into a reduced military.[38] As apartheid era soldiers seek business abroad, government officials presiding over military cutbacks can count one less threat to their authority. Placating old security networks is especially important as the government calls upon commanders of the 32nd Battalion which waged war in Angola in the 1980s to confront Self Defence Units—armed youths in urban areas who are powerful enough to challenge government policies.[39]

Consequently, President Mandela has not opposed redeploying old military units as private mine clearance experts, military medical service units, riot control advisors, border patrols, surveillance and intelligence services. These firms are ideally suited to take over tasks from vulnerable regimes in weak states that are under pressure to privatize state services. The Denel consortium, for example, includes firms that haul cargo (TFM), build roads and bridges (OMC Engineering), and provide communications (Grinel). A Denel subsidiary even destroys mines (Mechchem Consultants) that another subsidiary (Naschem) manufactured. These private firms provide management positions for retired military officers who might use their personal connections in both South Africa and from Cold War operations abroad to aggressively seek out new business.

Mandela further associated himself with this privatization of security networks when he presided over the opening of South Africa's first international military trade show in 1994 that featured private South African military service firms.[40] Denel subsidiaries such as Kentron (electronics), Lyttleton Ingenieurwerke (artillery), Asmera and Auitronic (cluster bombs), Routech Radar, Grinaker Avitronics (retro-fitting attack helicopters) and Aerotek and Airconcor (avionics) appeared on the trade

36. Jide Owoeye, 'What Can Africa Expect from a Post Apartheid South Africa?' *Africa Insight* [Pretoria], **24** (1994), pp. 44–6; Xavier Carim, 'Illegal Migration to South Africa', *Africa Insight*, **25** (1995), pp. 221–23.
37. *Africa Confidential*, 1 March 1996.
38. Ravinder Pal Singh and Peter Wezeman, 'South Africa's Arms Production and Exports', *SIPRI Yearbook*, 1995 (Oxford University Press, New York, 1996), p. 576.
39. *Financial Times*, 31 August 1996.
40. Economist Intelligence Unit, *South Africa: Country Profile, 1995* (Economist Intelligence Unit, London, 1996), p. 30; *Mail and Guardian*, 23 February 1996.

show programme. The bottom line is that few other than South African firms with military experience in the region will invest in countries near South Africa that are plagued by pirates, smugglers and warlords. Privatizing portions of South Africa's security establishment creates firms designed for operations in such places. Firms with military expertize can also act as intermediaries to bring in firms to handle other tasks once security is restored. Firms with clandestine apartheid era connections abroad enable South African investors to offer comprehensive services geared toward a weak state ruler's needs to impose his authority upon rivals by violence if necessary, and generate wealth to satisfy creditors. I examine one such firm, the South African military service firm Executive Outcomes and its corporate associates, and its operations in Angola.

South African firms and the militarization of Angola's economy

The Angolan case highlights the techniques and alliances that give South African firms a competitive advantage in doing business in weak states. Executive Outcomes provides 'security specialists' for client governments in Angola, Sierra Leone and other African states. The approximately 1,000 men who work for Executive Outcomes come from demobilized South African military units such as 32 Buffalo Battalion, Koevoet, Recce squadrons and the Civil Cooperation Bureau, responsible for anti-insurgency, surveillance and bush warfare operations inside South Africa and abroad.[41] Now a political liability for South Africa's first majority elected government, these men sought their own fortunes as South Africa's military shrank and lost old tasks. Many went into business selling their military and organisational expertise.[42] Others translated their covert business operations into legitimate commerce. For example, Executive Outcomes' head, Eeban Barlow, was formerly a specialist in long-range reconnaissance in 32 Buffalo Battalion, assisting UNITA (*Unio Nacional para a Independencia Total do Angola*), an old South African Cold War ally, in its rebellion in Angola.

As a special operations agent, Barlow dealt with front companies used to hide covert operations. Executive Outcomes now operates within a network of companies spun off from these old security operations that specialize in oil drilling, arms sales and training, diamond mining, transportation and land mine clearance. Executive Outcomes is allegedly associated with many such firms, sharing directors and financial resources. The collapse of Soviet and Cuban support for the Angolan

41. Al Venter, 'Sierra Leone's Mercenary War Battle for the Diamond Fields', *International Defense Review*, Nov 1995.
42. For Cold War versions of commercialised networks, see Ros Reeve and Stephen Ellis, 'An Insider's Account of the South African Security Forces' Role in the Ivory Trade, *Journal of Contemporary African Studies*, **13** (1995), pp. 213–33; Government of South Africa, 'Commission of Inquiry into the Alleged Trade in Ivory and Rhinoceros Horn in South Africa' [Kumleben Commission], January 1996.

Some of the Executive Outcomes Family of Companies*

Strategic Resources Ltd [Pretoria] and **Executive Outcomes** have ties to numerous companies, with financial backing from British companies associated with a former British Special Air Services officer, associated with **Branch Energy**.

Branch Mining owns a diamond mining firm in Sierra Leone with 60 percent Branch Energy, 30 percent Sierra Leone Government ownership. Branch Mining operates in Angola (Project Luo) and reportedly in Uganda. It is a shareholder in **Heritage Oil**, a firm with Angola interests.

Life Guard [Sierra Leone] private security firm guarding diamond mines, trained and armed by Executive Outcomes.

Afro Mineiro mines diamonds in Angola with Executive Outcomes security protection. Executive Outcomes holds a 40 percent stake in the firm with Angolan partners.

Bridge International is an engineering joint venture with split Executive Outcomes—Angolan ownership.

Wrangal Medical operates field hospitals, financial backing split between Executive Outcomes and a South African.

Ibis Air Ltd provides air services for Executive Outcomes operations in Sierra Leone and Angola.

Aqua Nova drills for water in Zambia; Executive Outcomes partner.

Double A Designs is an engineering firm; with Executive Outcomes partner.

Saracen International is a security firm operating in Angola; Executive Outcomes partner.

Advance Systems Communications Ltd is a British firm. Executive Outcomes operates on their behalf in Africa.

Stuart Mills is a mine removal service associated with Executive Outcomes.

Mechchem is a mine removal service that is a Denel–Executive Outcomes partnership.

Shibata Security firm is owned by Executive Outcomes and Portuguese investors.

*Jim Hooper, 'Sierra Leone—The War Continues'; Al Venter, 'Gunships for Hire', *Flight International*, 21 August 1996; *Africa Confidential*, 6 October 1995; Human Rights Watch Arms Project, 'Angola: Between War and Peace', February 1996, and interviews with South African, Executive Outcomes and United States sources.

regime, the end of official South African support for UNITA (Executive Outcome's first client), and a shrinking South African military left Barlow free to sell his services to the Angolan government, which he did in February, 1993.

Executive Outcomes offers their employers insights into UNITA tactics and operations, since this rebel group was their Cold War ally. In 1993, the Angolan government was concerned about UNITA's access to as much as $1 billion in earnings from gemstone exports.[43] Angola's government needed these revenues to finance its own effort to rearm and fight UNITA, a task estimated to cost $1 billion for training and arms in 1995.[44] Executive Outcomes' first assignment was to guard Soyo oil installations, under attack from UNITA in 1993. Their assignment later included

43. Al J. Venter, 'Mercenaries Fuel Next Round in Angolan Civil War', *International Defense Review*, **29** (1996), p. 65.
44. John J Ingles le-Nobel, 'Former Beligerents Ready for Renewed Conflict in Angola', *Jane's Defense Weekly*, **25** (1996), p. 18.

conquest and defence of diamond mining areas in Cafunfo province and elsewhere near the Zairian border to disrupt UNITA diamond trader business with Zairian buyers.[45] This strategy appears to have attracted South African official support to see that their Angolan neighbour returned to stability and began its economic reconstruction.[46]

Executive Outcomes' conquest of Soyo oil installations benefited its reputed South African partner, Strategic Resources, which holds the largest share in Heritage Oil, which received drilling concessions in the Soyo area.[47] Other companies allegedly associated with Executive Outcomes, like Saracen International, provide security after United Nations and United States pressure led to a formal withdrawal of Executive Outcomes from Angola in January 1996.[48] Security, construction, transportation and mine clearance firms associated with Executive Outcomes provide logistical services to the Angolan regime and help refurbish enterprises slated for privatization. Angola is sub-Saharan Africa's second largest oil producer, generating royalties of about $800 million annually since 1993.[49] Control over these resources helps the precarious Angolan regime fight UNITA, which also controls considerable wealth. Resource sales finance government arms purchases, such as the April 1996 purchases of Russian Mi-17 and Mi-24 attack helicopters and Su-22 and Mig-23 fighter jets for $350 million.[50] While Angolan president Dos Santos lost Soviet supplies of arms on concessional terms, he now benefits from Russian eagerness to sell cheap weapons for cash. His South African corporate allies are adept at operating these weapons. Even better for limiting costs, Executive Outcomes and others contract out maintenance duties to low cost Ukrainian and Russian technicians. South African arms producers' Cold War strategy of copying Soviet designs facilitates this post Cold War partnership, seen in Denel's joint venture with a Russian firm to retrofit aircraft.[51]

South African security and mining firms also help the Angolan president rein in members of his own regime. Dos Santos is plagued with '*garimpeiro* [wildcat miner] generals' who take advantage of chaos in mining areas to make their own deals with UNITA miners or conquer their own turf.[52] This activity need not directly aid rebels to threaten Dos Santos' hold on power. If left uncontested, mining among Angolan military units would

45. *Christian Science Monitor* [Boston], 6 October 1995.
46. 'SA Mercenaries' Role Described in MPLA's Changed Battlefield Fortunes', *Southscan*, **9** (22 April 1994), p. 118; 'Angola Peace Talks in Crisis after Furor over SA Mercenaries and Zambia's Secret Aid', *Southscan*, **9** (29 July 1994), p. 225.
47. South African informants; see also Human Rights Watch Arms Project, 'Angola'.
48. 'Angola Cancels Specialist Personal Contract', *Jane's Defense Weekly*, 1 January 1996.
49. Economist Intelligence Unit, *Angola Country Survey 1995* (Economist Intelligence Unit, London, 1996), p. 21.
50. Al J Venter, 'Mercenaries Fuel Next Round', p. 66.
51. 'Murders Baffle Russian Industry', *Flight International*, 8 February 1995.
52. *Africa Energy and Mining*, 4 October 1995.

encourage generals to seek their own clients, using diamond revenues to build an independent political powerbase. They would lose incentives to defend the regime when threatened with UNITA attacks. Indeed, enterprising generals may see rebel attacks as a good moment to take direct control over diamonds to further assist their private accumulation of wealth. Foreign mercenaries and mining companies associated with them help the president deny resources to potential rivals within his regime. The most attractive foreign firms are those willing to use private violence against rogue military units, not just rebels, a task which some South African firms like Executive Outcomes perform.

This situation also helps smaller firms grab market shares against globally more competitive rivals. The major mining firm DeBeers, for example, sits on the sidelines in Angola, avoiding involvement in local armed struggles. Instead it tries to influence diamond markets by recruiting smaller diamond mining firms to sell directly to the DeBeers-run Central Selling Organization. DeBeers has to pay premium prices for these diamonds. While the larger firm wins some control over Angolan diamond markets, smaller firms settle into a niche market which they are adept at managing. Creditors ultimately accept the overall alliance between business and government in Angola because it offers the best promise of providing stability and generating revenues to pay loans. Some firms exploit this coincidence of interest. A South African firm, for example, reportedly offered the Angolan regime a very large line of credit, a benefit that helped the government decide that this firm was more attractive than a Swiss owned competitor.[53]

South African firms are not the only beneficiaries of dismantled Cold War security networks with connections to Angola. Some South African businessmen complain that United States' pressure on the Angolan government to end its contract with Executive Outcomes sprang from a desire to push South Africans out in favour of an American rival.[54] Military Professional Resources (MPRI) of MacLean, Virginia, arrived to train Angolan soldiers just as Executive Outcomes was pressured to end formal operations in Angola (though numerous associates remain). Like their South African business rivals, MPRI boasts a wealth of Cold War connections useful for finding future business in places like Angola. MPRI's board of directors includes retired United States military officers and presented its bid to the Angolan government through a private firm run by Herman Cohen, An Assistant Secretary of State for Africa under former US president Reagan.[55] MPRI's board of directors includes former US officials such as Lt Gen. Ed Soyster, former director of the United States

53. *Lettre du Continent*, 18 January 1996.
54. Interview, Durban executive, 14 April 1996.
55. *Lettre du Continent*, 14 March 1996.

Defense Intelligence Agency.[56] MPRI benefits from United States government concern that United Nations peace agreements hold in Angola, but without direct commitments of US military or large-scale economic assistance. But ultimately MPRI is a poor partner for the Angolan regime. MPRI needs US State Department approval to import arms. The State Department also regulates its relations with Angola's military, denying it the capacity to aid only politically reliable units. This is why many firms associated with Executive Outcomes, which the Angolan president appears to prefer, remain in the country.

Angola is not an isolated case. Similar alliances between foreign firms and weak state rulers appear in Sierra Leone. This second case highlights the importance of valuable, portable resources in attracting these new partners. Overall, the Sierra Leone case demonstrates the wide applicability of this new strategy for hard-pressed rulers facing internal opponents.

Executive Outcomes and the Sierra Leone connection

Executive Outcomes plays a cruicial role in the Sierra Leone regime's attempts to battle rebels, rein in wayward clients, control resources and satisfy creditors. The firm appeared in Freetown, the capital, in April, 1995 as rebels battled government forces in the suburbs. Especially troubling for the Sierra Leone ruler (who took power in a 1992 coup amidst spreading chaos) was the tendency for soldiers to join up with rebels—or 'sobels'—to loot and sell the country's diamonds, historically its main source of export earnings. Rebel kidnappings of foreigners at Sierra Rutile (a US-Australian rutile producer) and SIEROMOCO (a Swiss bauxite mining firm) chased out these two firms in early 1995. Together they generated 57 percent of export earnings in 1994.[57] Military commanders charged with defending these firms allegedly colluded with rebel invaders.[58] Like Dos Santos' '*grampiero* generals', Sierra Leone president Valentine Strasser faced not only rebels supported by a neighbour (Liberia) but also the fragmenting of an inviable old political network as resources dried up.

Executive Outcomes cleared fighters from the Freetown area within weeks of their arrival and recaptured diamond mining areas in mid 1995. As in Angola, the firm used Russian Mi-17 and Mi-24 attack helicopters and Russian and Ukrainian technicians. They also made efforts to win local support for anti-insurgency efforts, training local units to provide security for civilians. The man responsible for training new anti-insurgency units in the Sierra Leone Army once worked as a senior officer for South Africa's 5 Recce parachute battalion. Under apartheid

56. *Lettre du Continent*, 28 March 1996.
57. *Africa Economic Digest*, 13 March 1995, p. 17.
58. *Africa Confidential*, 19 July 1996.

era military strategy, his unit recruited black fighters from Southern Africa to mould them into an independent fighting force. This 'hearts and minds' philosophy informs Executive Outcomes strategy in Sierra Leone. Many Sierra Leoneans admire the foreign firm for bringing security to most of the country, a legitimacy that the firm actively seeks and Sierra Leone's army has never achieved.

Executive Outcomes also works selectively with army commanders, avoiding rogue officers. This strengthened military 'hardliners' who favoured combat over negotiations with rebels. Strasser's main intermediary with Executive Outcomes, Julius Maada Bio, staged his own coup in January 1996. Bio's rise simply reaffirmed the new alliance between those in Freetown anxious to rein in strongmen and their followers and their foreign firm partners. Policies toward external actors and war fighting strategies saw almost no change.

Like their Angolan counterparts, the Sierra Leone regime mortgaged resources to pay the \$4-\$5 million monthly cost of Executive Outcomes' services. Branch Mining, a firm in which Executive Outcomes owns a 60 percent stake,[59] is part of a British mining consortium that is partly owned by Strategic Resources, Executive Outcomes' Pretoria-based parent firm.[60] Branch Mining operates a joint venture with the Sierra Leone government to mine diamonds in conquered areas.[61] Presumably proceeds from sales of diamonds mined in this venture foot Executive Outcomes' bill.[62] As in Angola, Executive Outcomes diversified its security operations, using the locally staffed Life Guard, which relies on South Africans for arms and training.

This foreign investment and the prospect of boosting state revenues with foreign trade also addressed creditor concerns. In one instance, the Executive Outcomes–creditor coincidence of interest was direct. The firm protected Branch Mining, helping Freetown generate revenues to pay arrears at a critical point in discussions with creditors in late 1995.[63] The payment helped attract creditor support during Paris Club debt negotiations in early 1996, which reduced Sierra Leone's foreign debt to \$969 million, or 20·1 percent lower than a year earlier.[64] Good relations with multilateral creditors led to more bilateral aid projects and budget support, totalling \$204 in 1995, compared to \$62 million three years earlier.[65]

59. *Observer* [London], 10 September 1995.
60. *Daily Telegraph*, 26 February 1996; *Le Monde du Renseignement*, 28 September 1995.
61. *Observer*, 4 February 1996.
62. *Lettre du Continent*, 21 September 1995.
63. *Lettre du Continent*, 21 December 1995; correspondence with Freetown informant; *Observer*, 4 February 1996.
64. John Swaray, Governor of the Bank of Sierra Leone, 'Debt Reduction Programme', 4 April 1996 [mimeo]; 'Paris Club Debt Relief Negotiation', *BSL Bulletin*, 2:2 (1996), p. 42.
65. Economist Intelligence Unit, *Sierra Leone Country Survey 1995-96* (Economist Intelligence Unit, London, 1996).

Privatizing violence makes further privatization along the lines of the Côte d'Ivoire model politically less dangerous for the Sierra Leone regime. The weakening of rival strongmen eases the danger of ending patronage by turning over bureaucracies to foreign managers. The country's oil refinery was sold to the Nigerian National Petroleum Corporation, a Nigerian state-owned firm well known for providing patronage positions for Nigerian presidential associates. Foreign firms manage the country's customs collection, fisheries, the Central Bank, the state owned National Development Bank and the national lottery.[66] The removal of revenue sources from the hands of potential or actual rivals also rendered elections in March 1996 little threat to Executive Outcomes and its military faction allies, since any civilian regime will be heavily dependent upon mercenaries and foreign firms to protect them from incessant attacks and outsiders' demands. The electoral exercise pleased creditors and foreign governments (releasing more money) without endangering the new post Cold War political alliance's interests.

Even more so that in Angola, the Sierra Leone regime appeared to be on the verge of dissolution at the hands of fragmenting old patronage networks in 1995. They pushed Sierra Leone down the road of dissolution followed by Liberia and Somalia. Executive Outcomes' leader advertises the extent to which the firm stepped in to create a surrogate private bureaucracy to both save the president's regime from its internal enemies and appease foreigners. 'There was no intelligence service', he said. 'I had to create one. The elementary problems of supply, communications and transport had to be solved.'[67] Sierra Leone's rulers find themselves heavily dependent upon shared interests with foreign businesses. In this regard, Sierra Leone appears to fit the label of a comprador regime, or agents serving the interest of foreign businesses.[68] A more meaningful analogy, however, is Michael Doyle's concept of 'imperialism by invitation' in which he views the arrival of powerful foreigners as the consequence of efforts of elite factions to recruit outside help to deal with local rivals who have their own foreign connections.[69]

As in the era of formal imperialism, partnerships with foreigners centralized power in the hands of the collaborating faction that controlled the distribution of economic opportunity. In another parallel, rather than marginalizing weak states, we see in the next section that this partnership brings the local economies into closer contact with the global economy.

66. *Africa Economic Digest*, 27 May 1995, p. 24.
67. Al Venter, 'Not RUF Enough', *Soldier of Fortune*, December 1995, p. 74.
68. Walter Rodney, *How Europe Underdeveloped Africa* (Howard University Press, Washington, D.C., 1982).
69. Michael Doyle, *Empires* (Cornell University Press, Ithaca, 1986).

How privatization of weak states fits in a post Cold War world dominated by strong states

The arrival of Executive Outcomes and other mercenary firms in mining areas in Angola and Sierra Leone does not liberalize commerce, though it does privatize it. This satisfies creditor demands for greater efficiency. Presidents and creditors together conclude that, where state institutions are weak, foreign firms are best able to exercise effective control over commerce and revenues. Where strongmen threaten rulers, their presence requires using market control to discipline strongmen and bring resources under exclusive regime control. Throughout, formal sovereignty remains a critical element of the reconfigured post Cold War political alliance that now includes very powerful outsiders. Sovereignty is the key especially to including creditors in the new alliance.

The presence of Branch Mining in Sierra Leone and Angola, for example, routinises minimal payments on debts, permitting creditors to engage in face-saving write-offs of inviable loans. The political detachment of resources from the reach of internal rivals also allows rulers to impose extremely harsh reform policies once they are certain that strongmen cannot mobilize resources and people to threaten them. Creditor officials, diplomats and members of the non-governmental organization (NGO) community recognize that firms like Executive Outcomes prevent chaos. Officials of other states especially have a hard time carrying out diplomacy with politicians who may exercise real power, but are not globally recognized state leaders. Mercenary firms like Executive Outcomes help prop up rulers and protect diplomats from having to acknowledge the true private nature of authority in weak states. Foreigners working in Sierra Leone and Angola are also anxious to avoid Liberia, Somalia and Bosnia type situations in which personal insecurity makes their jobs difficult to perform. As a Western embassy worker and NGO employee in Freetown said of Executive Outcomes, 'the stability is appreciated', a notion reinforced with United States military trainers' alleged tacit cooperation with Executive Outcomes employees in Sierra Leone.[70]

The new arrangement successfully integrates economically viable sections of weak states, or what French colonial officers called *Afrique utile* into global markets with help from foreign firms. This marginalizes *Afrique inutile*, or obstructionist societal groups, strongmen and inhabitants demanding social services against the strictures of harsh reform programmes who can be more easily excluded from politics once a regime has found strong foreign backers. Unlike the colonial version, however, marginalized groups are less important as labour reserves. Indeed, what others lament as societal 'disengagement' can in fact follow regime efforts

70. Interview with Freetown informant, 4 April 1996; Washington, D.C., 7 April 1996.

to intentionally marginalize dangerous or demanding groups. Unable to provide popular services, weak state rulers rationally conclude that marginalizing citizens is politically useful where citizens might interfere with the accumulation of wealth. To a limited extent, foreign NGOs that accompany good relations with foreign governments and creditors contribute to this new weak state political economy. They take over some of the conventional state tasks of providing social services to these people, but in ways that do not aid strongmen or threaten the president.

Paradoxically, rulers of the weak states in these two cases use apparent weakness as a political resource. They stand on its head the Weberian notion that state viability is proportional to its claim on a monopoly of violence. State control over violence turned out to be a liability when state agencies charged with its exercise turned against their ruler when externally provided resources ran low. States like Somalia and Liberia seemed quite efficient at centralizing the exercise of violence to keep strongmen in check during the 1980s, but also proved to be more vulnerable to these same strongmen when conditions for aid suddenly changed. Strongmen there more easily appropriated weapons and fighters for their own use in these instances. Rulers in Sierra Leone and Angola avoid this fate by privatizing violence and accumulation of wealth to reliable foreigners, and contracting out the task of disciplining wayward politicians and social groups. To Tilly, 'No taxation without (at least tacit) representation' is unavoidable for rulers attempting to build their political authority.[71] Yet accommodating foreign financiers and fighters in a new political alliance offers weak states' rulers an alternative arrangement. Private foreign militaries mute home and host country debates about official expenditures, and do not become subordinated to factional struggles in the country of intervention. Strong state interest in stability, credit-worthiness and avoiding pressures to act to support these arrangements, belies notions that strong states cooperate with one another to eliminate the trans-national exercise of violence by non-state actors.[72]

Furthermore, outside pressure to promote stability and privatize state services makes such arrangements more attractive. This means that powerful outsiders exempt weak states' rulers from taking political risks associated with conventional state-building strategies. Continued external recognition of sovereignty gives the illusion that suppressing rebel activity and strongmen threats and economic 'reform' restores state authority. But the new political alliance shows that conventional notions of sovereignty such as uniform control over territory matters less to

71. Charles Tilly, *Coercion, Capital and European States, 990–1990AD* (Blackwell, New York, 1992); see also Herman Schwartz, *States Versus Markets* (St Martin's Press, New York, 1994).
72. Janice Thomson, *Mercenaries, Pirates, and Sovereigns: State building and extraterritorial violence in early modern europe* (Princeton University Press, Princeton, 1994).

post-Cold War weak states' rulers than does control over resources. This is especially true where marketable resources are concentrated and portable, a condition that helps attract foreign commercial partners. Foreigners play a crucial role in helping rulers pare down patron-client networks. Paradoxically, creditors and strong state diplomacy designed to reinforce attributes of state sovereignty accomplish the reverse in post Cold War weak states. Ultimately, most foreign partners conclude that commercial viability means that authoritarian, often violent control over *Afrique utile* is a superior form of organization to liberal democracy in politically divided weak states that otherwise risk falling into the 'failed state' category along with Liberia, Somalia, Afghanistan and Bosnia that haunt foreign ministries and creditors in powerful states.