

# The Political Economy Of War And Peace

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Rapporteur: Charles Cater

## TABLE OF CONTENTS

Executive Summary .....	1
I. Introduction .....	2
II. The Political Economy of Civil War: Key Concepts .....	3
III. Challenges for Designing and Implementing Peace Accords .....	4
IV. Operational Challenges for Peace Missions ..	4
Case Study I: Sierra Leone .....	6
Case Study II: Afghanistan .....	7
V. Conclusion .....	9
Appendix I: Program .....	10
Appendix II: Participants .....	14
About the program .....	16

## Executive Summary

- The focus of the International Peace Academy's annual New York seminar, held at West Point on May 6-10, 2002, was "The Political Economy of War and Peace." The aim of this policy development seminar was to introduce policymakers and practitioners to the emerging analytical and policy agenda of the political economy of war and peacemaking so that peace missions may be better equipped to deal with the economic legacies of conflict and the resulting challenges for building sustainable peace.
- In the post Cold-War era, internal conflicts appear to be of longer duration than before. A number of economic aspects render them particularly difficult to resolve: (1) they are often self-financing and economically integrated at regional and international levels, (2) competition for resources can create problems in terms of the command, control, and cohesion of both rebel and government forces, (3) there is a proliferation of opportunities for self-enrichment over the course of a conflict, (4) diaspora networks, which some groups rely upon for financial support, are difficult for third-party mediators to influence, and (5) they involve complicated trade-offs between brokering peace and providing justice.
- The presence of any one of these factors may suffice to undermine efforts aimed at establishing meaningful peace accords, and to foster the emergence of "spoilers" with vested interests in the perpetuation of conflict. While identifying and managing potential spoilers is essential to effective peace implementation, some have questioned the utility of the term "spoilers" and the disposition its application often connotes. They further caution that, due to the sanctity of state sovereignty, insurgents are, by definition, viewed as illegitimate and are thus more likely to be regarded as spoilers.
- Intervention by outside actors appears to have limited effect in shortening contemporary civil wars. For this reason, conflict prevention and post-conflict peacebuilding take on added significance. "Strategic coordination," as an indispensable element of successful

peace operations, must reflect the complexities inherent in both the nature of the conflict and the relationship among the United Nations, donors, and other actors. Drawing on the collective field experience of the Special Representatives of the UN Secretary General, establishing forums for routine communication among third-party actors, and information-sharing networks among the UN Secretariat, think tanks and academic area specialists could help overcome information deficits regarding specific conflict dynamics.

- Demobilization and reintegration of former combatants should be a major priority alongside disarmament. In general, the international community has responded well by rapidly establishing demobilization camps, while reintegration efforts, which may take as long as five years, have typically been neglected, as major donors shy away from open-ended commitments to the costly social programs that are often essential to sustainable peace. But experience has shown that reintegration programs significantly reduce incentives for ex-combatants, particularly rank-and-file forces, to act as spoilers and, hence, deserve greater support.
- Economic criminality poses a potential problem for conflict resolution and peacebuilding. Protecting illicit but lucrative activities may provide a motivation for continued conflict, potentially giving rise to spoilers. Once criminal activities are firmly established in society, it is difficult to root them out, not only because law enforcement and judiciary capacities are weak, but also because they may serve necessary economic functions. In practice, making a functional distinction between “legal” and “illegal” commerce can be difficult as informal markets and clandestine trade may serve vital economic needs – albeit often alongside other, more clearly “criminal” activities.
- The economic distortions created by outside intervention may negatively impact effective peacebuilding by crowding out the capacity of local organizations, exacerbating social and economic disparities, facilitating the growth of organized crime, and damaging certain traditional sectors of national economies. These impacts can be minimized by taking into account factors such as the configuration of international aid, the types of goods and

services which can be acquired in the country, the prevailing socio-economic conditions, and the impact of interventions on these factors.

- Effective post-conflict peacebuilding requires reform of both the priorities and the timing of aid as currently practiced by donors. Priorities should include the establishment of a secure environment, creating trust among the various parties, and fostering a sense of social inclusion – including through early action to create opportunities for employment. Short and medium term macro-economic considerations should therefore be subordinate to the immediate needs of socio-political confidence building. Furthermore, most aid disbursements are made in the first three years of post-conflict peacebuilding, overwhelming a country's absorptive capacity, and then decline markedly just when external assistance is needed most.

## I. Introduction

In comparison to the “old wars” of the Cold-War era, the last decade has witnessed the emergence of qualitatively new forms of armed conflicts with specific characteristics. These “new wars” are typically intra-state rather than inter-state, but nonetheless are integrated into regional and global economic networks. They often rely upon natural resources for financing, but are not necessarily caused by their exploitation *per se*; and they frequently result from processes of underdevelopment, incomplete state formation, and, at times, state collapse. Overall, they manifest an unpredictable and shifting emphasis between political and economic dimensions of armed conflict.<sup>1</sup> Hence, the political economy of civil war has become a major concern for research, policy, and practice. While progress has been made in terms of understanding these conflict dynamics, less attention has been paid toward identifying the challenges these pose for peace operations.

For this reason, “The Political Economy of War and Peace” was selected as the focus of the International Peace Academy's 2002 New York seminar, held at West Point on May 6-10. This policy development seminar aimed to introduce policymakers and practitioners to the emerging analytical and policy agenda of the political economy of war and peacemaking so that peace missions may be

<sup>1</sup> See Mary Kaldor, *New & Old Wars: Organized Violence in a Global Era* (Stanford: Stanford University Press, 1999).

better equipped to deal with the economic legacies of conflict and the resulting challenges of building sustainable peace. It was attended by more than sixty panelists and participants from academia, non-governmental organizations, media, inter-governmental organizations, and permanent missions to the UN. This report synthesizes the main themes arising from the panel presentations, discussion sessions, and working group reports.

## II. The Political Economy of Civil War: Key Concepts

Faced with declining ideological and material support in the post Cold-War era, both governments and rebel insurgencies in war-torn states have had to adapt by finding alternative forms of military finance, including predation of civilian populations, exploitation of legal and illegal natural resources, organized criminal activities, appropriation and commodification of humanitarian aid, and collection of diaspora remittances. These activities demonstrate the extent to which contemporary internal conflicts have typically become decentralized and dependent upon external networks. As one panelist remarked, these economic transactions represent the “dark side of globalization” – given that the same institutions driving global economic integration and free trade (world commodity markets, the international banking industry, global transportation and communication networks) are also available to warring parties, whether corrupt government elites or rebel leaders.

Typically, institutional and academic approaches to understanding war-related commerce focus upon goods imported and exported by rebel groups that are either themselves illegal (narcotics) or illicitly produced and traded (conflict diamonds and other gems, timber, minerals). However, a broader and more accurate conceptualization of this issue would also include trade undertaken by legitimate actors such as states and corporations, trade in goods that are legal but nonetheless impact upon war economies, commerce that occurs extra-territorially but is still closely related to the civil war, and the role of other actors not typically considered in this context, such as civilians for whom routine engagement in cross-border trade is a means of survival.

Indeed, there are several types of “conflict trade”: (1) bartering, such as oil and diamonds traded for arms in the case of Angola; (2) supplementing military budgets, as in Indonesia, where the army is sixty to seventy-five percent self-financed by its business networks; (3) developing an indigenous defence industry like in Sudan, where oil revenue has doubled the military budget and enabled local manufacturing of small arms; (4) providing infrastructure for troops, as in the case of road construction by the Liberian timber industry; and (5) purchasing allies, such as the bonuses paid by UNITA to government elites in Burkina Faso and Togo for brokering arms transfers.

But what makes countries vulnerable to armed conflict? Quantitative research by the World Bank and others has identified a correlation between several risk factors and the incidence of civil war, including economic dependency on primary commodity exports, low per capita income, and declining rates of growth. Furthermore, the ethnic composition of a country matters: countries with a highly fragmented ethnic composition are at a lower risk, while countries dominated by one majority group coupled with minority populations have the highest risk. Geography also plays a role: states with mountainous terrain, forests, and dispersed populations are reportedly at a higher risk of conflict than states where it is easier for the central government to assert control over territory. Finally, a prior history of conflict appears to be a strong predictor of the probability for future civil war: immediately following the end of hostilities, there is a forty percent chance of further conflict; this risk declines by roughly one percent per year of peace.<sup>2</sup>

Yet, there is disagreement on some of the most fundamental causes of insurgency. While some suggest that “opportunity,” such as access to lootable commodities, combined with an economic profit motive are the primary factors for determining the prospects for rebellion, others object that this approach essentially characterizes “insurgency as criminality,” providing de facto legitimacy for state actors regardless of their behavior. They argue that it ignores the possibility that economic activities, including natural resource extraction, may instead be a means to achieve a political end. In reality, however, the motivation for conflict is

<sup>2</sup> See for example, Paul Collier, “Economic Causes of Civil Conflict and Their Implications for Policy,” in *Turbulent Peace: The Challenges of Managing International Conflict*, Chester A. Crocker, Fen Osler Hampson, and Pamela Aall, eds., (Washington, DC: United States Institute of Peace Press, 2001), pp. 143-162.

generally more ambiguous than a simple dichotomy between political and economic cause, and, in fact, it often changes throughout a civil war.

### III. Challenges for Designing and Implementing Peace Accords

Internal conflicts appear to be of longer duration than they once were. There are a number of economic aspects that render them particularly difficult to resolve: (1) they are often self-financing and commercially integrated at regional and international levels, (2) competition for resources creates agency problems in terms of the command, control, and cohesion of both rebel and government forces, (3) there is a proliferation of opportunities for self-enrichment over the course of a conflict, (4) diaspora networks, upon which some groups rely for financial support, are difficult for third-party mediators to influence with either “carrots or sticks,” and (5) they involve complicated trade-offs between brokering peace and providing justice, as was the case in Sierra Leone.

#### Spoilers

The nature of these factors is such that combatants may attain a vested interest in perpetuating conflict. In effect, the presence of any one of these factors may suffice to undermine efforts aimed at establishing meaningful peace accords by encouraging the emergence of what have come to be known as “spoilers.”

Spoilers are those “who use violence to oppose the peace process;” they may be actors internal or external to the conflict, including neighboring states that support continued insurgency. It seems straightforward that identifying and managing potential spoilers is essential to effective peace implementation. However, the opportunities presented by lootable resources for continued military financing, if not enrichment, make the management of spoilers problematic. Some have also questioned the utility of the term and the disposition its application by outside observers often connotes. Rebel groups are typically weak compared to governments, thus more likely to resort to violence. Due to the sanctity of state sovereignty, insurgents are also more likely to be viewed as illegitimate, and are therefore more likely to be labeled as spoilers. Likewise, third-party mediators play a signif-

icant role in how parties to a conflict are portrayed and perceived – potentially affecting who is regarded a spoiler. Parties who use violence to oppose or undermine a peace process remain problematic for the implementation of peace accords, but one should also be aware of state-centric ideology that often shapes analysis and therefore influences their design. When anticipating potential spoilers, more attention should be given to their intentions and capacities than to the position vis-à-vis sovereign states. Here, their degree of access to financial and other resources is an important consideration.

### IV. Operational Challenges for Peace Missions

Intervention by outside actors appears to have little effect in shortening wars. For this reason, conflict prevention and post-conflict peacebuilding take on added significance. The challenges for peace do not end with the signing of a peace accord. As the number of failed peace accords in the 1990s attests, it is at the early stages of peace implementation that societies are most vulnerable to renewed conflict.

#### A. Strategic Coordination

“Strategic coordination” is an indispensable element of any successful peace operation. It refers to efforts to manage several challenges often faced by third-party actors implementing peace accords: first, lack of coherence between settlement and implementation; second, conflicting approaches during these stages; and third, disjointed, if not contradictory, efforts to implement a given strategy.<sup>3</sup> Efforts at strategic coordination must reflect not only the complexities inherent in the conflict, but also resources, objectives, and interests of the United Nations, donors, and other actors. The presence of lootable commodities, the probability of spoilers, the stance taken by neighboring states, the number of combatants (in terms of both parties and individual actors), and the relative strength of the peace agreement provide a fairly consistent set of criteria by which to determine the likely obstacles to successful implementation. Given these challenges, it is particularly important that, when dealing with “new wars,” the UN consider factors such as the clarity and complementarity of mandates, available financial and material

<sup>3</sup> Bruce D. Jones, “The Challenges of Strategic Coordination: Containing Opposition and Sustaining Implementation of Peace Agreements in Civil Wars,” IPA Policy Paper Series on Peace Implementation, New York, June 2001.

resources, and the mechanisms for coordination with other actors. Often, however, the goals of various international actors implementing a peace agreement are conflicting. Consequently, political and operational expediency may come at the expense of the peace operation as a whole.

The UN must improve its contingency planning for implementing peace agreements, develop a better capacity to anticipate unintended consequences of intervention and to make tactical adjustments, and create functional intra-organizational assessment and monitoring systems. At a minimum, this requires better communication between negotiators and implementers, as well as improved cooperation and coordination among international actors in the field. The UN also requires more detailed information about the evolution of domestic power structures during peace operations and better analysis of specific conflict dynamics. To help in these areas, three suggestions were offered: first, drawing upon the collective field experience of the Special Representatives of the Secretary-General (SRSGs); second, establishing forums for routine communication and coordination among third-party actors; and finally, formalizing information-sharing networks among the secretariat, think tanks, and academic area specialists, rather than the current ad hoc arrangements.

#### *B. Disarmament, Demobilization, and Reintegration*

Stipulations for disarmament are typically excluded from formal peace agreements; a contentious issue, they are often left to be worked out afterwards. In cases where disarmament programs have been implemented, they have met with decidedly mixed results.<sup>4</sup> Slow disarmament need not mean that the peace agreement is doomed, however. The social context that influences decisions by individuals on whether the guns they retain will be used or remain unused throughout the peace process may actually be more important than continued possession of arms.

Dissatisfaction among ex-combatants with the terms of peace presents a risk to future stability, particularly in the immediate aftermath of war. While they were combatants, armed violence may have provided individuals with a means to protect their livelihood or, alternatively, to secure a new one. For some, the economic opportunities available through predation and other activities may exceed those otherwise available after conflict. Faced with uncertain prospects for the future, some ex-combatants may return to violence in order to secure their immediate livelihood, thereby increasing criminality, if not destabilizing the peace process. For these reasons, demobilization and reintegration of former combatants should be given greater priority than they have so far attracted.

In the establishment of demobilization camps, where speed is critical if instability is to be avoided, the international community has generally responded well. Unfortunately, though, reintegration efforts, which may take as long as five years, have typically been neglected by major donors concerned with avoiding an open-ended commitment to the costly social programs that are often essential to sustainable peace. By providing alternative livelihoods to ex-combatants, particularly rank-and-file forces, the incentive to act as spoilers of the peace process is significantly reduced. In some cases, former fighters may be integrated into national defense forces; in other cases, ex-combatants will have to receive training in new skills; and still others may choose to return to their former occupations. Yet, insuring that not only former combatants, but also their victims have access to education, job-training, and psycho-social programs and that their livelihoods are viable, is a long-term challenge. Obstacles to successful reintegration include: instability during the transition period, lingering rivalries among former combat groups, weak state capacity, unreliable statistics on the number of troops, and traditional societal norms (e.g., difficulties faced by child soldiers and female ex-combatants).

<sup>4</sup> For example, in Sierra Leone, UNAMSIL paid \$100-120 per weapon whereas the cost on the local market was closer to \$80-90. The unintended consequence may have been a regional magnet effect and a net increase for the availability of small arms in the country.

*Case Study I: Sierra Leone*

The civil war in Sierra Leone can be best understood within a historical context of political decay, economic decline, social exclusion, regional instability, and the indifference of the international community. From 1968, ruling elites increasingly relied upon coercion and corruption to maintain power – giving rise to a form of patronage network some have described as a “shadow state.” The country’s rapidly declining economy fueled massive unemployment and social discontent, thereby providing fertile ground for the Revolutionary United Front (RUF) rebellion. This volatile situation was then exacerbated by the emergence of a regional war economy related to the conflict in nearby Liberia. Finally, the international community, including Sierra Leone’s former colonial ruler, the UK, ignored opportunities in the early 1990’s to commit resources toward preventing civil war.

The Lomé Accord, signed by President Kabbah and RUF leader Foday Sankoh in July 1999 following the intervention by the Economic Community of West African States Ceasefire Monitoring Group (ECOMOG), proved to be flawed in a number of respects. First, in a bid to end the civil war, a general amnesty was offered to RUF combatants and a ministerial post with control over diamond resources to Sankoh.<sup>5</sup> The strategy backfired, as the RUF attempted to take political power by capturing Freetown, while also continuing to exchange diamonds for arms. Second, and more importantly, ECOMOG withdrew its troops, but other international actors, including the UN and key member states, preferring to “enforce peace on the cheap,” failed to commit the necessary (and substantial) resources for a just and durable settlement.

Initial efforts by the United Nations Assistance Mission in Sierra Leone (UNAMSIL) to implement the Lomé Accord suffered a series of setbacks. At the outset, the peacekeeping force was so poorly trained and equipped that it could hardly protect itself, let alone civilian populations, against the RUF. Fortunately, the substantial increase in UNAMSIL’s size to 17,500 troops (the largest UN force currently deployed), combined with the intervention of British troops, managed to salvage its credibility. Recently, the mission has gained access to formerly rebel-held territory and organized the demobilization of thousands of ex-combatants; meanwhile the national army is being trained by a British-led team. This positive reversal in UNAMSIL’s experience reinforces the importance of four elements: strong leadership by the Special Representative of the Secretary General (SRSG), an implementable mandate, sufficient financing, and adequate force capacity – all of which UNAMSIL initially lacked.

Nonetheless, there are a number of important security challenges that remain:

First, conflict in Sierra Leone has been intimately tied to events in the surrounding region. The international community must not only remain politically and financially engaged in peace implementation in Sierra Leone, but must also formulate a common strategy for the wider West African region, including Liberia in particular. Moreover, the border of Sierra Leone remains porous, posing a challenge for peacekeepers and local authorities intent on halting the continuing flow of illicit diamonds to Liberia. It is difficult to predict how the ongoing crisis in Liberia may impact Sierra Leone’s peace process in the near future.

Second, the attention of the international donor community tends to be driven by short-term crises. It remains to be seen whether adequate funds can be secured for long term reintegration of former combatants, let alone to redress chronically high levels of unemployment in the country. Yet, lack of attention to these issues risks the return of some former combatants to criminality and predation, if only as a means of survival.

Third, the absence of effective governance largely created the conditions for war in Sierra Leone. Restoration of social services, capacity-building for effective management of resources, political and financial transparency, and accountability are desperately needed.

<sup>5</sup> The Lomé Accord raised important questions regarding the need to balance justice – particularly in the case of severe violations of human rights – with expediency. By wrongly assuming that the RUF would abide by a peace agreement in exchange for Sankoh’s control of Sierra Leone’s diamonds, the agreement not only legitimized the rebels’ struggle at the expense of victims justice, but also perpetuated their ability to purchase arms. The contradictions of offering a general amnesty to the RUF while simultaneously prosecuting those most responsible for war crimes have yet to be reconciled in practice.

### *Case Study II: Afghanistan*

Afghanistan may be among the most difficult peace operations undertaken by the UN since the end of the Cold War. A number of recent positive developments in Afghanistan have taken place, including the establishment of the Interim Administration in December 2001, the holding of the Emergency *Loya Jirga* and subsequent formation of the Afghan Transitional Administration, efforts to build a nascent national police and army, and the return of nearly 500,000 refugees. However, the numerous factions to the conflict, the large number of troops involved, lootable resources in the form of gems and opium, a thriving smuggling network, the weak peace agreement reached in Bonn, almost non-existent national administrative structures, numerous potential spoilers including Taliban and al-Qaeda supporters, as well as rival warlords, a government perceived as ethnically unrepresentative and unpopular in the Pashtun-dominated south, hostile neighboring states, and a large refugee population (nearly 2 million in Pakistan alone) pose formidable challenges. Furthermore, promised international aid – aimed at social welfare and reconstruction – has been short in coming, representing a general failure to provide viable economic alternatives for much of the war-torn population. In particular, the absence of any viable alternative to cultivation of poppy may potentially strengthen the hand of the warlords at the expense of the central government.

To sustain this fragile peace, international actors in Afghanistan must prioritize the following: deterring spoilers, addressing the “refugee warrior” problem, demobilizing and reintegrating soldiers, protecting transportation routes, providing civilian security, and managing lootable resources.

Yet, the International Security Assistance Force (ISAF), comprising less than 5,000 troops and deployed only in the capital city of Kabul, is completely inadequate for undertaking these tasks. The current composition of ISAF can be attributed to a combination of the American preference to pursue terrorists rather than engage in “nation-building,” Northern Alliance resistance to an expanded force, and the inability of European powers or the UN Secretariat to effectively lobby for extending ISAF’s mandate and capabilities. There was a general consensus that ISAF’s current force structure and limited mandate are inadequate given the danger of the situation.<sup>6</sup>

Furthermore, reconstruction efforts have to date suffered from a lack of strategic coordination among international actors. Despite a proliferation of assessment missions, there is still a general lack of good information and statistics on the needs of Afghanistan. Competition among bilateral and multilateral donors has resulted in the creation of separate trust funds and has led to incoherent financing. Strategic coordination among donors is imperative if the international community wishes to leverage its position against the wide array of those who may obstruct the peace process. While the newly-created United Nations Assistance Mission in Afghanistan (UNAMA) does have a relatively strong mandate and centralized control structure, it still has no authority over member state agencies or the international financial institutions operating in Afghanistan. The on-going US military campaign has often overshadowed the “light footprint” of the UN and other member states, and has rendered strategic coordination to address vital challenges, such as controlling the exploitation of poppy production by various factions, nearly impossible. Fortunately, the Bonn Agreement, in serving as a framework for further negotiations, rather than a final status, may provide the flexibility needed to navigate a successful peace process.

### *C. Criminalization of Economic Life*

The pervasive criminalization of economic life prior to, during and after civil war is well known. As legal institutions and social norms break down, space is opened up for new economic opportunities, including organized

criminal activities. In addition to illegal activities (for example, trafficking narcotics), armed groups and criminal organizations may gain control over significant portions of formal economic sectors. This rise of black, gray, and informal markets during a war is best understood as neither a departure from “development”

<sup>6</sup> A comparison with Kosovo offers a stark contrast: Afghanistan is sixty-two times the size of Kosovo and its population twenty-five times larger, yet there are 40,000 KFOR troops deployed in Kosovo - roughly eight times as many as ISAF.

nor as an emergent anarchy, but rather as the creation of new systems of profit, power and protection in a highly unregulated environment.

Criminality poses a potential problem for conflict resolution and peacebuilding. The profitability of illicit activities during conflict may provide a motivation for continued conflict, potentially encouraging the emergence of spoilers. Once criminal activities are firmly established in society, it is difficult to root them out, not only because law enforcement and judiciary capacities are weak, but because they may serve a necessary economic and social function. In practice, however, it can be difficult to make a functional distinction between “legal” and “illegal” commerce, as both types of activity use the same networks and may have similar impacts upon war. In many war-torn countries, informal markets and clandestine trade may satisfy vital economic needs, such as responding to shortages of basic goods and services – albeit often alongside other, more “criminal” activities. Bosnia-Herzegovina illustrates some of the paradoxes presented by the criminalization of war economies. In the words of one panelist, “smuggling saved Bosnia.” According to this logic, only through the evasion of UN sanctions were Bosnians able to endure the siege of Sarajevo and then shift the balance of power in their favor – eventually leading to the Dayton Accord.

Official corruption, which often accompanies and enables pervasive criminality may also undermine efforts to establish peace, especially if economic assistance pledged for post-conflict reconstruction and other programs is diverted. This may result not only in a shortage of funds for critical programs, but also in the reluctance of donors to provide future assistance. Rebuilding the capacity of domestic institutions and promoting good governance after years, if not decades, of war, mismanagement and systematic corruption is a long-term task, but it is a critical one. The UN has only begun to realize the importance of early deployment of civilian police, criminal law enforcement agencies and judiciary personnel in peace missions.

While earlier attention to issues of criminal behavior is certainly an improvement, criminalization may be in part structural. As Bosnia demonstrates, newly reconstructed states may remain dependent upon outside assistance and clandestine transactions, long after conflict has ended. The highly fragmented state structure that resulted from compromises made in the Dayton

Accords is conducive to smuggling. The infamous Arizona Market, which straddles the border of the Bosnian and Serbian halves of Bosnia, exemplifies de facto post-conflict peacebuilding through illegal trade. Unfortunately, the long-term prospects for economic recovery based on illegal trade are poor. Without development of a sustainable national economy, and the creation of economic opportunities for demobilized combatants, resettled refugees and internally displaced persons (IDPs), criminality remains a possible threat to peace, and nationalism a potential attraction.

#### *D. The Economic Impact of Intervention*

That humanitarian relief has been increasingly targeted by combatants as part of the wider trend of predation upon civilian populations is by now well known. The ongoing debate regarding the utility of humanitarian relief relative to its potential costs should also prompt a broader reassessment of peace operations as an economic factor in itself.

Although it remains difficult to quantify the economic impact of peace operations, it has become increasingly clear that they can have various problematic, if not negative effects. These include the crowding-out of the capacity of local organizations (which may have long term implications), exacerbating social and economic disparities, facilitating the growth of organized crime (by stimulating demand for smuggling and prostitution), and damaging certain traditional sectors of national economies, as local professionals, drawn by distorted pay scales, shift to higher paying jobs to provide goods and services to outside actors, or as domestic producers and service providers are undercut by an influx of foreign goods and services.

The first step towards minimizing the negative impact of peace operations is to consider factors such as the configuration of international aid, the types of goods and services that can be acquired in the country, the prevailing socio-economic conditions, and the impact of interventions on these factors. For example, contracting local suppliers may stimulate the economy and speed economic recovery, depending upon who the recipients of this support are. Aid may reinforce power structures which emerged through conflict, providing legitimacy to these actors, while possibly also reinforcing corruption. Less apparent are the underlying functional rationales for how local actors may perceive the agencies involved in peace operations: as providers of capital for political



action, as actors in the transformation of economic structures, or as decision-makers who may affect the allocation of aid or become obstacles to its reallocation by others.

A number of participants and panelists critiqued the current reliance upon sanctions regimes as a tool for conflict management. Some argued that sanctions and other supply-side strategies inherently create financial incentives for smuggling by organized crime. Others noted that sanctions fail because they ignore state culpability in the creation of gray and black markets. An alternative, or at least complementary, approach for mitigating conflict would be to focus on reducing the demand for illicit goods in Western Europe and the US, as well as their (often unintentional) supply of arms, financial services and other goods and services to combatants. Other more immediate proposals include: (1) having UN Security Council consultations and coordination with law enforcement officials in order to plan and enforce more pragmatic sanctions regimes; and (2) maintaining the institutional independence of UN expert panels that research conflicts, monitor sanctions regimes, and offer detailed analysis to the Security Council.

#### *E. Conflict Prevention and Donor Aid*

The effectiveness of economic forms of intervention – whether positive in the form of assistance or negative in the form of sanctions – typically varies throughout the course of a conflict. Generally, using isolated economic measures as either incentives or disincentives to affect the course of on-going, large-scale violence is difficult. Parties may not be able to recognize their own economic self-interest in moving toward peace or they may simply have other, more pressing imperatives. On the other hand, there are opportunities for the international community to prevent violent conflict through tackling the structural root causes of violence, such as economic decline, inequality, and exclusion. This might be achieved through a substantial investment by donors in enhanced programs of economic aid and civil society capacity building.

During the difficult transition from war to peace, effective post-conflict peacebuilding requires reform of both the priorities and the timing of aid as currently

practiced by donors. Priorities should include establishing a secure environment, creating trust among the parties, and fostering a sense of social inclusion – including through early action to create expanded opportunities for employment. Short and medium term macro-economic considerations should therefore be subordinate to the immediate needs of socio-political confidence building. Economic development is an important component of successful post-conflict peacebuilding. According to the World Bank, targeting aid in the fourth through seventh year after conflict is optimal for promoting growth and sustaining peace. Unfortunately, conventional wisdom has emphasized speed – most aid disbursements arrive in the first three years of post-conflict peacebuilding, overwhelming a country's absorptive capacity, and then declining substantially just when external assistance is most needed.

## V. Conclusion

Participants highlighted a number of topics for future policy research. One area which figured prominently during discussions is the need to better understand the complex interaction of decision-making processes in state capitals with those in inter-governmental organizations. Central to this suggestion was the recognition that knowledge about a conflict is only one element in a very complicated equation. Those concerned with translating academic insights on the political economy of war and peace-making into policy and practice face a difficult path frequently impeded by competitive, if not contradictory bureaucracies; the economic and political self-interest of decision-makers; and *realpolitik* power dynamics. Analysts and mediators, meanwhile, should make more of an effort to see armed conflicts through the eyes of the belligerent parties. As one participant keenly observed, "people in a position of danger think very differently than those in New York." Rather than approaching peace operations as a type of externally imposed social engineering, the central role of third parties should be to facilitate an opening that allows for people to conceive of a political solution to their own conflict. Ultimately, this requires the international community to invest significantly more time in grasping the subtleties of each particular civil war. Understanding the political economy of war and peace will be crucial in this endeavour.

## Appendix I: Program

New York Seminar • West Point • 6-10 May 2002

### THE POLITICAL ECONOMY OF WAR AND PEACE

*Economic concerns loom over efforts to rebuild peace after war. But beyond the narrow questions of financing peace operations, little attention has been paid to the challenges that the legacies of wartime economic behavior pose for peacemaking, peacekeeping, and peacebuilding. The objective of the 2002 IPA New York Seminar will be to introduce policymakers and practitioners to the emerging analytical discourse and policy implications of the political economy of war and peacemaking so that peace missions may be better equipped to deal with the economic legacies of conflict and the challenges of building sustainable peace.*

Program Chair: Dr. David M. Malone, President, International Peace Academy

MONDAY, MAY 6, 2002

- 16:45-17:45      Orientation: Ms. Karen E. Ballentine, Research Coordinator and Program Associate,  
Economic Agendas in Civil Wars, International Peace Academy
- Colonel Jussi Saressalo, Military Adviser, International Peace Academy
- 19:00-19:30      Welcoming Reception, remarks by David M. Malone, President, International Peace Academy
- 19:30-21:30      Dinner Presentation:  
Mr. Jan Egeland, Secretary General, Norwegian Red Cross  
Introduced by David M. Malone

TUESDAY MAY 7, 2002

- 9:00-10:30      Panel 1: *The Political Economy of Armed Conflict: Concepts, Issues and Challenges*
- Chair: David M. Malone, President, International Peace Academy
- Panelists: Ms. Karen Ballentine, Research Coordinator and Program Associate,  
Economic Agendas in Civil Wars, International Peace Academy
- Dr. Paul Collier, Director, Research Development Group, World Bank
- Discussant: Mr. Jehangir Khan, Political Affairs Officer, Office of the Under-Secretary-General,  
Department of Political Affairs, United Nations

- 10:45-12:15      *Panel 2: Key Aspects of War Economies*
- Chair:            Dr. Neclă Tschirgi, Vice President, International Peace Academy
- Panelists:       Dr. Thomas Naylor, Professor, Department of Economics, McGill University
- Dr. Neil Cooper, Senior Lecturer, Department of Politics  
University of Plymouth
- Dr. Peter Andreas, Assistant Professor of Political Science and International  
Studies, Global Security Research Program, Watson Institute, Brown University
- Discussant:     Dr. Nazih Richani, Coordinator of the Latin American Studies Program,  
Kean University
- 12:30-14:30      Lunch Presentation:
- Special Guest: Colonel Jay Morgan Parker, Ph.D. Academy Professor and Director of  
International Relations and National Security Studies, Department of Social  
Sciences, United States Military Academy US Army
- 15:00-16:30      *Panel 3: Global and Regional Dimensions of Conflict Economies*
- Chair:            Ambassador Jenö Staehelin, Permanent Observer of Switzerland  
to the United Nations
- Panelists:       Mr. Christian H. Ruge, Senior Programme Manager,  
International Co-operation and Conflict Resolution, The Fafo Institute
- Dr. Joanna Macrae, Humanitarian Policy Group, Overseas Development Institute
- Discussant:     Mr. Danilo Türk, Assistant Secretary-General, Department of Political Affairs,  
United Nations
- 19:30-21:30      Dinner Presentation:
- Ambassador Andrés Franco, Deputy Permanent Representative of Colombia  
to the United Nations  
Introduced by David M. Malone

WEDNESDAY MAY 8, 2002

- 9:00- 10:30      *Panel 4: Challenges for Designing and Implementing Peace Accords*
- Chair:            David M. Malone, President, International Peace Academy
- Panelists:       Dr. Elizabeth Cousens, Program Director, Conflict Prevention and Peace Forum,  
Social Science Research Council
- Dr. Marie-Joëlle Zahar, Assistant Professor of Political Science,  
L'Université de Montréal
- Dr. Susan Woodward, Professor, Department of Political Science,  
The Graduate Center, CUNY

Discussant: Dr. Andrea Bartoli, Senior Research Scholar, Director, International Conflict Resolution, School of International and Public Affairs, Columbia University

10:45-12:15 Panel 5: *Operational Challenges for Peace Missions*

Chair: Mr. Jack Christofides, Senior Political Affairs Officer, Office of the Under-Secretary-General, Department of Political Affairs, United Nations

Panelists: Dr. Joanna Spear, King's College, University of London

Dr. Beatrice Pouligny, Research Fellow, Center for International Studies and Research (CERI), Sciences-Po. Paris

Mr. Halvor Hartz, Chief Superintendent, Norwegian Police Directorate

Discussant: Ms. Nasra Hassan, Head of Best Practice Unit, Department of Peace Keeping Operations, United Nations

15:30-17:00 Breakout Discussion Groups:

1. Topic: *War Economies: Legacies and Challenges*  
Facilitator: Dr. Neil Cooper

2. Topic: *The Political Economy of Peacebuilding: Lessons Learned*  
Facilitator: Dr. Joanna Spear

3. Topic: *Organized Crime and Policing the Peace*  
Facilitator: C.S. Halvor Hartz

18:00-19:00 Plenary Session: *Reports of Breakout Groups*

20:00-21:30 Dinner Presentation:  
David M. Malone, President, International Peace Academy

THURSDAY MAY 9, 2002

9:00- 10:15 Panel 6: *Operational Challenges for Peacekeeping and Peacebuilding: Lessons From Sierra Leone*

Chair: Ms. Karen E. Ballentine, Research Coordinator and Program Associate, Economic Agendas in Civil Wars, International Peace Academy

Panelists: Dr. Patrick K. Muana, Professor, Department of English, Texas A&M University

Dr. Ismael Rashid, Africana Studies Program, Vassar College

Dr. Tunde Zack-Williams, Department of Sociology, University of Central Lancaster

Discussant: Ms. Margaret Vogt, Political Affairs Officer, Office of Assistant Secretary-General, Department of Political Affairs, United Nations

- 10:45-12:15      Panel 7: *Operational Challenges for Peacekeeping and Peacebuilding in Afghanistan*
- Chair:            Ambassador Pierre Schori, Permanent Representative of Sweden to the United Nations
- Panelists:       Dr. Stephen Stedman, Senior Research Scholar, Institute for International Studies, Stanford University
- Dr. John Renninger, Director, Asia and Pacific Division, Department of Political Affairs, United Nations
- 14:30-15:45      Panel 8: *Policy Responses*
- Chair:            Dr. David Viveash, DFAIT, Director, Peacebuilding & Human Security
- Panelists:       Ambassador Wegger Strømmen, Deputy Permanent Representative of Norway to the United Nations.
- Ambassador Stewart Eldon, Permanent Representative of United Kingdom to the United Nations
- Discussant:     Dr. Neclâ Tschirgi, Vice President, International Peace Academy
- 16:00-17:30      Breakout Groups:
1. Topic: *Sierra Leone*  
   Facilitator: Dr. Patrick Muana
2. Topic: *Afghanistan*  
   Facilitator: Dr. John Renninger
- 19:30-21:30      Dinner
- FRIDAY MAY 10, 2002
- 9:00-10:00       Plenary Session: Reports of Breakout Groups
- 10:00-10:30      Closing remarks by Co-Chairs
- 10:30-11:00      Evaluation and Presentation of Certificates
- 11:20              Depart for NYC

## Appendix II: Participants

**Ms. Sophie Belfrage**  
Second Secretary  
Permanent Mission of Sweden to the United Nations

**Ms. Jet Belgraver**  
Senior Producer "Foreign Assignment"  
CBC Television

**Mr. Andriy Beshta**  
Second Secretary  
Permanent Mission of Ukraine to the United Nations

**Mr. Bassim Blazey**  
Counselor  
Permanent Mission of Australia to United Nations

**Ms. Mónica Bolaños-Pérez**  
Third Secretary  
Permanent Mission of Guatemala to the United Nations

**Ms. Felicity Buchanan**  
Second Secretary  
Permanent Mission of New Zealand to the United Nations

**Ms. Valerie De Campos Mello**  
Political Affairs Officer,  
Special Assistant to the Assistant Secretary General,  
Department of Political Affairs

**Mr. M. Yvan Chatila**  
First Secretary  
Permanent Mission of France to the United Nations

**Mr. Tariq Salim Chaudhry**  
Second Secretary  
Permanent Mission of the Pakistan to the United Nations

**Mr. Marc-André Dorel**  
Special Assistant to the Assistant Secretary General  
for Policy Coordination and Inter-Agency Affairs,  
Office of the Under-Secretary-General for Economic  
and Social Affairs

**Mr. Alper Coskun**  
Counselor  
Permanent Mission of Turkey to the United Nations

**Mr. Espen Gullikstad**  
First Vice Consul  
Royal Norwegian Consulate General

**Mr. Bernard Estrade**  
UN Correspondent  
Agence France Presse

**Mr. John Gosal**  
Second Secretary  
Permanent Mission of Canada to the United Nations

**Mr. Alaa Issa**  
First Secretary  
Permanent Mission of the Arab Republic of Egypt  
to the United Nations

**Ms. Monika Iwersen**  
Counselor  
Permanent Mission of Germany to the United Nations

**Mr. Jiang Jiang**  
Counselor  
Permanent Mission of the People's Republic of China  
to the United Nations

**Ms. Henriette von Kaltenborn**  
Associated Political Affairs Officer  
Department of Peacekeeping Operations

**Mrs. Marika Kuznetsova**  
First Secretary  
Permanent Mission of the Republic of Estonia  
to the United Nations

**Mrs. Janice Miller**  
Counselor  
Permanent Mission of Jamaica to the United Nations

**Colonel Ahamed Mohammed**  
Military Adviser  
Permanent Mission of the Republic of Kenya  
to the United Nations

**Mr. Joel Nhleko**  
Counselor  
Permanent Mission of the Kingdom of Swaziland  
to the United Nations

**Ms. Sharon O'Brien**  
Associate Political Affairs Officer,  
Department for Disarmament Affairs

**Mrs. Alexandrina-Livia Rusu**  
Third Secretary  
Permanent Mission of Romania to the United Nations

**Mr. Kai Sauer**  
Second Secretary  
Permanent Mission of Finland to the United Nations

**Ms. Kinga Simon**  
Second Secretary  
Permanent Mission of the Republic of Hungary  
to the United Nations

**Colonel Angah Louis Theodore**  
Attaché de Defense  
Permanent Mission of Côte d'Ivoire  
to the United Nations

**Mr. Syed Md. Hasrin Tengku Hussin**  
Second Secretary  
Permanent Mission of Malaysia to the United Nations

**Ms. Amy Yee**  
Assistant Editor  
Financial Times

# About the program

## Economic Agendas in Civil Wars (EACW)

Senior Associate:	Karen Ballentine	ballentine@ipacademy.org
Senior Program Officer:	Jake Sherman	sherman@ipacademy.org
Program Officer:	Heiko Nitzschke	nitzschke@ipacademy.org
Duration:	September 2000-December 2003	

Initiated in September 2000, the EACW program follows from a conference held in London in 1999 which produced the seminal volume, *Greed and Grievance: Economic Agendas in Civil Wars*, Mats Berdal and David M. Malone (eds.) (Lynne Rienner Press: Boulder, 2000). The program addresses the critical issue of how the economic agendas of armed factions sustain violent conflict and inhibit durable peace, while also assessing the role of globalization in creating new opportunities for combatants to finance their military operations. This hitherto under-developed field of research holds particular promise of policy relevance for those international and national actors seeking more effective strategies for both conflict prevention and conflict termination.

Beginning with an overall commitment to durable conflict resolution, the broad aims of the program are:

- to improve understanding of the political economy of civil wars through a focused analysis of the economic behaviors of competing factions, their followers, and external economic actors in conflict zones;
- to examine how globalization shapes the economic interests of belligerents as well as creates new opportunities for competing factions to pursue their economic agendas through trade, investment and migration ties, both legal and illegal, to neighboring states and to more distant, industrialized economies; and
- to evaluate the effectiveness of existing and emerging policy responses used by external actors, including governments, international organizations, private sector actors, and NGOs, to shift the economic agendas of belligerents from war towards peace and to promote greater economic accountability in conflict zones.

Policy research and development proceed along two tracks: four expert working groups (Advisory Group, Working Group on Economic Behavior of Actors in Conflict Zones, Private Sector Working Group, and Policies and Practices Working Group) and commissioned research. Case studies have been commissioned on the political economy of conflict in Burma, Bougainville (PNG), Colombia, Kosovo, Sri Lanka, and West Africa and will be published in an edited volume (Lynne Rienner Press, forthcoming). A second volume of analytic studies assessing policy responses to the economic dimensions of armed conflict is being commissioned. Other products include periodic meeting reports, policy briefs and background papers, which are available electronically on our website (details below).

Policy development also involves on-going consultations with international experts and practitioners, academic conferences, and workshops and briefings that bring together relevant UN actors, governments, private sector actors, and NGOs. As part of a continuous outreach effort, the program has engaged in several partnerships, including the Fafo Institute of Applied Social Science (Oslo); the Institute for Security Studies (Pretoria); the Woodrow Wilson International Center for Scholars (Washington, DC); the International Institute for Strategic Studies (London) and the World Bank's Development Research Group (Washington, DC). We have also built a virtual network of experts and policy practitioners through sponsorship of an electronic list-serve, [war\\_economies@yahoogroups.com](mailto:war_economies@yahoogroups.com).

### *Acknowledgements:*

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More information on program events and all of the program reports are available on the program website at [http://www.ipacademy.org/Programs/Research/ProgReseEcon\\_body.htm](http://www.ipacademy.org/Programs/Research/ProgReseEcon_body.htm)



International Peace Academy

687-4300

FAX [212] 983-8246

E-MAIL [ipa@ipacademy.org](mailto:ipa@ipacademy.org)